Group Performance Highlights

Q4.2014 Results

- **Profit before tax and provisions** (excluding trading results) was €280 mn in Q4.2014, 2% higher versus Q3.2014 and up 32% when compared to Q4.2013. Profitability for the full year was €1,044 mn.
- Group **net interest income** continued to improve on a quarter-to-quarter basis in Q4.2014 and reached €513 mn, +8% yoy and +1% qoq. **The further de-escalation of time deposits cost** in Greece in December 2014 to 193 bps compared to 225 bps in September 2014 contributed to the improvement of net interest income, while net interest margin (NIM) increased 36 bps yoy to 284 bps.
- **Net fees & commissions income** was €87 mn in Q4.2014, up 5% on a recurring annual basis. As percentage of assets, net commissions were 48 bps, up 5 bps compared to Q4.2013.
- **Net operating revenues** amounted to €559 mn. Excluding one-off results and trading income, in Q4.2014 net revenues increased 3% to €640 mn on an annual basis.
- **Operating expenses** were €360 mn down 12% versus Q4.2013, excluding one-off integration costs in both quarters. Specifically, staff expenses were down 20% yoy when excluding the impact of voluntary exit scheme (VES) programmes in both quarters, demonstrating the significant progress that has been made in this area.
- The **loans in arrears over 90 days** ratio dropped to 38.8% versus 39.0% in September 2014 (excluding the €1.8 bn seasonal agri-loan to OPEKEPE that was disbursed in Q4.2014 and was repaid in February 2015). This came as a result of almost zero new NPL formation in Q4.2014 and €0.6 bn of write-offs. The **coverage ratio of loans in arrears over 90 days by cumulative provisions** significantly increased to 57.4% when compared to December 2013 (50.6%).
- The Group posted **loan impairment charges** of €519 mn in Q4.2014, resulting in an increased level of loan loss reserves over gross loans ratio of 22.3% (excluding seasonal agri-loan). Total loan provisions reached €3.7 bn for FY.2014, which exceed the sum of provisions of €2.7 bn related to the AQR and €0.7 bn of the first year provisions of the ECB Stress Test (total €3.4 bn).
- **Net result from continuing operations attributable to shareholders** amounted to -€332 mn in Q4.2014, as a result of the increased provisions and the restructuring costs. Net results for the full year 2014 amounted to -€1.972 mn.

Volumes as of 31 December 2014

- Group **total assets** amounted to €89.1 bn down 3% versus December 2013, mainly due to the deleveraging of the net loan portfolio.
- **Customer deposits** totalled €54.8 bn, up 1.0% versus 2013, recording a marginal decrease (-0.4%) versus September 2014 due to the political uncertainty which intensified in December 2014. In the first two months of 2015 deposits further decreased by €6.9 bn. It should be noted that the aforementioned deposit outflows ceased following the agreement attained at the Eurogroup meeting on February 20, 2015, while they haven't negatively affected the downward trend of the time deposit cost, which continued in the first months of 2015.
- **Gross loans before adjustments** continued to be deleveraged, decreasing 2% quarter-on-quarter and totalling €71.2 bn (excluding the seasonal agri-loan). Net loans amounted to €55.3 bn (excluding the seasonal agri-loan).
- **Net loans to deposits ratio** was 101% in December 2014 (excluding the seasonal agri-loan) versus 102% in September 2014. The net Eurosystem funding over total assets ratio (excluding EFSF bonds pledged as collateral to ECB) increased to 9.4% versus 5.3% in September 2014, negatively influenced by the political uncertainty.
- **The total equity** of the Group amounted to €7.3 bn, thus setting the leverage ratio at 8%, significantly higher than the minimum 3% ratio set by the Basel Committee. The Group's **total capital adequacy ratio** according to Basel III was 12.5%, while the Common Equity Tier I ratio was 12.4%. Under the fully implemented Basel III regulatory framework, CET-1 stood at 11.2% (fully loaded with DTC).
- The **Group's branch network** comprised 1,175 units at the end of December 2014, of which 803 branches operated in Greece and 372 abroad. The branch network was reduced by 274 branches during 2014 of which 234 in Greece, which means that the Restructuring Plan target of 870 branches in 2017 has been achieved three years ahead of schedule.
- In the context of the Restructuring Plan, the Bank implemented a new voluntary exit scheme (VES) in Greece in Q4.2014, with 1,000 employees participating, bringing the **number of staff** in Greece to 15,539 employees, this enables the Bank to essentially achieve its Restructuring Plan target three year early. The **Group's headcount** at the end of December 2014 was 21,243 employees, of which 5,705 were related to the Group's international operations.

Key Figures of Piraeus Bank Group

Consolidated figures (amounts in mn €)	31.12.14	30.9.14	31.12.13	31.12.14 / 30.09.14	31.12.14 / 31.12.13
Selected Balance Sheet Figures					
Assets	89,090	86,419	92,010	3%	-3%
Deposits	54,831	55,047	54,279	0%	1%
Gross Loans before Adjustments [1]	72,983	72,709	76,114	0%	-4%
Cumulative Provisions [1]	(15,840)	(16,414)	(13,748)	-3%	15%
Total Equity	7,322	7,769	8,543	-6%	-14%
Selected P&L Results	**Q4.2014**	**Q3.2014**	**Q4.2013**	**Δ Q4.14 / Q3.14**	**Δ Q4.14 / Q4.13**
Net Interest Income	513	509	475	1%	8%
Net Fees & Commission Income	87	87	91	0%	-5%
Net Trading Income & Gain less Losses from Investment Securities	(40)	(23)	45	-	-
Other Operating Income & Dividend Income	(1)	20	(25)	-	-
Net Revenues	**559**	**591**	**586**	**-5%**	**-5%**
- *o/w one-off results*[2]	*(51)*	*(29)*	*(78)*	-	-
Personnel Expenses	(235)	(172)	(313)	36%	-25%
Administrative Expenses	(179)	(153)	(237)	17%	-25%
Depreciation & Other Expenses	(35)	(34)	(34)	2%	1%
Total Operating Costs	**(448)**	**(359)**	**(584)**	25%	-23%
- *o/w one-off integration costs*[3]	*(88)*	*(17)*	*(176)*	-	**-**
Pre Provision Income (PPI)	**111**	**232**	**2**	-52%	-
PPI excluding one-off revenues-costs and trading	**280**	**273**	**211**	2%	32%
Share of Profit of Associates	(6)	7	(24)	-	-
Impairment on Loans	(519)	(2,242)	(674)	-77%	-23%
Impairment on Other Assets & Other Impairments	(179)	(15)	(174)	-	3%
Pre Tax Result	**(593)**	**(2,018)**	**(871)**		
Income Tax	254	460	161		
Share of Bank shareholders in result after tax	**(332)**	**(1,558)**	**(700)**		
Result After Tax from Discontinued Operations	5	2	11		

[1] The amount includes the fair value adjustment related to credit risk, from the loans acquired by "good" part of ATEbank, Geniki Bank, the domestic loans of the 3 Cypriot banks and those of Millennium Bank Greece. Furthermore, gross loans in 31.12.2013 and 31.12.2014 include the seasonal loan of €1.9 bn and €1.8 bn agri-loan to OPEKEPE respectively for the disbursement of EU agricultural subsidies, already repaid in Feb. 2014 and Feb. 2015 respectively.

[2] Analysis of one-off revenue: Q4.2014, trading loss €9 mn and other income -€42 mn from real estate revaluation. Q3.2014, trading loss €29 mn. Q4.2013, other income -€87 mn from real estate revaluation.

[3] Analysis of one-off costs: Q4.2014, €62 mn VES, €20 mn integration costs of acquisitions and €6 mn operating costs from the first consolidation of "Imithea SA", which resulted from loan restructuring. Q3.2014, €17 mn integration costs of acquisitions. Q4.2013, €102 mn VES and 74 mn integration costs and other one-off costs.

Evolution of results

The Group's FY.2014 **net revenues** were €2,485 mn, while **net interest income** (NII), which accounts for 81% of net revenues reached €2,000 mn. In Q4.2014 NII increased 8% yoy and 1% qoq totalling to €513 mn. This increase is mainly attributable to the decrease in the average monthly cost of time deposits that dropped to 193 bps in December 2014 compared to 225 bps in September 2014. Furthermore, the interest rate of new time deposits in Greece dropped even lower to 177 bps, down 23 bps versus to September 2014.

It's should be noted that despite the political uncertainty that emerged at the end of 2014 and led to a significant outflow of deposits, the downward trend of time deposits cost was not affected, with the new time deposits interest rate declined to 1.73% at the end of February 2015. **NIM** increased further to 284 bps in Q4.2014 compared to 279 bps in the previous quarter (as a percentage of assets excluding EFSF bonds). NII from domestic operations amounted to €1,695 mn in FY.2014, and €305 mn from the Group's international operations.

Net fees & commission income was €333 mn in FY.2014, with €87 mn in Q4.2014 in line with level in Q3.2014 and up 5% versus Q4.2013 (adjusted in 2013 for €9 mn of one-off agri-banking fees). Net fees & commission income, as a percentage of assets excluding EFSF bonds, reached 48 bps in Q4.2014 compared to 43 bps in the respective quarter of 2013. Commissions from banking activities comprised 88% of total, while investment banking and asset management account for 6% each. Net fees & commission income in Greece was €282 mn in FY 2014, while for international operations it was €51 mn.

The Group's **operating expenses** was €1,533 mn, of which 50% were related to staff expenses (€772 mn), 40% to administrative expenses (€605 mn) and 10% to depreciation and other expenses (€156 mn). Operating costs in Q4.2014 were €360 mn, down 12% yoy (burdened by €88 mn and €176 mn in non-recurring integration costs of the acquired operations). It is noted that of the €88 mn in Q4.2014, €62 mn were linked to the VES in which c.1,000 employees participated, while the expected annual benefit will amount to €40 mn approximately. The **cost to income ratio** on a like-for-like basis improved to 59% in Q4.2014 versus 61% in Q4.2013.

The **Group's recurring profit before tax and provisions** was €250 mn in Q4.2014, compared to €256 mn in Q4.2013, excluding one-off integration costs related to the acquired banking operations (€88 mn and €176 mn in Q4.2014 and Q4.2013 respectively) and the one-off results (-€51 mn and -€78 mn respectively). Excluding trading results, Q4.2014 recurring pre-provision profitability amounted to €280 mn, up 2% qoq and up 32% compared to Q4.2013.

During Q4.2014, the Group posted €519 mn of **loan loss impairments**, bringing the total amount to €3,718 mn in FY 2014. The quarterly amount is broken down to €290 mn in Greece and €229 mn abroad. Moreover, additional €286 mn of **impairments for other receivables** was recognized in FY.2014 (€179 mn in Q4.2014, mainly for real estate and investment impairments). Impairment losses over gross loans in Q4.2014 was 2.9% compared to 3.6% in Q4.2013.

It is noted that FY2014 results incorporate €39 mn related to the positive impact from fair value adjustment of acquired loans. For comparability reasons this amount was transferred from the line other income to impairment on loans.

The **Group's net results from continuing operations attributable to shareholders** amounted to a loss of €1,972 mn in 2014. On a quarterly basis, the Q4.2014 net result amounted to a loss of €332 mn. It is noted that €200 mn of deferred tax was recognized in Q4.2014 related to the absorption of Geniki Bank that took place in November 2014.

Volumes Evolution

The Group's total **customer deposits** amounted to €54.8 bn at year end 2014, recording an increase of 1.0% on an annual basis and a marginal 0.4% decrease compared to September 2014. The decline in Q4.2014 was attributable solely to Greece as a result of the political uncertainty that heightened in December, and led to 1% drop qoq. Whereas, deposits related to international operations increased by 5% in Q4.2014 totalling €5.4 bn (mainly from Bulgaria, Cyprus and Romania).
Deposit outflows in Greece continued in the first two months of 2015 (-€6.9 bn), however they minimized following the agreement attained at the Eurogroup meeting on February 20, 2015. The **Bank's deposit market share** was 29% in December 2014, stable compared to December 2013.

Gross loans before adjustments at the end of December 2014 amounted to €73.0 bn, including the seasonal agri-loan of €1.8 bn for subsides for 650 thousands farmers. Excluding the agri-loan, Group's loans were down 2% in the last quarter of the year, mainly attributed to the deleveraging related to the economic conditions, and €0.6 bn in write-offs.

Loans in Greece amounted to €66.1 bn and in international operations to €6.9 bn (9% of total loans). Business loans represented 66% of total Group loans, whereas retail loans made up 34% (24% mortgages and 10% consumer loans). Based on December 2014 data, Piraeus **Bank's loan market share** in Greece stood at 29%, remaining unchanged yoy.

Group Volume Analysis	Amounts (€ mn)	Composition (%)
Gross loans before adjustments		
Loans to businesses	48,108	66%
Loans to individuals	24,875	34%
Total loans	**72,984**	**100%**
• Greece	66,068	91%
• International	6,916	9%
Deposits		
Sight-Savings	22,961	42%
Term	31,870	58%
Total deposits	**54.831**	**100%**
• Greece	49,450	90%
• International	5,381	10%

Loans to deposits ratio adjusted for the seasonal agri-loan reached 101% at the end of December 2014 (101% both in Greece and abroad), versus 102% in September 2014. On December 31, 2014 Piraeus Bank's Eurosystem funding increased qoq affected by the negative market conditions (net Eurosystem funding reached €8.4 bn[4] in Dec.2014 versus €4.6 bn in Sept.2014), while it increased as a percentage of total assets to 9%.

Loan Portfolio Quality

NPL formation continued its downward trend of the past two years, and zeroed in Q4.2014. Specifically, new loans in arrears as a percentage of loans was 0.0% in Q4.2014 compared to 0.5% in the previous quarter and 1.3% a year earlier. The improvement relates to Greece and is attributable to the marginal recovery of the Greek economy in 2014 (annual GDP growth of 0.8%), and the active management of the troubled loan portfolio by the newly established Recovery Banking Unit.

Subsequently, the Group's **NPLs ratio** stabilized after 6 consecutive years and reached 38.8% at the end of December 2014 compared to 39.0% in September 2014.

The **coverage of loans in arrears over 90 days by cumulative provisions** improved to 57.4% at the end 2014 (57.2% in Greece and 60.1% abroad) compared to 50.6% in December 2013. Including the collateral and guarantees total coverage reached 124%. At the end of December 2014, the **cumulative provisions to gross loans ratio,** excluding the agri-loan, reached the particularly high level of 22.3% (the respective ratio for business loans was 25.8%, for mortgages 6.7%, and 36.6% for consumer and credit cards) compared to 18.5% in December 2013. The aforementioned ratio for the total Greek market stood at 17.4% in December 2014 (stand-alone financial statements).

Capital Adequacy

On December 19, 2014, the Extraordinary General Meeting of Piraeus Bank's shareholders approved the participation of the Bank in the provisions of the law 4303/2014 regarding the conversion of deferred tax assets to deferred tax credit (DTC).

The Group's **total equity** amounted to €7.3 bn at end-December 2014, bringing the **leverage ratio** to 8%, thus at a much higher level than the minimum 3% threshold required by the Basel Committee. At the end of December 2014, the **Group's total capital adequacy ratio**, according to the regulatory framework of Basel III and without the provisions of Law 4303/2014, stood at 12.5% and the **Common Equity Tier 1 ratio** at 12.4%. The Common Equity Tier 1 ratio, based on the fully loaded Basel III rules and the application of the Law 4303/2014 (DTC), stood at 11.2%, at the European average.

[4] Excluding €6 bn and €5 bn respectively for EFSF bonds pledged to ECB

The financial statements of Piraeus Bank Group for the FY 2014 will be posted at the corporate website ([www.piraeusbankgroup.com)](http://www.piraeusbankgroup.com) by the end of March 2015.

Athens, 19 March 2015

BRIEF PROFILE

Piraeus Bank was founded in 1916 and was listed on the Athens Stock Exchange in 1918. The Bank operated through a period of private-ownership and management and in 1975 it passed to state-ownership until 1991, when it was privatized again. Since then, Piraeus Group has become one of the most dynamic and active organizations in the Greek economy. At the end of December 2014, the Group possessed a network of 1,175 branches (803 in Greece and 372 abroad) and employed 21,243 people (15,539 in Greece and 5,705 abroad) and 5.8 mn customers in 10 countries.

During 2012 and 2013 Piraeus Bank Group proceeded with a series of business transactions (absorption of the "good" part of ATEbank, acquisition of Geniki Bank, acquisition of banking operations of 3 Cypriot banks in Greece, acquisition of Millennium Bank Greece), thus attaining a leading market position in the Greek banking market.

Piraeus Bank Group, combines business operations with social responsibility, endorses systematically its relations with its social partners through specific actions, while emphasis is also placed on the protection of the natural and cultural environment. As one of the systemic banks in Greece, Piraeus Bank undertakes initiatives in order to support healthy business plans, and the transition of the Greek economy into a new era of modern and sustainable growth.