

# FIRST HALF 2011 RESULTS

GROUP'S TOTAL EQUITY AT €3.3 BN POST PSI



Athens – 31 August 2011

## Management Statements

“Developments over the past weeks have created a more positive environment in Greece. Importantly, the anticipated implementation of July’s EU resolutions should lead to more sustainable public debt and stabilisation of Greece’s fiscal balance. This, combined with further strengthening of the banking sector through consolidation and foreign investment, we believe will drive the Greek economy into a new period.”

**Michalis Sallas, Chairman of BoD**

“The Group’s organic profitability improved in H1’11, despite the unfavorable market conditions. The pre tax and provision profit amounted to €372 mn compared to €312 mn in H1’10 increased by 19%. This was mainly contributed by the increase in net interest income by 6% at €628 mn and the reduction of operating costs by 4% y-o-y at €403 mn (-5% in Greece). The Group’s steadily increasing organic profitability enables the Group to maintain its capital adequacy ratios at a satisfactory level and to further strengthen its balance sheet.”

**Stavros Lekkakos, CEO**

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Piraeus Bank Group ([www.piraeusbank.gr](http://www.piraeusbank.gr)) 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 of the Greek economy. At the end of June 2011, the Group possessed a network of 866 branches (355 in Greece and 511 internationally) and employed 13,135 people (6,335 and 6,800 respectively). Piraeus Bank Group’s total equity amounted to €3.3 bn, customer deposits to €26.4 bn, net loans €36.7 bn and total assets to €57.1 bn.

Piraeus Bank Group, combining business operations and social responsibility, endorses systematically its relations with its social partners through specific actions, as well as the broader social environment, while emphasis is placed on the protection of the natural and cultural environment.

# Group Performance Highlights, 1 January – 30 June 2011

## Piraeus Bank's Participation in PSI

- The implementation of the resolutions of the European Summit which took place on 21.07.11 is combined among other things, with the successful outcome of the Private Sector Involvement-PSI programme for the refinancing of Greece's debt. In relation to this PSI programme, Piraeus Bank has recognised an impairment charge, the exact amount of which will be finalised upon the completion of the programme. This impairment charge, which represents an accounting and not an actual loss, had a €0.8 bn after tax impact on the Bank's results for Q2'11.
- With Piraeus Bank's participation in the PSI programme, almost all the current Greek Government Bond (GGB) portfolio will be exchanged with new bonds guaranteed in terms of their principal with AAA class rated securities. Upon the implementation of the PSI programme, the Group will hold GGBs of €62 mn total value. Furthermore, based on the expected yield of the new bonds, net interest income will be strengthened by at least €50 mn annually in the following 30-year period.
- With regards to the impact in the Group's equity, the planned initiatives that have already been announced, i.e. the expected sale of the subsidiary bank in Egypt and the issue of a convertible bond of €250 mn will maintain Core Tier I and the Group's total capital adequacy ratio at the level of 10% and 11% respectively.

## H1 2011 Results

- Net interest income (NII) amounted to €628 mn, +6% y-o-y. In Q2'11 NII was €319 mn which was the best quarter for the Group historically.
- Net commission income amounted to €100 mn at the same level as H1'10, while commercial banking commissions amounted to €87 mn increased by 5% y-o-y.
- Net revenues increased by 7% y-o-y and amounted to €781 mn.
- Operating costs decreased by 4% y-o-y at €403 mn with operating expenses decreased both in Greece by 5% and abroad by 2%.
- Group's personnel expenses decreased by 3% y-o-y at €195 mn, and -4% y-o-y in Greece. General administrative expenses were reduced by 7% y-o-y at €159 mn and -9% y-o-y in Greece.
- Pre tax and provision profit amounted to €372 mn increased by 19% y-o-y, which enables the Group to both cover current high loan provisions and ensure its capital adequacy ratios.
- Provisions amounted to €371 mn increased by 38% y-o-y corresponding to 192 bps on average loans (137 bps in H1'10), as a result of the deteriorating economic environment especially in Greece (estimated GDP in H1'11: -7.5% y-o-y).
- Pre tax result was -€1,004 mn in H1'11 post PSI, while after tax attributable to shareholders amounted to -€820 mn.

## Volumes as of June 30th 2011

- Net loans amounted to €36.7 bn, down 3% y-t-d.
- Deposits reached €26.4 bn decreased by 12% y-t-d as the outflow trend of deposits continued in Greece (Piraeus Bank and Greek market deposits: -10% in H1'11 excluding deposits of the Greek government)
- Loans in arrears above 90 days (IFRS 7) stood at 9.6% in H1'11. The provision coverage ratio stood at 46.4%. The coverage ratio was 110%, when tangible collaterals are taken into account.
- The Group's total equity stood at €3.3 bn incorporating the impact from the participation in the PSI. Regulatory capital amounted to €3.5 bn. The capital adequacy stood at 9.5%, Tier I at 8.6% while Core Tier I at 8.2% (including preference shares of the Greek state).

## Key Figures of Piraeus Bank Group in June 2011

(balance sheet data at the end of the period, income statement data for the interim period)

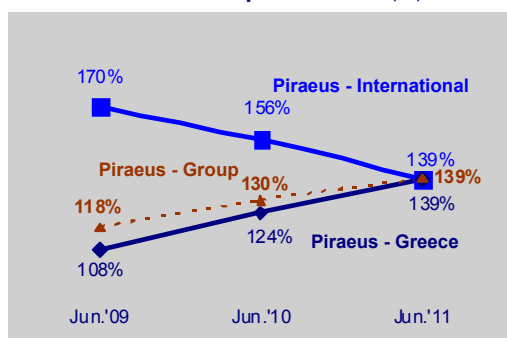
Consolidated Data	30 June 2011	30 June 2010	Δ y-o-y
<b>Selective Volume Figures (€ mn)</b>			
Assets	57.069	56.591	1%
Net Loans	36.654	38.486	-5%
Deposits & retail bonds	26.357	29.671	-11%
Total Equity	3.304	3.362	-2%
▫ Common Shareholders' Capital	2.804	2.834	-1%
▫ Non-controlling Interest	133	162	-18%
▫ State Preference Shares	366	366	-
Regulatory Capital	3.499	3.657	-4%
<b>Summary Results (€ mn)</b>			
Net Interest Income	628	591	6%
Net Fee & Commission Income	100	100	0%
Trading Results	24	-22	>100%
Other Income & Dividend Income	29	62	-53%
<b>Total Net Revenues</b>	<b>781</b>	<b>731</b>	<b>7%</b>
Personnel Expenses	(195)	(200)	-3%
○ Greece	(137)	(143)	-4%
Administrative Expenses	(159)	(171)	-7%
○ Greece	(105)	(115)	-9%
<b>Total Operating Costs</b>	<b>(403)</b>	<b>(418)</b>	<b>-4%</b>
○ Greece	(266)	(279)	-5%
<b>Pre Tax and Provision Profit</b>	<b>372</b>	<b>312</b>	<b>19%</b>
Provision Expenses	(371)	268	38%
Impairment due to PSI participation	(1,005)	-	-
Pre-Tax Profit (Loss)	(1,004)	44	-
Tax	176	(34)	-
Net Profit (Loss) Attributable to Shareholders	(820)	10	-
<b>Key Ratios (%)</b>			
Loans / Deposits	139%	130%	936 bps
○ Greece	139%	124%	1,524 bps
○ International Operations	139%	156%	-1,695 bps
NPLs > 90 days (IFRS 7)	9.6%	6.0%	357 bps
○ Greece	8.9%	5.5%	333 bps
○ International Operations	12.2%	7.6%	459 bps
Coverage of NPLs > 90 days	46.4%	50.2%	-377 bps
NIM / Average Earning Assets	2.68%	2.67%	1 bps
Cost / Income	51.6%	57.2%	-566 bps
Cost / Average Assets	1.40%	1.51%	-11 bps
Provision Expenses / Average Loans	1.92%	1.37%	55 bps
Capital Adequacy (post PSI 30.06.11)	9.5%	9.7%	-16 bps
○ Tier I ratio (post PSI 30.06.11)	8.6%	8.8%	-24 bps
○ Core Tier I ratio (post PSI 30.06.11)	8.2%	8.4%	-25 bps

## Volumes Evolution

**Deposits** amounted to €26.4 bn at the end of June 2011, decreased by 11% y-o-y. The decrease in Group deposits was mainly related to operations in Greece, which recorded a reduction equivalent to the contraction of the Greek market deposits (Piraeus and Greek market -14% y-o-y in June'11). Deposits stemming from international subsidiary banks, excluding Piraeus Bank Egypt where deposits decreased due to the political unrest, recorded an increase by 7% y-o-y. When Piraeus Bank Egypt is included, international deposits decreased by 1% y-o-y.

The loans to deposits ratio stood at 139% compared to 130% a year ago. The ratio in Greece deteriorated due to the decline in deposits, as opposed to the respective loans to deposits ratio of the international operations which was improved to 139% versus 156% a year ago.

**Loans to Deposits Ratio (%)**



Group **net loans** decreased by 5% y-o-y and amounted to €36.7 bn at the end of June 2011. In Greece, the loan portfolio balance amounted to €29.2 bn (-3% y-o-y) while loans from international operations decreased to €7.5 bn (-11% y-o-y).

Per customer category, at the end of June 2011:

- total business portfolio decreased by 4 % y-o-y,
- loans to individuals decreased by 7% y-o-y, mortgages remained flat, while consumer loans and credit cards decreased by 17%,
- loans to businesses constituted 72% of total net loans and loans to individuals 28% (18% mortgage, 10% consumer).

## Group Volume Analysis (€ mn) Jun.'11 Δ% y-o-y

### Net Loans per Type

Loans to Businesses	26,229	-4%
Loans to individuals	10,425	-7%
<b>Total Net Loans</b>	<b>36,654</b>	<b>-5%</b>
• Greece	29,174	-3%
• International Operations	7,480	-11%

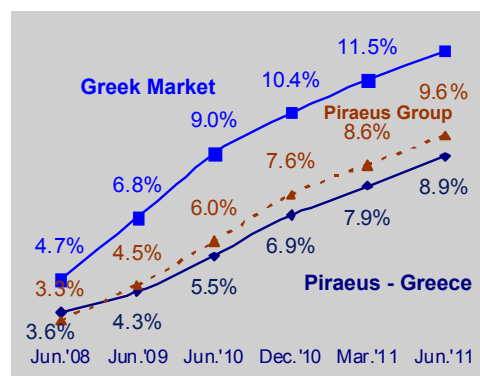
### Deposits per Type

Sight-Savings	8,230	-8%
Term	18,127	-12%
<b>Total Deposits</b>	<b>26,357</b>	<b>-11%</b>
• Greece	20,971	-14%
• International Operations	5,387	-1%

## Asset Quality

Loans in arrears over 90 days ratio (IFRS 7) reached 9.6% at the end of June '11. The increase is mainly attributed to the slowdown in economic activity (-7.5% y-o-y estimated GDP rate in H1'11) and the restricted liquidity.

**Loans in Arrears > 90 days (%)**



The NPLs>90 days coverage by cumulative provisions stood at 46.4% at the end of June '11 compared to 46.6% in March 2011. The write-offs in H1'11 amounted to €76 mn.

## Evolution of Results

Net Revenues improved by 7% in H1'11 and reached €781 mn with the main contributor being net interest income which recorded an increase of 6% y-o-y and reached €628 mn. Operating costs amounted to €403 mn, decreased by 4% y-o-y, within the context of the target that was set for total operating expenses to be reduced by 5% in full year 2011.

Pre-tax and provision profit for H1'11 increased by 19% and reached €372 mn compared to €312 mn in H1'10, while when excluding trading results pre-tax and provision profit amounted to €348 mn increased by 4% compared to €334 mn a year ago. The increase in provisions weighed on H1'11 results with provisions up 38% y-o-y to €371 mn, due to the adverse economic conditions, especially in Greece.

Furthermore, since Piraeus Bank is participating in the PSI programme for the refinancing of the Greek Government bonds, H1'11 results were impacted by €1,005 mn impairment charge.

Including this impairment charge, pre-tax profit amounted -€1,004 mn in H1'11, while net income attributable to shareholders was -€820 mn.

## Evolution of Results per Geography

The Group's Net Interest Income in Greece recorded an increase of 11% y-o-y, while international operations' NII marginally decreased by 1% due the decrease of net loans by 11% y-o-y.

Net Commission Income in Greece slightly decreased by 5% y-o-y, while the Group's international operations displayed a significant growth of 14% y-o-y. It is worth noting that commercial banking commissions in Greece recorded an increase of 1% y-o-y. However, commissions linked to investment banking and asset management were negatively affected by the market conditions.

Domestic pre-tax and provision profit amounted to €231 mn, while International operations' pre-tax and provision profit amounted to €141 mn in H1'11.

In Greece, the Group's provision expense further increased and amounted to €262 mn (+75% y-o-y) as a consequence to the adverse economic environment, whereas abroad provisions were slightly down by 8% y-o-y at €109 mn.

Group Results (€mn)	H1 '11	Δ% y-o-y
Net Interest Income	628	6%
Net Commission Income	100	0%
Other Income	53	34%
<b>Total Net Revenues</b>	<b>781</b>	<b>7%</b>

Operating Costs	403	-4%
<b>Pre-Tax and Provision Profit</b>	<b>372</b>	<b>19%</b>

Provision Expense	371	38%
Impairment attributed to PSI	1,005	-
<b>Pre-Tax Income</b>	<b>-1,004</b>	<b>-</b>

<b>Net Income Attributable to Shareholders</b>	<b>-820</b>	<b>-</b>
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## Selected Results per Geography (€ mn)

	H1 '11	Δ% y-o-y
Net Interest Income	628	6%
▫ Greece	406	11%
▫ International Operations	222	-1%
Net Commission Income	100	0%
▫ Greece	71	-5%
▫ International Operations	29	14%

<b>Net Revenues</b>	<b>781</b>	<b>7%</b>
▫ Greece	504	17%
▫ International Operations	277	-8%

<b>Operating Costs</b>	<b>403</b>	<b>-4%</b>
▫ Greece	266	-5%
▫ International Operations	137	-2%

<b>Pre-Tax and Provision Profit</b>	<b>372</b>	<b>19%</b>
▫ Greece	231	55%
▫ International Operations	141	-13%

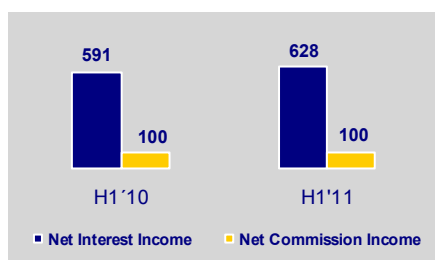
<b>Pre-provision profit (excluding trading)</b>	<b>348</b>	<b>4%</b>
▫ Greece (excluding PSI)	228	5%
▫ International Operations	120	2%

<b>Provision Expense (excluding PSI)</b>	<b>371</b>	<b>38%</b>
▫ Greece (excluding PSI)	262	75%
▫ International Operations	109	-8%

## Revenue Analysis

Net Interest Income reached to €628 mn in H1'11, recording an increase of 6% y-o-y.

### Net Interest and Commission Income (€mn)



Net Commission Income amounted €100 mn, unchanged y-o-y. It is worth noting that the commercial banking commissions recorded an increase of 5% y-o-y despite the unfavourable economic conditions.

Net Commissions (€ mn)	H1'11	Δ% y-o-y
Commercial Banking	87	5%
Investment Banking	9	-29%
Asset Management	4	-19%
<b>Total</b>	<b>100</b>	<b>0%</b>

Trading results were positive in H1'11 and amounted to €24 mn compared to trading losses of €22 mn in H1'10.

Other Operating Income amounted to €26 mn, reduced by 53% y-o-y mainly attributable to the unfavourable economic conditions that had a negative impact particularly on income from real estate subsidiaries. Revenues of this category mainly come from financial services companies in H1'11, with the largest part stemming from operating leasing activities.

## Operating Expenses Analysis

Operating expenses in H1'11 decreased by 4% y-o-y at €403 mn compared to €418 mn in H1'10.

Per cost category, personnel expenses reached €195 mn with 3% reduction y-o-y. The respective reduction for Greece was 4%, while international personnel expenses increased by 2% y-o-y.

Other administrative expenses were €159 mn down 7% y-o-y, recording a decrease both in Greece (-9% y-o-y) and abroad (-3% y-o-y).

The Operating costs to average assets ratio stood at 1.40% in H1'11, improved further versus 1.51% in H1'10. The cost to income ratio was significantly improved to 52% from 57% in H1'10.

Analysis for Selected Cost Elements (€ mn)	H1'11	Δ% y-o-y
<b>Personnel Expenses</b>		
Greece	137	-4%
International Operations	58	2%
<b>Total</b>	<b>195</b>	<b>-3%</b>
<b>Administrative Expenses</b>		
Greece	105	-9%
International Operations	54	-3%
<b>Total</b>	<b>159</b>	<b>-7%</b>

## Provision Expense

Impairment losses on loans and receivables rose to €371 mn in H1'11 compared to €268 mn in H1'10, recording an increase of 38% y-o-y as a result of the deteriorating economic environment especially in Greece.

Expressed as a percentage of average loans, the provision expense reached 192 bps (172 bps for Greece and 263 bps abroad) compared to 137 bps at group level in H1'10 (99 bps in Greece and 269 bps abroad).

Furthermore, as a result of Piraeus Bank's decision to participate in the voluntary programme of private sector involvement to refinance the Greek Government Bonds which mature until 31.12.2020, Piraeus Bank posted €1 bn impairment in the H1'11 results, as was previously mentioned.

## Recent Events

On July 15, 2011, Piraeus Bank announced that it had received an indication of interest from Standard Chartered PLC in respect to the potential acquisition of Piraeus Bank Egypt. The Bank will inform the investment community of any new developments in due course as appropriate.

Athens, 31 August 2011