

PIRAEUS BANK



2015 Asset Quality Review & Stress Test

Comprehensive Assessment Results

31 October 2015



Disclaimer

By reading or otherwise accessing the presentation that follows, you agree to be bound by the following limitations. Any failure to comply with these limitations may constitute a violation of applicable law.

The accompanying presentation has been prepared by Piraeus Bank S.A. and its subsidiaries and affiliates (the “Bank” or “We”) solely for informational purposes. By viewing or accessing the presentation, you will be deemed to have agreed to the following restrictions and acknowledged that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation or any information contained herein.

This presentation does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Bank. You are solely responsible for seeking independent professional advice in relation to the Bank. No responsibility or liability is accepted by any person for any of the information or for any action taken by you or any of your officers, employees, agents or associates on the basis of such information.

This presentation does not purport to be comprehensive and no representation, warranty or undertaking is made hereby or is to be implied by any person as to the completeness, accuracy or fairness of the information contained in this presentation. The Bank, its financial and other advisors, and their respective directors, officers, employees, agents, and representatives expressly disclaim any and all liability which may arise from this presentation and any errors contained herein and/or omissions therefrom or from any use of this presentation or its contents or otherwise in connection therewith. The Bank, its financial and other advisors, and their respective directors, officers, employees, agents, and representatives accept no liability for any loss howsoever arising, directly or indirectly, from any use of the information in this presentation or in connection therewith. Certain information contained in this presentation is based on estimates or expectations of the Bank, and there can be no assurance that these estimates or expectations are or will prove to be accurate. This presentation speaks only as of the date hereof and neither the Bank nor any other person gives any undertaking, or is under any obligation, to update any of the information contained in this presentation, including forward-looking statements, for events or circumstances that occur subsequent to the date of this presentation.

Each recipient acknowledges that neither it nor the Bank intends that the Bank act or be responsible as a fiduciary to such attendee or recipient, its management, stockholders, creditors or any other person. By accepting and providing this document, each attendee or recipient and the Bank, respectively, expressly disclaims any fiduciary relationship and agrees that each recipient is responsible for making its own independent judgment with respect to the Bank and any other matters regarding this document.

The Bank has included certain non-IFRS financial measures in this presentation. These measurements may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

Certain statements contained in this presentation that are not statements of historical fact, including, without limitation, any statements preceded by, followed by or including the words “targets,” “believes,” “expects,” “aims,” “intends,” “may,” “anticipates,” “would,” “could” or similar expressions or the negative thereof, constitute forward-looking statements, notwithstanding that such statements are not specifically identified. Examples of forward-looking statements include, but are not limited to, statements which are not statements of historical fact and may include, among other things, statements relating to the Bank’s strategies, plans, objectives, initiatives and targets, its businesses, outlook, political, economic or other conditions in Greece or elsewhere, the Bank’s financial condition, results of operations, liquidity, capital resources and capital expenditures and development of markets and anticipated cost savings and synergies, as well as the intention and beliefs of the Bank and/or its management or directors concerning the foregoing.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the Bank. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements. We have based these assumptions on information currently available to us, and if any one or more of these assumptions turn out to be incorrect, actual market results may differ significantly. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made. The Bank expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

THIS PRESENTATION DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER FOR SALE OR SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES OF THE BANK NOR SHALL IT OR ANY PART OF IT FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT TO PURCHASE ANY SECURITIES OF THE BANK.



01

Highlights

- 1.1 Overview of the Comprehensive Assessment
- 1.2 Key Takeaways
- 1.3 2015 CA Summary Results
- 1.4 2015 CA Summary Results: CET-1 Ratios
- 1.5 2015 CA LLRs Results vs. 2014
- 1.6 NPE Flow Estimates by ECB
- 1.7 Credit Losses vs. AQR Estimates
- 1.8 Roll Rates During the Capital Controls Period



- ☑ Following the agreement between Greece and the Institutions on 12 July 2015, a total amount of €10-25 bn was earmarked for the recapitalization of the Greek banking system
- ☑ The Single Supervisory Mechanism (“SSM”) of the ECB carried out a Comprehensive Assessment (“CA”) starting on 10 August 2015, consisting of:
 - Asset Quality Review (“AQR”): constituting a review of the carrying values of the Bank’s Greek loan portfolios
 - Stress test: assuming a baseline stress and an adverse stress scenario
- ☑ The CET1 thresholds were set at 9.5% for the baseline (vs. 8.0% in 2014 CA) and 8.0% for the adverse (vs. 5.5% in the 2014 CA)
- ☑ The outcome of the CA for Piraeus results in the following capital shortfalls:

	bps of CET-1 %	€ mn
(a) AQR (9.5% threshold)	402	2,188
(b) Stress test “baseline” scenario (9.5% threshold)	432	2,213
(c) Stress test “adverse” scenario (8.0% threshold)	1,035	4,933
Aggregate shortfall (max of (a), (b), (c))	1,035	4,933



Additional capital requirements indicated by the CA ...

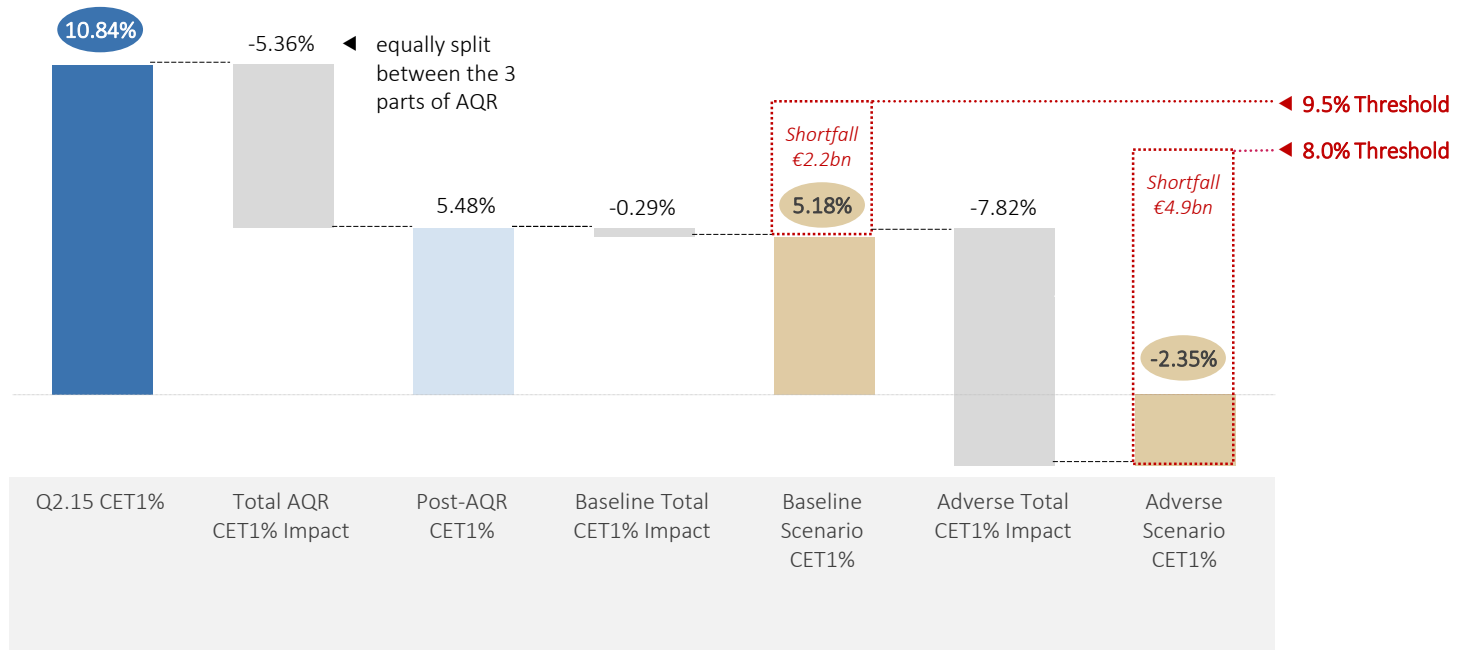
- The CET-1 capital shortfalls implied by the Asset Quality Review (“AQR”) and Stress Test components of the CA are the result of the combination of higher CET-1 ratio thresholds and a conservative approach to the CA:
 - 2015 AQR implied NPE provision coverage ratio has increased to 50% from 44% in the 2014 AQR, despite using a largely common loan file sample (c.90% overlap);
 - Cumulative 2.5 year pre provision income (‘PPI’) in the adverse case of €46 mn is markedly below the Bank’s 2.5 year run-rate PPI of €3.3 bn based on Q3.2015
 - Significantly more challenging macroeconomic forecasts, as compared to the 2014 CA, regarding GDP growth, unemployment, real estate prices and liquidation periods

... even as NPL formation has stabilized

- Additional provisions were indicated by the 2015 AQR, even though the credit quality of the sampled debtors for the Credit File Review, which were largely common to the 2014 AQR, did not deteriorate in the intervening period
 - EBITDA was stable-to-improving during the period between the 2014 and 2015 AQR
 - Collateral coverage was stable even as collateral valuations have declined in Greece
 - NPE provision coverage increased in line with the findings from the 2014 AQR
- NPL formation continues to trend downwards, from peak formation in previous years
- Real GDP performance was positive since the 2014 AQR assessment
 - H1 2015 GDP growth was +1.1%
 - FY 2014 GDP growth was +0.8%



2015 Comprehensive Assessment CET1 Impact Breakdown



Note: the three parts of AQR are defined in the following slide



01

1.4 2015 CA Summary Results: CET-1 Ratios

2015 COMPREHENSIVE ASSESSMENT RESULT		%	€ bn																				
CET1		10.8%	6.2																				
AQR Adjustment		(5.4%)	(3.2)																				
thereof Credit File Review (Corporate)		(1.9%)	(1.1)																				
thereof Projection of Findings		(1.8%)	(1.0)																				
thereof Collective Provision Analysis		(1.7%)	(1.0)																				
of which: Retail		(1.4%)	(0.8)																				
of which: Corporate		(0.4%)	(0.2)																				
thereof CVA		(0.1%)	(0.1)																				
AQR adjusted CET-1		5.5%	3.0																				
		<table border="0"> <thead> <tr> <th></th> <th colspan="2">Baseline</th> <th colspan="2">Adverse</th> </tr> <tr> <th></th> <th>%</th> <th>€ bn</th> <th>%</th> <th>€ bn</th> </tr> </thead> <tbody> <tr> <td>Stress Test Adjustment</td> <td>(0.3%)</td> <td>(0.3)</td> <td>(7.8%)</td> <td>(3.8)</td> </tr> <tr> <td>Adjusted CET-1 Ratios for AQR and Stress Test Result</td> <td>5.2%</td> <td>2.7</td> <td>(2.4%)</td> <td>(1.1)</td> </tr> </tbody> </table>			Baseline		Adverse			%	€ bn	%	€ bn	Stress Test Adjustment	(0.3%)	(0.3)	(7.8%)	(3.8)	Adjusted CET-1 Ratios for AQR and Stress Test Result	5.2%	2.7	(2.4%)	(1.1)
	Baseline		Adverse																				
	%	€ bn	%	€ bn																			
Stress Test Adjustment	(0.3%)	(0.3)	(7.8%)	(3.8)																			
Adjusted CET-1 Ratios for AQR and Stress Test Result	5.2%	2.7	(2.4%)	(1.1)																			

Capital Shortfall to threshold of 9.5% for AQR-adjusted CET-1 amounts to 4.0% or €2,188 mn

Capital Shortfall to threshold of 9.5% in Baseline Scenario amounts to 4.3% or €2,213 mn

Capital Shortfall to threshold of 8.0% in Adverse Scenario amounts to 10.4% or €4,933 mn

Credit File Review. Individual review of the sampled credit files to verify the classification of the exposures in the Bank's systems (e.g. correct regulatory segment, NPE status, impairment status) and that, if a specific provision is required, it has been set at an appropriate level

Projections of findings. Application of the findings from the Credit File Review to the wider non-sampled portfolio

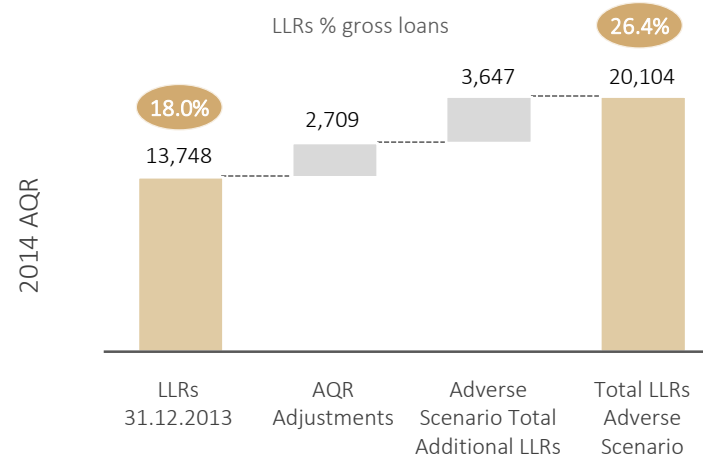
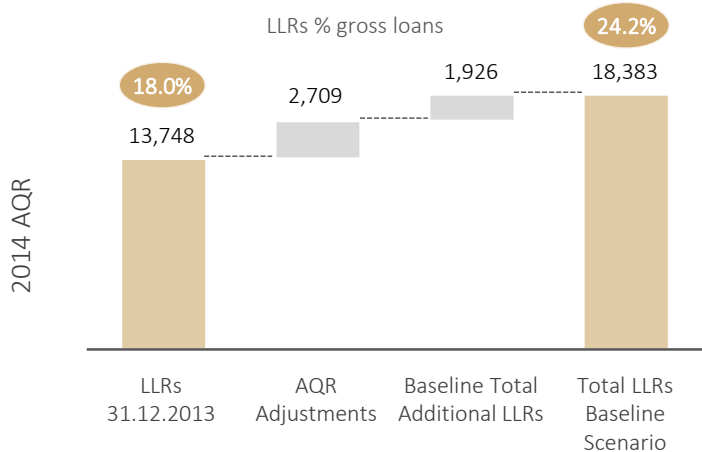
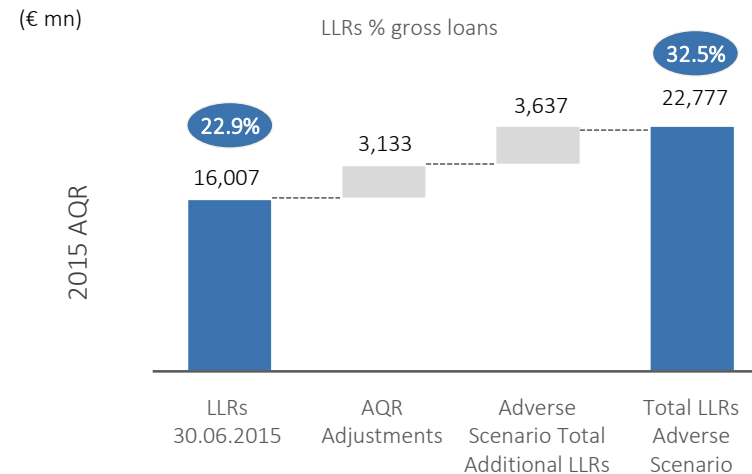
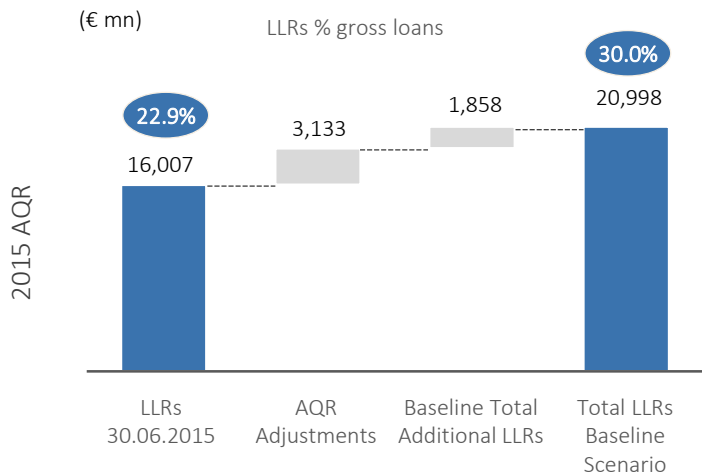
Collective provisions. Quantitative and qualitative assessment of the level of provisioning for parts of the bank's portfolio that would typically be impaired on a collective basis under IAS 39



1.5 2015 CA LLRs Results vs. 2014

Baseline scenario

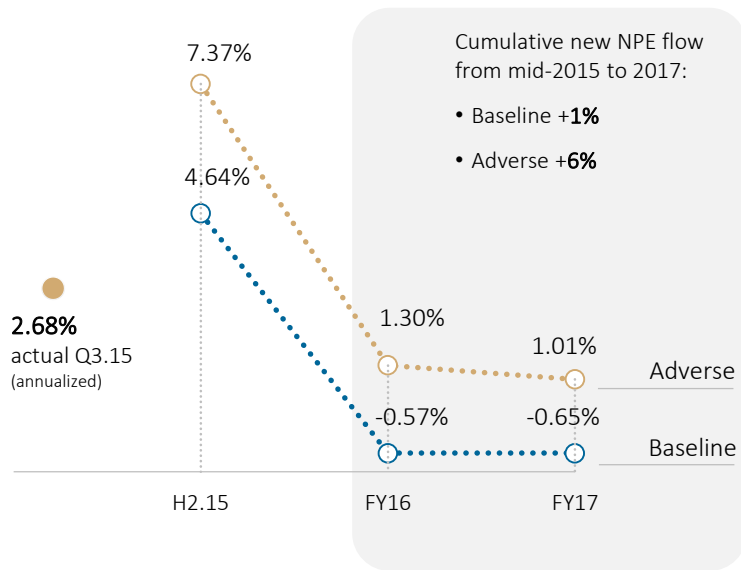
Adverse scenario





Domestic implied NPE flows ...

... although very conservative, indicate 2015 as peak in NPE formation



Note: NPE flows for Greek loan portfolio as % of June 2015 domestic gross loans, H2.15 projected flows are annualized

- ✓ Additional 1% of new NPE flows for the next 2.5 years in Greece under the baseline scenario
- ✓ Additional 6% of new NPE flows for adverse scenario respectively
- ✓ Baseline scenario indicates NPE peak in H2.2015
- ✓ Adverse scenario projects decelerating NPE formation post 2015

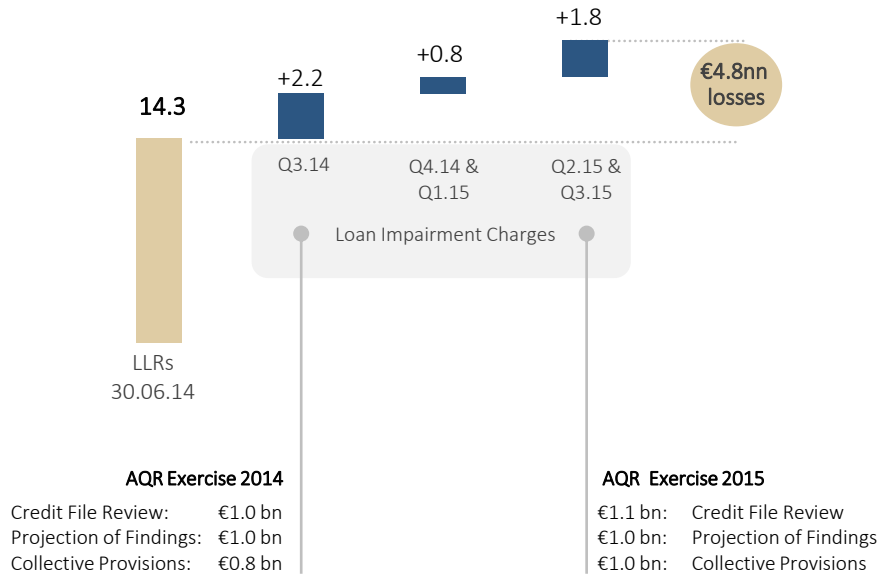


01

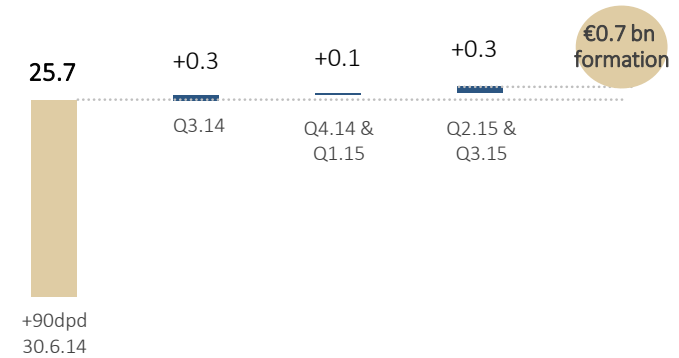
1.7 Credit Losses vs. AQR Estimates

€4.8 bn of credit losses booked during the last 5 quarters ...

(€ bn)



... while domestic NPL formation has been materially contained

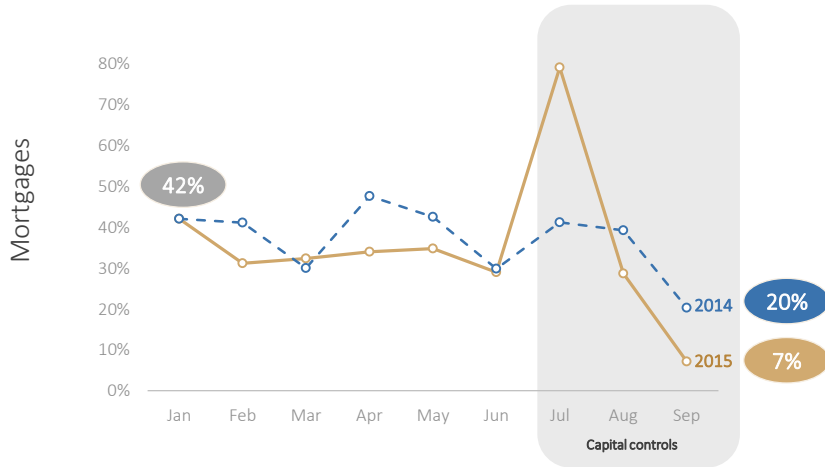


- ✓ NPL formation in Greece has been on a downward trend since peaking in 2012
- ✓ Minor increase in NPL formation in Q3 2015 is primarily due to technical issues related to the bank holiday

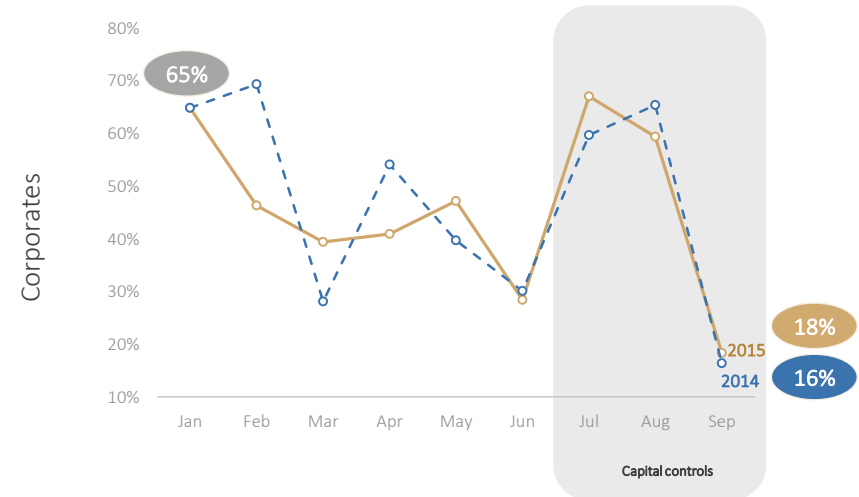
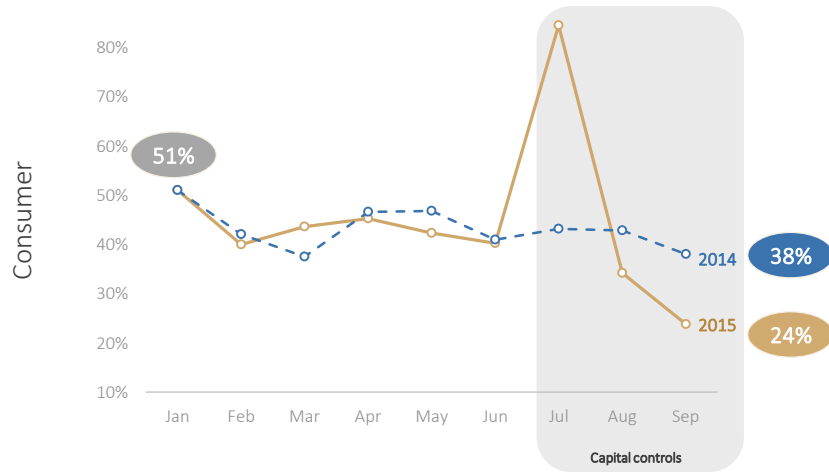
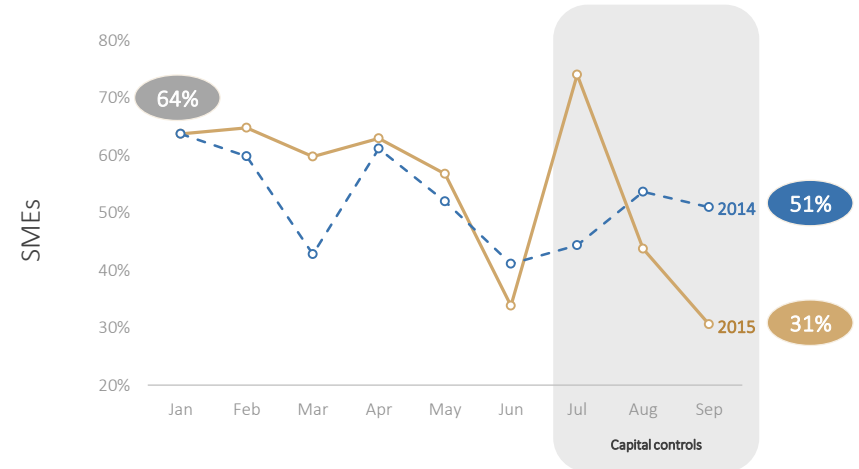


1.8 Roll Rates During the Capital Controls Period

Retail 91-180 dpd roll rates



Business 91-180 dpd roll rates





02

AQR Results

- 2.1 AQR Methodology
- 2.2 AQR NPE Reclassification
- 2.3 Credit File Review - Common Debtor Analysis
- 2.4 2015 AQR Provisions Summary



Approach largely based on the 2014 AQR framework ...

- ✓ The AQR approach in 2015 has largely followed the same process as the 2014 AQR
 - *CET1% is re-calculated through a rigorous bottom-up analysis of the assets held by each Greek Systemic Bank*
- ✓ The findings aim to establish a CET-1% that incorporates any material deviations in asset quality from December 31, 2013, cut-off date for the 2014 AQR and from June 30, 2015, cut-off date for the 2015 AQR
- ✓ Data requirements for the banks were unchanged from the 2014 AQR
- ✓ Largely similar loan selection (92% common debtors)

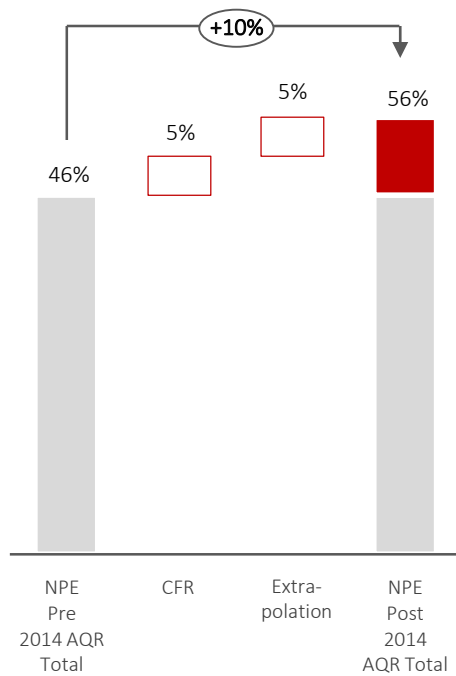
... but embedding increased conservatism

- ✓ Credit trends during the period between the 2015 and 2014 AQR exercises do not indicate deterioration for the sampled exposures
 - *NPE migration rates continued to decline*
 - *fundamentals were stable to improving*
 - *collateral coverage remained stable even as valuations have declined*
- ✓ Significantly shorter timeline for the completion of the 2015 AQR compared to the 2014 AQR (2 months vs. 6 months) may have resulted in additional conservatism in the place of precision
- ✓ No differentiation in macro environment up to June 2015
- ✓ More than double the haircuts applied to collateral valuation
- ✓ Increased time to liquidation despite the anticipated impact of recent reform in the legal framework, which shortens the expected time to liquidation to less than one year

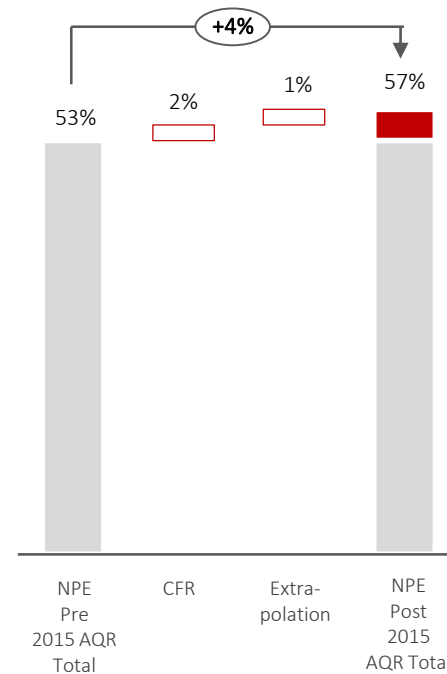


2014 Post-AQR NPE reclassification breakdown

■ Post-AQR NPE Reclassification



2015 Post-AQR NPE reclassification breakdown

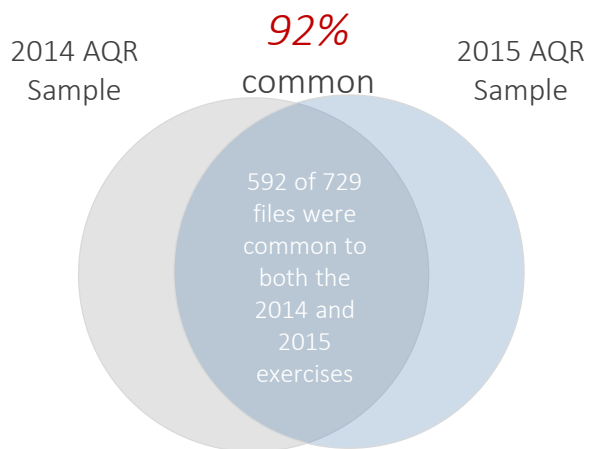


- ✓ Post-AQR NPE level in 2015 is in line with the post-AQR NPE level in 2014, at 57% versus 56%, indicating no further deterioration of the portfolio
- ✓ Total post-AQR NPE reclassification decreased substantially from +10% to +4% with almost no reclassification from the retail portfolios in the 2015 AQR

- ✓ Required coverage ratio for reclassified corporate NPEs has increased from 14%, following the 2014 AQR, to 18% post 2015 AQR



92%⁽¹⁾ of the sample in the 2015 AQR was common with the 2014 AQR



Since the 2014 AQR, performance of common debtors improved

	Δ between 2014 vs. 2015 AQR
EBITDA	+15%
Allocated Collateral to NPEs	+€0.8 bn
NPE Collateral Coverage	stable ~84%
NPE Provision Coverage Ratio	+8% to 41%
NPE Ratio	-8% to 58%

	2014 AQR			2015 AQR		
(€ bn)	Debtor Count	Total Exposure	Bank Provisions	AQR Provisions	Total Exposure	Bank Provisions
Common files	592	13.3	2.3	2.9	13.8	3.3

In 2015, the common debtors had total provisions of **€3.3bn**, 14% more than the 2014 AQR exercise (**€2.9bn**)

⁽¹⁾ by exposure, 81% common by count



2.4 2015 AQR Provisions Summary

(€ mn)	Group Credit Risk RWA June 2015	NPE provision coverage ratio pre-2015 AQR	2015 AQR adjustment to provisions			Total adjustments to provisions (gross of tax)	NPE provision coverage ratio post-2015 AQR	Impact on CET1 ratio (gross of tax 30 Jun.15)
			Sampled Files	Projection of findings	Collective review			
Sovereigns and Supranational	812	-	-	-	-	-	-	-
Institutions	351	-	-	-	-	-	-	-
Retail / SBL	15,448	39%	-	-	787	787	44%	(1.4%)
Corporates / Large SME	28,116	44%	1,091	1,039	216	2,346	53%	(4.1%)
Other Assets	8,873	-	-	-	-	-	-	-
Total 2015 AQR	53,601	43%	1,091	1,039	1,002	3,133	50%	(5.5%)
Total 2014 AQR	56,277	39%	957	979	772	2,709	44%	(4.5%)

The Bank increased its NPE provision coverage ratio in 2015 in line with the required NPE provision coverage ratio assessed in the 2014 AQR

The NPE coverage ratio required post AQR is significantly higher at 50% from 44% in 2014



03

The Stress Test

- 3.1 Stress Test Assumptions
- 3.2 PPI Conservatively Assessed



3.1 Stress Test Assumptions

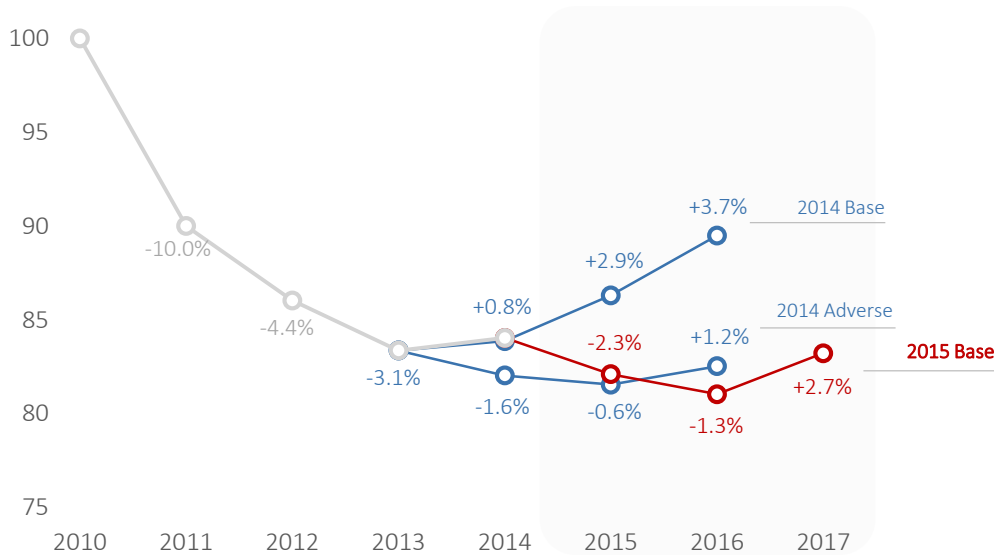
Baseline

- ☑ June 2015 used as the starting point of the Stress Test post any AQR adjustments
- ☑ 2015 baseline macroeconomic scenario is much more severe than the 2014 AQR adverse scenario

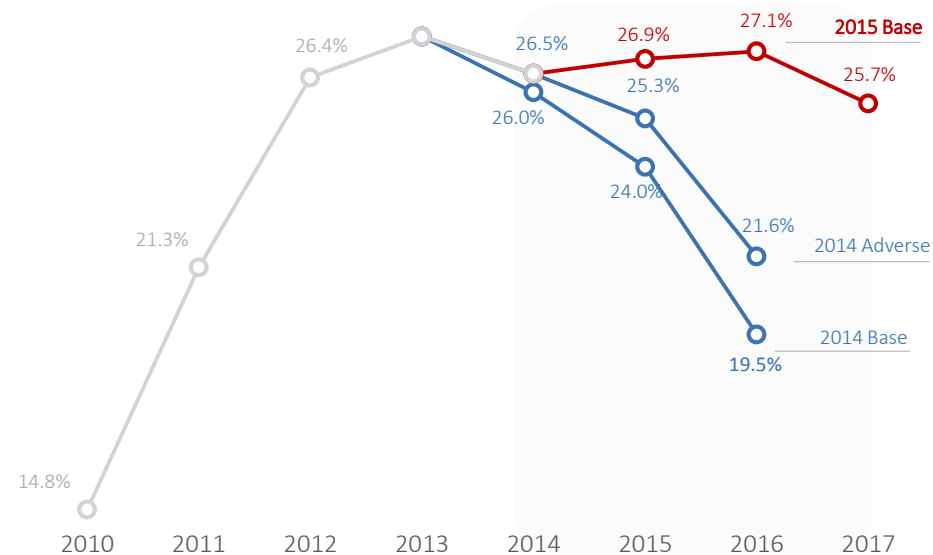
Adverse

- ☑ 2015 adverse scenario assumptions have not been communicated to the Bank by SSM

Real GDP (base: 2010) ⁽¹⁾



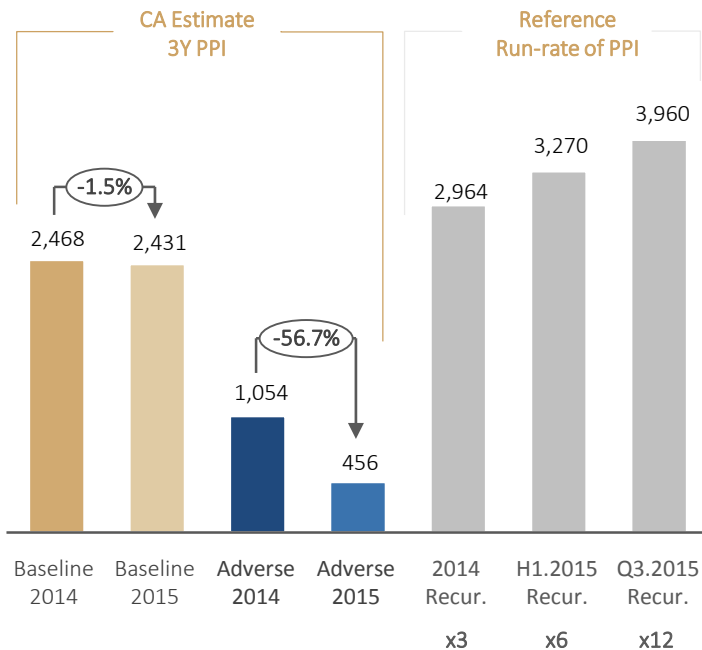
Unemployment Rate ⁽¹⁾





CA's PPI vs. Current Run Rate

(€ mn)



Significantly Lower Estimates vs. Q3 Run Rate

- ☑ Seemingly conservative assumptions adopted on capital generation capacity impacting the PPI forecast estimates:
 - although 3-year cumulative baseline PPI was relatively stable at €2.4 bn between the 2014 and 2015 ST, the Adverse scenario showed a drastic decrease across exercises (-57%), while **2.5year PPI in adverse scenario has been estimated at only €46 mn**
- ☑ CA estimates imply substantial haircut to recently reported normalised PPI:
 - The CA assessment has capped future NII generation
 - Adverse scenario showed further NII compression (€4.5 bn over the 2.5-year horizon in the base scenario reduced to €2.7 bn in the adverse scenario, the latter being 43% lower than Q3.2015 run rate)
 - Fees assumed to be capped at 2013 level

PIRAEUS BANK



04

Capital Actions Post CA

4.1 Capital Actions To Be Submitted to the Regulatory Authorities



Capital requirement AQR + baseline			€2,213 mn
Form	Capital action	Commentary	CET1 impact (€ mn)
LME	Liability Management Exercise for Junior Bondholders	• Offer to holders of junior debt instruments (perpetual Tier 1 securities and Tier 2 securities of €16 mn and €211 mn in total, respectively) to exchange securities for either cash or equity (already launched)	€225
	Liability Management Exercise for Senior Bondholders	• Offer to holders of senior unsecured securities (€365 mn in total) to exchange securities for either cash or equity (already launched)	€365
			€1,623
Asset disposals	Sale of Piraeus Bank Egypt	• In May 2015, the Bank entered into a binding agreement with Al Ahli Bank of Kuwait for the disposal of its 98.5% stake in Piraeus Bank Egypt for US\$150 mn (1.5x P/TBV)	€165
	Sale of ATE Insurance	• In August 2014, the Bank concluded an agreement with ERGO Insurance for the sale of ATE Insurance	€38
Events post CA submission cut-off	Available for Sale ("Afs") reserve valuation of Greek Government Bonds ("GGBs")	• The CA results are elevated by the Afs reserves balances as of June 2015 impacted by the extraordinary capital markets conditions (mainly yields of GGBs) • Piraeus firmly believes the considerable decrease in GGBs' yields justifies an increase in their valuation and recorded c.€95 mn increase in AFS reserve in Q3.2015	€95
	Credit Valuation Adjustment ("CVA")	• Piraeus has signed a Credit Support Annex ("CSA"), which mitigates the risk of the relevant derivative exposures through posting of collateral. As a result, the charge would be reduced by c.€81 mn	€81
	Operating results not reflected in CA submission	• The actual Q3.2015 pre-provision income was higher versus the preliminary estimates submitted to the CA, implying €55 mn additional post-tax earnings	€55
	Additional Deferred Tax Assets ("DTAs")	• Increase of CET-1 by an amount equal to capital shortfall of the adverse scenario (€4.9bn) allows a 10%, as per Basel rules, of marginal DTAs in CET-1 base	€490
Capital requirement Adverse			€2,720 mn
Capital Raising	Share capital increase	• Piraeus aims to raise an amount of capital from private investors , aiming to sufficiently cover the capital shortfall of AQR and baseline scenario as identified by the CA	
HFSF contribution	HFSF capital injection	• CoCos and common shares issued to the HFSF will cover any remaining part of the capital shortfall	



Piraeus Bank Investor Relations

4 Amerikis St, 105 64 Athens

Tel. : (+30) 210 333 5027-5062-5739

investor_relations@piraeusbank.gr

Bloomberg: TPEIR GA | Reuters: BOPr.AT

ISIN: GRS014003008 | SEDOL: BBFL4S0

www.piraeusbankgroup.com

