REPORT

of the Board of Directors (BoD) of Piraeus Bank S.A. to the Extraordinary General Meeting of Shareholders to be held on 15.11.2015, pursuant to article 13 para. 10 of C.L. 2190/1920, to art 9 para. 1 of L. 3016/2002 and to article 4.1.4.1.2 of the Regulation of the Athens Exchange.

The exceptionally rapid and drastic developments in Greece during the first six months of 2015 had a decisive influence on the course of the Greek economy, culminating in the agreement reached at the Summit of member states of the Eurozone on the 12th July 2015, its ratification by the Eurogroup on the 14th of August and the execution of the 3rd Economic Adjustment Programme for the economic reform of the country by the European Committee and the Hellenic Republic on the 19th of August 2015. The Programme includes a new loan for the funding of the Greek economy through the European Stability Mechanism (ESM) for an amount up to €86 billion, of which up to €25 billion will be available for the recapitalization of the Greek banks, as well as the taking of measures of financial policy and structural adjustment. Within the framework of the aforesaid program the amount of €13billion was drawn down by the Greek State on the 20th August 2015. At the same time an amount of €10billion was made immediately available for the recapitalization and resolution of Greek banks in the form of notes issued by the ESM, which are held in a special account under the management of the ESM in Luxembourg.

According to the new program, the Greek economy is expected to return to recession in the period from 2015-2016 and to growth in 2017. In particular, based on the estimations of the program, the GDP will decrease by 2.3% in 2015 and by 1.3% in 2016, whilst the economy will move into a phase of growth in 2017 (+2.7%). Moreover, based on the latest available data, the recession in 2015 may be lower than initially expected, and the country may move to growth earlier than expected, namely in the second six month period of 2016.

For the purposes of ensuring financial stability and the need to restore liquidity and supervisory capital of the banking system, the 3rd Economic Adjustment Programme called for the Comprehensive Assessment of the four Greek systemic banks, for the purposes of determining their potential capital requirements. The Comprehensive Assessment was carried out by the Single Supervisory Mechanism and the results were published on the 31st October 2015. The recapitalization of the Greek banks must be completed within 2015.

The exercise was carried out using the temporary balance sheet of 30th June 2015 as the reference point and comprised of: (i) the Asset Quality Review – AQR which consisted of the detailed assessment of the book value of the local loan portfolio of the Bank; and (ii) of a stress test under baseline and adverse scenarios.

The results of the Comprehensive Assessment for Piraeus Bank reveal, on a consolidated basis, capital requirements (prior to application of the capital support measures of the Bank's capital plan to be agreed with the ECB) equal to:

€2,213 million under the "baseline" scenario, taking into account the results of the AQR and the stress test,

€4,933 million under the "adverse" scenario, taking into account the results of the AQR and the stress test.

	b.p. CET1%	€ mil
(a) AQR (9,5% minimum threshold CET-1%)	402	2,188
(b) Stress test «baseline» scenario (9,5% minimum threshold CET-1%)	432	2,213
(c) Stress test «adverse» scenario (8,0% minimum threshold CET-1%)	1.035	4,933
Total capital requirements [the higher of (a),(b),(c))	1.035	4.933

The above capital shortfall is expected to be reduced, after taking into account the capital support measures included in the Capital Plan of the Bank which has been submitted to the ECB for approval (such as for example the Liability Management Exercise currently being carried out) following the announcement of the results of the Comprehensive Assessment.

The BoD of the Bank, taking into consideration the above, considers that the immediate recapitalization of the Bank within the framework of the recently amended procedure for the recapitalization of financial institutions of L. 3864/2010 is imperative, and with this objective it proposes the following to the Extraordinary General Meeting of Shareholders to be held on 15 November 2015:

1. Increase of the share capital of the Bank pursuant to L. 3864/2010 with the issuance of new ordinary shares in order to raise funds up to the amount of Euro 4.933 billion (of which the amount of Euro 2.213 billion is equal to the capital requirements of the Bank arising from the results of the baseline scenario of the stress test and together with the amount of Euro 2.720 billion being the capital requirements of the Bank arising from the results of the adverse scenario of the stress test), which will be covered through payments in cash and / or through capitalization of liabilities and / or through contributions in kind and cancellation of the pre-emption rights of existing shareholders.
2. Issue of a bond loan with Contingent Convertible Bonds pursuant to the provisions of L. 3864/2010 and Cabinet Act 36/02.11.2015 up to the amount of Euro 2.040 billion (which is equal to 75% of the difference between the capital requirements of the Bank pursuant to the results of the adverse scenario of the stress test and the capital requirements of the Bank pursuant to the results of the baseline scenario) to be subscribed to exclusively by the Hellenic Financial Stability Fund.

The aforesaid share capital increase will provide the Bank with the ability to:

- Cover its capital requirements, as such have been determined by the Comprehensive Assessment of the ECB,
- Bolster its capital base, qualifying it as one of the better capitalized banks in Europe,
- Expand its shareholder composition, by increasing private participation in its shareholder base,

- Strengthen the image and reputation of the Bank, thereby contributing to the recovery of lost deposits in Greece during the first six month period of 2015 and thereby reducing its dependency for liquidity support by the Eurosystem and in particular the ELA.
- Successfully face the challenges of the economic environment and continue to contribute in the effort to restore the Greek economy through initiatives for the promotion of entrepreneurship and the enhancement of the competitiveness of the Greek economy.

The BoD proposes also, taking into account the restrictions which ensue from corporate law and from the interconnection between the offer price and price of the share on the Athens Exchange, the following prerequisite technical actions for the implementation of the recapitalization of the Bank:

i) Increase of the nominal value of each ordinary share and simultaneous reduction of the total number of ordinary shares of the Bank (reverse split) and, if necessary for the purposes of achieving an integral number of shares, a consequent share capital increase via capitalization of part of the reserve of Article 4 para. 4a of C.L. 2190/1920.

ii) Creation of the special reserve of article 4 par. 4a of C.L. 2190/1920 by means of reduction of the share capital of the Bank through the decrease of the nominal value of each ordinary share, without the refunding of monies or the alteration of the total number of ordinary shares (as such will have been determined by action (i) above).

Justification of the cancellation of the pre-emption right of existing shareholders

With respect to the proposed cancellation of the pre-emption right of existing shareholders in connection with the share capital increase of the Bank within the framework of L. 3864/2010 with the issuance of new ordinary shares, it is noted that the BoD considers that the cancellation of this right is justified under the present conditions, since:

- It will expedite the respective procedures for the fastest possible completion of the share capital increase, within the recently significantly amended legal framework for the recapitalization of the banks and within the inelastic time limit set by the supervisory authorities, whilst providing the Bank with the greatest possible flexibility,
- It will facilitate the determination of the offer price of the new shares on the basis of the offers of investors in the book building procedure in a transparent, expeditious and competitive manner, in accordance with the particular provisions of article 7 para. 5 of L. 3864/2010,
- It will allow the Bank to avail itself of the existing investor interest and to benefit from the investment opportunity without delays,
- It will ensure the participation of significant amounts of private funds in the share capital increase and the consequent avoidance of the enforcement of the resolution measures of L. 4335/2015,
- It will allow the increase of the private sector participation in the share capital of the Bank and the simultaneous increase of the share's free float.

It is proposed that the contingent convertible bonds be subscribed for exclusively by the HFSF in accordance with the provisions of L. 3864/2010 and Cabinet Act 36/02.11.2015, without the right of participation of existing shareholders, in view of the nature and the particularities of the aforesaid bond loan, as well as the legal and regulatory provisions which govern the same, since the securities shall qualify as Common Equity Tier 1 instruments only when such securities are fully subscribed and held by the State or a relevant public authority or public-owned entity (article 31 Regulation (EE) no. 575/2013 – CRR). Consequently their subscription by private investors would not satisfy the conditions of the respective regulatory provisions for the treatment of said bonds as Common Equity Tier 1 instruments. The final principal amount of the bond loan will be equal to 75% of the amount of the capital support provided by the HFSF as such will be determined in accordance with L. 3864/2010 and Cabinet Act 36/02.11.2015 with respect to the allocation of the capital support provided by the HFSF between ordinary shares and conditional convertible bonds.

In accordance with the provisions of article 7 para. 5 of L. 3864/2010 the offer price of the new shares will be determined in a transparent and competitive manner, on the basis of offers made by investors in the book building procedure, which will be coordinated by a group of international investment banks, and to which the independent financial advisor of the HFSF will have access in accordance with the above provisions.

Investment Plan

The funds to be raised from the proposed share capital increase and the issue of the bond loan with contingent convertible bonds pursuant to the provisions of L. 3864/2010 will be used exclusively for the purposes of the enhancement of the capital adequacy ratios of the Bank and as such the coverage of the capital requirements determined by the ECB further to the Comprehensive Assessment carried out by the SSM.

The proposed increase is expected to be completed within 2015 provided that all requisite corporate, supervisory and other approvals have been obtained and that all regulatory and supervisory authority prerequisite decisions have been issued.

Use of proceeds from the previous share capital increase of the Bank

Further to the decisions of the Extraordinary General Meeting of Shareholders of 28.03.2014 of the ordinary shareholders of the Bank (which decision was approved with the resolution dated 28.03.2014 of the Extraordinary General Meeting of the preferential shareholder of the Bank) Piraeus Bank proceeded to an increase of its share capital in the amount of €1,75 billion with payment in cash, with the issuance of new common ordinary shares and the cancellation of the pre-emption right of the existing shareholders. In particular, the increase of the share capital of the Bank by the amount of €308,823,529.20 was resolved with the cancellation of the pre-emption right of the existing shareholders, and the issuance of 1,029,411,764 new common ordinary voting shares having a nominal value of €0.30 and an offer price of €1.70 for each new share. The new shares were offered by means of a public offer in Greece and via an international book building exercise to institutional and other qualified investors abroad.

Following the completion of the share capital increase, the share capital of the Bank amounted to €2,580,593,913.48 divided into 6,101,979,715 common ordinary voting shares having a nominal value of €0.30 each , and i) 77,568,134 preferential non-voting shares having a nominal value of €4.77 each and ii) 1,266,666,666 preferential non-voting shares having a nominal value of €0.30 each.

The above par reserve was increased by € 1,384,580,554.64 following the deduction of the share capital increase costs and the respective deferred tax. It is noted that the costs of the increase of share capital on the 30/06/2014 amounted to €76,480,966.17 before tax and €56,595,914.97 post tax.

On the 21st May 2014, Piraeus Bank repaid the Greek State for the entire amount of preferential shares (Pilar I L. 3723/2008) held by it and amounting to €750 million, issued by the Bank. Following the repayment of the preferential shares, the share capital of the Bank amounts to €1,830,593,914.50 divided into 6,101,979,715 common ordinary shares, of nominal value €0.30 each.

The entire amount of said proceeds was used for the enhancement of the capital adequacy ratios of the Bank, as well as for the repayment of the preferential shares held by the Greek State amounting to €750 million.

For the above reasons, the BoD proposes the increase of the share capital and the issue of the bond loan with conditional convertible bonds under the aforesaid terms, and the simultaneous cancellation of pre-emption rights of the existing shareholders.

Athens 3 November 2015

The Board of Directors