

**Report of the Board of Directors of the company named  
“Piraeus Bank S.A.”**

**to the General Meeting of its shareholders,  
in accordance with article 61 of Law 4601/2019**

**regarding the demerger by way of hive-down of the banking activity sector and its  
contribution into a new banking entity to be incorporated**

Dear Shareholders,

The Management of “Piraeus Bank Société Anonyme” (hereinafter the “**Demerged Entity**” or the “**Bank**”) has resolved to proceed to a corporate transformation of the Bank, particularly to the demerger by way of hive-down of the banking activity sector of the Bank and its contribution into a new entity to be incorporated and licensed as a credit institution (hereinafter the “**Beneficiary**”).

The Bank announced its intention to proceed to the hive-down of the banking activity sector and its contribution to the Beneficiary, pursuant to the provisions of article 16 of L. 2515/1997 (in particular para. 5 thereof regarding the consolidation of assets and liabilities) and articles 54 para. 3, 57 para. 3 and 59-74 of L. 4601/2019, as in force (hereinafter the “**Demerger**”), on July 24th, 2020, further to the relevant resolution adopted by its Board of Directors on July 23rd, 2020.

In particular, the Board of Directors of the Demerged Entity resolved the following at said meeting in respect of the Demerger:

The Demerger will be effected through the spin-off of the banking activity sector of the Bank and the contribution thereof to the Beneficiary, which shall be licensed as a credit institution and will be a wholly owned subsidiary of the Demerged Entity.

Upon completion of the Demerger, the Demerged Entity will retain certain assets, liabilities and activities, which are set out in detail in the draft demerger deed (hereinafter the “**Draft Demerger Deed**”), will cease to be a credit institution, whilst its shares will remain listed on the Athens Stock Exchange.

The date designated for the Transformation Balance Sheet of the Demerger is July 31st, 2020. All actions or transactions concerning the hived-down banking sector, which will be effected by the Demerged Entity following the Transformation Balance Sheet date, shall be deemed to have been conducted for the account of the Beneficiary.

Completion of the Demerger is subject to the receipt of all required approvals by the competent supervisory authorities.

Moreover, the Board of Directors of the Bank appointed Mr. Dimitrios Sourbis (Ref. No. SOEL 16891), certified auditor at the auditing company under the name “PriceWaterhouseCoopers Auditing Company S.A.”, to draw up the Report regarding the verification of the book value of the hived-down sector's assets, as these are reflected on the Transformation Balance Sheet dated 31.07.2020, as well as to review the terms of the Draft Demerger Deed and to provide an opinion as to whether the share exchange ratio is fair and reasonable, pursuant to the provisions of article 16 para. 5 of L. 2515/1997 and article 62 of L. 4601/2019.

The Board of Directors of the Bank has drawn up in writing, in accordance with the provisions of article 16 of L. 2515/1997 and article 59 of L. 4601/2019, as in force, the Draft Demerger Deed in connection with the Demerger by way of hive-down of the banking sector and its contribution into a new entity to be incorporated.

Pursuant to the provisions of article 61 of L. 4601/2019, the Board of Directors of the Bank has drafted this detailed report to explain and justify the legal and business/financial aspects of the Draft Demerger Deed. In particular, the Board of Directors wishes to bring the following to the attention of the General Meeting of the Bank's shareholders:

#### **A. The business and financial aspects of the Demerger**

The decision of the Bank's Management to proceed to said corporate transformation represents an implementing feature of the Bank's business strategy, which has been communicated to investors, and will lead to the optimisation of the Group's organisational and capital structure, which is a prerequisite for the achievement of such strategy objectives, as it will facilitate the faster derecognition of a large amount of NPLs with gross book value of EUR7.0 bn from the Bank's currently existing balance sheet, and will result in a considerable reduction of the NPL to total loans ratio from 50% to 30%. Moreover, this corporate transformation will facilitate any issuance of AT1 or T2 securities by the Demerged Entity in the future, as the Group holding company, in accordance with the widely accepted practice in international banking groups, whereby regulatory funds are raised by the ultimate parent company, in order to be further channelled to the Group's banking entities.

In parallel, the derecognition of certain long overdue and largely denounced loans will allow the Beneficiary to preserve not only capital, but also human and material resources, which may be allocated to more efficient banking activities, following a gradual change in the business model of the Bank and the enhancement of digital banking, through the adoption of new technologies and products, which is in line with the publicly announced business plan of the Bank.

Furthermore, this action will enable a substantial reduction of the ECL allowance and the release of funds, which will support the further de-risking of the Bank's balance sheet and will facilitate the financing of the Greek economy, serving the public interest in this manner as well.

Moreover, the proposed Demerger will expand the options available to the Beneficiary to optimally manage the remaining NPLs by using all available tools (restructuring, collections, liquidations, write-offs, selective divestments) and will increase its ability to absorb any costs related thereto, especially when it comes to sustainable businesses that are suited to receive support from the banking system, in order to be able to overcome the current adverse economic circumstances.

Finally, the improvement of the Beneficiary's assets quality and prospects will allow a gradual investment grade enhancement at a consolidated level (Demerged Entity and Beneficiary) to the benefit of the current Piraeus Bank's stock and bond holders, along with other anticipated medium-term benefits pertaining to credit rating, pricing, commercial presence and, consequently, capital position.

In the context of the implementation of the corporate transformation, the assets and liabilities of the hived-down sector, as reflected on the Demerged Entity's Transformation Balance

Sheet dated 31 July 2020, which was drawn up for the purposes of the Demerger and is attached to the Draft Demerger Deed as Appendix I (hereinafter the “**Transformation Balance Sheet**”), and as these will be formed until the completion of the Demerger, shall be transferred in the context of the Demerger as balance sheet items of the Beneficiary pursuant to article 16 para. 5 of L. 2515/1997.

The banking activity sector, which shall be contributed to the Beneficiary for the purposes of the Demerger, consists of the following:

- i. all deposits;
- ii. all loans with all their corresponding collaterals;
- iii. all liabilities of the Demerged Entity arising from bond loans issued by the Demerged Entity or its subsidiaries, in relation to which the Demerged Entity acts in its capacity as issuer or guarantor, as the case may be, with the exception of the obligations of the Demerged Entity under the following instruments:
  - (a) all Fixed Rate Reset Dated Subordinated Guaranteed Notes due 26 June 2029 of a total nominal value of €400,000,000, ISIN XS2018638648, in respect of which the Demerged Entity has substituted as Issuer its subsidiary and original issuer of the notes in question “Piraeus Group Finance Plc”, under the terms of the Medium-Term Note Programme;
  - (b) all Fixed Rate Reset Tier 2 Notes due 19 February 2030 of a total nominal value of €500,000,000, ISIN XS2121408996;
  - (c) all State Subscribed Reset Perpetual Contingent Convertible Common Equity Tier 1 Capital Bonds of a total nominal value of €2,040,000,000, which were issued by the Demerged Entity on 2 December 2015 pursuant to the provisions of Law 3864/2010;
- iv. unless otherwise specified, all notes held by the Demerged Entity regardless of the relevant issuer (other than those specified under (iii) (a), (b) and (c) herein above) (including, among others, (a) the “Profit Participating Note due 2033”, issued by the SPV under the corporate name “Piraeus SNF DAC”, (b) the senior notes issued by the SPVs under the corporate names “Phoenix NPL Finance DAC”, “Vega I NPL Finance DAC”, “Vega II NPL Finance DAC” and “Vega III NPL Finance DAC”, and (c) 5% of the mezzanine and junior notes issued by the SPVs under the corporate names “Phoenix NPL Finance DAC”, “Vega I NPL Finance DAC”, “Vega II NPL Finance DAC” and “Vega III NPL Finance DAC”), with the exception of 95% of the mezzanine and junior notes issued by the aforementioned SPVs, which shall be retained by the Demerged Entity;
- v. all of the Demerged Entity's participations in domestic and foreign legal persons and other entities or undertakings, including participations in subsidiaries, with the exception of the following participations in: (a) the Greek Société Anonyme under the name “Piraeus Agency Solutions Single-Member Société Anonyme Company for the provision of Insurance Products’ Distribution and Financial Services”, (b) the Ukrainian banking corporation under the name “JSC PIRAEUS BANK ICB” and (c) the company under the name “Piraeus Group Capital Ltd”, which has its registered seat in the United Kingdom and is engaged in issuing credit instruments;
- vi. all assets and liabilities of the two foreign branches of the Demerged Entity, in particular: (a) of the London branch (PIRAEUS BANK LONDON BRANCH) at 8th Floor, Tower 42, 25 Old Broad Str. EC2N 1 PB, London, UK, with local Branch registration no. BR005808, and (b) of the Frankfurt branch (Piraeus Bank Germany - Frankfurt Branch), at Baseler Str. 46 D-60329 Frankfurt am Main, with local registration no. HRB 51094;

- vii. all real estate assets owned by the Demerged Entity, pursuant to the provisions of paras. 7-9 of article 16 of L. 2515/1997, in conjunction with article 140 para. 3 of L. 4601/2019 as in force;
- viii. the debit balances that have arisen for the Demerged Entity based on the provisions of article 27 (paras. 2 and 3) of L. 4172/2013;
- ix. the right to all deferred tax claims, including those determined in accordance with article 27A of L. 4172/2013;
- x. tax claims and liabilities related to the banking activity sector created and assessed up to the Transformation Balance Sheet date, in particular the right to set off the credit balances of withholding taxes on credit institutions, including those settled pursuant to the provisions of article 93 of L. 4605/2019, except any tax claims from tax withholdings related to the Demerged Entity; and
- xi. other assets and liabilities, as well as all of the Demerged Entity's reserves contained in the Transformation Balance Sheet, to the extent that they are related to any items transferred to the Beneficiary.

Upon completion of the Demerger, the Demerged Entity will retain certain assets, liabilities and activities related to the following:

- i. directly and indirectly participating in domestic and/or foreign legal entities and other entities, undertakings and companies established or to be established, of any form and object;
- ii. undertaking or carrying on insurance intermediation and insurance distribution activities on a retainer, pursuant to the provisions of L. 4583/2018, as in force from time to time, for and on behalf of one or several insurance undertakings (insurance agent), providing insurance advisory services to third parties and to companies of the Demerged Entity's group, as well as researching, studying and analysing insurance related issues;
- iii. providing financial advisory services involving planning, development, research, reorganisation, assessment, business strategy, acquisitions, sales, mergers and restructuring of companies;
- iv. providing specialised shareholders registry services to domestic and/or foreign legal entities, other entities and undertakings of any form and object, established or to be established in the future, whether listed on a trading venue or not;
- v. other activities and services similar or conducive to the above.

Moreover, as a company listed on the Athens Stock Exchange, the Demerged Entity shall retain the investor relations unit, the shareholders' registry unit, as well as an internal audit unit.

Furthermore, the Demerged Entity will retain the following:

- i. the liabilities arising from the following instruments:
  - (a) the Fixed Rate Reset Dated Subordinated Guaranteed Notes due 26 June 2029 of a total nominal value of €400,000,000, ISIN XS2018638648, in respect of which the Demerged Entity has substituted as Issuer its subsidiary and original issuer of the notes in question "Piraeus Group Finance Plc", under the terms of the Medium Term Note Programme;

(b) the Fixed Rate Reset Tier 2 Notes due 19 February 2030 of a total nominal value of €500,000,000, and ISIN XS2121408996;

(c) the State Subscribed Reset Perpetual Contingent Convertible Common Equity Tier 1 Capital Bonds of a total nominal value of €2,040,000,000, which were issued by the Demerged Entity on 2 December 2015 pursuant to the provisions of Law 3864/2010;

- ii. 95% of the mezzanine and junior notes issued by the SPVs under the company names “Phoenix NPL Finance DAC”, “Vega I NPL Finance DAC”, “Vega II NPL Finance DAC” and “Vega III NPL Finance DAC”,
- iii. its participations in: (a) the Greek Société Anonyme under the name “Piraeus Agency Solutions Single-Member Société Anonyme for the provision of Insurance Products’ Distribution Services and Financial Services”, (b) the Ukrainian banking corporation under the name “JSC PIRAEUS BANK ICB” and c) the company under the name “Piraeus Group Capital Ltd”, which has its registered seat in the United Kingdom and is engaged in issuing credit instruments; and
- iv. cash in the amount of €1,307 mn., primarily for the purpose of subscribing to the Subordinated Notes of a total nominal value of €900 mn. to be issued by the Beneficiary, and the payment of the annual coupons for the years 2020 and 2021 in respect of the €2,040 mn. State Subscribed Reset Perpetual Contingent Convertible Common Equity Tier 1 Capital Bonds, amounting to approx. €165 mn. per annum.

The verification of the book value of the hived down sector's assets, as these are reflected on the Transformation Balance Sheet, has been conducted by the auditing company PriceWaterhouseCoopers Auditing Company S.A. and, in particular, by the Certified Auditor Dimitrios Sourbis (Ref. No. SOEL 16891), who was appointed by virtue of the decision adopted by the Demerged Entity's Board of Directors on 23.7.2020 in accordance with article 16 para. 5 of L. 2515/1997

All actions concerning the hived-down banking sector, which will be effected following the date of the Transformation Balance Sheet and until the Demerger Date (as defined below), shall be deemed to have been conducted for the account of the Beneficiary.

The share capital of the Beneficiary will amount to €5,400 mn., i.e. the amount equal to the net book value of the assets and liabilities of the hived-down banking sector, after deducting any reserves associated with such sector, and shall be divided into 5,400,000,000 common, registered voting shares, each with a nominal value of €1.00, which will be acquired in their entirety by the Demerged Entity on completion of the Demerger.

The terms of the Demerger are considered fair and reasonable given that, pursuant to the provisions of article 16 of L. 2515/1997 and article 57 para. 3 of L. 4601/2019, the Demerged Entity shall receive all shares of the Beneficiary in return for the assets to be transferred to the latter.

In order to confirm the above, the Board of Directors of the Demerged Entity assigned on 23.07.2020 the auditing company “PriceWaterhouseCoopers Auditing Company S.A.” and, in particular, Certified Auditor Dimitrios Sourbis (Ref. No. SOEL 16891), to provide the opinion prescribed under article 16 para. 5 of Law 2515/1997, regarding the exchange ratio, which is as follows: *“As per para. 3 of Article 57 of L. 4601/2019 “The demerger through a hive down and the establishment of a new company or new companies is the act by which a company (demerged entity) without being dissolved, transfers to one or more companies that are simultaneously being incorporated (beneficiaries) the sector or sectors defined in the draft demerger deed with the acquisition by the [demerged entity] of the shares of the beneficiary*

*[...] " it is self-evident that there is no share exchange ratio and therefore there is no need to provide an opinion as to whether the share exchange ratio is fair and reasonable as well as, an information on valuation methods for the determination of a proposed share exchange ratio. This demerger is fair and reasonable because the Demerged Entity will acquire all the Beneficiary's shares in exchange for the contributed assets".*

The shares of the Beneficiary, which will be acquired by the Demerged Entity, shall confer to it the right to participate in the profits as well as in any distribution of the Beneficiary to its shareholders, from the Demerger Date onwards, in accordance with the terms and conditions of the applicable legislative and regulatory framework from time to time.

## **B. The legal aspects of the Demerger**

The Demerger will be effected in accordance with the provisions of article 16 of L. 2515/1997 (in particular paragraph 5 thereof regarding the consolidation of assets and liabilities), in conjunction with articles 54 para. 3, 57 para. 3, 59-74 and 140 para.3 of L. 4601/2019 and article 145 of L. 4261/2014, as in force, by way of hive-down of the banking activity sector of the Demerged Entity and its contribution to the Beneficiary, which will be incorporated upon completion of the hive-down. The Demerger will require the approval of the General Meeting of the Demerged Entity's shareholders, which shall be obtained as prescribed by law and the Demerged Entity's Articles of Association. In addition, the completion of the Demerger is subject to the receipt of all required approvals by the competent supervisory authorities pursuant to applicable law and regulations.

Upon completion of the Demerger, the Demerged Entity will cease to be a credit institution and its name will be changed to "Piraeus Financial Holdings S.A.", with the distinctive title "Piraeus Financial Holdings".

In parallel, the Beneficiary, which will be incorporated by virtue of the notarial deed of the Demerger pursuant to the provisions of the applicable legislative and regulatory framework, shall be a Greek Société Anonyme (credit institution) under the corporate name "Piraeus Bank Société Anonyme", with the distinctive title "Piraeus Bank". Said entity will acquire the hivedown banking activity sector of the Demerged Entity. The Beneficiary shall be licensed as a credit institution, will be a wholly-owned subsidiary of the Demerged Entity and will be seated in Athens.

It is noted that on the date of registration of the final demerger deed, which shall be drawn up as a notarial deed, with the General Commercial Registry (hereinafter the "**Demerger Date**"), where all other documents prescribed by law shall be filed together with the relevant resolution of the General Meeting of the Demerged Entity's shareholders, the relevant approval of the competent supervising authority and the license to the Beneficiary to operate as a credit institution, the Demerger process shall be concluded and the following shall apply simultaneously and ipso jure vis-a-vis the Demerged Entity and the Beneficiary, as well as third parties:

- i. The Beneficiary, which will obtain a license to operate as a credit institution, shall substitute the Demerged Entity by way of universal succession to all contributed assets and liabilities, as these are set out in the Transformation Balance Sheet of the hived down sector and formed until the Demerger Date. In the context of the universal succession, pursuant to the provisions of article 70 para. 2a of L. 4601/2019, the Beneficiary shall acquire all rights, obligations and legal relationships of the hived down sector or related thereto in general, including all administrative licenses issued in the Demerged Entity's name concerning the contributed assets.

It is noted that, as part of the contribution of the hived down sector, all other rights, obligations, intangible assets and any other assets or liabilities related to the hived down sector in general shall be transferred to the Beneficiary without the need for any specific reference herein or in the final Demerger Deed, which shall be drawn up as a notarial deed. Unless otherwise provided in the Draft Demerger Deed, any assets and liabilities, authorizations of any kind, rights or legal relationships of the Demerged Entity related to the hived down sector, including without limitation all rights on trademarks, distinctive marks and intellectual property rights, are transferred to the Beneficiary, even if not explicitly mentioned in the Transformation Balance Sheet.

It is noted that any and all Demerged Entity's rights over real estate assets (whether rights in rem or otherwise), regardless whether they have been exercised to this day, are transferred to the Beneficiary without the need for any specific reference herein or in the final Demerger Deed, which shall be drawn up as a notarial deed.

It is clarified that, in the case of rights, obligations and, in general any assets or liabilities or legal relationships of the hived down sector or related to it, which are governed by foreign law that does not recognize the concept of universal succession in case of a hive down under Greek law, the Demerged Entity and the Beneficiary shall arrange for all appropriate action to be taken, in order to consummate the transfer of such assets, rights, obligations and legal relationships to the Beneficiary in accordance with applicable law, as in force.

To the extent that it is not feasible to transfer said assets, rights, obligations and legal relationships to the Beneficiary as set out herein above, the following shall apply: in relation to any non-transferred obligations, the Beneficiary shall duly fulfil such obligations and shall remit to the Demerged Entity without any undue delay any amount irrevocably charged to the latter; whereas in relation to any rights, the Demerged Entity shall collect or liquidate these in accordance with the Beneficiary's instructions, without the right to re-invest the above amounts, and shall subsequently deliver the liquidation proceeds to the Beneficiary without undue delay, however there shall be no obligation to remit any amount to the Beneficiary prior to having received the same. Moreover, the Demerged Entity shall not dispose of any such assets in any way, other than to secure their corresponding remittance to the Beneficiary and subject to the prior written consent of the Beneficiary.

- ii. Any pending lawsuits of the Demerged Entity, which relate to the hived down sector, shall be continued ipso jure by the Beneficiary or against it, without any specific reference needed on the part of the Beneficiary for the continuation of the proceedings, and no legal interruption of the trial shall take place as a result of the Demerger. With respect to any lawsuits of the Demerged Entity pending abroad, which relate to the hived-down sector, the Demerged Entity and the Beneficiary shall proceed with any necessary actions, as per the applicable procedural law, for the continuation of the proceedings by the Beneficiary and, where required pursuant to the applicable foreign procedural law, the trial shall continue with both the Beneficiary and the Demerged Entity as litigants, in which case the provisions of this para. 4(ii) shall apply accordingly. To the extent that in the abovementioned cases it is not feasible for the Beneficiary to continue the proceedings, same shall be continued by the Demerged Entity on the instructions and at the expense of the Beneficiary and, as to all other matters, the provisions of this para. 4(ii) shall apply accordingly.

It further noted that no particular advantages or rights are attributed to the experts, the members of the Board of Directors, or the internal auditors of the Demerged Entity in the context of the Demerger.

Finally, it is noted that, according to para. 9 of article 16 of L.2515/1997, in the context of the Demerger the notarial deed of demerger, the Articles of Associations, the contribution and transfer of the Demerged Entity's assets and liabilities, any relevant deed or agreement concerning the contribution or transfer of assets or liabilities or other rights and obligations, as well as any right in rem, contractual or other right, the shares to be issued, the resolution of the General Meeting of the Demerged Entity's shareholders, the participation ratio in the capital of the new credit institution, and any other agreement or deed required for the Demerger, the incorporation and the Articles of Association of the new credit institution, the publication thereof and the transcription of rights to registers are exempted from any tax stamp duties or other fees, contributions or rights in favour of the Greek State or other third party, including the fees, fixed and variable rights, allowances or other duties in favour of registrars.

### **C. Impact on the Demerged Entity's employees resulting from the Demerger**

The Demerger will have no adverse impact on the rights and obligations of the Demerged Entity's employees.

In particular, as of the completion of the Demerger, the Beneficiary will assume all rights and obligations deriving from the employment relationships and agreements of the Bank's personnel to be transferred to the Beneficiary in the context of the hive-down and the contribution of the banking activity sector pursuant to the provisions of presidential decree no. 178/2002. Specifically, all employees, who will be transferred to the Beneficiary, will enjoy the same employment terms and working conditions, and will retain in full the individual, business and sectoral agreements of the bank employee sector, their Work Regulation, group insurance policies, pension and medical-healthcare schemes and benefits, as well as all their employment rights and obligations in general. Moreover, all Human Resources Policies of the group will continue to apply.

The Demerger will also have no adverse effect on the rights and obligations of the employees that will remain with the Demerged Entity after the completion of the Demerger as a result of the activities that will be retained by the latter as set out in section A hereof. In particular, those employed under a Bank agreement, who will remain with the Demerged Entity, will continue their employment under the same employment terms and working conditions, and will retain the individual, business and sectoral agreements, current and future, of the bank employee sector. All rights and privileges of said employees deriving from the individual, business and sectoral agreements, as well as from group insurance policies, pension and medical-healthcare schemes, will continue to apply. Moreover, all Human Resources Policies of the group will also continue to apply in the Demerged Entity.

### **D. Hellenic Financial Stability Fund Rights**

The Hellenic Financial Stability Fund (hereinafter referred to as the "HFSF") holds 115,375,400 shares of the Demerged Entity, representing approximately 26.42% of the share capital of the Demerged Entity.



The HFSF will exercise towards the Demerged Entity and the Beneficiary all rights under L. 3864/2010, as amended and in force, as well as those arising from the “Relationship Framework Agreement” as in force or as may be amended pursuant to the provisions of L. 3864/2010, as a result of the Demerger.

Neither the Demerger process nor any other corporate or other act, transaction, action or statement effected in the context of the Demerger process, including but not limited to the final Demerger Deed, which shall be drawn up as a notarial deed, may abolish, limit, hinder, diminish, or in any way undermine, directly or indirectly, the existing rights of the HFSF towards the Demerged Entity and/or the Beneficiary.

**Dear Shareholders,**

In view of all the above business, financial and legal considerations, the Board of Directors recommends to the General Meeting of shareholders of the Bank to approve the proposed Demerger, as well as the relevant Draft Demerger Deed, its accompanying documents and in general all relevant actions, announcements and documents to that effect.

Athens, 27 August 2020

For the Board of Directors of Piraeus Bank

Christos Megalou

Managing Director (CEO)

Vassilis Koutentakis

Executive Board Member