

## BASE PROSPECTUS



### PIRAEUS BANK S.A.

(incorporated with limited liability in the Hellenic Republic)

## €3 billion Global Covered Bond Programme

Under this €3 billion global covered bond programme (the **Programme**), Piraeus Bank S.A. (the **Issuer** or, as applicable, **Piraeus Bank**) may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). Covered Bonds may be issued in bearer or registered form.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 (the **Luxembourg Act**) on prospectuses for securities to approve this document as a base prospectus (the **Base Prospectus**). Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme to be admitted to trading on the *Bourse de Luxembourg*, which is the Luxembourg Stock Exchange's regulated market (the **Luxembourg Stock Exchange's regulated market**) for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and to be listed on the official list of the Luxembourg Stock Exchange. This document comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) but is not a base prospectus for the purposes of Section 12(a)(2) or any other provision of or rule under the Securities Act.

References in this Base Prospectus to Covered Bonds being listed and all related references shall mean that such Covered Bonds are intended to be admitted to trading on the Luxembourg Stock Exchange's regulated market and are intended to be listed on the official list of the Luxembourg Stock Exchange's regulated market.

The Programme also permits Covered Bonds to be issued on the basis that they will be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer, the Trustee (as defined below), the Arranger (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market.

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €3 billion (or its equivalent in other currencies calculated as described herein). The payment of all amounts due in respect of the Covered Bonds will constitute direct and unconditional obligations of the Issuer, in addition to having recourse to assets forming part of the cover pool (the **Cover Pool**).

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and, together, the **Dealers**). References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to the lead manager of such issue and, in relation to an issue of Covered Bonds subscribed by one Dealer, be to such Dealer.

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Series or Tranche (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document specific to that Series or Tranche called the final terms (each, a **Final Terms**) which, with respect to Covered Bonds to be listed on the official list of the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of such Series or Tranche of Covered Bonds.

The Covered Bonds issued under the Programme are expected on issue to be assigned a rating of A- by Fitch Ratings Limited (**Fitch**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation. As of the date of this Base Prospectus, Fitch is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the **CRA Regulation**), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. Whether or not any credit rating applied for in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Covered Bonds are discussed under "*Risk Factors*" below. Please review and consider these risk factors carefully before you purchase any Covered Bonds.

Arranger

**Barclays Capital**

Dealers

**Barclays Capital**

**Piraeus Bank S.A.**

The date of this Base Prospectus is 8 February 2011.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Certain specific information in this Base Prospectus has been sourced from a third party. Such information, and its respective source, is indicated in each relevant section of this Base Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source specified, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each Final Terms (in the case of Covered Bonds to be admitted to the Luxembourg Stock Exchange) will be available from the registered office of the Issuer and from the specified office of the Paying Agents for the time being in London or in Luxembourg at the office of the Luxembourg Listing Agent.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section entitled “*Documents Incorporated by Reference*” below). This Base Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

Each Series (as defined herein) of Covered Bonds may be issued without the prior consent of the holders of any outstanding Covered Bonds (the **Covered Bondholders**) subject to the terms and conditions set out herein under “*Terms and Conditions of the Covered Bonds*” (the **Conditions**) as amended and/or supplemented by the Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Series of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. All Covered Bonds will rank *pari passu* and rateably without any preference or priority among themselves, irrespective of their Series, except for the timing of repayment of principal and the timing and amount of interest payable.

The Issuer has confirmed to the Arranger and the Dealers named under “*General Description of the Programme*” below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Covered Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and the offering and sale of the Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer or the Arranger.

Neither the Dealers nor the Arranger nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if

later, the date upon which this Base Prospectus has been most recently supplemented, or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arranger and each of the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see “*Subscription and Sale*”. In particular, Covered Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to U.S. persons. Covered Bonds may be offered and sold outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds and should not be considered as a recommendation by the Issuer, the Arranger, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Covered Bonds. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Covered Bonds outstanding at any one time under the Programme will not exceed €3 billion (and for this purpose, the principal amount outstanding of any Covered Bonds denominated in another currency shall be converted into euro at the date of the agreement to issue such Covered Bonds (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate principal amount of Covered Bonds which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under “*Subscription and Sale*”.

In this Base Prospectus, unless otherwise specified, references to a **Member State** are references to a Member State of the European Economic Area, references to **€**, **EUR** or **euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union (EMU) pursuant to the Treaty establishing the European Community and references to **Swiss francs** or **CHF** are to the lawful currency for the time being of Switzerland.

In this Base Prospectus, all references to **Greece** or to the **Greek State** are to the Hellenic Republic.

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person, making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering or placement contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds, may only do so in circumstances in which no obligation arises for the Issuer, the Arranger or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Arranger or any Dealer has authorised, nor do any of them authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the Arranger or any Dealer to publish or supplement a prospectus for such offer.

**In connection with the issue of any Series of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Covered Bonds or effect transactions with a view to supporting**

**the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## GENERAL DESCRIPTION OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Series or Tranche of Covered Bonds, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a supplement to the Base Prospectus will be published.*

*Words and expressions defined in the “Terms and Conditions of the Covered Bonds” below or elsewhere in this Base Prospectus have the same meanings in this summary.*

## PRINCIPAL PARTIES

<b>Issuer</b>	Piraeus Bank S.A. ( <b>Piraeus Bank</b> or the <b>Issuer</b> ).
<b>Arranger</b>	Barclays Bank PLC, acting through its investment banking division - Barclays Capital ( <b>Barclays Bank PLC</b> ).
<b>Dealers</b>	Barclays Bank PLC, Piraeus Bank S.A. and/or any other dealers appointed from time to time in accordance with the Programme Agreement.
<b>Servicer</b>	<p>Piraeus Bank (in its capacity as the servicer and, together with any replacement servicer appointed pursuant to the Servicing and Cash Management Deed from time to time, the <b>Servicer</b>) will service the Loans and Related Security in the Cover Pool pursuant to the Servicing and Cash Management Deed.</p> <p>The Servicer shall also undertake certain notification and reporting services together with account handling services in relation to moneys from time to time standing to the credit of the Collection Accounts and the Transaction Account and cash management activities (the <b>Servicing and Cash Management Services</b>) in accordance with the Servicing and Cash Management Deed and the Greek Covered Bond Legislation, including the calculation of the Statutory Tests and the Amortisation Test.</p>
<b>Asset Monitor</b>	A reputable firm of independent auditors and accountants, not being the auditors of the Issuer for the time being, appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of (i) the Statutory Tests when required in accordance with the Greek Covered Bond Legislation and (ii) the Amortisation Test when required in accordance with the Servicing and Cash Management Deed. The initial Asset Monitor will be Deloitte Hadjipavlou, Sofianos & Cambanis S.A., acting through its office at 3a Fragoklissias & Granikou str., Maroussi 151 25, Athens, Greece (the <b>Asset Monitor</b> ).
<b>Account Bank</b>	<p>Citibank, N.A., London Branch acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, has agreed to act as account bank (the <b>Account Bank</b>) pursuant to the Bank Account Agreement.</p> <p>In the event that the Account Bank ceases to be an Eligible Institution, the Servicer will be obliged to transfer the Transaction Account to a credit institution with the appropriate minimum ratings.</p>

**Eligible Institution** means any bank whose long-term and short-term issuer default ratings (**IDR**) are at least A and F1 respectively by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies).

**Principal Paying Agent**

Citibank, N.A., London Branch (the **Principal Paying Agent** and, together with any agent appointed from time to time under the Agency Agreement, the **Paying Agents**). The Principal Paying Agent will act as such pursuant to the Agency Agreement.

**Registrar**

Citibank, N.A., London Branch (the **Registrar**). The Registrar will act as such pursuant to the Agency Agreement.

**Trustee**

Citicorp Trustee Company Limited acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the **Trustee**) has been appointed to act as bond trustee for the Covered Bondholders in respect of the Covered Bonds in accordance with paragraph 2 of Article 91 and the Trust Deed and will also act as security trustee to hold the benefit of all security granted by the Issuer (on trust for itself, the Covered Bondholders and the other Secured Creditors) under the Deed of Charge and the Statutory Pledge granted pursuant to the Greek Covered Bond Legislation.

**Covered Bond** means each covered bond issued or to be issued pursuant to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 12 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*).

**Covered Bondholders** means the several persons who are for the time being holders of outstanding Covered Bonds (being, in the case of Bearer Covered Bonds, the bearers thereof and, in the case of Registered Covered Bonds, the several persons whose names are entered in the register of holders of the Registered Covered Bonds as the holders thereof) save that, in respect of the Covered Bonds of any Series, for so long as such Covered Bonds or any part thereof are represented by a Bearer Global Covered Bond deposited with a common depositary or, as applicable, common safekeeper for Euroclear and Clearstream, Luxembourg, or so long as Euroclear or Clearstream, Luxembourg or its nominee is the registered holder of a Registered Global Covered Bond, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg), as the holder of a particular principal amount of the Covered Bonds of such Series shall be deemed to be the holder of such principal amount of such Covered Bonds (and the holder of the relevant Global Covered Bond shall be deemed not to be the holder) for all purposes other than with respect to the payment of principal or interest on such principal amount of such Covered Bonds.

**Hedging Counterparties**

The Issuer may, from time to time, enter into Hedging Agreements with various swap providers to hedge certain currency and/or other risks (each a **Covered Bond Swap Provider**), interest risks (each an **Interest Rate Swap Provider**) and currency risks (each an **FX Rate Swap Provider** and,

together with the Covered Bond Swap Providers, Interest Rate Swap Providers and any other swap provider under a Hedging Agreement, the **Hedging Counterparties**) associated with the Covered Bonds. The Hedging Counterparties will act as such pursuant to the relevant Hedging Agreements (as defined herein). Each Hedging Counterparty will be required to satisfy the conditions under paragraph I. 2(b)(b2) of the Secondary Covered Bond Legislation.

<b>Listing Agent</b>	Dexia Banque Internationale à Luxembourg S.A. (the <b>Luxembourg Listing Agent</b> ).
<b>Rating Agencies</b>	Means Fitch Ratings Limited ( <b>Fitch</b> ) or any other rating agency which may be appointed under the Programme from time to time to provide ratings for a specific issue of Covered Bonds or on any ongoing basis (together, the <b>Rating Agencies</b> and each a <b>Rating Agency</b> ).

## PROGRAMME DESCRIPTION

<b>Description</b>	Piraeus Bank €3 billion Covered Bond Programme (the <b>Programme</b> ).
<b>Programme Amount</b>	Up to €3 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Issuance in Series</b>	Covered Bonds will be issued in Series, but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series. Save in respect of the first issue of Covered Bonds, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series). The Issuer may issue Covered Bonds without the prior consent of the Covered Bondholders pursuant to Condition 16 ( <i>Further Issues</i> ).

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

**Issue Date** means the date of issue of a Series or Tranche as specified in the relevant Final Terms (each, the **Issue Date** in relation to such Series or Tranche).

**Interest Commencement Date** means, in the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds will accrue interest.

<b>Final Terms</b>	Final terms (the <b>Final Terms</b> ) will be issued and published in accordance with the terms and conditions set out herein under “ <i>Terms and Conditions of the Covered Bonds</i> ” (the <b>Conditions</b> ) prior to the issue of each Series or Tranche detailing certain relevant terms thereof which, for the purposes of that Series only, supplement the Conditions and the Base Prospectus and must be read in conjunction with the Conditions and the Base Prospectus.
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The terms and conditions applicable to any particular Series are the Conditions as supplemented, amended and/or replaced by the relevant Final Terms.

<b>Conditions Precedent to the Issuance of a new Series or Tranche of Covered Bonds</b>	It is a condition precedent to the issuance of a new Series or Tranche of Covered Bonds that (i) there is no Issuer Event outstanding and that such issuance would not cause an Issuer Event, (ii) such issuance would not result in a breach of any of the Statutory Tests, (iii) the Rating Agencies have been notified of such issuance, (iv) such issuance has been notified to the Bank of Greece in accordance with paragraph II.3 of the Secondary Covered Bond Legislation and (v) if applicable, in respect of any Series or Tranche, a Hedging Agreement is entered into.
<b>Proceeds of the Issue of Covered Bonds</b>	The gross proceeds from each issue of Covered Bonds will be used by the Issuer to fund its general corporate purposes.
<b>Form of Covered Bonds</b>	The Covered Bonds may be issued in either bearer or registered form. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and <i>vice versa</i> .
<b>Specified Currency</b>	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Denominations</b>	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms, save that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than Euro, the equivalent amount in such currency) or such other higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
<b>Redenomination</b>	The applicable Final Terms may provide that certain Covered Bonds may be redenominated in Euro. If so, the redenomination provisions will be set out in the applicable Final Terms.
<b>Fixed Rate Covered Bonds</b>	The applicable Final Terms may provide that certain Covered Bonds will bear interest at a fixed rate ( <b>Fixed Rate Covered Bonds</b> ), which will be payable on each Interest Payment Date and on the applicable redemption date and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Floating Rate Covered Bonds</b>	<p>The applicable Final Terms may provide that certain Covered Bonds bear interest at a floating rate (<b>Floating Rate Covered Bonds</b>). Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> </ul>

- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms.

**ISDA Definitions** means the 2006 ISDA Definitions, as published by ISDA.

The margin (if any) relating to such floating rate (the **Margin**) will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.

<b>Credit Linked Interest Covered Bonds and Equity Linked Interest Covered Bonds</b>	The applicable Final Terms may provide that payments of interest in respect of certain Covered Bonds ( <b>Credit Linked Interest Covered Bonds</b> or, as applicable, <b>Equity Linked Interest Covered Bonds</b> ) will be calculated by reference to such price, value, performance or some other factor relating to one or more reference assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more reference entities as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).
<b>Index Linked Covered Bonds</b>	The applicable Final Terms may provide that payments of principal in respect of certain Covered Bonds ( <b>Index Linked Covered Bonds</b> ) will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree, as set out in the applicable Final Terms.
<b>Dual Currency Interest Covered Bonds</b>	The applicable Final Terms may provide that payments of interest in respect of certain Covered Bonds may be made in more than one currency ( <b>Dual Currency Interest Covered Bonds</b> ) and that such payments, whether at maturity or otherwise, will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree.
<b>Variable Interest Covered Bonds</b>	Index Linked Covered Bonds, Credit Linked Interest Covered Bonds, Equity Linked Interest Covered Bonds, Dual Currency Interest Covered Bonds and other Covered Bonds (excluding Floating Rate Covered Bonds) where the rate of interest is variable are referred to as <b>Variable Interest Covered Bonds</b> .
<b>Other provisions in relation to Floating Rate Covered Bonds and Variable Interest Covered Bonds</b>	Floating Rate Covered Bonds and Variable Interest Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds and Variable Interest Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Zero Coupon Covered Bonds</b>	The applicable Final Terms may provide that Covered Bonds, bearing no interest ( <b>Zero Coupon Covered Bonds</b> ), may be offered and sold at a discount to their nominal amount.
<b>Partly Paid Covered Bonds</b>	Covered Bonds may be issued on a partly-paid basis ( <b>Partly Paid Covered Bonds</b> ) in which case interest will accrue on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**Ranking of the Covered Bonds**

All Covered Bonds will rank *pari passu* and *pro rata* without any preference or priority among themselves, irrespective of their Series, for all purposes except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

**Taxation**

All payments of principal, interest and other proceeds (if any) on the Covered Bonds will be made free and clear of any withholding or deduction for, or on account of, any taxes, unless the Issuer or any intermediary that intervenes in the collection of interest and other proceeds on the Covered Bonds is required by applicable law to make such a withholding or deduction. In the event that such withholding, or deduction is required by law, the Issuer will not be required to pay any additional amounts in respect of such withholding or deduction.

**Status of the Covered Bonds**

The Covered Bonds are issued on an unconditional basis and in accordance with Article 91 of Greek Law 3601/2007 (published in the Government Gazette No 178/A/1-8-2007), as amended by Article 48 of Greek Law 3693/2008 (published in the Government Gazette No. 174/A/25-8-2008) and Article 69 of Greek Law 3746/2009 (published in the Government Gazette No. 27/A/16-2-2009) (**Article 91**) and the Act of the Governor of the Bank of Greece No. 2598/2007, as amended and restated by the codifying Act of the Governor of the Bank of Greece No. 2620/2009 (the **Secondary Covered Bond Legislation** and, together with Article 91, the **Greek Covered Bond Legislation**). The Covered Bonds are backed by assets forming the Cover Pool of the Issuer and to the extent such assets are governed by Greek law, have the benefit of a statutory pledge established pursuant to paragraph 4 of Article 91 (the **Statutory Pledge**) by virtue of registration statement(s) filed with the Athens Pledge Registry (each a **Registration Statement**) pursuant to paragraph 5 of Article 91. The form of the Registration Statement is defined in Ministerial Decree No 95630/8-9-2008 (published in the Government Gazette No 1858/B/12-9-2008) of the Minister of Justice.

Payments on the Covered Bonds will be direct and unconditional obligations of the Issuer.

**Security for the Covered Bonds**

In accordance with the Greek Covered Bond Legislation, by virtue of the Transaction Documents and pursuant to any Registration Statement, the Cover Pool and all cashflows derived therefrom (including any amounts standing to the credit of the Collection Accounts or the Third Party Collection Account) will be available both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Covered Bondholders and the other Secured Creditors in priority to the Issuer's obligations to any other creditors, until the repayment in full of the Covered Bonds.

In accordance with the Deed of Charge, security will be created for the benefit of the Trustee on behalf of the Secured Creditors in respect of the Hedging Agreements and any other Transaction Documents.

**Secured Creditors** means the Covered Bondholders, the Receiptholders, the Couponholders, the Trustee, any Receiver, the Asset Monitor, the Account Bank, the Agents, the Servicer, the Hedging Counterparties and any other creditor of the Issuer having the benefit of the Charged Property in accordance with the Greek Covered Bond Legislation or pursuant to any transaction document entered into in the course of the Programme

(provided that, where Piraeus Bank performs any of the above roles, Piraeus Bank shall not be a Secured Creditor).

**Receiver** means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Trustee pursuant to the Deed of Charge.

**Agents** means the Paying Agents, the Registrar, the Transfer Agents and any Calculation Agent.

**Calculation Agent** means in relation to one or more Series, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer pursuant to the Agency Agreement, or if applicable, any successor calculation agent in relation to such Covered Bonds.

**Transfer Agent** means in relation to all or any Series of Registered Covered Bonds, the person initially appointed as transfer agent in relation to such Covered Bonds by the Issuer pursuant to the Agency Agreement, or if applicable, any successor transfer agent in relation to all or any Series of such Covered Bonds.

**Charged Property** means the property, assets and undertakings charged by the Issuer pursuant to Clause 3 (*Security and Declaration of Trust*) of the Deed of Charge together with, where applicable, the property pledged pursuant to the Statutory Pledge.

**Cross-collateralisation and Recourse**

By operation of Article 91 and in accordance with the Transaction Documents, the Cover Pool Assets shall form a single portfolio, irrespective of the date of assignment to the Cover Pool and shall be held by the Trustee for the benefit of the Covered Bondholders and the other Secured Creditors irrespective of the Issue Date of the relevant Series. The Covered Bondholders and the other Secured Creditors shall have recourse to the Cover Pool.

The Cover Pool Assets may not be seized or attached in any form by creditors of the Issuer other than by the Trustee on behalf of the Covered Bondholders and the other Secured Creditors.

In order to ensure that the Cover Pool is, at any time, sufficient to meet the payment obligations of the Issuer under the Covered Bonds, the Issuer shall be obliged, within certain limits and upon certain conditions, to effect certain changes to the Cover Pool Assets comprising the Cover Pool.

**Issue Price**

Covered Bonds of each Series may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis (in each case, the **Issue Price** for such Series or Tranche) as specified in the relevant Final Terms in respect of such Series.

**Interest Payment Dates**

In relation to any Series of Covered Bonds, the meaning given in the applicable Final Terms (as the case may be).

**Programme Payment Date**

The 18th day of January, April, July and October and if such day is not an Athens Business Day the first Athens Business Day thereafter (the **Programme Payment Date**).

**Athens Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Athens and London.

**Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Athens and any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London, Athens and any Additional Business Centre, or as otherwise specified in the applicable Final Terms) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Cross Settlement Express Transfer (**TARGET2**) System is open.

#### **Early Redemption**

The applicable Final Terms may specify that either the relevant Series of Covered Bonds can be redeemed prior to their stated maturity for taxation reasons in the manner set out in Condition 7.2 (*Redemption and Purchase - Redemption for taxation reasons*), or that such Covered Bonds will be redeemable, in full or in part at the option of the Issuer and/or the Covered Bondholders upon giving notice to the Covered Bondholders or the Issuer (as the case may be), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms). The applicable Final Terms may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

#### **Final maturity and extendable obligations under the Covered Bonds**

The final maturity date for each Series (the **Final Maturity Date**) will be specified in the relevant Final Terms as agreed between the Issuer and the relevant Dealer(s). Unless specified otherwise in the Final Terms or previously redeemed as provided in the Conditions, the Covered Bonds of each Series will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date. If the Covered Bonds are not redeemed in full on the relevant Final Maturity Date, or (as described below) where the Covered Bonds are subject to an Extended Final Maturity Date, on the Extended Final Maturity Date, then the Trustee shall serve a Notice of Default on the Issuer pursuant to Condition 10 (*Events of Default and Enforcement*). Following the service of a Notice of Default the Covered Bonds of each Series shall become immediately due and payable.

**Principal Amount Outstanding** means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day provided that the Principal Amount Outstanding in respect of a Covered Bond that has been purchased and cancelled by the Issuer or any Subsidiary of the Issuer shall

be zero.

**Subsidiary** means, with respect to any person, any corporation or other business entity of which such person owns or controls (either directly or through another subsidiary or other subsidiaries) 50 per cent. or more of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such corporation or other business entity (other than capital stock or other ownership interest of any other classes which have voting power on the occurrence of any contingency).

The applicable Final Terms may also provide that the Issuer's obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred past the Final Maturity Date until the extended final maturity date (as specified in the Final Terms) (such date the **Extended Final Maturity Date**). In such case, such deferral will occur automatically if the Issuer fails to pay any amount representing the amount due on the Final Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Covered Bonds on their Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date. Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Final Maturity Date in accordance with Condition 5 (*Interest*) and the Issuer (or the Servicer on its behalf) will make payments on each relevant Interest Payment Date and Extended Final Maturity Date.

Following service of a Notice of Default, any amount outstanding shall bear interest in accordance with Condition 7.9 (*Redemption and Purchase - Late Payment*).

#### **Ratings**

Each Series issued under the Programme may be assigned a rating by the Rating Agencies.

#### **Listing and admission to trading**

Application has been made to the Commission de Surveillance du Secteur Financier in Luxembourg (the **CSSF**) to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme after the date hereof to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

Covered Bonds may be unlisted or may be listed or admitted to trading, as the case may be, on a regulated market for the purposes of the Markets in Financial Instruments Directive, as may be agreed between the Issuer, the Trustee and the relevant Dealer(s) in relation to each issue. The Final Terms relating to each Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which regulated markets.

#### **Clearing Systems**

Euroclear Bank S.A./N.V. (**Euroclear**), and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) in relation to any Series of Covered Bonds or any other clearing system as may be specified in the

applicable Final Terms.

<b>Selling Restrictions</b>	There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States, the European Economic Area (including the United Kingdom, the Hellenic Republic and Luxembourg) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds.
<b>Greek Covered Bond Legislation</b>	The Covered Bonds will be issued pursuant to the Greek Covered Bond Legislation.
<b>Governing law</b>	<p>The Servicing and Cash Management Deed, the Trust Deed, the Deed of Charge, the Agency Agreement, the Bank Account Agreement, the Programme Agreement, each Subscription Agreement and each Hedging Agreement will be governed by, and construed in accordance with, English law. The Asset Monitor Agreement will be governed by, and construed in accordance with, Greek law.</p> <p>The Covered Bonds will be governed by and construed in accordance with English law, save that the Statutory Pledge referred to in Condition 3 (<i>Status of the Covered Bonds</i>), will be governed by and construed in accordance with Greek law.</p>

## CREATION AND ADMINISTRATION OF THE COVER POOL

<b>The Cover Pool</b>	<p>Pursuant to the Greek Covered Bond Legislation, the Issuer will be entitled to create the Statutory Pledge over:</p> <ul style="list-style-type: none"><li>(a) certain eligible assets set out in paragraph 8(b) of Section B of the Bank of Greece Act No 2588/20-8-2007 “Calculation of Capital Requirements for Credit Risk according to the Standardised Approach”, including, but not limited to, claims deriving from loans and credit facilities of any nature comprising the aggregate of all principal sums, interest, costs, charges, expenses, additional loan advances and other moneys but excluding any third party expenses due or owing with respect to such loan and/or credit facilities provided that such loans and credit facilities are secured by, <i>inter alia</i>, residential real estate (the <b>Loans</b>) together with any mortgages, mortgage pre-notations, guarantees or indemnity payments which may be granted or due, as the case may be, in connection therewith (the <b>Related Security</b>, and together with the Loans the <b>Loan Assets</b>); including, in case of any Subsidised Loans, any Subsidised Interest Amount due and owing with respect to such Subsidised Loan) and including the amounts received from Borrowers which represent the cost to the Issuer of the levy of Greek Law 128/1975 (<b>Levy</b>) in respect of such Loans;</li><li>(b) derivative financial instruments including but not limited to the Hedging Agreements satisfying the requirements of paragraph I.2(b) of the Secondary Covered Bond Legislation;</li><li>(c) deposits with credit institutions (including any cash flows deriving therefrom) provided that such deposits comply with paragraph 8(b)(iv) of Section B of the Bank of Greece Act No. 2588/20-8-2007 (including the Transaction Account but excluding, for the avoidance of doubt, the Collection Accounts which will not be included in the</li></ul>
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Cover Pool);

(d) Marketable Assets; and

(e) Authorised Investments,

(each a **Cover Pool Asset** and collectively the **Cover Pool** or the **Cover Pool Assets**).

By virtue of the Registration Statement(s) filed with the Athens Pledge Registry on or prior to the Issue Date for the first Series of Covered Bonds, the Issuer shall segregate the Cover Pool in connection with the issuance of Covered Bonds for the satisfaction of the rights of the Covered Bondholders and the other Secured Creditors.

**OEK** means the Greek Workers Housing Association.

**OEK Framework Agreement** means the bilateral agreements pursuant to which the OEK pays subsidies to the Issuer in respect of the OEK Subsidised Loans.

**OEK Subsidised Loans** means those Loans in respect of which the OEK makes payment of Subsidised Interest Amounts pursuant to the applicable laws and the OEK Framework Agreements pursuant to which the OEK pays subsidies to the Issuer in respect of such Loans.

**State/OEK Subsidised Loans** means those Loans which are both State Subsidised Loans and OEK Subsidised Loans.

**State Subsidised Loans** means those Loans in respect of which the Hellenic Republic makes payment of Subsidised Interest Amounts pursuant to all applicable laws.

**Subsidised Loan** means either the OEK Subsidised Loans, the State Subsidised Loans or the State/OEK Subsidised Loan or loans subsidised by any additional Greek State owned entity.

**Subsidised Interest Amounts** means the interest subsidy amounts due and payable from the Greek State in respect of the State Subsidised Loans and/or from the OEK in respect of the OEK Subsidised Loans and/or from any other Greek State owned entity in respect of any other Subsidised Loan (as the case may be).

## **CHANGES TO THE COVER POOL**

### **Optional changes to the Cover Pool**

The Issuer shall be entitled, subject to filing a Registration Statement so providing, to:

- (a) *Allocation of Further Assets*: allocate to the Cover Pool additional Cover Pool Assets for the purposes of issuing further Series of Covered Bonds and/or complying with the Statutory Tests and/or maintaining the initial rating(s) assigned to the Covered Bonds provided that, with respect to the allocation of New Asset Types in the Cover Pool, the Rating Agencies have been notified in writing of such assignment; and



- (b) *Removal or substitution of Cover Pool Assets*: prior to the occurrence of an Issuer Event and provided that no breach of any Statutory Test would occur as a result of such removal or substitution (i) remove Cover Pool Assets from the Cover Pool or (ii) substitute existing Cover Pool Assets with new Cover Pool Assets, provided that for any substitution of New Asset Types, the Rating Agencies have been notified of such substitution.

Any further assets added to the Cover Pool at the option of the Issuer in accordance with the above shall form part of the Cover Pool (**Additional Cover Pool Assets**).

Upon any addition to the Cover Pool of any Additional Cover Pool Assets where the relevant transfer date is also an Issue Date or the Issuer ceases to have the Minimum Credit Ratings, the Issuer shall deliver a certificate, or as the case may be, procure the delivery of a certificate to the Trustee confirming that (i) such Additional Cover Pool Assets comply with the Eligibility Criteria and are subject to the Statutory Pledge and (ii) no Issuer Insolvency Event (as defined below) or a breach of any Statutory Test has occurred or, as a result of the addition of such Additional Cover Pool Assets to the Cover Pool, will occur.

**New Asset Type** means a new type of mortgage loan originated by the Issuer, which the Issuer intends to assign to the Cover Pool as an Additional Cover Pool Asset, the terms and conditions of which are materially different (in the opinion of the Issuer acting reasonably) from any of the Cover Pool Assets in the Cover Pool. For the avoidance of doubt, a mortgage loan will not constitute a New Asset Type if it differs from any of the Cover Pool Assets in the Cover Pool solely due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees.

**Issuer Insolvency Event** means in relation to the Issuer:

- (a) an order is made or an effective resolution passed for the liquidation or winding up or dissolution of the Issuer, except for the purposes of a reconstruction, amalgamation or merger or following the transfer of all or substantially all of the assets of the relevant entity, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Covered Bondholders (of all Series taken together as a single Series) or which has been effected in compliance with the terms of Condition 18 (*Substitution of the Issuer*);
- (b) the Issuer stops or threatens to stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally;
- (c) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or over half of the assets of, the Issuer or an encumbrancer shall take possession of the

whole or over half of the assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) a substantial part of the assets of the Issuer and in any of the foregoing cases it or he shall not be discharged within 60 days;

- (d) the Issuer is in a status of cessation of payments within the meaning of article 3 of the Greek Bankruptcy Code;
- (e) the Issuer is declared bankrupt in accordance with the Greek Bankruptcy Code; or
- (f) a supervisor (*Epitropos*) of the Issuer is appointed in accordance with article 63 of Law 3601/2007 or Issuer is placed in liquidation in accordance with article 68 of Law 3601/2007.

**Minimum Credit Rating** means a long-term and short-term IDR of at least BBB+ and F2 respectively by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies).

Upon the inclusion of CHF denominated Loan Assets in the Cover Pool, the Issuer (or the Servicer on behalf of the Issuer) will, subject to notification to the Rating Agencies, enter into an FX Rate Swap with an FX Rate Swap Provider or any appropriate Hedging Agreements (satisfying the requirements of paragraph I.2(b) of the Secondary Covered Bond Legislation) with a Hedging Counterparty that has the requisite ratings in order to hedge the currency risk in respect of amounts received by the Issuer under the CHF Loan Assets and/or the amount payable by the Issuer on the Covered Bonds.

**Disposal of the Loan Assets**

Following the occurrence of an Issuer Event (but before an Event of Default or service of a Notice of Default), the Servicer, or any person appointed by the Servicer, acting in the name and on behalf of the Issuer, or the Trustee, as the case may be, will be obliged to sell in whole or in part the Loan Assets in accordance with the provisions of the Servicing and Cash Management Deed and pursuant to paragraph 9 of Article 91. The proceeds from any such sale will be credited to the Transaction Account and applied in accordance with the Pre-Event of Default Priority of Payments.

In certain circumstances the Issuer shall have the right to prevent the sale of Loan Assets to third parties by removing the Loan Assets made subject to sale from the Cover Pool and transferring to the Transaction Account, an amount equal to the price set forth in such offer letter, subject to the provision of a solvency certificate.

Following the occurrence of an Event of Default and/or the service of a Notice of Default, the Trustee shall be entitled to direct the Servicer to dispose of the Cover Pool.

**Undertakings of the Servicer in respect of the Cover Pool**

Pursuant to the Transaction Documents, the Issuer and the Servicer (if the Servicer is Piraeus Bank) undertake to manage the Cover Pool in the interest of the Covered Bondholders and the other Secured Creditors and undertake to take in a timely manner any actions required in order to ensure that the servicing of the Loan Assets is conducted in accordance with the collection policy and recovery procedure applicable to the Issuer and the

Servicer (if the Servicer is Piraeus Bank).

**Representations and Warranties of the Issuer**

Under the Servicing and Cash Management Deed, the Issuer has made and will make certain representations and warranties regarding itself and the Loan Assets including, *inter alia*:

- (i) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;
- (ii) the legality, validity, binding nature and enforceability of the obligations assumed by it;
- (iii) the absence of any lien attaching to the Loan Assets;
- (iv) its absolute, legal and beneficial title to the Loan Assets; and
- (v) the validity and enforceability against the relevant Borrowers of the Loan Assets.

**Eligibility Criteria**

Each Loan Asset to be included in the Cover Pool shall comply with the following criteria (the **Eligibility Criteria**):

- (i) It is an existing Loan, denominated in euro or Swiss francs and is owed by Borrowers who are individuals.
- (ii) It is governed by Greek law and the terms and conditions of such Loan do not provide for the jurisdiction of any court outside Greece.
- (iii) Each Loan is fully drawn down and the Issuer is not obliged to advance any further amounts to the relevant Borrower.
- (iv) It is secured by a valid and enforceable first ranking mortgage and/or mortgage pre-notation over property located in Greece that may be used for residential purposes.
- (v) Notwithstanding (iv) above, if the mortgage and/or mortgage pre-notation is of lower ranking, the loans that rank higher have also been originated by the Issuer and are included in the Cover Pool.
- (vi) In respect of any Loan, there are no other loans secured by mortgages and/or pre-notations ranking *pari passu* with the mortgage and/or pre-notation securing such Loan.
- (vii) Notwithstanding (vi) above, if there are other loans secured by mortgages and/or pre-notations ranking *pari passu* with the mortgage and/or pre-notation securing such Loan, such loans have also been originated by the Issuer and are included in the Cover Pool.
- (viii) Only completed properties secure the Loan.
- (ix) All lending criteria and preconditions applied by the Issuer's credit policy and customary lending procedures have been satisfied with regards to the granting of such Loan.

- (x) The purpose of such Loan is either to buy, construct or renovate a property or refinance a loan granted by another bank for one of these purposes.
- (xi) It is either a fixed or floating rate loan or a combination of both.

#### **Compliance with Statutory Tests**

The Servicer shall verify as of each Calculation Date, as of each Issue Date and, following an Issuer Event, as of each Monthly Calculation Date that the Cover Pool satisfies the Nominal Value Test, the Net Present Value Test and the Interest Cover Test (collectively, the **Statutory Tests** and each a **Statutory Test**).

**Calculation Date** means the Athens Business Day which falls five Athens Business Days prior to each Programme Payment Date.

**Monthly Calculation Date** means, following an Issuer Event, any Calculation Date and the 13th day of February, March, May, June, August, September, November and December and, if any such day is not an Athens Business Day, the first Athens Business Day thereafter.

#### **Statutory Tests**

Pursuant to the Greek Covered Bond Legislation, the Cover Pool is subject to the Statutory Tests as set out in the Secondary Covered Bond Legislation. Failure of the Issuer to cure a breach of any one of the Statutory Tests within five Athens Business Days will result in the Issuer not being able to issue further Covered Bonds. The Statutory Tests will include the following:

- (a) *The Nominal Value Test:* The Issuer must ensure that on each Calculation Date, Issue Date or, following an Issuer Event, Monthly Calculation Date, the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds, together with all accrued interest thereon, is not greater than 95 per cent. (or such other percentage determined in accordance with the Servicing and Cash Management Deed (the **Asset Percentage**)) of the nominal value of the Cover Pool (excluding for these purposes any amounts received from Borrowers which represent the cost to the Issuer of Levy in respect of such Loans) as determined in accordance with the Servicing and Cash Management Deed. In order to assess compliance with this test, all of the assets comprising the Cover Pool (other than the Hedging Agreements) shall be evaluated at their nominal value plus accrued interest in accordance with the Servicing and Cash Management Deed. In relation to the issue of the first series of Covered Bonds, the Nominal Value Test will be calculated on the basis of an Asset Percentage of 89.4 per cent.

For the purposes of calculating the nominal value of the Cover Pool, the value of any foreign assets comprised in the Cover Pool shall be converted into euro on the basis of the exchange rate published by the European Central Bank (**ECB**) on the last Collection Period End Date or the last calendar day of the immediately preceding calendar month (as applicable) in accordance with the Servicing and Cash Management Deed.

Marketable Assets (**Marketable Assets**), as defined in the Act of the Monetary Policy Council of the Bank of Greece 54/27-2-2004

as in force and which comply with the requirements for Eligible Investments, are allowed to be included in the Cover Pool in substitution of or as supplements to the existing Cover Pool Assets and will be included in assessing compliance with the Nominal Value Test, provided that such assets in the Cover Pool do not exceed the difference in value between the Principal Amounts Outstanding of Covered Bonds then outstanding plus accrued interest and the nominal value of the Cover Pool (calculated without taking into account the Marketable Assets) plus accrued interest.

**Eligible Investments** means any Marketable Assets that are denominated in Euro, provided that, in all cases:

- (a) such investments are immediately repayable on demand, disposable without penalty or have a maturity date falling on or before the next Programme Payment Date;
- (b) such investments provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount); and
- (c) (A) each of the debt securities or other debt instruments and the issuing entity or (in the case of debt securities or other debt instruments which are fully and unconditionally guaranteed on an unsubordinated basis) the guaranteeing entity are rated at least:
  - (1) AA- and F1+ by Fitch with regards to investments having a maturity of up to 365 days where the investments carry both a short-term and long-term rating; or
  - (2) F1+ by Fitch with regard to investments having a maturity of up to 365 days where the investment carries only a short-term rating; or
  - (3) equal to the current rating given by Fitch to the then outstanding Covered Bonds:
    - (i) with regard to investments having a maturity of greater than 365 days; and
    - (ii) in cases where the current rating given by Fitch to the lowest rated Series of the then outstanding Covered Bonds is lower than AA-,

or such other ratings which are consistent with the published criteria of the Rating Agencies; or

- (B) debt securities or other debt instruments issued by money market funds and variable net asset value funds, the highest money market fund rating from either Fitch or at least two other global rating agencies.
- (b) *The Net Present Value Test:* The Issuer must ensure that on each Calculation Date, each Issue Date or, following an Issuer Event,

each Monthly Calculation Date, the net present value of liabilities under the Covered Bonds is less than or equal to the net present value of the Cover Pool (excluding for these purposes any amounts received from Borrowers which represent the cost to the Issuer of Levy in respect of such Loans) including the Hedging Agreements (if included in the Cover Pool, at the discretion of the Issuer) and the amounts standing to the credit of the Transaction Account (other than the amounts standing to the credit of the Commingling Reserve Ledger) as determined in accordance with the Servicing and Cash Management Deed.

The Net Present Value Test must also be satisfied under the assumption of parallel shifts of the yield curve by 200 basis points.

In addition, for the purposes of the Net Present Value Test, the Issuer must ensure that the net present value of the Hedging Agreements and the amounts standing to the credit of the Transaction Account (other than the amounts standing to the credit of the Commingling Reserve Ledger) are in aggregate less than or equal to 15 per cent. of the nominal value (being principal) of the Covered Bonds plus accrued interest thereon (calculated in accordance with the Servicing and Cash Management Deed).

For the purposes of calculating the net present value of the Cover Pool, all amounts denominated in a currency other than euro shall be converted into euro on the basis of the exchange rate published by the ECB on the last Collection Period End Date or the last calendar day of the immediately preceding calendar month (as applicable) in accordance with the Servicing and Cash Management Deed.

- (c) *The Interest Cover Test:* The Issuer must ensure that on each Calculation Date, each Issue Date or, following an Issuer Event, each Monthly Calculation Date, the amount of interest due on all Series of Covered Bonds together with senior amounts that rank in priority or *pari passu* with the amounts due on the Covered Bonds in accordance with the Pre Event of Default Priority of Payments do not exceed the amount of interest expected to be received in respect of the assets comprised in the Cover Pool (including (i) any Marketable Assets which are to be included pursuant to paragraph I.6 of the Secondary Covered Bond Legislation and (ii) any Hedging Agreements, but excluding any amounts from Borrowers which represent the cost to the Issuer of Levy in respect of such Loans) in each case during the period of twelve months from such Calculation Date or, as applicable, such Issue Date or Monthly Calculation Date.

For the purposes of calculating the Nominal Value Test, the Net Present Value Test and the Interest Cover Test set out above, each Loan will be deemed to have an outstanding principal balance of and bear interest on an amount equal to the lower of:

- (a) the euro equivalent of the actual outstanding principal balance of the relevant Loan in the Cover Pool as calculated in accordance with the provisions of the Servicing and Cash Management Deed; and

- (b) the euro equivalent of the latest of either the physical valuation or the Prop Index Valuation relating to that Loan multiplied by 0.80, less the outstanding principal balance of any higher ranking Loan if such Loan is a second or lower ranking Loan, provided that such Loan can never be given a value of less than zero; and
- (c) if the relevant Loan is in arrear of more than 90 days, zero,

and each Loan shall be deemed to bear interest on the lower of the amounts calculated in (a), (b) and (c) above.

**Prop Index Valuation** means the index of movements in house prices issued by Prop Index SA in relation to residential properties in Greece.

In addition, in calculating such tests, all Loans that do not comply with the representations and warranties during the immediately preceding calculation period, shall be given a zero value.

All calculations made in order to verify the compliance of the Statutory Tests in relation to the issue of a new Series or Tranche of Covered Bonds will be carried out by the Servicer on the relevant Issue Date in accordance with the Servicing and Cash Management Deed.

#### **Breach of Statutory Tests**

If, on any Calculation Date, Issue Date or, following an Issuer Event, Monthly Calculation Date, any one or more of the Statutory Tests being tested on such date is or are not satisfied, the Issuer must take action to cure any breach(es) of the relevant Statutory Tests within five Athens Business Days, failing which an Issuer Event will occur.

The Issuer or (where Piraeus Bank is not the Servicer) the Servicer, as the case may be, will immediately notify the Trustee of any breach of any of the Statutory Tests.

In the event that the Issuer breaches any Statutory Test, the Issuer will not be permitted to issue any further Covered Bonds until such time as such Statutory Test breach has been cured.

#### **Amortisation Test**

In addition to the Statutory Tests and pursuant to the Servicing and Cash Management Deed, after the occurrence of an Issuer Event and so long as an Event of Default has not occurred, the Cover Pool will be subject to an amortisation test (the **Amortisation Test**). The Amortisation Test is intended to ensure that the Cover Pool Assets are sufficient to meet the obligations under all Covered Bonds outstanding together with senior expenses that rank in priority or *pari passu* with amounts due on the Covered Bonds.

The Statutory Tests and Amortisation Test will be tested by the Servicer or Replacement Servicer (as the case may be) on each Monthly Calculation Date following the occurrence of an Issuer Event. A breach of the Amortisation Test will constitute an Event of Default, which following the receipt of notice of such breach from the Servicer, will require the Trustee to serve a Notice of Default declaring the Covered Bonds immediately due and repayable and the Trustee may enforce the Security over the Charged Property.

**Security** means the Security Interest granted by the Issuer to the Trustee under and pursuant to the terms of the Deed of Charge and created pursuant to the Statutory Pledge.

The Servicer will immediately notify the Trustee of any breach of the Amortisation Test and the occurrence of an Event of Default.

**Amendment to definitions**

The Servicing and Cash Management Deed will provide that the definitions of Eligibility Criteria, Cover Pool, Cover Pool Asset, Statutory Test and Amortisation Test may be amended by the Issuer (without the consent of the Trustee) from time to time, subject to the Greek Covered Bond Legislation as a consequence of, *inter alia*, including in the Cover Pool any Additional Cover Pool Assets which are New Asset Types and/or changes to the hedging policies or servicing and collection procedures of Piraeus Bank provided that the Rating Agencies have been notified in writing of such amendment.

The Servicing and Cash Management Deed shall set forth the conditions for any such amendment to be effected.

**Issuer Events**

Prior to, or concurrent with the occurrence of an Event of Default, if any of the following events (each, an **Issuer Event**) occurs:

- (a) an Issuer Insolvency Event (as defined below); or
- (b) the Issuer fails to pay any amount of principal (other than that due on the Final Maturity Date or the Extended Final Maturity Date, as applicable) or interest in respect of the Covered Bonds on the due date for payment thereof and such failure continues for a period of seven Athens Business Days; or
- (c) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of amounts due under the Covered Bonds, Receipts or Coupons of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the Issuer is a party which, in the opinion of the Trustee, would have a materially prejudicial effect on the interests of the Covered Bondholders of any Series, and (except where such default is or the effects of such default are, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required) such default continues for 30 days (or such longer period as the Trustee may permit) after written notice has been given by the Trustee to the Issuer requiring the default to be remedied; or
- (d) any present or future indebtedness in respect of moneys borrowed or raised in an amount of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) or more (other than indebtedness under this Programme) of the Issuer becomes due and payable prior to the stated maturity thereof as extended by any grace period originally applicable thereto; or if any present or future guarantee of, or indemnity given by the Issuer in respect of, such indebtedness is not honoured when called upon or within any grace period originally applicable thereto; or



- (e) if there is a breach of a Statutory Test on a Calculation Date, Issue Date or Monthly Calculation Date and such breach is not remedied within five Athens Business Days; or
- (f) if it is or will (in the opinion of the Trustee, having taken legal advice from a reputable firm of lawyers or a reputable legal expert) become unlawful or illegal for the Issuer to comply with any of its obligations under or in respect of the Covered Bonds or any of the Transaction Documents where such unlawfulness or illegality is not, or cannot be, remedied within 30 days after written notice has been given by the Trustee to the Issuer requiring the same to be remedied,

then (for so long as such Issuer Event is continuing) (i) no further Covered Bonds will be issued, (ii) the Servicer will procure that any and all payments due from Borrowers under the Cover Pool Assets are paid henceforth directly to the Transaction Account or the Third Party Collection Account, as applicable, in accordance with the Servicing and Cash Management Deed, (iii) all collections of principal and interest on the Cover Pool Assets will be dedicated exclusively to the payment of interest and repayment of principal on the Covered Bonds and to the fulfilment of the obligations of the Issuer *vis-à-vis* the Secured Creditors in accordance with the Pre-Event of Default Priority of Payments, (iv) if Piraeus Bank is the Servicer, its appointment as Servicer will be terminated and a Replacement Servicer will be appointed pursuant to the terms of the Servicing and Cash Management Deed and the Greek Covered Bond Legislation, and (v) the Servicer, or, as applicable, the Replacement Servicer, appointed pursuant to the Servicing and Cash Management Deed and the Greek Covered Bond Legislation will be obliged to sell in whole or in part the Loan Assets in accordance with the provisions of the Servicing and Cash Management Deed.

#### **Authorised Investments**

Pursuant to the Servicing and Cash Management Deed, the Servicer is entitled to draw sums from time to time standing to the credit of the Transaction Account for effecting Authorised Investments.

In accordance with the terms of the Servicing and Cash Management Deed, prior to an Issuer Event, the Servicer may, in its discretion, invest sums in Authorised Investments.

**Authorised Investments** means each of:

- (a) Euro denominated demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper) provided that, in all cases, such investments:
  - (A) are rated at least:
    - (1) AA- and F1+ by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies) and the short-term and long-term ratings of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least AA- and F1+ by Fitch (or such other ratings which are consistent with the published criteria of the

Rating Agencies from time to time);

- (2) equal to the current rating given by Fitch to the then outstanding Covered Bonds in cases where the current rating given by Fitch to the lowest rated Series of the then outstanding Covered Bonds is lower than AA-; and
- (B) have a remaining period to maturity of 30 days or less and mature on or before the next following Programme Payment Date; and
- (b) Euro denominated government and public securities or money market funds, provided that such investments:
  - (A) are rated at least:
    - (1) AA- and F1+ by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies from time to time);
    - (2) equal to the current rating given by Fitch to the then outstanding Covered Bonds in cases where the current rating given by Fitch to the lowest rated Series of the then outstanding Covered Bonds is lower than AA-; and
  - (B) have a remaining period to maturity of 30 days or less and mature on or before the next following Programme Payment Date;

**Servicing and collection procedures**

The Servicer will be responsible for the servicing of the Cover Pool, including, inter alia, for the following activities:

- (a) collection and recovery in respect of each Cover Pool Asset;
- (b) administration and management of the Cover Pool;
- (c) management of any judicial or extra judicial proceeding connected to the Cover Pool;
- (d) keeping accounting records of the amounts due and collected under the Loan Assets and any Hedging Agreements;
- (e) preparation of quarterly reports (to be submitted to the Trustee, the Asset Monitor and the Rating Agencies) on the amounts due by debtors, and on the collections and recoveries made in respect of the Loan Assets and any Hedging Agreements; and
- (f) carrying out the reconciliation of the amounts due and the amounts effectively paid by the debtors under the Loans on the relevant Programme Payment Date.

**ACCOUNTS AND CASH FLOW STRUCTURE:**

**Payments on the Covered Bonds**

Prior to the occurrence of a Segregation Event and an Issuer Event, on each Interest Payment Date, the Issuer will apply any funds available to it (including but not limited to, funds arising in relation to the assets comprised in the Cover Pool) to pay amounts due and payable on the

## Covered Bonds.

Following the occurrence of a Segregation Event but prior to the occurrence of an Issuer Event, the Servicer will apply the amounts standing to the credit of the Transaction Account and the amounts standing to the credit of the Collection Accounts to pay or make provision for the payment of all Senior Amounts. Any Excess Amount will remain available to the Issuer to use at its discretion.

After the occurrence of an Issuer Event but prior to service of a Notice of Default, on each Programme Payment Date, the Servicer will apply the Covered Bonds Available Funds in accordance with the Pre-Event of Default Priority of Payments.

After the service of a Notice of Default, all funds deriving from the Cover Pool Assets, the Transaction Documents and standing to the credit of the Transaction Account shall be applied on any Athens Business Day in accordance with the Post-Event of Default Priority of Payments.

## **Segregation Event and Collection Accounts**

Prior to the occurrence of an Issuer Event, Piraeus Bank will deposit on a daily basis within one Athens Business Day of receipt, all collections of interest and principal it receives on the Cover Pool Assets (including any Subsidy Payments) and all moneys received from Marketable Assets and Authorised Investments, if any, included in the Cover Pool (other than moneys received from Marketable Assets and Authorised Investments purchased from amounts standing to the credit of the Transaction Account, which will be credited to the Transaction Account) into, in respect of amounts denominated in euro, the segregated euro-denominated account maintained at Piraeus Bank (the **EUR Collection Account**) and, in respect of amounts denominated in Swiss francs, a segregated Swiss franc-denominated account maintained at Piraeus Bank (the **CHF Collection Account** and, together with the EUR Collection Account, the **Collection Accounts** and each a **Collection Account**). Piraeus Bank will not commingle any of its own funds and general assets with amounts standing to the credit of the Collection Accounts. For the avoidance of doubt, any cash amounts standing to the credit of the Collection Accounts shall not comprise part of the Cover Pool for purposes of the Statutory Tests.

Prior to the occurrence of an Issuer Event, the Servicer shall procure that all Subsidy Payments received from the OEK and/or the Greek State or any other Greek State-owned entity in respect of the Subsidised Loans will be deducted from the applicable Subsidy Bank Account and paid into the EUR Collection Account within one Athens Business Day of receipt.

All amounts deposited in, and standing to the credit of, the Collection Accounts shall constitute segregated property distinct from all other property of Piraeus Bank pursuant to paragraph 9 of Article 91 and by virtue of an analogous application of paragraphs 14 through 16 of Article 10 of Greek Law 3156/2003, and such amounts received from the Loan Assets are also subject to the Statutory Pledge.

Prior to a reduction in the long-term or short-term IDR of Piraeus Bank to or below the relevant Minimum Credit Rating (such occurrence, a **Segregation Event**), Piraeus Bank will be entitled to draw sums from time to time standing to the credit of the Collection Accounts in addition to any funds available to it for any purpose including to make payments on the

## Covered Bonds.

Following the occurrence of a Segregation Event but prior to the occurrence of an Issuer Event:

- (i) all amounts deposited shall remain in the Collection Accounts for the benefit of the holders of the Covered Bonds and the other Secured Creditors (subject to paragraphs (ii) and (iii) below);
- (ii) Piraeus Bank shall no longer be entitled to withdraw moneys from the Collection Accounts other than for the purpose of:
  - (a) transferring funds to the Transaction Account; or
  - (b) making payment (or provision for the payment) of Senior Amounts;
- (iii) any amount standing to the credit of the Collection Accounts on any Programme Payment Date after payment (or provision has been made for the payment) of all Senior Amounts then due or falling due prior to the next Programme Payment Date in accordance with the Servicing and Cash Management Deed (the **Excess Amount**) shall be available to Piraeus Bank.

If Piraeus Bank's rating(s) are reinstated above the level at which a Segregation Event occurs and so long as no Issuer Event has occurred and is continuing, then Piraeus Bank will be entitled to draw sums standing to the credit of the Collection Accounts in addition to any funds available to it for any purpose including to make payments on the Covered Bonds.

**Senior Amounts** means, on any day, (i) all amounts then due for payment on the Covered Bonds, (ii) all other payments then due which rank senior to or *pari passu* with the payments on the Covered Bonds (by reference to paragraphs (a) to (f) of the Pre-Event of Default Priority of Payments) and (iii) any sums required to be transferred to the Commingling Reserve Ledger during the relevant Programme Payment Period.

**Subsidy Bank Account** means the OEK Savings Account, the Piraeus Bank of Greece Account and any other bank accounts in the name of the OEK, the Greek State or any other Greek State-owned entity maintained in respect of the Subsidised Loans with either the Bank of Greece, Piraeus Bank, the Replacement Servicer, or if the Replacement Servicer is not a Credit Institution, with the Credit Institution appointed by such Replacement Servicer in accordance with Servicing and Cash Management Deed, as applicable.

**Subsidy Payments** means the aggregate of all amounts actually received from the OEK, the Greek State and any other Greek State-owned entity representing the Subsidised Interest Amounts in respect of the Subsidised Loans comprised in the Cover Pool.

**Piraeus Bank of Greece Account** means the bank account maintained by the Issuer with the Bank of Greece in respect of State Subsidised Loans.

## Transaction Account

On or about the Programme Closing Date, a Euro-denominated account will be established in the name of the Issuer with the Account Bank (the **Transaction Account**).

Prior to the occurrence of a Segregation Event or an Issuer Event, Piraeus

Bank will be entitled to withdraw amounts from time to time standing to the credit of the Transaction Account, if any, that are in excess of the sum of (i) any cash amounts required to satisfy the Statutory Tests and (ii) the Commingling Reserve Required Amount.

Following the occurrence of a Segregation Event but prior to the occurrence of an Issuer Event, Piraeus Bank shall no longer be entitled to withdraw moneys from the Transaction Account other than for purposes of making payment of all Senior Amounts falling due during the next Programme Payment Period.

If Piraeus Bank's rating(s) are reinstated above the level at which a Segregation Event occurs, and so long as no Issuer Event has occurred, then Piraeus Bank will be entitled to withdraw amounts from time to time standing to the credit of the Transaction Account, if any, that are in excess of the sum of (i) any cash amounts required to satisfy the Statutory Tests and (ii) the Commingling Reserve Required Amount.

Following the occurrence of an Issuer Event (as defined above), the Servicer shall (i) procure that within two Athens Business Days after the occurrence of such Issuer Event, all collections of principal and interest on deposit in the Collection Accounts (or the Third Party Collection Account (as defined below)) be transferred to the Transaction Account and (ii) provide notification to all Borrowers that any and all future payments due under the Cover Pool Assets are henceforth to be effected directly to a bank account opened in the name of the Issuer with the Replacement Servicer, a Greek credit institution or a Greek branch of a foreign credit institution whose long-term and short-term IDR are at least A and F1 by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies) (the **Third Party Collection Account**). All amounts deposited in and standing to the credit of the Third Party Collection Account are subject to the Statutory Pledge. The Replacement Servicer shall procure that all amounts deposited into the Third Party Collection Account shall be transferred to the Transaction Account within two Athens Business Days of receipt.

Following an Issuer Event, the Transaction Account will be used for the crediting of, *inter alia*, moneys received in respect of the Cover Pool Assets included in the Cover Pool or to effect a payment in respect of the Covered Bonds including the following amounts:

- (a) any amounts received by the Issuer in respect of the Loan Assets and the Marketable Assets;
- (b) any Subsidy Payments received from the OEK and/or the Greek State and/or any other Greek State-owned entity;
- (c) any amounts credited by the Issuer for effecting payments on the Covered Bonds;
- (d) any amounts deposited by the Issuer when effecting optional substitution of Cover Pool Assets (including any amount deposited by the Issuer to prevent a sale of the Loan Assets to a third party);
- (e) any amounts transferred by the Servicer in connection with the sale of Cover Pool Assets;

- (f) any amounts paid to the Issuer by the Hedging Counterparties under the Hedging Agreements; and
- (g) any amounts deriving from maturity or liquidation of Authorised Investments carried out by the Servicer in accordance with the terms of the Servicing and Cash Management Deed.

The Issuer (or the Servicer on its behalf) will maintain records in relation to the Transaction Account in accordance with the Transaction Documents.

Following the occurrence of an Issuer Event, the Issuer shall transfer any amounts it receives in respect of any Cover Pool Assets to the Transaction Account within two Athens Business Days of receipt.

Following an Issuer Event, the Servicer and the Issuer (to the extent that Piraeus Bank is no longer the Servicer) shall procure that all payments in respect of the Cover Pool Assets are directed into the Third Party Collection Account and that all such amounts are transferred into the Transaction Account within two Athens Business Days of receipt.

The Transaction Account will be maintained with the Account Bank for as long as the Account Bank is an Eligible Institution.

**Commingling Reserve Ledger** means the ledger on the Transaction Account of such name maintained by the Servicer pursuant to the Servicing and Cash Management Deed.

**Commingling Withdrawal Amount** means on each Programme Payment Date following an Issuer Event, a drawing from the Commingling Reserve Ledger to be applied as Covered Bonds Available Funds in accordance with the Pre-Event of Default Priority of Payments, if and to the extent that the Servicer has during the immediately preceding Programme Payment Period failed to transfer to the Issuer any collections received by the Servicer during or with respect to such Programme Payment Period and such amounts represent amounts other than principal or, as applicable, principal paid by the Borrowers.

#### **Covered Bonds Available Funds**

Following the occurrence of an Issuer Event, payments on the Covered Bonds will be made from the Covered Bonds Available Funds in accordance with the relevant Priority of Payments.

**Covered Bonds Available Funds** means, in respect of any Programme Payment Date, at any time upon or after the occurrence of an Issuer Event, the aggregate of:

- (a) all amounts standing to the credit of the Transaction Account at the immediately preceding Calculation Date;
- (b) all amounts (if any) paid or to be paid on or prior to such Programme Payment Date by the Hedging Counterparties into the Transaction Account pursuant to any Hedging Agreement(s);
- (c) all amounts of interest paid on the Transaction Account during the Programme Payment Period immediately preceding such

Programme Payment Date;

- (d) the Commingling Withdrawal Amount; and
- (e) all amounts deriving from repayment at maturity of any Authorised Investment on or prior to such Programme Payment Date.

For the avoidance of doubt:

- (i) should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, the Servicer shall avoid such duplication when calculating the Covered Bonds Available Funds; and
- (ii) the Covered Bonds Available Funds will not include (A) any early termination amount received by the Issuer under a Hedging Agreement, but only to the extent that such amount is to be applied in acquiring a replacement Hedging Agreement; (B) any Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Hedging Agreement, to reduce the amount that would otherwise be payable by the Hedging Counterparty to the Issuer on early termination of the Hedging Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Hedging Counterparty, such Swap Collateral is not to be applied in acquiring a replacement swap (the **Swap Collateral Excluded Amounts**); (C) any premium received by the Issuer from a replacement Hedging Counterparty in respect of a replacement Hedging Agreement, to the extent it is to be used to make any termination payment due and payable by the Issuer with respect to the previous Hedging Agreement; and (D) any tax credits received by the Issuer in respect of an Hedging Agreement used to reimburse the relevant Hedging Counterparty for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant Hedging Agreement.

**Programme Payment Period** means the period from (and including) a Programme Payment Date (or, in the case of the first Programme Payment Period, the Programme Closing Date) to (but excluding) the next Programme Payment Date.

**Excess Swap Collateral** means, in respect of a Hedging Agreement, an amount (which will be transferred directly to the Hedging Counterparty in accordance with the Hedging Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Hedging Counterparty to the Issuer pursuant to the Hedging Agreement exceeds the Hedging Counterparty's liability under the Hedging Agreement (such liability determined as if no collateral had been provided) as at the date of termination of the Hedging Agreement or which it is otherwise entitled to have returned to it under the terms of the Hedging Agreement.

**Swap Collateral** means, at any time, any asset (including, without limitation, cash and/or securities) other than Excess Swap Collateral,

which is paid or transferred by a Hedging Counterparty to the Issuer as collateral in respect of the performance by such Hedging Counterparty of its obligations under the relevant Hedging Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed.

#### **Event of Default**

If one of the following events occurs and is continuing (an **Event of Default**):

- (a) on the Final Maturity Date or Extended Final Maturity Date, as applicable, in respect of any Series of Covered Bonds or on any Interest Payment Date or any earlier date for redemption on which principal thereof is due and repayable, there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of seven Athens Business Days from the due date thereof;
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series of Covered Bonds occurs and such default is not remedied within a period of 14 Athens Business Days from the due date thereof; or
- (c) breach of the Amortisation Test pursuant to Clause 8 (*Amortisation Test*) of the Servicing and Cash Management Deed on any Monthly Calculation Date following an Issuer Event,

then the Trustee shall, upon receiving notice in writing from the Principal Paying Agent or any Covered Bondholder, or in respect of (c), the Servicer, of such Event of Default, serve a notice (a **Notice of Default**) on the Issuer.

Following the service of a Notice of Default, the Covered Bonds of each Series shall become immediately due and payable.

Following the occurrence of an Event of Default, the Trustee shall be entitled to direct the Servicer to dispose of the Cover Pool Assets.

#### **Priority of Payments prior to the delivery of a Notice of Default**

At any time upon or after the occurrence of any Issuer Event but prior to the delivery of a Notice of Default, the Servicer shall apply all Covered Bonds Available Funds on each Programme Payment Date in making the following payments and provisions in the following order of priority (the **Pre-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction of all amounts then due and payable or to become due and payable prior to the next Programme Payment Date to the Trustee or any Appointee (including, remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (b) *second, pari passu and pro rata* according to the respective amounts thereof to pay any additional fees, costs, expenses and taxes due and payable on the Programme Payment Date, or to provide for all such



amounts that will become due and payable prior to the next Programme Payment Date, properly incurred in respect of any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;

- (c) *third, pari passu and pro rata* according to the respective amounts thereof, to pay all amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date, to the Account Bank and the Agents under the Bank Account Agreement and the Agency Agreement, respectively;
- (d) *fourth, pari passu and pro rata* according to the respective amounts thereof to pay (i) all amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date (and for which payment has not been provided for elsewhere in this Pre-Event of Default Priority of Payments), to any Secured Creditors other than the Covered Bondholders, Receiptholders and Couponholders, the Agents, the Account Bank, the Trustee and any Appointee and other than any amount due to be paid, or that will become due and payable prior to the next Programme Payment Date, to the Hedging Counterparties under the Hedging Agreements and (ii) to the Servicer an amount equal to any amount representing the cost of Levy in respect of any Loans received from Borrowers, such amount to be used by the Servicer towards satisfaction of the Issuer's obligation to pay any Levy;
- (e) *fifth, pari passu and pro rata*, according to the respective amounts thereof (i) to pay all amounts of interest due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date on any Covered Bonds, Receipts and Coupons and (ii) to pay any amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (f) *sixth, pari passu and pro rata*, according to the respective amounts thereof to pay all amounts of principal due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date (if any), on any Covered Bonds;
- (g) *seventh*, for so long as any Covered Bonds remain outstanding, any remaining Covered Bonds Available Funds will remain standing to the credit of the Transaction Account, or, as applicable, be deposited in the Transaction Account;
- (h) *eighth*, if no Covered Bonds remain outstanding, to pay *pari passu and pro rata*, according to the respective amounts thereof, any amount due and payable on the Programme Payment Date, or to

provide for all such amounts that will become due and payable prior to the next Programme Payment Date to any Hedging Counterparties which are Subordinated Termination Payments; and

- (i) *ninth*, if no Covered Bonds remain outstanding, to pay any excess to the Issuer.

**Subordinated Termination Payment** means, subject as set out below, any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event “*Ratings Event*” relating to the Hedging Counterparty as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging Agreement, other than, in the event of (a) or (c) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

**Priority of  
Payments following  
the delivery of a  
Notice of Default**

Following delivery of a Notice of Default, all funds deriving from the Cover Pool Assets or the Transaction Documents or which are standing to the credit of the Transaction Account shall be applied on any Athens Business Day in accordance with the following order of priority of payments (the **Post-Event of Default Priority of Payments** and, together with the Pre-Event of Default Priority of Payments, the **Priorities of Payments** and, each of them a **Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full) provided that any such amount has not already been paid by the Issuer using funds not forming part of the Cover Pool:

- (i) *first*, to pay any Indemnity to which the Trustee or any Appointee or any Receiver is entitled pursuant to the Trust Deed or any other Transaction Document and any costs and expenses incurred by or on behalf of the Trustee or any Appointee or any Receiver (a) following the occurrence of a Potential Event of Default or an Issuer Event or in connection with or as a result of serving on the Issuer a Notice of Default (to the extent that any such amounts have not yet been paid out of the Covered Bonds Available Funds before the delivery of a Notice of Default) and (b) following the delivery of a Notice of Default in connection with or as a result of the enforcement or realisation of (A) the security granted under the Statutory Pledge and the Deed of Charge and/or (B) any other right or remedy that the Trustee is entitled or required to pursue under or in connection with the Transaction Documents and/or the Covered Bonds for the purpose of protecting the interests of the Covered Bondholders and/or the other Secured Creditors;
- (ii) *second, pari passu and pro rata* according to the respective amounts thereof, (a) to pay all amounts of interest and principal due and payable on any Covered Bonds, (b) to pay any additional fees, costs, expenses and taxes due and payable in connection with any listing or deposit of the Covered Bonds or to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders, (c) to pay all amounts

due and payable to the Secured Creditors, other than the Covered Bondholders and (d) to pay any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;

- (iii) *third*, to pay *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to any Hedging Counterparties which are Subordinated Termination Payments; and
- (iv) *fourth*, following the payment in full of all items under (i) to (iii) above, to pay all excess amounts (if any) to the Issuer.

**Indemnity** means any indemnity amounts due to the Trustee pursuant to the Trust Deed, the Deed of Charge or otherwise, including (without limitation) Clause 14 (*Remuneration and Indemnification of Trustee*) of the Trust Deed.

#### **Servicing and Cash Management Deed**

Under the terms of the Servicing and Cash Management Deed entered into on the Programme Closing Date between the Issuer, the Trustee and the Servicer (the **Servicing and Cash Management Deed**) and following the filing of the Servicing Notification Form with the Athens Pledge Registry, the Servicer has been authorised, subject to the conditions specified therein, to administer the cash flows arising from the Cover Pool.

The Servicing and Cash Management Deed sets forth the terms and conditions upon which the Servicer shall be required to administer the Cover Pool Assets.

Pursuant to the Servicing and Cash Management Deed, the Servicer has undertaken to prepare and deliver certain reports (including the Servicer Reports) in connection with the Loan Assets. Pursuant to the Servicing and Cash Management Deed, the Servicer will agree to perform certain obligations in connection with the management of the Cover Pool.

The Servicing and Cash Management Deed contains provisions under which the Issuer shall be obliged, upon the terms and subject to the conditions specified therein, to appoint an appropriate entity to perform the Servicing and Cash Management Services to be performed by the Servicer.

**Servicing Notification Form** means a form in respect of the Servicing and Cash Management Deed pursuant to paragraph 9 of Article 91 in conjunction with the terms of Article 10, paragraph 16 of Greek Law 3156/2003, in the form defined by the Greek Ministry of Justice (ministerial decision no. 161337 of 30th October, 2003).

**Programme Closing Date** means 8 February 2011.

#### **Asset Monitor Agreement**

Under the terms of the asset monitor agreement entered into on the Programme Closing Date between the Asset Monitor, the Servicer, the Issuer and the Trustee (the **Asset Monitor Agreement**), the Asset Monitor has agreed to carry out various testing and notification duties in relation to the calculations performed by the Servicer in relation to the Statutory Tests and, if required, the Amortisation Test.

<b>Trust Deed</b>	Under the terms of the Trust Deed entered into on the Programme Closing Date between the Issuer and the Trustee, the Trustee will be appointed to act as the Covered Bondholders' representative in accordance with paragraph 2 of Article 91.
<b>Deed of Charge</b>	<p>The Issuer shall assign its rights arising under the Hedging Agreements and any Transaction Document governed by English law to the Trustee (on trust for itself and on behalf of the Covered Bondholders and the other Secured Creditors) in accordance with a deed of charge (the <b>Deed of Charge</b>).</p> <p>In addition, the Covered Bondholders and the other Secured Creditors have agreed that, upon the occurrence of an Issuer Event, all the Covered Bonds Available Funds will be applied in or towards satisfaction of all the Issuer's payment obligations towards the Covered Bondholders and the other Secured Creditors, in accordance with the terms of the Servicing and Cash Management Deed and the relevant Priority of Payments.</p> <p>The Trustee has been authorised, in accordance with the Deed of Charge, subject to a Notice of Default being delivered to the Issuer following the occurrence of an Event of Default or upon failure by the Issuer to exercise its rights under the Transaction Documents, to exercise, in the name and on behalf of the Issuer, all the Issuer's rights arising out of the Transaction Documents to which the Issuer is a party.</p> <p>The Deed of Charge shall be governed by English Law.</p>
<b>Agency Agreement</b>	Under the terms of an agency agreement entered into on the Programme Closing Date between the Issuer, the Agents and the Trustee (the <b>Agency Agreement</b> ), the Agents have agreed to provide the Issuer with certain agency services and the Paying Agents have agreed, <i>inter alia</i> , to make available for inspection such documents as may be required from time to time by the rules of the Luxembourg Stock Exchange and to arrange for the publication of any notice to be given to the Covered Bondholders.
<b>Bank Account Agreement</b>	Under the terms of the bank account agreement entered into on the Programme Closing Date between the Account Bank, the Servicer, the Issuer and the Trustee (the <b>Bank Account Agreement</b> ), the Account Bank has agreed to operate the Transaction Account, any swap collateral accounts and any other account required to be opened in accordance with the terms of any Hedging Agreement and the Bank Account Agreement (together with the Transaction Account, the <b>Bank Accounts</b> ) in accordance with the instructions given by the Servicer.
<b>Hedging Agreements</b>	The Issuer may, from time to time during the Programme, enter into Interest Rate Swap Agreements, FX Rate Swap Agreements, Covered Bond Swap Agreements and any other hedging agreements (together the <b>Hedging Agreements</b> ) with one or more Hedging Counterparties for the purpose of, <i>inter alia</i> , protecting itself against certain risks (including, but not limited to, interest rate, liquidity, currency and credit) related to the Loan Assets and/or the Covered Bonds. In accordance with the terms set forth in the Servicing and Cash Management Deed, the Issuer may include the claims of the Issuer arising from the Hedging Agreements, together with the cash flows deriving therefrom, in the Cover Pool provided that, <i>inter alia</i> , the terms and conditions of such Hedging Agreements shall not

adversely affect the ratings of the then outstanding Covered Bonds.

The Hedging Agreements shall be governed by English Law.

The Issuer's rights arising from any Hedging Agreement(s) will be included as part of the Cover Pool at the Issuer's discretion.

## **Transaction Documents**

The Servicing and Cash Management Deed, the Programme Agreement, each Subscription Agreement, the Agency Agreement, the Trust Deed, the Deed of Charge, the Bank Account Agreement, the Asset Monitor Agreement, the Master Definitions and Construction Schedule, each of the Final Terms, each Registration Statement and Servicing Notification Form, the Conditions, the Covered Bonds, the Receipts, the Coupons, the Hedging Agreements, any agreement entered into with a Replacement Servicer, together with any additional document entered into in respect of the Covered Bonds and/or the Cover Pool and designated as a Transaction Document by the Issuer and the Trustee, are together referred to as the **Transaction Documents**.

**Subscription Agreement** means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form set out in the Programme Agreement or in such other form as may be agreed between the Issuer and the relevant lead manager and/or Dealer(s).

## **Investor Report**

On the Athens Business Day which falls one Athens Business Days prior to each Programme Payment Date (each an **Investor Report Date**), the Servicer will produce an investor report (the **Investor Report**), which will contain information regarding the Covered Bonds and the Cover Pool Assets (including statistics relating to the financial performance of the Cover Pool Assets) for the immediately preceding Collection Period. Such report will be available to the prospective investors in the Covered Bonds and to Covered Bondholders on Bloomberg and on the website [www.piraeusbank.gr](http://www.piraeusbank.gr).

**Collection Period** means the period from (and including) a Collection Period Start Date (or, in the case of the first Collection Period, the Programme Closing Date) to the next Collection Period End Date.

**Collection Period Start Date** means the first calendar day falling in January, April, July and October of each year.

**Collection Period End Date** means the last calendar day falling in December, March, June and September of each year.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations in respect of the Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. If potential investors are in doubt about the contents of this Base Prospectus they should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risk of investment in such Covered Bonds.*

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Covered Bonds involves certain risks. Prospective investors should consider, among other things, the following:*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme**

*The Covered Bonds will be obligations of the Issuer only*

The Covered Bonds will be solely obligations of the Issuer and will not be obligations of or guaranteed by any of the Trustee, the Asset Monitor, the Account Bank, the Agents, the Hedging Counterparties, the Arranger, the Dealers or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Covered Bonds shall be accepted by any of the Trustee, the Asset Monitor, the Account Bank, the Agents, the Hedging Counterparties, the Arranger, the Dealers or the Listing Agent, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme.

### *Maintenance of the Cover Pool*

Pursuant to the Greek Covered Bond Legislation, the Cover Pool is subject to the Statutory Tests set out in the Secondary Covered Bond Legislation. Failure of the Issuer to take immediate remedial action to cure any one of these tests will result in the Issuer not being able to issue further Covered Bonds and any failure to satisfy the Statutory Tests may have an adverse affect on the ability of the Issuer to meet its payment obligations in respect of the Covered Bonds.

Pursuant to the Servicing and Cash Management Deed, after the occurrence of an Issuer Event the Cover Pool is also subject to the Amortisation Test. The Amortisation Test is intended to ensure that the Cover Pool Assets are sufficient to meet the obligations under all Covered Bonds outstanding together with senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds. Failure to satisfy the Amortisation Test on any Monthly Calculation Date following an Issuer Event will constitute an Event of Default, thereby entitling the Trustee to accelerate the Covered Bonds subject to and in accordance with the Conditions and the Trust Deed.

### *Factors that may affect the realisable value of the Cover Pool or any part thereof*

The realisable value of Loans and their Related Security comprised in the Cover Pool may be reduced by:

- (a) default by borrowers (each borrower being, in respect of a Loan Asset, the individual specified as such in the relevant mortgage terms together with each individual (if any) who assumes from time to time an obligation to repay such Loan Asset (the **Borrower**)) in payment of amounts due on their Loans;
- (b) changes to the lending criteria of the Issuer; and
- (c) possible regulatory changes by the regulatory authorities.

Each of these factors is considered in more detail below.

### *Inability of Borrowers to pay, or default by Borrowers in paying, amounts due on their Loans*

Borrowers may default on their obligations under the Loans in the Cover Pool. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

### *Changes to the Lending Criteria of the Issuer*

Each of the Loans originated by the Issuer will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Issuer's Lending Criteria will generally consider, *inter alia*, the type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicant and credit history. The Issuer retains the right to revise its Lending Criteria from time to time but would do so only to the extent that such a change would be acceptable to a reasonable, prudent mortgage lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool, or part thereof, and the ability of the Issuer to make payments under the Covered Bonds.

### *Risks relating to Loans denominated in Swiss francs*

Loans denominated in Swiss francs may be included in the Cover Pool, subject to notification to the Rating Agencies. Following such inclusion, the Issuer would be exposed to certain currency and other risks and the Issuer is required to enter into appropriate Hedging Agreements in connection with these Swiss francs Loans. Pursuant to these Hedging Agreements, amounts received by the Issuer in respect of Loans denominated in Swiss francs will be paid to the relevant Hedging Counterparty. Amounts received by the Issuer from the relevant Hedging Counterparty will form Covered Bonds Available Funds and will be applied by the Issuer in accordance with the applicable Priorities of Payments.

### *Borrower inability to repay due to CHF/EUR exchange rate fluctuations*

Borrowers of CHF Loans choosing to pay their Loans in EUR without CHF Collar Protection (as defined below) may become unable to repay the loans in the event of wide fluctuations in CHF/EUR currency

exchange rates and as a result may default. As a result of such defaults the Issuer may not receive payments it would otherwise be entitled to from such Borrowers.

If there are insufficient funds available as a result of such defaults, then the Issuer may not be able, after making the payments to be made in priority thereto, to pay, in full or at all, amounts of interest and principal due to holders of the Covered Bonds. In this situation, there may not be sufficient funds to redeem the Covered Bonds on or prior to the Final Maturity Date.

Currency exchange rates cannot be predicted and are influenced by a wide variety of economic, social and other factors.

#### *Risks relating to Subsidised Loans*

In the Hellenic Republic subsidies are available to borrowers in respect of interest payments made under residential mortgage loans. The availability and amount of subsidy is determined by reference to the financial and social circumstances of a borrower and is made available from the Greek State and/or the Greek Workers Housing Association (the **OEK**) and/or certain other Greek State-owned entities. The Greek State, the OEK and any other applicable Greek State-owned entity's subsidy payments will form part of the Cover Pool along with the other receivables under the loan agreements.

The Issuer receives the subsidised component of interest due under the Subsidised Loans from the OEK, the Greek State or any other applicable Greek State-owned entity. The OEK will maintain a savings bank account at Piraeus Bank (the **OEK Savings Account**) and the Servicer will be authorised to deduct the amount of the subsidy related to the relevant Subsidised Loan from this account and then transfer such amounts to the EUR Collection Account or, following an Issuer Event, to the Transaction Account according to the terms of the Servicing and Cash Management Deed.

Historically, subsidised loans perform better than non-subsidised loans, as the Greek State or the OEK (as appropriate) is required to make payments of the Subsidised Interest Amounts. However, Borrowers also remain liable to repay the full amount of interest due under the relevant Loan. If the Greek State and/or the OEK fail/fails to pay any Subsidised Interest Amounts then the Borrower may be unable to meet payments due under the Subsidised Loan. If the Borrower fails to pay the full amount under its Subsidised Loan, the Issuer may be unable to satisfy its obligations under the Covered Bonds.

The OEK pays Subsidised Interest Amounts under the relevant Subsidised Loans on a monthly basis and up to two months in arrears and the Greek State pays Subsidised Interest Amounts under the relevant Subsidised Loans every six months in arrears. Accordingly, the Issuer will not receive the portion of the interest that is subsidised by the OEK and the Greek State in respect of such Subsidised Loan at the same time as the unsubsidised portion of interest paid by the Borrower. In addition, a Greek State-owned entity may not pay the subsidy at the same time as unsubsidised amounts are paid by the Borrower.

Under Greek law, the Greek State, the OEK or any Greek State-owned entity will not benefit from sovereign immunity in respect of their obligations. Investors should also note that enforcement of judgments against the Greek State or the OEK or any Greek State-owned entity may be subject to limitations.

Any changes in Greek law or the administrative practice of the Greek State, the OEK or any Greek State-owned entity, which affect the timing and amount of subsidised interest payable, could result in an adverse affect of the ability of the Issuer to make payments in respect of the Covered Bonds.

#### *Sale of Loans and their Related Security following the occurrence of an Issuer Event*

Following the occurrence of an Issuer Event, the Servicer, or any person appointed by the Servicer, will be obliged to sell in whole or in part the Loan Assets in accordance with the Servicing and Cash Management Deed. The proceeds from any such sale will be credited to the Transaction Account and applied in accordance with the applicable Priority of Payments. There is no guarantee that the Servicer will be able to



sell in whole or in part the Loan Assets as the Servicer may not be able to find a buyer at the time it is obliged to sell.

Provided that no Issuer Insolvency Event has occurred and is continuing, the Issuer will have the right to prevent the sale of a Loan Asset to third parties by removing the Loan Asset made subject to sale from the Cover Pool and transferring to the Transaction Account an amount equal to the price set forth in such offer letter, subject to the provision of a solvency certificate.

*No representations or warranties to be given by the Servicer if Loan Assets are to be sold*

Following an Issuer Event, the Servicer will be obliged to sell Loan Assets to third party purchasers (subject to a right of pre-emption in favour of the Issuer) pursuant to the terms of the Servicing and Cash Management Deed. In respect of any sale of Loan Assets to third parties, however, the Servicer will not be permitted to give representations and warranties or indemnities in respect of those Loan Assets. There is no assurance that the Issuer would give any representations and warranties or indemnities in respect of the Loan Assets. Any representations and warranties previously given by the Issuer in respect of the Loan Assets in the Cover Pool may not have value for a third party purchaser if the Issuer is then insolvent. Accordingly, there is a risk that the realisable value of the Loan Assets could be adversely affected by the lack of representations and warranties or indemnities. See “*Description of the Transaction Documents – The Servicing and Cash Management Deed*”.

*Exposure to interest rate, currency and other risks and reliance on Hedging Counterparties*

During the life of the Programme, the Issuer may from time to time be exposed to risks (including, but not limited to, interest rate, liquidity, currency and credit risks) relating to the Loan Assets and/or the Covered Bonds. The Issuer may (but has no obligation to do so other than (i) when Swiss franc Loan Assets are included in the Cover Pool or (ii) when specified in the Final Terms of a Series) enter, from time to time, into Interest Rate Swap Agreements, FX Rate Swap Agreements, Covered Bond Swap Agreements and other hedging agreements in order to protect itself against these risks.

To provide a hedge against possible variances in the rates of interest payable on the Loans in the Cover Pool (which may, for instance, include discounted rates of interest, fixed rates of interest or rates of interest which track a base rate and other variable rates of interest, including rates of interest linked to CHF-LIBOR and EURIBOR for 1, 3 or 6 month euro deposits), the Issuer may enter into an Interest Rate Swap with an Interest Rate Swap Provider in respect of each Series of Covered Bonds under an Interest Rate Swap Agreement. Where the Cover Pool contains loans denominated in a currency other than Euro, the Issuer may enter into one or more FX Rate Swaps or other currency swaps in respect of such loans to provide a currency hedge against the amounts received on such loans and the Euro payments to be made by the Issuer under any Covered Bond Swaps entered into or the Covered Bonds (as applicable) under an FX Rate Swap Agreement or other Hedging Agreement.

In addition, to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Loans in the Cover Pool and the Interest Rate Swaps and amounts payable by the Issuer under the Covered Bonds and, if applicable, any FX Rate Swap, the Issuer may enter into a Covered Bond Swap with a Covered Bond Swap Provider in respect of a Series of Covered Bonds under a Covered Bond Swap Agreement.

If the Issuer fails to make timely payments of amounts due under any Hedging Agreement, then it will have defaulted under that Hedging Agreement. A Hedging Counterparty is only obliged to make payments to the Issuer as long as the Issuer complies with its payment obligations under the relevant Hedging Agreement. If the Hedging Counterparty is not obliged to make payments or if it defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Issuer on the due date for payment under the relevant Hedging Agreement, the Issuer will be exposed to any changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Covered Bonds.

If a Hedging Agreement terminates, or there is a partial termination following the sale of any Loans, then the Issuer (or the Servicer on its behalf) may be obliged to make a termination payment to the relevant Hedging Counterparty. There can be no assurance that the Issuer (or the Servicer on its behalf) will have sufficient funds available to make a termination payment under the relevant Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current credit ratings of the Covered Bonds.

If the Issuer is obliged to pay a termination payment under any Hedging Agreement, such termination payment will rank *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swaps, Interest Rate Swaps and FX Rate Swaps), except where default by, or downgrade of, the relevant Hedging Counterparty has caused the relevant Swap Agreement to terminate.

#### *Conflicts of Interest*

Certain parties to this Transaction act in more than one capacity. The fact that these entities fulfil more than one role could lead to a conflict between the rights and obligations of these entities in one capacity and the rights and obligations of these entities in another capacity. In addition, this could also lead to a conflict between the interests of these entities and the interests of the Covered Bondholders. Any such conflict may adversely affect the ability of the Issuer to make payments of principal and/or interest in respect of the Covered Bonds.

#### *Differences in timings of obligations of the Issuer and the Covered Bond Swap Provider under the Covered Bond Swaps*

It is expected that in relation to each Covered Bond Swap entered into, the Issuer (or the Servicer on its behalf) will, periodically, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on EURIBOR for Euro deposits for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Issuer under a Covered Bond Swap until amounts are due and payable by the Issuer under the Covered Bonds. If a Covered Bond Swap Provider does not meet its payment obligations to the Issuer under the relevant Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the Issuer under the Covered Bond Swap Agreement, the Issuer may have a larger shortfall in funds with which to make payments under the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with the Issuer's payment obligations under the Covered Bond Swap. Hence, the difference in timing between the obligations of the Issuer and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the Issuer's ability to make payments with respect to the Covered Bonds. A Covered Bond Swap Provider may be required, pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the Issuer if the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement.

#### *Change of counterparties*

The parties to the Transaction Documents who receive and hold moneys pursuant to the terms of such documents (such as the Account Banks) are required to satisfy certain criteria in order that they can continue to receive and hold moneys.

These criteria include requirements in relation to the short-term and long-term, unguaranteed and unsecured credit ratings ascribed to such party by one or more of the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

### **Risks Relating to the Hellenic Republic Economic Crisis**

*Adverse economic developments and uncertainty in Greece are having, and are likely to continue to have significant adverse effects on the Issuer's business, results of operations and financial condition*

For the financial year ended 31 December 2009, 66 per cent. of the Issuer's total net profit (attributable to equity holders of the parent entity), excluding a one-off tax for the fiscal year 2008, was derived from the Issuer's operations in Greece. As a result, macroeconomic developments and political conditions in Greece affect the Issuer's business, results of operations, quality of the Issuer's assets and general financial conditions directly and significantly. In addition, as a financial institution operating in Greece the Issuer holds a significant portfolio of Greek Government debt. As at 30 June 2010, the Issuer's long positions in debt securities issued by the Hellenic Republic amounted to approximately €8.6 billion (unaudited) (approximately €8.1 billion (unaudited) after giving effect to existing short positions), including approximately €370.0 million (unaudited) of debt securities received from the Hellenic Republic in consideration for the issuance of the Special Preference Shares. In total, Greek Government debt (long and short positions) as at 30 June 2010 represented approximately 84.3 per cent. of the Issuer's fixed income portfolio.

On 15 November 2010, Eurostat released its final revised figures for the Greek fiscal position relating to the period 2006-2009. The fiscal deficit for the year 2009 was revised by the Hellenic Statistical Authority in co-operation with Eurostat from 13.6 per cent. to 15.4 per cent. of GDP (or approximately €36.2 billion), primarily due to the reclassification of debt from public corporations controlled by the Greek Government into general government data, adjustment of accounts of social security funds and local government and a downward revision of GDP in 2009. This revision has also affected the total debt position of the Hellenic Republic. As a result, the amount of consolidated debt of the Greek Government has been revised to approximately €298 billion or 126.8 per cent. of GDP (from 115.1 per cent. of GDP). Despite the revision, the debt to GDP in 2009 ratio is still projected to peak in 2013 and start declining afterwards. As a result of the data revision for the period 2006-2009, the 2010 budget deficit is estimated to be 9.4 per cent. of GDP (compared to the projected 8.1 per cent. of GDP under the IMF/Eurozone Stabilisation Programme (as defined below)) primarily due to the reclassification of debts of public sector enterprises into the accounts of the general Government.

The aforementioned revision followed a long period of widespread uncertainty in the global financial market about the country's ability to refinance its large public debt. In fact, these fears of sovereign default in global financial markets led the yield of Greece's ten-year government bonds to increase to levels above those seen before Greece's entry into the European Monetary Union, peaking in early May 2010 at 973 basis points over the reference German Bund. In addition, in April 2010 Greece's sovereign credit rating was lowered by Fitch from BBB+ to BBB-, by Moody's Investors Services Limited (**Moody's**) from A2 to A3 and by Standard & Poor's Financial Services LLC (**Standard & Poor's**) from BBB+ to BB+ (which is below investment grade). On 14 June 2010, Moody's further lowered its credit rating for the Hellenic Republic by four notches to Ba1 (which is below investment grade). On 3 December 2010, Standard & Poor's placed on "credit watch with negative implications" the long- and short- term ratings of all the Greek banks, including their debt and hybrid instruments. The "negative credit watch" implications reflect the potential for a sovereign downgrade and its direct and indirect impact of Piraeus Bank's credit ratings. Consequently, Piraeus Bank's credit rating remains BB but the outlook changed to "credit watch negative" from "negative". In addition, on 16 December 2010 Moody's placed Greece's Baa1 government debt rating on review for possible downgrade. On 17 December 2010, Moody's followed its decision to place Greece's bond ratings on review by putting Piraeus Bank's Ba1 rating on review for possible future downgrades, together with the ratings of five other major Greek banks. On 22 December 2010, Fitch placed Piraeus Bank's BBB- rating on

“*negative rating watch*”, along with the rest of the rated Greek banks, following respective action for the Hellenic Republic the previous day. On 14 January 2011, Fitch downgraded Greece's long-term foreign and local currency “*Issuer Default Ratings*” (IDRs) to BB+ from BBB- and its short-term IDR to B from F2, and also removed them from “*rating watch negative*”. The ratings “*outlook*” is “*negative*”. Following that action, on 17 January 2011 Fitch also downgraded the long-term IDRs of five Greek banks (including Piraeus Bank) to BB+ from BBB- and the short-term IDRs to B from F3, and also removed them from “*rating watch negative*”. The “*outlook*” on the long-term IDRs is “*negative*”.

The reasoning of the credit rating agencies for these downgrades was that the deepening recession and the increasing cost of servicing its debt would make it harder for Greece to achieve its debt reduction objectives. These developments relating to Greek public debt have affected the stability of the financial system overall and have resulted in:

- lower market values for Greek Government debt;
- limited liquidity in the Greek banking system and a consequential increase in ECB funding;
- increased competition for funding and thus a higher cost of customer deposits;
- limited credit extension to customers, including to customers in the SME segment; and
- an increase in the amount of non-performing loans (compared to the Issuer’s historical average).

In early May 2010, the Greek Government agreed to a stabilisation programme, jointly supported by the IMF, the ECB and the Member States of the Eurozone (the **IMF/Eurozone Stabilisation Programme**). The IMF/Eurozone Stabilisation Programme requires the Greek Government to implement austerity measures corresponding to 7.8 per cent. of GDP in 2010, 6.4 per cent. in 2011 and additional fiscal consolidation efforts in 2012, 2013 and 2014. If the programme is fully implemented, the Greek Government expects its budget deficit to decline to below 3 per cent. of GDP in 2014. The lower deficit will in turn put the Greek Government debt as a percentage of GDP on a downward trend from an expected peak in 2013 according to the IMF, compared to 126.8 per cent. in 2009.

The IMF/Eurozone Stabilisation Programme also contains structural measures and policy guidelines designed to boost the country’s competitiveness and improve the Hellenic Republic’s potential growth rates in the medium-term with a view to repaying the large debt burden. Specifically, the programme requires the Greek Government to implement measures intended to, among other things:

- increase tax revenues;
- reduce the unfunded liabilities of the pension system and the amount of expenditure on public health;
- improve the flexibility of the Greek labour market; and
- liberalise certain product and service markets.

There is no certainty as to the extent to which the IMF/Eurozone Stabilisation Programme’s fiscal targets will be met or what the direct impact of the IMF/Eurozone Stabilisation Programme’s austerity measures on general economic activity will be. It is also presently unclear if the Greek Government will be able to implement the structural reforms required in full and on time. A failure to successfully implement the provisions of the IMF/Eurozone Stabilisation Programme and to attain its fiscal targets may lead to the termination of the financial support by the IMF, the ECB and the EU, which would then increase the risk of an adverse credit event on the public debt of the Hellenic Republic. Any such risk to financial stability in Greece and the ability of Greece to meet its international obligations, in itself or in combination with other adverse developments (including, for example, a deterioration in global economic conditions or in economic conditions in the Eurozone) could have a material adverse effect on the Issuer’s business, results of operations and financial conditions by, among other things:

- directly impacting the value of the Issuer's portfolio of Greek Government debt of approximately €8.6 billion (unaudited) as at 30 June 2010 (or approximately €8.1 billion (unaudited) including the effect of short positions);
- severely affecting the Issuer's ability to raise capital and meet minimum regulatory capital requirements;
- severely limiting the Issuer's ability to access liquidity; and
- negatively affecting the Issuer's capital position, results of operations and the Issuer's financial condition.

*The implementation of the IMF/Eurozone Stabilisation Programme may exacerbate the economic recession and have an adverse effect on the Issuer's business, results of operations and financial condition*

As one of the largest financial institution operating in Greece, the Issuer's business, results of operations and financial condition are exposed in many different ways to the economic and financial performance, creditworthiness, prospects and economic outlook of companies and consumers in Greece or with a significant economic exposure to the Greek economy. For example, the Issuer's business activities depend on the level of banking, finance and financial products and services required by the Issuer's customers, as well as their capacity to repay their liabilities or maintain or increase their demand for the services the Issuer offers. In turn, demand for the Issuer's services or the Issuer's customers' ability to service their existing liabilities to the Issuer depend considerably on their overall economic confidence, prospects, employment trends, the state of the public finances in Greece, investment and procurement by the central Greek Government and municipalities and the general availability of liquidity and funding on reasonable terms.

According to official estimates and projections, the Greek economy is, and will continue to be, in a recession which is likely to be exacerbated by the effects of the unprecedented fiscal adjustment agreed under the IMF/Eurozone Stabilisation Programme, adding to the possible negative impact arising from the sharp drop in consumer and business confidence. Specifically, the IMF/Eurozone Stabilisation Programme projects a decline in economic activity by 4.2 per cent. (in real terms) in 2010 and 3.0 per cent. in 2011, following the 2.3 per cent. decline in 2009. In future periods, the Greek economy may also experience real declines in economic activity, although the IMF/Eurozone Stabilisation Programme forecasts that the economy will gradually recover and commence to grow in real terms in 2012.

The austerity measures introduced under the terms of the IMF/Eurozone Stabilisation Programme are reducing household disposable incomes and firms' profitability and, consequently, are generating substantial pressure on the ability of households and businesses to service their loans and meet their other financial obligations to the Issuer and the other operators in the Greek banking sector. In addition, demand for the Issuer's other services such as those related to stocks, bonds and mutual funds are also under pressure, which adversely affects the Issuer's fee and commission income.

A severe economic recession, coupled with increasing market uncertainty and volatility in asset prices, high unemployment, declining consumer spending and business investment, could result in substantial impairments in the values of the Issuer's loan assets and/or a significant increase in the level of non-performing loans, either of which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

*The Issuer is dependent on the ECB for funding and liquidity due to the severe deterioration of the fiscal position in the Hellenic Republic*

Liquidity risk is the risk that the Issuer will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including an over-reliance on a particular source of wholesale funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide

phenomena such as market dislocation and major disasters. Since 2008, credit markets worldwide have experienced a severe reduction in liquidity and term-funding. During this time, the market perception of bank credit risk has changed significantly and banks that are deemed by the market to be riskier have issued debt at a premium to the cost of debt for banks that are perceived by the market as being safer. The uncertainty regarding the perception of credit risk across different banking groups has also led to reductions in inter-bank lending, and hence, similar to many other banking groups, the Piraeus Bank Group's access to traditional sources of liquidity has been, and may be further, restricted.

The Piraeus Bank Group's liquidity management focuses on maintaining a diverse and appropriate funding strategy for its assets, controlling the mismatch of maturities and carefully monitoring its undrawn commitments and contingent liabilities. However, the Piraeus Bank Group's ability to access sources of liquidity (for example, through the issue or sale of financial and other instruments or through the use of term loans) during the recent period of liquidity stress has been constrained to the point where it, like other banks, has had to rely on shorter term and overnight funding with a consequent reduction in overall liquidity, and to increase its recourse to liquidity schemes provided by central banks. While money market conditions improved during the course of 2009, with the Piraeus Bank Group seeing a material reduction in funding from central banks and the issuance of non-government guaranteed term debt, further tightening of credit markets could have a negative impact on the Piraeus Bank Group. The Piraeus Bank Group, in line with other financial institutions, may need to seek funds from alternative sources and potentially at higher costs than has previously been the case.

The severity of pressure experienced by the Hellenic Republic in its public finances has restricted the access of the Issuer to the capital markets for funding, particularly unsecured funding and funding from the short-term interbank market because of concerns by counterparty banks. Since the end of 2009, only a few maturing interbank liabilities have been renewed. These liquidity pressures have been moderated by the ECB's announcement in May 2010 that it will accept Greek Government bonds as collateral, irrespective of their rating. Accordingly, for the period of this suspension of the ECB's minimum rating requirement, Greek Government bonds that meet the non-rating eligibility requirements of the ECB are eligible as collateral for ECB liquidity operations, even though their rating may be lower than the BBB- rating issued by Standard & Poor's or the Baa3 rating issued by Moody's. The ECB has not yet determined the length of the period of suspension of the rating requirement. The liquidity pressures have also been moderated by the ECB's purchase of sovereign debt in the secondary market.

As at 30 June 2010, the Issuer's ECB funding amounted to €14.9 billion (unaudited). Out of the collateral pool used in respect of the Issuer's ECB funding, as at 30 June 2010 approximately €3.1 billion (unaudited) consisted of asset-backed securities. Accordingly, further downgrades to the ratings assigned to the Hellenic Republic would likely lead to downgrades in the ratings assigned to these securities.

The Issuer also has significant holdings of Greek Government bonds (approximately €8.6 billion (unaudited) in total as at 30 June 2010 (or approximately €8.1 billion (unaudited) after giving effect to short positions)) and has issued a total of €4.6 billion of notes that are guaranteed by the Hellenic Republic, which it uses as collateral for funding purposes, almost exclusively with the ECB since May 2010. The suspension of the ECB's minimum rating requirement in respect of Greek Government bonds may end at a time when the Greek Government's credit ratings make it ineligible for use in ECB liquidity operations. In any event, the amount of funding available from the ECB is tied to the value of the collateral the Issuer provides, including the market value of the Issuer's holdings of Greek Government bonds, which themselves may decline in response to ratings actions. If the value of the Issuer's assets declines, then the amount of funding the Issuer can obtain from the ECB will be correspondingly limited. In addition, if the ECB were to revise its collateral standards or increase the rating requirements for collateral securities such that these instruments were not eligible to serve as collateral with the ECB, this could materially increase the Piraeus Bank Group's funding costs and limit its access to liquidity. Furthermore, it is unclear how long the ECB will offer unlimited access to short-term repos. In the event this is terminated, or the terms on which such access is offered change in a way which materially prejudices the Issuer, this could adversely affect the Issuer's access to liquidity and increase the Group's funding costs significantly.

*A material decrease in funds available to the Issuer from customer deposits, particularly retail deposits, could impact the Issuer's funding*

Historically, one of the Issuer's principal sources of funds has been customer deposits. Since the Issuer relies on customer deposits for a majority of its funding, if the Issuer's depositors withdraw their funds at a rate faster than the rate at which borrowers repay their loans, or if the Issuer is unable to obtain the necessary liquidity by other means, the Issuer may be unable to maintain its current levels of funding without incurring higher funding costs or having to liquidate some of its assets. In the first half of 2010, an outflow of customer deposits owing to concerns regarding the Hellenic Republic's fiscal status, and the result of economic contraction, led to a decrease as at 30 June 2010 in Piraeus Bank Group's domestic deposits by approximately 6 per cent. compared with 31 December 2009.

The ongoing availability of deposits to fund the Issuer's loan portfolio is subject to potential changes in certain factors outside the Issuer's control, such as depositors' concerns regarding the economy in general, the financial services industry or the Issuer specifically, ratings downgrades, significant further deterioration in economic conditions and the availability and extent of deposit guarantees. In addition, there is currently heavy competition among Greek banks for retail customer deposits, which has increased the cost of procuring new deposits and impacted the Piraeus Bank Group's ability to grow its deposit base. These factors could lead to a reduction in the Issuer's ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows, both of which would impact the Issuer's ability to fund its operations and meet its minimum liquidity requirements.

Any loss in consumer confidence in the Issuer's banking businesses, or in banking businesses generally, could significantly increase the amount of customer deposit withdrawals in a short period of time. If the Issuer or its subsidiaries experience an unusually high level of withdrawals, this may have an adverse effect on the Piraeus Bank Group's results, financial condition and prospects. In extreme circumstances, unusually high levels of withdrawals could prevent the Issuer or another member of the Piraeus Bank Group from funding its operations and meeting its minimum liquidity requirements. In those extreme circumstances the Issuer or another member of the Piraeus Bank Group may not be in a position to continue to operate without additional funding support, which it may be unable to secure.

*The Piraeus Bank Group is subject to the risk of insufficient capital resources to meet the minimum capital level required by regulators, which minimum capital level may be amended in the future*

The Issuer's ability to maintain its regulatory capital ratios and those of its subsidiary regulated institutions could be affected by a number of factors, including the level of risk weighted assets. In addition, the Issuer's capital adequacy ratio will be directly impacted by its after-tax results which could be affected, most notably, by greater than anticipated worsening of economic conditions and, as a result, asset impairments.

The Issuer is required by regulators in the Hellenic Republic and other countries in which it undertakes regulated activities to maintain adequate capital. The Issuer is subject to the risk of having insufficient capital resources to meet the minimum regulatory capital requirements. In addition, those minimum regulatory requirements may increase in the future and/or the manner in which the existing regulatory requirements are applied may change.

The potential deterioration in credit quality of the Issuer's assets may exceed expectations and generate an additional regulatory capital requirement. Effective management of the Issuer's regulatory capital is critical to its ability to operate its businesses, to grow organically and to pursue its strategy. Any change that limits the Issuer's ability to manage its balance sheet and regulatory capital resources effectively (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position.

There is a risk that the Issuer would be unable to raise all the capital it needs, including any additional regulatory capital the Issuer requires to take account of potential losses on its loans or impairments on its assets, including its significant holdings of Hellenic Republic debt or in view of new regulatory requirements. As at 30 June 2010, Greek Government debt represented 15.3 per cent. of assets and 257.0 per cent. of total equity. If the Issuer is unable to raise the requisite capital, it may be required to further reduce the amount of its risk weighted assets and engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to the Piraeus Bank Group. Any failure by the Issuer to maintain its minimum regulatory capital ratios could result in administrative actions or other sanctions, which in turn may have a material adverse effect on the Issuer's operating results, financial condition and prospects. See "*Regulation and Supervision of Banks in Greece*". If the Issuer is required to bolster its capital position, it may not be possible for it to raise additional capital from the financial markets or to dispose of marketable assets. That could potentially lead to further mandatory capital injections from the Greek Government, which would dilute the interests of the shareholders.

*The IMF/Eurozone Stabilisation Programme and receipt of State aid may subject the Issuer to additional regulatory supervision and burdens*

Declining profitability and the possibility of operating losses in what could be a drawn-out recession risks eroding the capital bases of Greek banks. The IMF/Eurozone Stabilisation Programme, therefore, contains a third pillar in the form of a Financial Stability Fund (the **FSF**) intended to maintain the stability of the Greek banking system by providing capital support, if a significant decline in capital buffers occurs. As a condition to providing this support, the IMF/Eurozone Stabilisation Programme will require the major banks to undertake stress tests to determine capital needs, as determined by shortfalls against a yet undetermined minimum level. The Issuer cannot predict at present the outcome of the stress tests which will be undertaken by the Bank of Greece as the parameters of these stress tests have yet to be determined. If the Issuer fails to pass a stress test and is required to receive additional capital, the FSF may exercise significant control over the operations of the Issuer and it could have a material adverse effect on the Issuer's profitability, capital management and financial condition. The board of directors of the FSF consists of seven members, three executive directors (a president and two vice-presidents) and four non-executive directors. The Governor of the Bank of Greece appoints the executive directors and two of the four non-executive directors. The other two non-executive directors are, *ex officio*, the Director of the Financial Stability department of the Bank of Greece and the General Secretary of the Ministry of Finance. A representative of the European Commission and a representative of the European Central Bank are invited to participate in the FSF board of directors meetings but without voting rights. For more information on the FSF, see "*The Banking Sector and the Economic Crisis in Greece*".

The participation by the Issuer in the Hellenic Republic bank support plan, as well as any further aid received from the FSF arising from the stress tests under the IMF/Eurozone Stabilisation Programme, or otherwise, may be considered State aid for the purposes of EU State aid and competition rules. If so, this may require the creation of restructuring plans or other actions that the Issuer is not currently able to anticipate. These plans could result in balance sheet management, including divestments of core and non-core operations or additional burdens on the Issuer, which could have a material adverse effect on the Issuer's future results and financial condition.

The capital support programme under the IMF/Eurozone Stabilisation Programme would strengthen the capital base of the banks in the form of preference shares convertible into ordinary shares (if a bank fails the stress tests and other financial targets in the restructuring plan). The preference shares issued under the Hellenic Republic bank support plan are also convertible in certain circumstances. Any such issuance of ordinary shares will dilute shareholders' interests in the Issuer and may result in shares losing value.

*The Issuer is subject to stress testing*



Stress tests analysing the banking sector recently have been, and the Issuer anticipates they will continue to be, published by national and supranational regulators including the Bank of Greece, IMF, ECB and others. Loss of confidence in the banking sector following the announcement of stress tests regarding a bank or the Greek banking system as a whole or market perception that any such tests are not rigorous enough could have a negative effect on its cost of funding and may thus have a material adverse effect on its operations and financial condition. In addition, if a bank fails to pass stress tests required by the FSF and is required to receive additional capital, the FSF may exercise significant control over the operations of that bank.

*Government and inter-governmental interventions aimed at alleviating the financial crisis are uncertain and carry additional risks*

Government and inter-governmental interventions aimed at alleviating the financial crisis could lead to increased ownership and control of financial institutions by the Hellenic Republic or other entities and further consolidation in the banking sector. During the 2008-2009 global financial crisis, various governments responded to credit or liquidity concerns in certain banks by nationalising or partially nationalising those banks or putting them through a form of recapitalisation process. During that period, even if banks were not fully nationalised, shareholders experienced significant dilution and loss of value.

*The Issuer's borrowing costs and liquidity levels may be negatively affected by further downgrades of the Hellenic Republic's credit rating*

The Hellenic Republic has recently undergone a series of credit rating downgrades. In April 2010 Greece's sovereign credit rating was lowered by Fitch from BBB+ to BBB-, by Moody's from A2 to A3 and by Standard & Poor's from BBB+ to BB+ (which is below investment grade). On 14 June 2010, Moody's further lowered its credit rating for the Hellenic Republic by four notches to Ba1 (which is below investment grade). On 3 December 2010, Standard & Poor's placed on "*credit watch with negative implications*" the long- and short- term ratings of all the Greek banks, including their debt and hybrid instruments. The "*negative credit watch*" implications reflect the potential for a sovereign downgrade and its direct and indirect impact of Piraeus Bank's credit ratings. Consequently, Piraeus Bank's credit rating remains BB but the outlook changed to "*credit watch negative*" from "*negative*". In addition, on 16 December 2010 Moody's placed Greece's Baa1 government debt rating on review for possible downgrade. On 17 December 2010, Moody's followed its decision to place Greece's bond ratings on review by putting Piraeus Bank's Ba1 rating on review for possible future downgrades, together with the ratings of five other major Greek banks. On 22 December 2010, Fitch placed Piraeus Bank's BBB- rating on "*negative rating watch*", along with the rest of the rated Greek banks, following respective action for the Hellenic Republic the previous day. On 14 January 2011, Fitch downgraded Greece's long-term foreign and local currency "*Issuer Default Ratings*" (IDRs) to BB+ from BBB- and its short-term IDR to B from F2, and also removed them from "*rating watch negative*". The ratings "*outlook*" is "*negative*". Following that action, on 17 January 2011 Fitch also downgraded the long-term IDRs of five Greek banks (including Piraeus Bank) to BB+ from BBB- and the short-term IDRs to B from F3, and also removed them from "*rating watch negative*". The "*outlook*" on the long-term IDRs is "*negative*".

The reasoning of the credit rating agencies for these downgrades was that the deepening recession and the increasing cost of servicing its debt would make it harder for Greece to achieve its debt reduction objectives.

Further downgrades of the Hellenic Republic's rating may occur again in the future in the event of a more drastic deterioration in public finances as a result of a poorer performance in economic activity or as a result of the measures proposed being perceived as insufficient. Accordingly, the cost of borrowing for the Hellenic Republic would increase further, with negative effects on the cost of borrowing for Greek banks and hence on their results. Historically, the Issuer's credit rating has been no higher than the rating for the Hellenic Republic. Further downgrades of the Hellenic Republic could, therefore, result in a corresponding downgrade in the Issuer's credit rating.

Negative sentiment surrounding the Hellenic Republic, including a further downgrade of the sovereign rating, could also further increase the debt servicing cost of the Hellenic Republic. This could delay the country's economic improvement by raising the borrowing costs for the banks which is then passed on to the customers, as well as result in credit rationing. This will ultimately affect the Issuer's future business volumes and put additional strains on its liquidity, profitability and asset quality.

*The wholesale borrowing costs of Piraeus Bank and its access to liquidity and capital have been negatively affected by a series of recent credit rating downgrades of Piraeus Bank and may be negatively affected by further downgrades*

Since October 2009, Piraeus Bank has experienced a series of credit rating downgrades principally reflecting the series of downgrades in the Hellenic Republic's credit rating and the Greek economic crisis. These downgrades may continue. Any further reductions in the long-term credit ratings of Piraeus Bank could delay Piraeus Bank's return to the capital and interbank markets for funding and/or increase Piraeus Bank's borrowing costs. Any further reductions may also trigger additional collateral requirements in derivative contracts and other secured funding arrangements and may result in counterparties no longer being willing to enter into hedging transactions with Piraeus Bank. As a result, any further reductions in Piraeus Bank's credit ratings could adversely affect its access to liquidity and its competitive position or have a negative impact on its earnings and financial condition.

*Deteriorating asset valuations resulting from poor market conditions may adversely affect the Issuer's future earnings and value of collateral*

The global economic slowdown and economic crisis in Greece have resulted in an increase in non-performing loans and changes in the fair values of the Issuer's exposures. A substantial portion of the Issuer's loans to corporate and individual borrowers are secured by collateral such as real estate, securities, ships, term deposits and receivables. In particular, as mortgage loans are one of the Issuer's principal assets, the Issuer is currently highly exposed to developments in real estate markets, especially in Greece and, in addition, the Issuer currently has substantial exposure to certain real estate developers in Greece. From 2002 to 2007, demand for housing and mortgage financing in Greece increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Greece as a holiday destination and historically low interest rates in the Eurozone. During late 2007, the housing market began to adjust in Greece as a result of excess supply and higher interest rates. In 2008, as economic growth came to a halt and the economy began to contract, retail interest rates continued to increase, housing oversupply persisted, unemployment continued to increase and demand continued to decrease, home prices began declining and mortgage delinquencies increased. Economic conditions continued to decline in 2009 and 2010 and are expected to remain challenging in 2011.

Continued decline in the overall Greek economy or a general deterioration in economic conditions in any industries in which the Issuer's borrowers operate or in other markets in which the collateral is located, may result in decreases in the value of collateral securing the loans to levels below the outstanding principal balance on such loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may require the Issuer to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Issuer to losses which could have a material adverse effect on the Issuer's business, financial condition and/or results of operations. Moreover, an increase in financial market volatility or adverse changes in the liquidity of the Issuer's assets could impair the Issuer's ability to value certain of the Issuer's assets and exposures. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of these assets and exposures. In addition, the value ultimately realised by the Issuer will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. Any of these factors could require the Issuer to recognise write-downs or realise impairment charges, any of which may adversely affect the Issuer's financial condition and/or results of operations.

## **Risks Relating to the Issuer's Operations Outside of the Hellenic Republic**

### *Political and economic developments could adversely affect the Piraeus Bank Group's operations*

External factors, such as political and economic developments, may negatively affect the Piraeus Bank Group's operations, its strategy and prospects. The Piraeus Bank Group's financial condition, its operating results as well as its strategy and prospects may be adversely affected by events outside its control, which include but are not limited to:

- changes in government policy;
- changes in the level of interest rates imposed by the ECB;
- fluctuations in consumer confidence and the level of consumer spending;
- regulations and directives relating to the banking and other sectors;
- political instability or military conflict that impact on Europe and/or on other regions; and
- taxation and other political, economic or social development risks relating to the Issuer's business.

### *The Issuer is subject to additional risks associated with conducting operations in emerging markets*

The Issuer has built substantial international operations in the emerging markets of Albania, Romania, Bulgaria, Serbia, Ukraine and Egypt. As at 30 September 2010, approximately 21.7 per cent. (unaudited) of Group loans and 18.8 per cent. (unaudited) of Group deposits are attributable to the international segment in total, out of which the biggest exposure is to Romania, Bulgaria and Egypt (see "*Piraeus Bank S.A. - International Banking Activities*" for more information). The economic and political conditions in the foreign markets where the Issuer operates or may operate in the future affect the Issuer's business and financial performance. Consequently, an economic slowdown or adverse changes in the political environment in those countries, including changes in government policies, political instability, acts of terrorism or threatened acts of terrorism, military action or other adverse political, economic or social developments may adversely impact the Issuer's business, financial condition and/or results of operations.

In addition to being exposed to general economic and political conditions, conducting business in emerging markets may entail certain risks, including:

- adverse changes in economic and governmental policies;
- relative instability of new institutions;
- unpredictable shifts in regulation;
- inconsistent application of existing laws and regulations; and
- slow and uncertain legal remedies.

The Issuer's operations in Albania, Romania, Bulgaria, Serbia, Ukraine and Egypt may be particularly affected by undeveloped legal, regulatory and taxation systems, and significantly different commercial and employment practices and procedures from those in more developed countries, such as Greece and Cyprus. Any significant adverse political, economic, social or other developments in Albania, Romania, Bulgaria, Serbia, Ukraine and Egypt could adversely affect the Piraeus Bank Group's business, financial condition or results of operations.

## **Risks Relating to the Issuer's Business**

*The Piraeus Bank Group's businesses, earnings and financial condition have been and will continue to be affected by the global economy and by the instability in global financial markets*

The performance of the Piraeus Bank Group has been and will continue to be influenced by the economic conditions of the countries in which it operates, particularly Greece and other countries throughout SEE, Ukraine and Egypt. The outlook for the global economy over the near- to medium-term remains challenging, particularly in Greece and other European economies. In addition, the global financial system has yet to fully overcome the difficulties which first manifested themselves in August 2007 and financial market conditions have not yet fully normalised. These conditions led to the severe dislocation of financial markets around the world and to unprecedented levels of illiquidity in 2008 and 2009, resulting in the development of significant problems at a number of the Issuer's corporate customers and counterparties in the ordinary course of their respective businesses. In response to this economic instability and market illiquidity, a number of governments, including Greece and the governments of the other EU Member States, have intervened in order to inject liquidity and capital into the financial system and, in some cases, to prevent the failure of certain financial institutions.

Despite such measures, the volatility and disruption of the capital and credit markets have continued, with many forecasts predicting only modest levels of global GDP growth over the course of 2010. Similar conditions are likely to exist in a number of the Issuer's key markets. These conditions have exerted, and may continue to exert, downward pressure on asset prices and on the availability of credit for financial institutions and upward pressure on the cost of credit for financial institutions, including the Issuer and the Piraeus Bank Group and will continue to impact the credit quality of the Piraeus Bank Group's customers and counterparties. Such conditions, alone or in combination with regulatory changes or actions of other market participants, may cause the Piraeus Bank Group to incur losses or to experience further reductions in business activity, increased funding costs and funding pressures, lower share prices, depressed asset values, additional write-downs and impairment charges and lower profitability.

Concerns about sovereign credit risks have progressively intensified over the last six months, especially in the Eurozone, and became most acute in early May 2010. The main trigger for the market's reappraisal of sovereign credit risk appeared to be the Hellenic Republic's debt burden and uncertainty surrounding the prospect of agreeing on a credible fiscal support plan for the Hellenic Republic until late April 2010. In financial markets, worries surfaced first in a progressive widening of intra-Eurozone government bond and sovereign credit default swap spreads for several Eurozone issuers with large fiscal imbalances. Against a background of increasing unease over the macro/financial implications of sizeable fiscal imbalances, investors have reduced their investment in a variety of asset classes, including those in bond, stock, commodity and money markets. Continued reduction in investment flows may restrict economic recovery, with a corresponding negative impact on the Issuer's business, results of operations and financial condition, including the Issuer's ability to fund its operations.

In addition, the Piraeus Bank Group will continue to be exposed to the risk of loss if major corporate borrowers or counterparty financial institutions fail or are otherwise unable to meet their obligations. The Piraeus Bank Group's performance may also be affected by future recovery rates on assets and by the historical assumptions underlying asset recovery rates, which (as has already occurred in certain instances) may no longer be accurate given the unprecedented market disruption and general economic instability. The precise nature of all the risks and uncertainties the Piraeus Bank Group faces as a result of current economic conditions cannot be predicted and many of these risks are outside the control of the Piraeus Bank Group.

Results of operations, both in Greece and the Issuer's international operations, in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including: political and regulatory risks; the state of public finances; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values; the availability and cost of credit; inflation; the stability and solvency of financial institutions and other companies; investor sentiment and confidence in the financial markets; or a combination of these factors.

*The Issuer is exposed to risks potentially faced by the Issuer's financial counterparties and the financial sector at large*

The Issuer routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, and other institutional clients. Sovereign credit pressures may weigh on Greek financial institutions, limiting their funding operations and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity concerns have negatively impacted, and may continue to negatively impact, inter-institutional financial transactions in general. Many of the routine transactions the Issuer enters into expose the Issuer to significant credit risk in the event of default by one of the Issuer's significant counterparties. In addition, the Issuer's credit risk may be exacerbated when the collateral the Issuer holds cannot be realised upon or is liquidated at prices not sufficient for the Issuer to recover the full amount of the loan or derivative exposure. A default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*Non-performing loans have had a negative impact on the Issuer's operations and may continue to do so*

Non-performing loans represented approximately 6.0 per cent. of the Issuer's total customer loans portfolio as at 30 June 2010 (approximately 5.5 per cent. relating to Greek operations). The effect of the economic crisis, the implementation of the IMF/Eurozone Stabilisation Programme and negative macroeconomic conditions in the countries in which the Issuer operates which are affected by the economic crisis, may result in adverse changes in the credit quality of the Issuer's borrowers, with increasing delinquencies and defaults. This could lead to additional non-performing loan generation. In addition, collateral collections in Greece and the Group's international operations are more difficult in a period of economic recession and in view of existing legislation. See "*Regulation and Supervision of Banks in Greece*". Future provisions for non-performing loans could have a materially adverse effect on the Issuer's operating results.

*The Piraeus Bank Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, affected by depressed asset valuations resulting from poor market conditions*

Financial markets continue to be subject to significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity, as exemplified by recent events affecting asset-backed collateralised debt obligations, residential mortgage-backed securities and the leveraged loan market. In dislocated markets, hedging and other risk management strategies have proven not to be as effective as they are in normal market conditions due in part to the decreasing credit quality of hedge counterparties, including monoline and other insurance companies and credit derivative product companies. Any deterioration in economic and financial market conditions could lead to write-downs and further impairment charges. Moreover, market volatility and illiquidity (and the assumptions, judgments and estimates in relation to such matters that may change over time and may ultimately not turn out to be accurate) make it difficult to value certain of the Piraeus Bank Group's exposures. Valuations in future periods reflecting, among other things, then-prevailing market conditions and changes in the credit ratings of certain of the Piraeus Bank Group's assets, may result in significant changes in the fair values of the Piraeus Bank Group's exposures. In addition, the value ultimately realised by the Piraeus Bank Group, including the Issuer, may be materially different from the current or estimated fair value. Any of these factors could require the Piraeus Bank Group to recognise significant write-downs or realise increased impairment charges in addition to those already recorded or realised, any of which may adversely affect its capital position, its financial condition and its results of operations.

Further information about the assets the Piraeus Bank Group has reclassified during the year ended 31 December 2009 and the nine months ended 30 September 2010 is set out in the audited consolidated financial statements of the Piraeus Bank Group for the year ended 31 December 2009 and the interim consolidated financial statements as at and for the nine month period ended 30 September 2010, which are included incorporated by reference in this Base Prospectus.

*The financial performance of the Group has been and will be affected by borrower credit quality*

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. In Greece and in the other countries in which the Group operates, the Group may continue to see adverse changes in the credit quality of its borrowers and counterparties, for example as a result of their inability to refinance their debts, with increasing delinquencies, defaults and insolvencies across a range of sectors. The credit quality of the Group's borrowers and counterparties is impacted by prevailing economic and market conditions, and if there is a further deterioration in economic and market conditions in one or more markets in which the Group operates, this could worsen the credit quality of the Group's borrowers and counterparties. These trends and risks have led and may lead to further and accelerated impairment charges, higher costs, additional write-downs and losses for the Group.

*Volatility in interest rates may negatively affect the Issuer's net interest income and have other adverse consequences*

Interest rates are highly sensitive to many factors beyond the Issuer's control, including monetary policies and domestic and international economic and political conditions. Changes in market interest rates could affect the spread between interest rates the Issuer charges on its interest-earning assets and the interest rates it pays on its interest-bearing liabilities, which may reduce its net interest income. Rising interest rates may also result in an increase in the Issuer's impairment losses on loans and advances if customers cannot service or refinance their loans in a higher interest rate environment. Further, an increase in interest rates may reduce the demand for loans and the Issuer's ability to originate loans.

*The Issuer may incur significant losses on its trading and investment activities due to market fluctuations and volatility*

The Issuer maintains trading and investment positions in debt, currencies, equity and other markets. These positions could be adversely affected by volatility in financial and other markets, creating a risk of substantial losses. Volatility can also lead to losses relating to a broad range of the other trading and hedging products the Issuer uses, including swaps, futures, options and structured products. See "*Piraeus Bank S.A. - Risk Management—Market risk management*" for a description of the techniques used by the Issuer to measure and mitigate market risk. Any significant losses on the Issuer's trading and investment activities could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer's hedging strategies may not prevent losses*

If any of the variety of instruments and strategies that the Issuer uses to hedge its exposure to various types of risk in its businesses is not effective, the Issuer may incur losses. Many of the Issuer's strategies are based on historical trading patterns and correlations. Unexpected market developments therefore may adversely affect the effectiveness of the Issuer's hedging strategies. Moreover, the Issuer does not hedge all of its risk exposure in all market environments or against all types of risk. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Issuer's reported earnings. The Issuer does not ordinarily hedge the credit exposure on its Greek Government bond portfolio. The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgments and estimates that may change over time or may not be accurate.

In establishing the fair value of certain financial instruments, the Piraeus Bank Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable financial market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in financial market conditions. In such circumstances, the Piraeus Bank Group's internal valuation models require the Piraeus Bank Group to make assumptions, judgments and estimates to establish fair value. In common with other financial institutions, these internal

valuation models are complex, and the assumptions, judgments and estimates the Piraeus Bank Group is required to make often relate to matters that are inherently uncertain, such as expected cash flows. Such assumptions, judgments and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on the Piraeus Bank Group's earnings and financial condition. Also, recent market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and has made it difficult to value certain of the Piraeus Bank Group's financial instruments. Valuations in future periods, reflecting prevailing market conditions, may result in changes in the fair values of these instruments, which could have an adverse effect on the Piraeus Bank Group's results, financial condition and prospects.

*There may be limited growth in the Issuer's loan portfolio*

In the current economic environment, the Issuer may not be able to grow its loan portfolio at historic rates, particularly in the Greek markets. Furthermore, there is a limited number of high credit quality customers to whom banking services may be provided in the Issuer's target markets. The pace of the Issuer's loan portfolio growth may be constrained by, among other factors, the position of the overall Greek economy in light of the economic crisis and the IMF/Eurozone Stabilisation Programme and the Issuer's ability to increase lending volumes only to customers that meet the Issuer's credit quality standards. If the Issuer is unable to further expand its loan portfolio in general and/or its customer base in particular, the Issuer may not generate sufficient interest income to offset any decline in net interest margins, which could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*If the Issuer fails to identify risks associated with new acquisitions or the commencement of its own new operations or if the Issuer fails to integrate successfully any acquired operations, the Issuer could suffer losses or fail to realise expected returns*

Typically, when the Issuer acquires a banking business, the Issuer acquires its liabilities as well as its assets. The Issuer cannot make any assurances that it will identify all actual or potential liabilities of a company prior to its acquisition, and the Issuer may be unable to obtain sufficient indemnities to protect itself against such acquired liabilities. For example, the failure to identify and accurately determine the level of credit risk, market or operational risk to which an acquired bank is exposed prior to its acquisition that may lead to unexpected losses following the acquisition, may have a significant adverse effect on the Issuer's results of operations and financial condition. In addition, when the Issuer acquires a banking business, the Issuer seeks to integrate this business into its existing operations and to implement strategies to improve the financial performance of these businesses. If the Issuer is unable to successfully complete the integration of these acquired businesses or cannot successfully implement its strategies for these acquired businesses, the Issuer may incur losses or not realise anticipated financial returns, which could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer is exposed to credit risk, market risk, operational risk and liquidity risk*

As a result of the Issuer's activities, the Issuer is exposed to a variety of risks, among the most significant of which are credit risk, market risk, operational risk and liquidity risk. Failure to control these could result in material adverse effects on the Issuer's financial performance and reputation.

*Credit Risk.* Credit risk is the risk of economic loss to the Issuer resulting from the inability and/or unwillingness of obligors to fulfil their contractual obligations. Exposure to credit risk arises primarily from the Issuer's lending activities, but also from the Issuer's trading activities, derivatives activities and securities settlements. In the special case where the magnitude of an exposure relative to the Issuer's capital and/or asset base is large, such a concentration presents additional credit risk. Credit concentrations may arise from large individual exposures, group exposures or connected counterparty exposures, as well as significant exposures to countries, sectors, industries or geographic regions. Current credit exposure is represented by the notional value, or positive market value of on-balance sheet and off-balance sheet exposures or positions,

while potential credit exposure refers to an estimate of the credit exposure over the remaining term of the relevant transactions.

*Market Risk.* Market risk is the risk of economic losses to the Issuer due to adverse changes in market rates or prices, such as interest rate changes, foreign exchange rate changes, equity/debt price and commodity price changes. Interest rate risk is the primary market risk for the Issuer, as unexpected yield curve changes can adversely affect the Issuer's net interest margin and overall income, reducing the Issuer's operating income and net assets. Similarly, unexpected, adverse movements in the foreign exchange market can affect the value of the Issuer's assets and liabilities that are denominated in foreign currencies resulting again in potential reductions of the Issuer's operating income and total shareholder equity. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance and business operations.

*Liquidity Risk.* Liquidity risk is the inability of any bank, including the Issuer, to anticipate and provide for unforeseen decreases or changes in funding sources could have adverse consequences on such a bank's ability to maintain sufficient liquidity to meet financial obligations when they fall due.

*Operational Risk.* Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This would include losses that are caused by a lack of controls within internal procedures, violation of internal policies by employees, unavailability of information technology systems, natural disasters and/or malicious acts by third parties.

*Increased competition from Greek and foreign banks in the markets where the Issuer operates could affect the Issuer's market position, business, financial conditions or results of operations*

Deregulation has led to increased competition in the Greek banking sector. The Issuer also faces competition from foreign banks, some of which have resources significantly greater than its own. Moreover, the same trend of intensification of competition appears in the markets outside of Greece where the Issuer operates. The Issuer cannot be certain that other banks, including Greek banks or foreign banks, will not enter the Greek market or any of the international markets in which the Issuer operates or that the Issuer's competition with existing banks will not intensify. Furthermore, if the Issuer's competitors increase their performance relative to the Issuer's own, the Issuer might be unable to compete successfully and maintain its present market position. If the Issuer fails to compete successfully with its present competitors or any future entrants in the Greek domestic market or any of the international markets in which it operates, this could have a material adverse effect on the Issuer's lending margins, business, financial condition and/or results of operations.

*The Issuer is subject to increasing and complex regulation which may negatively affect its business*

The Piraeus Bank Group is subject to financial services laws, regulations, administrative actions and policies in each location where it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention and changes to the regulations governing financial institutions. In response to the global financial crisis, national governments as well as supranational groups, such as the EU, have been considering significant changes to current regulatory frameworks, including those pertaining to capital adequacy and the scope of banking operations. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Issuer's participation in any government or regulator-led initiatives, such as the Hellenic Republic bank support plan), the Issuer may face greater regulation in the Hellenic Republic and in other regions in which it operates. See "*Regulation and Supervision of Banks in Greece*".

Compliance with these new regulations may increase the Issuer's regulatory capital requirements and costs, heighten disclosure requirements, restrict certain types of transactions, affect the Issuer's strategy and limit or require the modification of rates or fees that the Issuer charges on certain loan and other products, any of



which could lower the return on its investments, assets and equity. The Issuer may also face increased compliance costs and limitations on its ability to pursue certain business opportunities. These measures may be significant in their scope and may have unintended consequences for the global financial system, the Greek financial system or the Issuer's business, including increasing general uncertainty in the markets or favouring/disfavouring certain lines of business. The Issuer cannot predict the effect of any such changes on its business, financial condition, cash flow or future prospects.

Regulation of the banking industry in the Hellenic Republic has changed in recent years largely as a result of Greece's implementation of applicable EU directives and in response to the economic crisis in the Hellenic Republic. In addition, a number of regulatory initiatives have recently been proposed, which would significantly alter the Piraeus Bank Group's regulatory capital requirements. See *"Risk Factors - Risks Relating to the Issuer's Business - The Issuer's capital adequacy requirements may increase as a result of changes in legislation relating to capital adequacy status"*.

Although it is difficult to predict with certainty the effect that recent regulatory developments will have on the Piraeus Bank Group, the enactment of legislation and regulations in the EU, Greece and the other parts of Europe in which the Piraeus Bank Group operates and the United States may result in an increase in the Piraeus Bank Group's capital requirements and costs and have an adverse impact on how the Piraeus Bank Group conducts its business, on the products and services it offers, on the value of its assets and on its results of operations and financial condition. Other areas in which, and examples of where, governmental policies and regulatory changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate, capital adequacy, liquidity, balance sheet leverage and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Piraeus Bank Group operates, increase the costs of doing business in those markets or result in a reduction in the credit ratings of the Piraeus Bank Group or one of its subsidiaries;
- changes in regulatory requirements relating to capital and liquidity, such as limitations on the use of deferred tax assets in calculating Core Tier I and/or Tier I capital, or prudential rules relating to the capital adequacy framework;
- other general changes in the regulatory requirements, such as the imposition of onerous compliance obligations, restrictions on business growth or pricing, new levies or taxes (such as a financial activities tax) or fees, requirements in relation to the structure and organisation of the Piraeus Bank Group and requirements to operate in a way that prioritises objectives other than shareholder value creation;
- changes in tax rates that could reduce the value of the deferred tax assets recognised by the Piraeus Bank Group;
- restrictions on proprietary trading and similar activities within a commercial bank and/or a group which contains a commercial bank;
- government-imposed requirements with respect to lending to the Greek market and larger commercial and corporate markets and residential mortgage lending;
- employee remuneration;
- changes to financial reporting standards;
- changes in competition and pricing environments;

- further developments in financial reporting, corporate governance, corporate structure, conduct of business and employee compensation;
- differentiation among financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attached to such guarantees, including requirements for the entire Piraeus Bank Group to accept exposure to the risk of failure of any individual member of the Piraeus Bank Group, or even third-party participants in guarantee schemes;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes;
- transferability and convertibility of currency risk;
- expropriation, nationalisation and confiscation of assets;
- changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Piraeus Bank Group's products and services.

*Changes in consumer protection laws might limit the fees that the Piraeus Bank Group may charge in certain banking transactions*

Changes in consumer protection laws in Greece and/or other jurisdictions where the Piraeus Bank Group has operations could limit the fees that banks may charge for certain products and services. If introduced, such laws could reduce the Piraeus Bank Group's total income, though the amount of any such reduction cannot be estimated at this time.

*Applicable bankruptcy laws and other laws and regulations governing creditors' rights in Greece and various SEE countries may limit the Piraeus Bank Group's ability to obtain payments on defaulted credits*

Bankruptcy laws and other laws and regulations governing creditors' rights vary significantly within the region that the Piraeus Bank Group operates in. In some countries, the laws offer significantly less protection for creditors than the bankruptcy regimes in Western Europe and the United States. If the current economic downturn persists or worsens, bankruptcies could intensify, or applicable bankruptcy protection laws and regulations may change to limit the impact of the recession on corporate and retail borrowers. For example, there is currently a moratorium on mortgage loan foreclosures in Greece. (See "*Regulation and Supervision of Banks in Greece*".) Such changes may have an adverse effect on the Piraeus Bank Group's business, results of operations and financial condition.

*The Issuer could be subject to additional taxes*

Due to the uncertainty regarding the success of the IMF/Eurozone Stabilisation Programme, new taxes may be imposed in Greece such as the "one-off" taxation on very profitable companies and the existing taxes may be increased. In the nine month period ended 30 September 2010, the Piraeus Bank Group was subject to a €28 million windfall tax on 2009 earnings. Moreover, the Greek tax authorities rejected the Issuer's request to apply a tax credit from withholding tax relating to interest from Greek and foreign bonds in 2009. Although the Issuer is currently disputing the position of the Greek tax authorities, and despite the fact that the Issuer believes that it has strong arguments against the Greek tax authorities' position, this reversal may become permanent and adversely affect the Issuer's tax liabilities in the future. In addition, at the European Council Summit held on 17 June 2010, representatives agreed that Member States should introduce a system of levies and taxes on financial institutions to promote a more equitable distribution of the costs of the global financial crisis. Any additional taxes imposed on the Issuer in the future may have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Hellenic Republic may influence certain corporate actions of the Issuer*

There is a risk that the Hellenic Republic might seek to exert influence over the Piraeus Bank Group and may disagree with certain decisions of the Issuer and the Piraeus Bank Group relating to dividend distributions, benefits and remuneration policy towards the Issuer's senior management and other commercial and management decisions that could materially affect the efficient operation of the Issuer.

The Hellenic Republic directly owns all 77,568,134 Special Preference Shares issued under the capital facility of the Hellenic Republic bank support plan. This direct stake in the Issuer endows the Hellenic Republic with voting rights at the General Meeting of preferred shareholders and requires the inclusion of a Greek Government-appointed representative on the Issuer's Board of Directors, who attends the General Meeting of ordinary shareholders of the Issuer. This representative has the ability to veto actions relating to the distribution of dividends and the remuneration of certain of the Issuer's directors and senior management.

If economic conditions do not improve or continue to deteriorate or if the financial position of the Piraeus Bank Group deteriorates, further government or inter-governmental intervention may take place through the FSF. Any further government or inter-governmental intervention, including through the FSF, may have a material adverse effect on the interest of other holders of the Issuer's securities, and on the Issuer's financial condition and/or results of operations.

Furthermore, the Hellenic Republic also has interests in other Greek financial institutions and an interest in the overall health of the Greek banking industry and other industries generally, and those interests may not always be aligned with the commercial interests of the Piraeus Bank Group. An action supported by the Hellenic Republic may not be in the best interests of the Piraeus Bank Group or its creditors generally.

*The Issuer's capital adequacy requirements may increase as a result of changes in legislation relating to capital adequacy status*

In 1988, the Basel Committee on Banking Supervision (the **Basel Committee**) adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. These guidelines have been implemented by banking regulators in most industrialised countries, including Greece. The Basel guidelines are intended to strengthen the soundness of the international banking system and to reduce competitive inequality among international banks by harmonising the definition of capital, by establishing a basis for the evaluation of risk for each category of assets and by applying a uniform target capital adequacy ratio of capital to risk-weighted assets.

The capital adequacy framework established by Basel II (**Basel II**) was finalised and published in June 2006 and has been applied by the Issuer since 1 January 2008 in accordance with the provisions of the Greek legislation (Law 3601 of 2007). This regulatory framework introduced capital requirements relating to operational risk and effects significant changes in the calculation of capital requirements against credit risk. Basel II is implemented in the European Union by the Capital Requirements Directive (comprising Directives 2006/48/EC and 2006/49/EC). The Capital Requirements Directive has now been amended by Directive 2009/111/EC (known as **CRD II**). CRD II was implemented in Greece on 29 October 2010. In particular it will make changes to the criteria for assessing hybrid capital eligible to be included in Tier I capital and may require the Piraeus Bank Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria. There is still significant uncertainty around the interpretation and the implementation of CRD II as it relates to the Piraeus Bank Group.

In addition, a number of regulatory initiatives have recently been proposed, which would significantly alter the Piraeus Bank Group's regulatory capital requirements. These proposed initiatives include:

- EU Capital Requirements Directive III or **CRD III** (currently subject to consultation) will introduce a number of changes in response to the recent and current market conditions, which may:

- increase the capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions; and
  - limit investments in securitisations held in the trading book and re-securitisations by imposing higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products.
- In December 2009, the Basel Committee issued two consultative documents which contain the capital and liquidity reform package (the **Basel III proposal**). If the proposals made by the Basel Committee are implemented, this could result in the Piraeus Bank Group being subject to significantly higher capital requirements. Among other things, the Basel III proposal suggested:
    - raising the quality of the Core Tier I Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base and a reform of the capital structure);
    - introducing a requirement for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written-off on the occurrence of a bailout of the institution. This would apply to internationally active banks;
    - strengthening the risk coverage of the capital framework; and
    - promoting the build-up of capital buffers and introducing a global minimum liquidity standard for the banking sector.
  - In February 2010, the European Commission issued a public consultation document on further possible changes to the Capital Requirements Directive IV (**CRD IV**) which is closely aligned with the above-mentioned Basel III proposals.
  - The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, met on 26 July 2010 to review the Basel III proposal. The Governors and Heads of Supervision reached broad agreement on the overall design of the Basel III reform package.
  - In addition, in September 2010, the Basel Committee endorsed the agreements it reached on 26 July 2010 regarding the global minimum capital standards to be implemented by member countries from January 2013. The minimum common equity requirement will be raised from 2 per cent. to 4.5 per cent. in a phased manner starting in 2013 (when it will rise to 3.5 per cent.), and then increasing to 4.0 per cent. in 2014 and then 4.5 per cent. from 2015. In addition, banks will be required to hold a 'capital conservation buffer' of 2.5 per cent. in addition to the minimum common equity component, to bring the total common equity requirement to 7 per cent. The capital conservation buffer will be phased in from 2016 (at 0.625 per cent.), going up to 1.25 per cent. in 2017, 1.875 per cent. in 2018 and 2.5 per cent. from 2019. The Tier I capital component will rise from 4 per cent. to 4.5 per cent. from 2013, and then up to 5.5 per cent. from 2014, and then 6.0 per cent. from 2015.

These and other future changes to capital adequacy and liquidity requirements in Greece and the other countries in which the Piraeus Bank Group operates may require the Piraeus Bank Group to raise additional Tier I, Core Tier I and Tier II capital by way of further issuances of securities, and could result in existing Tier I and Tier II securities issued by the Piraeus Bank Group ceasing to count towards the Piraeus Bank Group's regulatory capital, either at the same level as at present or at all. The requirement to raise additional Core Tier I capital could have a number of negative consequences for the Piraeus Bank Group and its shareholders, including impairing the Piraeus Bank Group's ability to pay dividends on or to make other distributions in respect of ordinary shares and diluting the ownership of existing shareholders of the Piraeus Bank Group. If the Piraeus Bank Group is unable to raise the requisite Tier I and Tier II capital, it may be required to further reduce the amount of its risk-weighted assets and engage in the disposal of core and other

non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to the Piraeus Bank Group.

As at 30 June 2010, the Piraeus Bank Group's Tier I and Core Tier I capital ratios were 8.8 per cent. and 7.9 per cent., respectively. Any change that limits the Piraeus Bank Group's ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions, a growth in unfunded pension exposures or otherwise) or to access funding sources, could have a material adverse impact on its financial condition and regulatory capital position.

*Any disruption of the Issuer's operations caused by strikes or other types of industrial action could have a material adverse effect on the Issuer's business, financial condition and/or results of operations*

Some of the Issuer's employees belong to a union and the Greek banking industry has been subject to strikes. Strikes over issues such as pensions and wages occur sporadically. Labour unrest could have a material adverse effect on the Issuer's business, financial condition and/or results of operations. As at 30 June 2010, the Issuer had 4,958 employees, as compared with 5,069 in the corresponding prior year period.

*An interruption in or a breach of security in the Issuer's information systems may result in lost business and other losses*

The Issuer relies on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Issuer's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could result in a loss of customer data, legal liability and an inability to service the Issuer's customers, which could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

*The loss of senior management may adversely affect the Issuer's ability to implement its strategy*

The Issuer's current senior management team includes a number of executives that the Issuer believes contribute significant experience and expertise to the Issuer's management in the banking sectors in which the Issuer operates. The continued success of the Issuer's business and the Issuer's ability to execute its business strategy will depend, in large part, on the efforts of its senior management. If a substantial portion of the Issuer's senior management leaves the Issuer, the Issuer's business may be adversely affected.

*The Issuer may be unable to recruit or retain experienced and/or qualified personnel*

The Issuer's competitive position depends, in part, on the Issuer's ability to continue to attract, retain and motivate qualified and experienced banking and management personnel. Competition in the Greek and other SEE banking industries for personnel with relevant expertise is intense due to the relatively limited availability of qualified individuals. To recruit qualified and experienced employees and to minimise the possibility of their departure, the Issuer provides compensation packages consistent with evolving standards in the relevant labour markets. Under the terms of the Hellenic Republic bank support plan, as currently applicable, the Issuer is prohibited from paying bonuses to the members of the Board of Directors, the Chief Executive Officer and any general managers or their substitutes. The inability to recruit and retain qualified and experienced personnel in the Hellenic Republic and SEE, or manage the Issuer's current personnel successfully, could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

## **Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme**

*The Covered Bonds may not be a suitable investment for all investors*

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus and any applicable supplement and/or Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

## **Risks related to the Covered Bonds**

*Security and insolvency considerations*

Security will be (a) created under and pursuant to the Greek Covered Bond Legislation over the Cover Pool Assets by virtue of any Registration Statement filed with the Athens Pledge Registry and (b) granted by the Issuer over the Transaction Documents and the Hedging Agreements pursuant to the Deed of Charge in respect of certain of its obligations, including its obligations under the Covered Bonds. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise any such security may be delayed and/or the value of the security impaired. There can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including Greek insolvency laws).

*Extendable obligations under the Covered Bonds*

Unless specified otherwise in the Final Terms or previously redeemed as provided in the Conditions, the Covered Bonds of each Series will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date. If the Covered Bonds are not redeemed in full on the relevant Final Maturity Date or (as described below) where the Covered Bonds are subject to an Extended Final Maturity Date, on the relevant

Extended Final Maturity Date, then the Trustee shall serve a Notice of Default on the Issuer pursuant to the Conditions. Following the service of a Notice of Default: (a) any Covered Bond which has not been redeemed on or prior to its Final Maturity Date or, as applicable, Extended Final Maturity Date shall remain outstanding at its Principal Amount Outstanding, until the date on which such Covered Bond is cancelled or redeemed; and (b) interest shall continue to accrue on any Covered Bond which has not been redeemed on its Final Maturity Date or, as applicable, Extended Final Maturity Date and any payments of interest or principal in respect of such Covered Bond shall be made in accordance with the relevant Priority of Payments until the date on which such Covered Bond is cancelled or redeemed.

The applicable Final Terms may provide that the Issuer's obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred past the Final Maturity Date until the Extended Final Maturity Date (as specified in the Final Terms) (such date the **Extended Final Maturity Date**). In such case, such deferral will occur automatically if the Issuer fails to pay any amount representing the amount due on the Final Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Covered Bonds on their Final Maturity Date provided that, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date. This will occur (subject to no Notice of Default having been served) if the applicable Final Terms Document for a relevant Series of Covered Bonds provides that such Covered Bonds are subject to an Extended Final Maturity Date.

To the extent that the Issuer has sufficient monies available under the relevant Priority of Payments to pay in part the Final Redemption Amount, partial payment of the Final Redemption Amount shall be made as described in Condition 7.1 (*Redemption and Purchase - Final redemption*). Payment of the unpaid portion of the Final Redemption Amount shall be deferred automatically until the applicable Extended Final Maturity Date. The Issuer shall be entitled to make payments in respect of the Final Redemption Amount on any Interest Payment Date thereafter up until the Extended Final Maturity Date.

Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Final Maturity Date in accordance with the Conditions and the Issuer (or the Servicer on its behalf) will make payments on each relevant Interest Payment Date and Extended Final Maturity Date.

#### *Appointment of a replacement Servicer*

In the event of insolvency of the Issuer, the Greek Covered Bond Legislation (in conjunction with certain Greek insolvency law provisions) provides that the Cover Pool will at all times remain segregated from the insolvency estate of the Issuer until payment of all amounts due to the Covered Bondholders and the other Secured Creditors has been made in full. To ensure continuation of the servicing of the Cover Pool in the event of insolvency of the Issuer (acting as the Servicer) the Greek Covered Bond Legislation provides that the Transaction Documents may provide for the substitution of the Servicer by the Trustee upon the insolvency of the Issuer.

In the event that no Replacement Servicer is appointed by the Trustee pursuant to the Transaction Documents, continuation of the servicing is ensured as follows:

- In the event of the Issuer's insolvency under Greek Law 3601/2007, the Bank of Greece may appoint a servicer if the Trustee fails to do so. Any such person appointed shall be obliged to service the Cover Pool in accordance with the terms of the Servicing and Cash Management Deed. Such replacement might not be made immediately upon the Issuer's insolvency.
- In the event of the Issuer's insolvency under the bankruptcy provisions of Greek Law 3588/2007, the servicing will be carried out (in accordance with the terms of the Servicing and Cash Management Deed) by the bankruptcy administrator appointed by the court unless the Bank of Greece appoints a servicer pursuant to Article 91. At the request of the bankruptcy administrator, the court may order the carrying out of the servicing by a third party provided that such third party is in a position to

perform the servicing tasks and that the rights of the Covered Bondholders are not adversely affected. It should also be noted that commencement of insolvency proceedings with respect to the Issuer under Greek Law 3601/2007 will result in the postponement and/or cancellation of the insolvency proceedings under Greek Law 3588/2007, if such proceedings have already been commenced.

There can be no assurance that replacement of the Issuer as Servicer (or any delay in making such replacement) would not cause delays in payment on the Covered Bonds and Covered Bondholders might suffer loss as a result. See also “*Insolvency of the Issuer*” below.

#### *Limited description of the Cover Pool*

Covered Bondholders will not receive detailed statistics or information in relation to the Loan Assets in the Cover Pool because it is expected that the constitution of the Cover Pool will frequently change due to, for instance:

- (i) the Issuer assigning additional Cover Pool Assets to the Cover Pool; and
- (ii) the Issuer removing Cover Pool Assets from the Cover Pool or substituting existing Cover Pool Assets in the Cover Pool with Additional Cover Pool Assets.

There is no assurance that the characteristics of the Additional Loan Assets assigned to the Cover Pool on any date will be the same as those Loan Assets in the Cover Pool as at the date of issue of any Covered Bonds. However, each Loan Asset will be required to meet the Eligibility Criteria and be subject to the representations and warranties set out in the Servicing and Cash Management Deed. In addition, the Nominal Value Test is intended to ensure that the Principal Amount Outstanding of all Series of Covered Bonds, together with all accrued interest thereon, is not greater than 95 per cent. of the Nominal Value of the Cover Pool for so long as Covered Bonds remain outstanding (although there is no assurance that it will do so) and the Asset Monitor will provide an annual agreed upon procedures report on the required tests by the Bank of Greece (including the Nominal Value test) where exceptions, if any, will be noted.

#### *Ratings of the Covered Bonds*

The credit ratings assigned to the Covered Bonds address the probability of default and loss given default. The expected credit ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. A Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any credit rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

#### *Rating Agency Confirmation in respect of Covered Bonds*

The terms of certain of the Transaction Documents may provide that, in certain circumstances, the Issuer must, and the Trustee may, obtain confirmation from one or more of the Rating Agency that any particular action proposed to be taken by the Issuer, the Servicer or the Trustee will not adversely affect or cause to be withdrawn the then current ratings of the Covered Bonds (a **Rating Agency Confirmation**).

By acquiring the Covered Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Covered Bondholders including, without limitation, in the case of a Rating Agency Confirmation, whether any action proposed to be taken by the Issuer, Servicer, the Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document, or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders. In being entitled to have regard to the fact that the Rating Agency has confirmed that the then current ratings of



the Covered Bonds would not be adversely affected or withdrawn, each of the Issuer, the Trustee and the other Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agency to the Issuer, the Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agency and the Issuer, the Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Rating Agency Confirmation represents only a restatement of the opinions given, and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

#### *Covered Bonds issued under the Programme*

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series). All Covered Bonds will rank *pari passu* and rateably without any preference or priority among themselves, irrespective of their Series, for all purposes, except for the timing of the repayment of principal and the timing and amount of interest payable and will share in the security granted by the Issuer under the Deed of Charge.

Following the occurrence of an Event of Default and service by the Trustee of a Notice of Default, the Covered Bonds of all outstanding Series will become immediately due and payable against the Issuer.

#### *Further Issues*

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect existing Covered Bondholders:

- (i) the Statutory Tests will be required to be met both before and immediately after any further issue of Covered Bonds; and
- (ii) on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to notify the relevant Rating Agency of the issue.

#### *Obligations under the Covered Bonds*

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealers, the Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer. The Issuer will be liable solely in its corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

#### *The Trustee may agree to modifications to the Transaction Documents without the Covered Bondholders' or Secured Creditors' prior consent*

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors (other than the Swap Providers in respect of modification to the Pre-Event of Default Priority of Payments or the Post-Event of Default Priority of Payments), concur with the Issuer or any person in making or sanctioning any modification to the Transaction Documents and the Terms and Conditions of the Covered Bonds:

- (i) (other than in respect of a Series Reserved Matter) provided that the Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the Covered Bondholders; or
- (ii) which in the sole opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

*Certain decisions of Covered Bondholders taken at Programme level*

Any Extraordinary Resolution to direct the Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding.

*Realisation of Charged Property following the occurrence of an Event of Default and service of a Notice of Default*

If an Event of Default occurs and a Notice of Default is served on the Issuer, then the Trustee will be entitled to enforce the security created under and pursuant to the Greek Covered Bond Legislation and the Deed of Charge, after having been indemnified and/or secured to its satisfaction, and the proceeds from the realisation of the Charged Property will be applied by the Trustee towards payment of all secured obligations in accordance with the Post-Event of Default Priority of Payments.

There is no guarantee that the proceeds of realisation of the Charged Property will be in an amount sufficient to repay all amounts due to the Secured Creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents.

If, following the occurrence of an Event of Default, a Notice of Default is served on the Issuer then the Covered Bonds may be repaid sooner or later than expected or not at all.

*Absence of secondary market*

There is not, at present, an active and liquid secondary market for the Covered Bonds, and no assurance is provided that a secondary market for the Covered Bonds will emerge. None of the Arranger or the Dealers is obliged to, and none of them intends to, make a market for the Covered Bonds. None of the Covered Bonds has been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under “*Subscription and Sale*”. If a secondary market does emerge, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield.

In addition, Covered Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Covered Bonds. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

*Credit ratings may not reflect all risks*

One or more independent Rating Agency may assign credit ratings to the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

#### *General legal investment considerations*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

#### **Risks related to the structure of a particular issue of Covered Bonds**

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

##### *Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

##### *Index Linked Covered Bonds, Credit Linked Interest Covered Bonds, Equity Linked Interest Covered Bonds, Dual Currency Interest Covered Bonds and other Variable Interest Covered Bonds*

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (i) the market price of such Covered Bonds may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Covered Bonds, Credit Linked Interest Covered Bonds, Equity Linked Interest Covered Bonds, Dual Currency Interest Covered Bonds or other Variable Interest Covered Bonds (as the case may be). Accordingly, an investor should consult its own financial, tax and legal advisers about the risk entailed by an investment in any Index Linked Covered Bonds, Dual Currency Interest Covered Bonds or other Variable Interest Covered Bonds (as the case may be) and the suitability of such Covered Bonds in light of their particular circumstances.

#### *Partly Paid Covered Bonds*

The Issuer may issue Covered Bonds where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### *Variable rate Covered Bonds with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

#### *Covered Bonds issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **General risk factors**

Set out below is a brief description of certain risks relating to the Covered Bonds generally:

#### *Modification, waivers and substitution*

The conditions of the Covered Bonds contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

The conditions of the Covered Bonds also provide that the Issuer may, without the consent of Covered Bondholders, substitute another company as principal debtor under any Covered Bonds in place of the Issuer, in the circumstances described in Condition 18 (*Substitution of the Issuer*).

### *Insurance*

Under the terms and conditions of the Loan Documentation, each Borrower is required to obtain and maintain fire and earthquake insurance only, unless the property was built before 1 January 1960, in which case only fire insurance is available in the market. Accordingly, a claim under such policy for damage to the relevant property can be made only if the damage results from the occurrence of a fire or, in the case of properties built on or after 1 January 1960 only, earthquake (if applicable). However, this is not inconsistent with the terms and conditions of loans similar to the Loans made by other mortgage lenders in Greece who also only require borrowers to obtain and maintain fire and earthquake (if applicable) insurance. In addition, certain Borrowers, at their option, take out life and permanent disability insurance policies, with the Issuer as the primary loss payee, to secure their obligations under the relevant Loans.

### *Suspension of Enforcement Proceedings*

There are various provisions of Greek law which could result in enforcement proceedings against a Borrower being delayed or suspended. Enforcement proceedings are usually commenced against a Borrower in respect of a Loan once it becomes 180 days in arrears, at which point the Loan is terminated. An order of payment is obtained from the judge of the competent Court of First Instance following service of the notice of termination of the Loan on the Borrower and non-payment by the Borrower. Enforcement is commenced by service of the order for payment and a demand to pay on the Borrower, with the ultimate target being the collection of the proceeds of the auction of the relevant property securing the Loan. For further details, see “*The Mortgage and Housing Market in Greece - Enforcing Security*” below.

However, a Borrower may delay enforcement against the relevant property by contesting the order for payment and/or the procedure for enforcement which in turn will delay the receipt of proceeds from an enforcement against the property by the Issuer after the relevant Loan has been terminated. A Borrower can file a petition of annulment against the order for payment pursuant to Article 632 of the Greek Civil Procedure Code (an **Article 632 Annulment Petition**) with the relevant Court of First Instance within 15 business days after service of the order for payment contesting the substantive or procedural validity of the order of payment. If the Borrower fails to contest the order for payment, the order may be served again on the Borrower and a further 10 business days are available to the Borrower to file a petition of annulment against the order for payment pursuant to Article 633 of the Greek Civil Procedure Code (an **Article 633 Annulment Petition**) with the relevant Court of First Instance. The order for payment will be final either if both terms of 15 and 10 business days elapse or if the Court of Appeal rejects the Article 632 Annulment Petition or the Article 633 Annulment Petition.

The filing of an Article 632 Annulment Petition entitles the Borrower to file a petition for suspension of the enforcement against the relevant property pursuant to Article 632 of the Greek Civil Procedure Code (an **Article 632 Suspension Petition**). Upon filing an Article 632 Suspension Petition, enforcement procedures may be suspended until the hearing of the Article 632 Suspension Petition, which takes place approximately three to four months after the Article 632 Suspension Petition has been filed. Following the issue of a decision in relation to the hearing of the Article 632 Suspension Petition (which itself can take up to approximately two months to be issued), enforcement may be suspended until the Court of First Instance has issued an official decision in respect of the Article 632 Annulment Petition. This can take up to approximately 28 months after the decision in respect of the Article 632 Suspension Petition. In some cases, suspension of enforcement may be granted until the Court of Appeal reaches a final decision which means an additional delay in enforcement of approximately 20 months. The procedure can take up to approximately five years from the issue of a decision in relation to the Article 632 Suspension Petition if the Borrower requests adjournments of the hearings for the Article 632 Annulment Petition before the Court of First Instance and Court of Appeal, up until the decision of the latter.

The Borrower may also file with the relevant Court of First Instance a petition for the annulment of certain actions of the foreclosure proceedings based on reasons pertaining to both the validity of the order of payment and to procedural irregularities pursuant to Article 933 of the Greek Civil Procedure Code (an **Article 933 Annulment Petition**). An Article 632 Annulment Petition, Article 633 Annulment Petition and Article 933 Annulment Petition may be filed either concurrently or consecutively, but it should be noted that the Article 933 Annulment Petition may not be based on reasons pertaining to the validity of the order for payment, once the order for payment has become final as mentioned above. The time for the filing of an Article 933 Annulment Petition varies depending on the foreclosure action that is so contested.

The filing of an Article 933 Annulment Petition entitles the Borrower to file a petition for the suspension of the enforcement until the decision of the Court of First Instance on the annulment motion is issued pursuant to Article 938 of the Greek Civil Procedure Code (an **Article 938 Suspension Petition**). Again, foreclosure proceedings may be suspended until the hearing of the Article 938 Suspension Petition, which, in a normal case where the Borrower seeks the suspension of the auction, takes place five days prior to the auction and the relevant decision is issued two days prior to the auction. It should nevertheless be noted that such suspension is more difficult to obtain if the Court of First Instance has already rejected an Article 632 Suspension Petition based on similar reasons.

The Borrower may seek the postponement of the auction by alleging that the value of the property has been underestimated by the enforcing party or that the fixed first offer is too low. However, it is to be noted that the initial auction price cannot be less than the taxable (“objective”) value of the property (set out in accordance with articles 41 and 41a of Greek Law 1249/1982) pursuant to Greek Law 3714/2008, article 2. While at present the “objective” values of properties are on average lower than their commercial values, there can be no assurance that in the future this will continue to be the case. Where the “objective” values are higher than the commercial values, it may become impossible for creditors to successfully enforce their claims because there may be no bidders at the amount of the “objective” value. Furthermore, suspension of the auction for up to six months may be sought by the Borrower, on the grounds that there is a good chance of the Borrower being able to satisfy the enforcing party or that, following the suspension period, a better offer would be received at auction.

Once the allocation of proceeds amongst the creditors of the Borrower has been determined pursuant to a deed issued by a notary public, the creditors of the Borrower may dispute the allocation and file a petition contesting the deed. The Court of First Instance will adjudicate the matter but the relevant creditor is entitled to appeal against the decision to the Court of Appeal. This procedure may delay the collection of proceeds for up to five years. This can further delay the time at which the Issuer finally receives the proceeds of the enforcement against the relevant property. However, the law provides that a bank is entitled to the payment of its claim even if its allocation priority is subject to a challenge, provided that the bank provides a guarantee securing repayment of the money in the event that such challenge is upheld. In addition, there is a period of mandatory suspension for all enforcement procedures between 1 and 31 August of each year, except for auctions, which cannot be conducted between 1 August and 15 September of each year. Finally, pursuant to Greek law 3858/2010 (published in the Government Gazette issue No. A/102//10.7.2010) all auctions for claims of credit institutions, credit companies, or their assignees not exceeding EUR200,000 were suspended until 31 December 2010 and, following the recent enactment of Legislative Act dated 4/1/2001 published in Greek Government Gazette A/1/4.1.2011 to be further ratified by law, this has been extended until 30 June 2011.

#### *Rescheduling of debts of distressed debtors*

The recently enacted law 3869/2010 of the Hellenic Republic (published in the Government Gazette issue No. A/130/3.8.2010) regulates the readjustment of overdue debts of individuals that do not have the ability to be declared bankrupt pursuant to general bankruptcy provisions under Greek law. Eligible individuals are only those who are in permanent financial inability to repay their overdue debts. Debts that have been undertaken during the year preceding the filing of the application with the competent Justice of Peace and

debts that derive from malicious torts, administrative fines, taxes, state levies and social security contributions are excluded from the scope of the law.

The law provides for out-of-court and judicial settlement procedures aiming to enable such individuals to develop, in agreement with creditors holding the majority at a minimum of the overdue debts, a plan to repay their debts in the course of time. Should these procedures fail, their debts may be readjusted by the competent Justice of Peace (on the basis of the family income and property and after taking into consideration the family needs) by way of payment in monthly instalments of an amount set by the court within a period of four years, such instalments to be paid directly to the creditors on a *pro rata* basis. Proper repayment of the amount adjudicated by the court shall release the debtor from its debts. In extreme circumstances, such as chronic unemployment, or serious health problems, an individual may be fully discharged from his or her debts, but in such a case the court would re-examine on a regular basis whether those circumstances continue to apply. The time for the filing of the application with the competent court started from January 2011 onwards.

The law provides that from the time of notification to the creditors of a readjustment plan by the debtor until the final decision, any enforcement proceedings against such debtor may be suspended (following a relevant decision by the court) and interest stops accruing, except interest relating to secured debts that continues to accrue until the issuance of the court decision in respect of the application. Furthermore, until February 2011, all auctions against the primary residence of the debtor are suspended, provided that the total area of such residence does not exceed the limit provided by law for the non-application of transfer tax, plus 50 per cent. It was recently announced in the press that the suspension of auctions will be extended until 30 June 2011 but, to date, no such provision has been enacted. In addition, a liquidator may be appointed in order to liquidate any property assets and distribute the proceeds to the creditors or to monitor and assist the proper consummation of the readjustment plan. The debtor, under certain circumstances, may also apply for the exclusion of his or her primary residence from liquidation and, in this case, the court will readjust the debt in an amount not exceeding 85 per cent. of the residence's commercial value as adjudicated by the court. The rights of the creditors against co-debtor(s) or guarantors remain unaffected.

It is noted that this law has yet to be tested in practice. Nevertheless, this law may have an adverse effect on the timing or the amount of collections under certain Loans concluded with borrowers that fall under its scope and make use of its provisions, which may in turn affect the Issuer's ability to meet its obligations in respect of the Covered Bonds.

#### *Auction Proceeds*

The proceeds of an auction following enforcement against a property securing a Loan must be allocated in accordance with Articles 975 (as recently amended by article 41 of Greek Law 3863/2010) and 976 of the Greek Civil Procedure Code. These Articles require the notary public which acted as the auction clerk to deduct the expenses (including legal, bailiff's and notarial fees) incurred in connection with the enforcement from the proceeds and then to satisfy, in priority to other claims, claims against the relevant Borrower pursuant to employment relationships and contracts for legal and educational services arising in the previous two years, as well as claims against the relevant Borrower of social security funds subject to the responsibility of the General Secretariat of Social Security arising until the time of the auction (which should not be relevant for the majority of Borrowers who are not professionals). Up to one-third of the remaining proceeds are allocated to the following creditors of the Borrower, to the extent applicable, in the following order:

- (i) claims for hospitalisation and funeral costs of the Borrower and his family arising in the previous 12 months;
- (ii) costs for the nourishment of the Borrower and his family arising in the previous six months;
- (iii) claims by farmers or farming partnerships arising from the sale of agricultural goods during the previous 24 months;

- (iv) claims of the Greek state and municipal authorities that are due and payable prior to the auction; and
- (v) claims by the Athens Stock Exchange Members' Guarantee Fund (if the borrower is or was an investment services company within the meaning of Greek Law 3606/2007) arising in the previous 24 months (this should not be relevant for any Borrower).

The remaining two-thirds of the proceeds are allocated to secured creditors in order of class and date of creation of security and, once these claims have been satisfied in full, any remaining amounts are allocated to unsecured creditors. Accordingly, the Issuer, as owner of a first-ranking pre-notation could be limited to receiving approximately two-thirds of the proceeds raised by an auction of a property securing a Loan if a claim under Article 975 of the Greek Civil Procedure Code exists. In such case, the proceeds may not be sufficient to discharge the amount that is owed by the Borrower to the Issuer under the Loan, which may in turn affect the Issuer's ability to meet its obligations in respect of the Covered Bonds.

The length, complexity and uncertainty of success of enforcement procedures in Greece means that in relation to any defaulted or delinquent Loan included in the Cover Pool there may be a substantial delay in recovering any amounts due under the relevant Loan which may adversely affect the Issuer's ability to meet its obligations under the Covered Bonds.

However, given that the loans are given a maximum 80 per cent. LTV indexed value for the purpose of calculating the Statutory Tests and the Amortisation Test, the value of the property securing a Loan should exceed the Outstanding Principal Balance of that portion of the Loan accredited value for the purposes of the Statutory Tests. Accordingly, the possibility that the Issuer will not receive sufficient proceeds following the enforcement against a property securing a Loan to discharge the amounts that are owed to it by the relevant Borrower is reduced.

#### *Greek Consumer Protection Laws*

Greece has specific consumer protection legislation (Law 2251/1994 as repeatedly amended, most recently by Law 3587/2007) following Directives 87/102 as amended by Directives 2002/65, 2005/29. Furthermore, according to statutory delegation granted by the recent Law 3587/2007, the Greek Ministry of Development issued a decision in June 2008 (No. Z1-798 published in Gov. Gazette 1353/B/11.7.2008), by which a number of provisions of mortgage loans (such as the calculation of interest on the basis of a 360 day year, certain arrangement fees and prepayment penalties, termination of the mortgage loan and demand of the total outstanding balance due to any late payment, disclaimer of the guarantor regarding certain rights granted to guarantors under articles 862-868 of the Greek Civil Code, etc.) have been declared to be "abusive" and are thus null and void, because these provisions have been already held to be abusive and therefore illegal by irrevocable decisions of the Greek Courts. The above Ministerial Decision applies also to mortgage loans entered into prior to its enactment because the Greek Supreme Court has repeatedly held that the consumer protection laws have retrospective effect and apply also to agreements previously entered into.

Following a class action by a local consumer association (EKPIZO) concerning mortgage loans originated by Emporiki Bank, the Greek Supreme Court under its decision 430/2005 held that a number of the provisions of the mortgage loans of Emporiki Bank (commonly used by lenders in Greece in their mortgage loans) were unenforceable on the grounds of illegality or of being contrary to good faith. In particular, the Greek Supreme Court held that certain prepayment penalties and arrangement commissions charged to borrowers are abusive and therefore illegal. Further, it was held that banks could not calculate interest on a 360 day year basis and charge days on the actual days elapsed, therefore any excess interest charged in this manner is illegal.

Further, the Greek Supreme Court by its decision No. 15/2007 on litigation with an individual borrower (not a class action) held that a penalty charged upon prepayment of a fixed rate mortgage loan (in that case six months' interest on the amount prepaid) is valid and enforceable, provided that the calculation of the amount of such penalty is transparent and justified in accordance with the terms of the mortgage loan. Moreover, a recent amendment of the consumer protection legislation (Law 2251/1994 article 2 paragraph 7(xxxii))



provides that any penalty clause in a consumer contract must be sufficiently justified by reference to the actual loss it aims to cover.

The standard documentation for the Loans contains certain similar provisions with respect to prepayment penalties and arrangement commissions. To the extent that the Issuer charged and continues to charge such amounts or any excess interest calculated on a 360 day year basis to its Borrowers, the Borrowers may claim back such amounts. Furthermore, the Issuer would be liable to Borrowers should the above amounts continue to be charged after the Programme Closing Date. Any such claim by a Borrower could reduce the Issuer's ability to make payments in respect of the Covered Bonds.

In a class action brought by a consumer association regarding the validity of several general terms of (among other things) mortgage loans of Piraeus Bank, the Athens Court of First Instance in its Decision No. 711/2007 (which has subsequently been confirmed by Decision No. 3956/2008 of the Athens Court of Appeal and, more recently, by Decision No. 2123/2009 of the Greek Supreme Court), held that a term of a mortgage loan providing that, in the case of a loan with partial drawdowns, the entire loan amount is drawn down and deposited into a blocked savings account held with the lending bank and is gradually released, while the borrower is charged as of such drawdown with interest calculated on the entire loan amount, is abusive and, therefore, invalid under the consumer protection law (Greek Law 2251/1994 as in force at such time), because it creates a significant imbalance in the rights and obligations of the lending bank and the borrower, to the detriment of the borrower. The standard documentation of certain Loans contains such a provision.

According to the Act of the Governor of the Bank of Greece No. 2501/2002 and the related Decision No. 178/2004 of the Committee of Banking and Credit Issues of the Bank of Greece, the adjustment of floating interest rate must be: (i) linked to one or more index rates (i.e. ECB, EURIBOR etc.) and, where one or more index rates are applied, the percentage level of each one to the overall adjustment shall be stated and specified; and (ii) determined either as a maximum multiple of each variation of the index rate or as the aggregate of the index rates in force from time to time and a maximum spread above such rate. Further, in a class action brought by a consumer association regarding the validity of several general terms of (amongst others) credit card agreements of National Bank of Greece, the Greek Supreme Court under its decision No. 652/2010 held that a term granting to the bank the right to adjust the floating interest rate at its sole discretion by up to 200 per cent. of the variation of the index rate is valid and enforceable to the extent that such adjustment is justified by specific factors provided for in the contractual terms.

The standard documentation of certain Loans linked to the Issuer's base rate provides for adjustment of the Issuer's base rate either based on the profile variation of one month Euribor plus/minus 50 basis points, without reference to specific factors justifying such adjustment, or on a variety of factors without reference to any index rate. Such interest adjustment term may be held not to comply with the clarity and transparency requirements as set out in the preceding paragraph.

However it should be noted that the Borrowers cannot exercise set-off rights against the receivables constituting the Cover Pool because they are unattachable under a specific provision of the Greek Covered Bond Legislation (paragraph 8 of Art. 91) (unless otherwise provided in the Programme) and claims being unattachable are not subject to set-off, pursuant to art. 451 of the Greek Civil Code. Accordingly the Borrowers may not exercise set-off rights, such as those in relation to prepayment penalties, against the Issuer on the basis of the general provision of art. 451 of the Greek Civil Code, which explicitly prohibits set-off against unattachable claims. This restriction does not apply to the set off rights of the Issuer, as lender of Loans, against the Borrowers (for example, in respect of deposits or remittances) and the Issuer, and its successors and assigns (such as the Trustee) may exercise set-off rights against the Borrowers.

#### *Greek Covered Bond Legislation*

The Greek Covered Bond Legislation came into force over a period of approximately three years. Article 91 of Greek Law 3601/2007 came into force on 1 August 2007 and was amended on 25 August 2008 and on 16 February 2009, while the Secondary Covered Bond Legislation came into force on 21 November 2007 and

was amended and restated on 29 September 2009. The transactions contemplated in this Base Prospectus are based, in part, on the provisions of the Greek Covered Bond Legislation. So far as the Issuer is aware, as at the date of this Base Prospectus there have been six similar programmes based upon the Greek Covered Bond Legislation and there has been no judicial authority as to the interpretation of any of the provisions of the Greek Covered Bond Legislation. For further information on the Greek Covered Bond Legislation, see “*Summary of the Greek Covered Bond Legislation*”. There are a number of aspects of Greek law which are referred to in this Base Prospectus with which potential Covered Bondholders are likely to be unfamiliar. Particular attention should be paid to the sections of this Base Prospectus containing such references.

#### *Insolvency proceedings and subordination provisions*

Recent English insolvency and US bankruptcy court rulings may restrain parties from making or receiving payments in accordance with the order of priority agreed between them.

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of certain payments under the Priorities of Payment.

The English Court of Appeal affirmed the decision of the English High Court that such a subordination provision is valid under English law in *Perpetual Trustee Co Ltd v BNY Corporate Trustee Services Ltd* [2009] EWCA Civ 1160. The insolvent party has been granted leave to appeal the decision to the Supreme Court and the question of the validity of the payment priorities will therefore be subject to further judicial consideration in the future. However, contrary to the determination of the English courts, the US Bankruptcy Court held in the case of *Lehman Brothers Special Financing Inc. v. BNY Corporate Trustee Services Limited Case No. 09-01242 (Bankr. S.D.N.Y.) (JMP)* that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known.

If a creditor of the Issuer (such as a Hedging Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of a party's payment rights). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law. If a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of certain payments under the Priorities of Payments, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

### *EU Savings Directive*

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income (the **Savings Directive**). Under the Directive Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, together with certain dependent or associated territories of member states, have adopted similar measures.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above. If a payment were to be made or collected through a Member State of the European Union which has opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

### *Changes of law*

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English and Greek law, respectively, in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English or Greek law (or the laws of any other jurisdiction) (including any change in regulation which may occur without a change in the primary legislation) or administrative practice in the UK or Greece after the date of this Base Prospectus or can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds.

### *Covered Bonds where denominations involve integral multiples: definitive Covered Bonds*

In relation to any issue of Covered Bonds that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination.

If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### *Exchange rate risks and exchange controls*

The Issuer (or the Servicer on its behalf) will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent-yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risks*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

### *Greek Withholding Tax*

Pursuant to the Greek Code of Income Tax (Greek Law 2238/1994), payments of interest in respect of the Covered Bonds to Covered Bondholders residing in Greece shall be subject to withholding tax at a rate of 10 per cent. If payment is made by a paying agent in Greece, such agent is liable to make the relevant withholding. Save as discussed under "*Taxation—Greek Taxation*" below, individuals will have no further tax liability in respect of these payments.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

- (a) The annual financial report of Piraeus Bank for the financial year ended 31 December 2008 which includes:
  - (i) the auditors' report and audited consolidated annual financial statements as at and for the financial year ended 31 December 2008 as set out on pages 11 to 68 of the consolidated financial statements for the year ended 2008 of the Issuer, with the auditors' report on page 68, the balance sheet on page 12, the income statement on page 11 and the explanatory notes on pages 15 to 67; and
  - (ii) the auditors' report and audited non-consolidated annual financial statements as at and for the financial year ended 31 December 2008 as set out on pages 3 to 52 of the financial statements for the year ended 2008 of the Issuer, with the auditors' report on page 52, the balance sheet on page 4, the income statement on page 3 and the explanatory notes on pages 7 to 51;
- (b) The annual financial report of Piraeus Bank for the financial year ended 31 December 2009 which includes:
  - (i) the audited consolidated annual financial statements as at and for the financial year ended 31 December 2009 as set out on pages 8 to 69 of the consolidated financial statements for the year ended 2009 of the Issuer, with the balance sheet on page 9, the income statement on page 8 and the explanatory notes on pages 12 to 69. The auditors' report is on page 10 of the annual financial report; and
  - (ii) the auditor's report and audited non-consolidated annual financial statements as at and for the financial year ended 31 December 2009 as set out on pages 3 to 54 of the financial statements for the year ended 2009 of the Issuer, with the balance sheet on page 4, the income statement on page 3 and the explanatory notes on pages 7 to 54. The auditors' report is on page 10 of the annual financial report;
- (c) the unaudited consolidated interim condensed financial statements as at and for the six months ended 30 June 2009 which appear on pages 2 to 20 of the financial statements for the six months ended 30 June 2009 of the Issuer. The balance sheet appears on page 3, the income statement appears on page 2, the cash flow statement appears on page 5 and the explanatory notes appear on pages 6 to 20 of that document;
- (d) the unaudited consolidated interim condensed financial statements as at and for the six months ended 30 June 2010 which appear on pages 2 to 19 of the financial statements for the six months ended 30 June 2010 of the Issuer. The balance sheet appears on page 3, the income statement appears on page 2, the cash flow statement appears on page 5 and the explanatory notes appear on pages 6 to 19 of that document;
- (e) the unaudited interim condensed financial statements as at and for the nine months ended 30 September 2009 which appear on pages 2 to 17 of the financial statements for the three months ended 30 September 2009 of the Issuer. The balance sheet appears on page 3, the income statement appears on page 2, the cash flow statement appears on page 5 and the explanatory notes appear on pages 6 to 17 of that document;
- (f) the unaudited interim condensed financial statements as at and for the nine months ended 30 September 2010 which appear on pages 2 to 17 of the financial statements for the three months ended 30 September 2010 of the Issuer. The balance sheet appears on page 3, the income statement appears on page 2, the cash flow statement appears on page 5 and the explanatory notes appear on pages 6 to 17 of that document.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg. This Base Prospectus, each Final Terms relating to Covered Bonds admitted to trading on the Luxembourg Stock Exchange and the documents incorporated by reference will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

Any information not listed in the cross reference list but indicated in the documents incorporated by reference is given for information purposes only.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus in accordance with article 13 of Part II of the Luxembourg Act or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond (as defined below) and each Definitive Covered Bond (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Series or Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to “Form of the Covered Bonds” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Piraeus Bank S.A. (the **Issuer**) pursuant to the Trust Deed (as defined below).

References herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

- (a) in relation to any Covered Bonds represented by a global Covered Bond (a **Global Covered Bond**), units of the lowest denomination specified in the relevant Final Terms (**Specified Denomination**) in the currency specified in the relevant Final Terms (**Specified Currency**);
- (b) any Global Covered Bond;
- (c) any definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange for a Global Covered Bond in bearer form; and
- (d) any definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds** and, together with Bearer Definitive Covered Bonds, **Definitive Covered Bonds**) (whether or not issued in exchange for a Global Covered Bond in registered form).

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) are constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) dated the Programme Closing Date and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Covered Bondholders.

The Covered Bonds, the Receipts and the Coupons have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated the Programme Closing Date and made between, *inter alios*, the Issuer, Citibank N.A., London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent), the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank N.A., London Branch as registrar (the **Registrar**, which expression shall include any successor registrar, and, together with any transfer agent appointed thereunder, the **Transfer Agents** (which expression shall include any successor transfer agents) and together with the Paying Agents, the Registrar and any Calculation Agent referred to below, the **Agents**). References to the **Calculation Agent** are (except where the context otherwise requires) to the person appointed as calculation agent in relation to one or more Series of Variable Interest Covered Bonds pursuant to the Agency Agreement, and include any successor calculation agent.

Interest bearing Definitive Covered Bonds have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to

**Coupons** or **coupons** shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Covered Bonds repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the applicable Final Terms are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

Any reference to **Covered Bondholders** or **holders** in relation to any Covered Bonds shall mean the holders of the Covered Bonds and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the applicable Final Terms and the other Transaction Documents are available for viewing during normal business hours at the registered offices of the Issuer and of each Paying Agent and copies may be obtained from those offices save that, if this Covered Bond is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms and the other Transaction Documents will only be obtainable by a Covered Bondholder holding one or more Covered Bonds and such Covered Bondholder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of such Covered Bonds and identity. The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the applicable Final Terms and the other Transaction Documents which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the other Transaction Documents.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions and construction schedule made between the parties to the Transaction Documents on or about the Programme Closing Date (as amended and/or supplemented and/or restated from time to time, the **Master Definitions and Construction Schedule**), a copy of each of which may be obtained as described above.

## **1. Form, Denomination and Title**

The Covered Bonds are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of Definitive Covered Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Variable Interest Covered Bond, a Zero Coupon Covered Bond, an Index Linked Covered Bond, a Credit Linked Interest Covered Bond, an Equity Linked Interest Covered Bond, a Dual Currency Interest



Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Covered Bond may also be an Instalment Covered Bond or a Partly Paid Covered Bond, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms save that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

It is a condition precedent to the issuance of a new Series or Tranche of Covered Bonds that (i) there is no Issuer Event or Event of Default outstanding and that such issuance would not cause an Issuer Event or Event of Default, (ii) such issuance would not result in a breach of any of the Statutory Tests, (iii) each Rating Agency has been notified of such issuance, (iv) such issuance has been notified to the Bank of Greece in accordance with paragraph II.3 of the Secondary Covered Bond Legislation and (v) if applicable, in respect of any Series or Tranche, a Hedging Agreement is entered into.

Bearer Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable. Bearer Definitive Covered Bonds are issued with Receipts only in respect of Instalment Covered Bonds, and references to Receipts and Receiptholders in these Conditions are only applicable to such Bearer Covered Bonds.

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfer in accordance with the provisions of the Agency Agreement. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest therein, any or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of or, as the case may be, registered in the name of a common depositary (or its nominee) or, as applicable, common safekeeper (or its nominee), for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or printout of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond (or, as applicable, the registered holder) shall be treated by the Issuer,

any Paying Agent and the Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions **Covered Bondholder** and **holder of Covered Bonds** and related expressions shall be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

## **2. Transfers of Registered Covered Bonds**

### **2.1 Transfers of interests in Registered Global Covered Bonds**

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear or Clearstream, Luxembourg and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### **2.2 Transfers of Registered Covered Bonds in definitive form**

Subject as provided in Conditions 2.3 (*Transfers of Registered Covered Bonds - Registration of transfer upon partial redemption*) and 2.4 (*Transfers of Registered Covered Bonds - Costs of registration*) upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part in the authorised denominations set out in the applicable Final Terms. In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (b) the Registrar or, as the case may be, the relevant Transfer Agent, must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent, will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent, is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Definitive Covered Bond of a

like aggregate nominal amount to the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) transferred.

In the case of the transfer of part only of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the balance of the Registered Definitive Covered Bond not transferred will (in addition to the new Registered Definitive Covered Bond in respect of the nominal amount transferred) be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

### 2.3 Registration of transfer upon partial redemption

For the avoidance of doubt, in the event of a partial redemption of Covered Bonds under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, which is partially redeemed.

### 2.4 Costs of registration

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer, Registrar or Transfer Agent may require the payment of a sum sufficient to cover any stamp duty, Taxes or any other governmental charge that may be imposed in relation to the registration.

## 3. Status of the Covered Bonds

The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer secured by the Statutory Pledge (as defined below) and the Deed of Charge. The Covered Bonds will, irrespective of their Series, at all times rank *pari passu* without any preference or priority amongst themselves for all purposes except for the timing of the repayment of principal and the timing and amount of interest payable.

The Covered Bonds are issued on an unconditional basis and in accordance with Article 91 of Greek Law 3601/2007 (published in the Government Gazette No 178/A/1-8-2007), as amended by Article 48 of Greek Law 3693/2008 (published in the Government Gazette No. 174/A/25-8-2008) and Article 69 of Greek Law 3746/2009 (published in the Government Gazette No. 27/A/16-2-2009) (**Article 91**) and the Act of the Governor of the Bank of Greece No. 2598/2007, as amended and restated by the codifying Act of the Governor of the Bank of Greece No. 2620/2009 (the **Secondary Covered Bond Legislation** and, together with Article 91, the **Greek Covered Bond Legislation**). The Covered Bonds are backed by assets forming the Cover Pool of the Issuer and, to the extent such assets are governed by Greek law, have the benefit of a statutory pledge established pursuant to paragraph 4 of Article 91 (the **Statutory Pledge**) by virtue of registration statement(s) filed with the Athens Pledge Registry (each a **Registration Statement**) pursuant to paragraph 5 of Article 91. The form of the Registration Statement is defined in Ministerial Decree No 95630/8-9-2008 (published in the Government Gazette No 1858/B/12-9-2008) of the Minister of Justice.

In accordance with the Deed of Charge, security will be created for the benefit of the Trustee on behalf of the Secured Creditors over, *inter alia*, the Authorised Investments and Marketable Assets (to the extent governed by English law), the Bank Accounts (to the extent governed by English law) and any other Transaction Documents.

## 4. Priorities of Payments

Prior to the occurrence of any Segregation Event and/or any Issuer Event, on each Interest Payment Date, the Issuer will apply any funds available to it (including but not limited to, funds arising in

relation to the assets comprised in the Cover Pool) to pay amounts due and payable on the Covered Bonds.

Following the occurrence of a Segregation Event but prior to the occurrence of an Issuer Event, the Servicer will apply amounts standing to the credit of the Transaction Account and the Collection Accounts to make payments on the Covered Bonds and such other payments which rank senior to or *pari passu* with the Covered Bonds (by reference to paragraphs (a) to (f) of the Pre-Event of Default Priority of Payments (as defined below)) in accordance with the Servicing and Cash Management Deed.

At any time upon or after the occurrence of any Issuer Event but prior to the delivery of a Notice of Default, the Servicer shall apply all Covered Bonds Available Funds on each Programme Payment Date in making the following payments and provisions in the following order of priority (the **Pre-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction of all amounts then due and payable or to become due and payable prior to the next Programme Payment Date to the Trustee or any Appointee (including, remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (b) *second, pari passu and pro rata* according to the respective amounts thereof to pay any additional fees, costs, expenses and taxes due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date, properly incurred in respect of any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;
- (c) *third, pari passu and pro rata* according to the respective amounts thereof, to pay all amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date, to the Account Bank and the Agents under the Bank Account Agreement and the Agency Agreement, respectively;
- (d) *fourth, pari passu and pro rata* according to the respective amounts thereof to pay (i) all amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date (and for which payment has not been provided for elsewhere in this Pre-Event of Default Priority of Payments), to any Secured Creditors other than the Covered Bondholders, Receiptholders and Couponholders, the Agents, the Account Bank, the Trustee and any Appointee and other than any amount due to be paid, or that will become due and payable prior to the next Programme Payment Date, to the Hedging Counterparties under the Hedging Agreements and (ii) to the Servicer an amount equal to any amount representing the cost of Levy in respect of any Loans received from Borrowers, such amount to be used by the Servicer towards satisfaction of the Issuer's obligation to pay any Levy;
- (e) *fifth, pari passu and pro rata*, according to the respective amounts thereof (i) to pay all amounts of interest due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date, on any Covered Bonds, Receipts and Coupons and (ii) to pay any amounts due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date, under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;

- (f) *sixth, pari passu and pro rata* according to the respective amounts thereof to pay all amounts of principal due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date (if any), on any Covered Bonds;
- (g) *seventh*, for so long as any Covered Bonds remain outstanding, any remaining Covered Bonds Available Funds will remain standing to the credit of the Transaction Account, or, as applicable, be deposited in the Transaction Account;
- (h) *eighth*, if no Covered Bonds remain outstanding, to pay *pari passu and pro rata*, according to the respective amounts thereof, any amount due and payable on the Programme Payment Date, or to provide for all such amounts that will become due and payable prior to the next Programme Payment Date to any Hedging Counterparties which are Subordinated Termination Payments; and
- (i) *ninth*, if no Covered Bonds remain outstanding, to pay any excess to the Issuer.

Following delivery of a Notice of Default, all funds deriving from the Cover Pool Assets or the Transaction Documents or which are standing to the credit of the Transaction Account shall be applied on any Athens Business Day in accordance with the following order of priority of payments (the **Post-Event of Default Priority of Payments** and, together with the Pre-Event of Default Priority of Payments, the **Priorities of Payments** and, each of them a **Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full) provided that any such amount has not already been paid by the Issuer using funds not forming part of the Cover Pool:

- (i) *first*, to pay any Indemnity to which the Trustee or any Appointee or any Receiver is entitled pursuant to the Trust Deed or any other Transaction Document and any costs and expenses incurred by or on behalf of the Trustee or any Appointee or any Receiver (a) following the occurrence of a Potential Event of Default or an Issuer Event or in connection with or as a result of serving on the Issuer a Notice of Default (to the extent that any such amounts have not yet been paid out of the Covered Bonds Available Funds before the delivery of a Notice of Default) and (b) following the delivery of a Notice of Default in connection with or as a result of the enforcement or realisation of (A) the security granted under the Statutory Pledge and the Deed of Charge and/or (B) any other right or remedy that the Trustee is entitled or required to pursue under or in connection with the Transaction Documents and/or the Covered Bonds for the purpose of protecting the interests of the Covered Bondholders and/or the other Secured Creditors;
- (ii) *second, pari passu and pro rata* according to the respective amounts thereof, (a) to pay all amounts of interest and principal due and payable on any Covered Bonds, (b) to pay any additional fees, costs, expenses and taxes due and payable in connection with any listing or deposit of the Covered Bonds or to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders, (c) to pay all amounts due and payable to the Secured Creditors, other than the Covered Bondholders and (d) to pay any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (iii) *third*, to pay *pari passu and pro rata*, according to the respective amounts thereof, any amount due and payable to any Hedging Counterparties which are Subordinated Termination Payments; and
- (iv) *fourth*, following the payment in full of all items under (i) to (iii) above, to pay all excess amounts (if any) to the Issuer.

## 5. Interest

### 5.1 Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Subject as provided in these Conditions, interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on but excluding such date (**Fixed Coupon Amount**). Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the broken amount specified in the relevant Final Terms (the **Broken Amount**) so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

### 5.2 Floating Rate Covered Bond and Variable Interest Covered Bond Provisions

#### (a) Interest on Payment Dates

Each Floating Rate Covered Bond and Variable Interest Covered Bond bears interest on its Principal Amount Outstanding (subject to Condition 5.7 (*Interest - Partly-Paid Covered Bond Provisions*)) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the **Specified Period** in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression **Interest Period** shall mean the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

#### (b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds and Variable Interest Covered Bonds will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Covered Bonds

Where **ISDA Determination** is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**), and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), (1) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions and (2) **Euro-zone** means the region comprising the member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

When this subparagraph (i) applies, in respect of each relevant Interest Period the Principal Paying Agent or the above-mentioned person will be deemed to have discharged its obligations under Condition 5.2(d) (*Interest - Floating Rate Covered Bond and Variable Interest Covered Bond Provisions - Determination of Rate of Interest and calculation of Interest Amounts*) below in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph (i).

(ii) Screen Rate Determination for Floating Rate Covered Bonds

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (ii) in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms for a Floating Rate Covered Bond or a Variable Interest Covered Bond specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Floating Rate Covered Bond or a Variable Interest Covered Bond specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Covered Bonds, and the Calculation Agent, in the case of Variable Interest Covered Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Variable Interest Covered Bonds, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds or Variable Interest Covered Bonds for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Covered Bonds or Variable Interest Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond (or, if they are Partly Paid Covered Bonds, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Covered Bonds or Variable Interest Covered Bonds in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond or a Variable Interest Covered Bond in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(e) Notification of Rate of Interest and Interest Amounts



The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds or Variable Interest Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to be published in accordance with Condition 17 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day thereafter and in the case of any notification to be given to the Luxembourg Stock Exchange on or before the first Business Day of each Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds or Variable Interest Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to Covered Bondholders in accordance with Condition 17 (*Notices*).

(f) Determination or Calculation by Trustee

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph 5.2(b)(i) or 5.2(b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph 5.2(d) above, the Trustee may determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it may think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee may calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). If such determination or calculation is made the Trustee shall notify the Issuer and the Stock Exchange of such determination or calculation and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 (*Floating Rate Covered Bond and Variable Interest Covered Bond Provisions*), whether by the Principal Paying Agent, the Calculation Agent or the Trustee shall (in the absence of wilful default, negligence or fraud) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Trustee and all Covered Bondholders, Receiptholders and Couponholders and (in the absence of wilful default, negligence or fraud) no liability to the Issuer, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Zero Coupon Covered Bonds

Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest. When a Zero Coupon Covered Bond becomes repayable prior to its Final Maturity Date it will be redeemed at the Early Redemption Amount calculated in accordance with Condition 7.5 (*Redemption and Purchase - Early Redemption Amounts*). In the case of late payment the amount

due and repayable shall be calculated in accordance with Condition 7.9 (*Redemption and Purchase - Late Payment*).

#### 5.4 Dual Currency Interest Covered Bond Provisions

In the case of Dual Currency Interest Covered Bonds where the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

#### 5.5 Index Linked Covered Bond provisions

In the case of Index Linked Covered Bonds, payments of interest will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as set out in the applicable Final Terms.

#### 5.6 Credit Linked Interest Covered Bonds and Equity Linked Interest Covered Bonds

The applicable Final Terms may provide that payments of interest in respect of certain Credit Linked Interest Covered Bonds or, as applicable, Equity Linked Interest Covered Bonds will be calculated by reference to such price, value, performance or some other factor relating to one or more reference assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more reference entities as specified in the applicable Final Terms.

#### 5.7 Partly-Paid Covered Bond Provisions

In the case of Partly-Paid Covered Bonds (other than Partly-Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the applicable Final Terms.

#### 5.8 Accrual of interest

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest will continue to accrue as provided in Condition 7.9 (*Redemption and Purchase - Late Payment*).

#### 5.9 Business Day, Business Day Convention, Day Count Fractions and other adjustments

(a) In these Conditions, **Business Day** means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Athens and any Additional Business Centre specified in the applicable Final Terms; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or as otherwise specified in the applicable Final Terms or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2 System**) (the **TARGET2 System**) is open.

- (b) If a **Business Day Convention** is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:
- (i) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) (*Interest - Floating Rate Covered Bond and Variable Interest Covered Bond Provisions - Interest on Payment Dates*), the **Floating Rate Convention**, such Interest Payment Date (1) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply *mutatis mutandis*, or (2) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls within the Specified Period after the preceding applicable Interest Payment Date occurred; or
  - (ii) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
  - (iii) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
  - (iv) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.
- (c) **Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period:
- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
    - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period (as defined in Condition 5.9(e) (*Interest - Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
    - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
  - (ii) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the

Interest Period falling in a leap year divided by 366, and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (iii) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

“Y<sup>1</sup>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sup>2</sup>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sup>1</sup>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sup>2</sup>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sup>1</sup>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sup>1</sup> will be 30; and

“D<sup>2</sup>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sup>1</sup> is greater than 29, in which case D<sup>2</sup> will be 30;

- (vii) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

“Y<sup>1</sup>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sup>2</sup>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sup>1</sup>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sup>2</sup>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sup>1</sup>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sup>1</sup> will be 30; and

“D<sup>2</sup>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sup>2</sup> will be 30;

(viii) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

“Y<sup>1</sup>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sup>2</sup>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sup>1</sup>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sup>2</sup>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sup>1</sup>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sup>1</sup> will be 30; and

“D<sup>2</sup>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31 and D<sup>2</sup> will be 30; or

such other Day Count Fraction as may be specified in the applicable Final Terms.

- (d) **Determination Date** has the meaning given in the applicable Final Terms.
- (e) **Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).
- (f) **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (g) **Interest Commencement Date** means in the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds will accrue interest.
- (h) **Interest Payment Date** means, in respect of Fixed Rate Covered Bonds, the meaning given in the applicable Final Terms and in respect of Floating Rate Covered Bonds and Variable Interest Covered Bonds, the meaning given in Condition 5.2 (*Interest - Floating Rate Covered Bond and Variable Interest Covered Bond Provisions*), together the **Interest Payment Dates**.
- (i) **Interest Period** means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (j) **Principal Amount Outstanding** means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by

the relevant Covered Bondholder in respect thereof on or prior to that day provided that the Principal Amount Outstanding in respect of a Covered Bond that has been purchased and cancelled by the Issuer shall be zero.

- (k) If **adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.
- (l) If **not adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, but such Interest Payment Dates shall not be adjusted in accordance with any Business Day Convention.
- (m) **sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

## **6. Payments**

### **6.1 Method of payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;
- (ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 6 (*Payments*), means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank.

In no event will payment in respect of Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 8 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

### **6.2 Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons**

Payments of principal and interest (if any) (other than instalments of principal prior to the final instalment) will (subject as provided below) be made in accordance with Condition 6.1 (*Payments - Method of payment*) only against presentation and surrender of Bearer Definitive Covered Bonds, Receipts or Coupons (or, in the case of part payment of any sum due, endorsement of the Bearer

Definitive Covered Bond (or Coupon)), as the case may be, only at a specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made in accordance with Condition 6.1 (*Payments - Method of payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in accordance with Condition 6.1 (*Payments - Method of payment*) only against presentation or surrender (or, in the case of part of any sum due, endorsement) of the Bearer Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable in accordance with Condition 6.1 (*Payments- Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer. On the date on which any Bearer Definitive Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 11 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer prior to its Final Maturity Date (or, as the case may be, Extended Final Maturity Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond, Variable Interest Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant Bearer Definitive Covered Bond.

### 6.3 Payments in respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Bearer Global Covered Bond against presentation or surrender, as the case may be, of such Bearer Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in new global covered bond (**NGCB**) form at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

No payments of principal, interest or other amounts due in respect of a Bearer Global Covered Bond will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

### 6.4 Payments in respect of Registered Covered Bonds

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made in accordance with Condition 6.1 (*Payments - Methods of Payment*) by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the **Register**) at the close of business on the business day (**business day** being for the purposes of this Condition 6.4 (*Payments - Payments in respect of Registered Covered Bonds*) a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account, or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the Record Date at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on



redemption) and instalments of principal (other than the final instalment) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### 6.5 General provisions applicable to payments

The bearer of a Global Covered Bond or the Trustee shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Covered Bond (or the Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or the Trustee) shall have any claim against the Issuer in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in respect of Bearer Covered Bonds in U.S. Dollars will only be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and/or interest on the Bearer Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

#### 6.6 Payment Day

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 11 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London;
  - (C) Athens; and
  - (D) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Athens, London and any Additional Financial Centre) or as otherwise specified in the applicable Final Terms or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### 6.7 Interpretation of principal and interest

Any reference in these Conditions to **principal** in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as defined in the Final Terms) (the **Final Redemption Amount**) of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds but excluding any amount of interest referred to therein;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 7.5(iii) (*Redemption and Purchase - Early Redemption Amounts*));
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds;
- (vii) in relation to any Dual Currency Interest Covered Bonds, the principal payable in any relevant Specified Currency; and
- (viii) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts.

Any reference in these Conditions to **interest** in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

#### 6.8 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior written notice to the Trustee and the Agents, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 17 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least euro 100,000.

The election will have effect as follows:

- (i) the Covered Bonds and any Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond and Receipt equal to the nominal amount of that Covered Bond or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Agents that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Trustee, the Covered Bondholders, the competent listing authority, stock exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denomination of euro 100,000 and/or such higher amounts as the Agents may determine and notify to the Trustee and the Covered Bondholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 8 (*Taxation*);
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds, Receipts and Coupons so issued will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;

- (v) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) (if the Covered Bonds are Floating Rate Covered Bonds or Variable Interest Covered Bonds), the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition (and the Transaction Documents) as the Issuer may decide, after consultation with the Trustee and the Agents and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

## 6.9 Definitions

In these Conditions, the following expressions have the following meanings:

**Accrual Yield** has, in relation to a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms.

**Calculation Amount** has the meaning given in the applicable Final Terms.

**Early Redemption Amount** means the amount calculated in accordance with Condition 7.5 (*Redemption and Purchase - Early Redemption Amounts*).

**Established Rate** means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

**Extraordinary Resolution** means a resolution of the Covered Bondholders passed as such under the terms of the Trust Deed.

**Instalment Covered Bonds** means Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.

**Minimum Rate of Interest** means in respect of Floating Rate Covered Bonds or Variable Interest Covered Bonds, the percentage rate per annum (if any) specified as such in the applicable Final Terms.

**Notice of Default** has the meaning given to it in Condition 10 (*Events of Default and Enforcement*).

**Optional Redemption Amount** has the meaning (if any) given in the applicable Final Terms.

**Potential Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default.

**Rate of Interest** means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds, Floating Rate Covered Bonds and Variable Interest Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

**Redenomination Date** means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 6.8 (*Payments - Redenomination*) above and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

**Reference Price** has, in respect of a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms.

**Screen Rate Determination** means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 5.2(b)(ii) (*Interest - Floating Rate Covered Bond and Variable Interest Covered Bond Provisions - Rate of Interest - Screen Rate Determination for Floating Rate Covered Bonds*).

**Secured Creditors** means the Covered Bondholders, the Receiptholders, the Couponholders, the Trustee, any Receiver, the Asset Monitor, the Account Bank, the Agents, the Servicer, the Hedging Counterparties and any other creditor of the Issuer having the benefit of the Charged Property in accordance with the Greek Covered Bond Legislation or pursuant to any transaction document entered into in the course of the Programme (provided that where Piraeus Bank performs any of the above roles, Piraeus Bank shall not be a Secured Creditor).

**Treaty** means the Treaty establishing the European Community, as amended.

## **7. Redemption and Purchase**

### **7.1 Final redemption**

- (i) Unless previously redeemed in full or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date.
- (ii) Without prejudice to Conditions 9 (*Issuer Events*) and 10 (*Events of Default and Enforcement*), if an Extended Final Maturity Date is specified in the applicable Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, *provided that* any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

- (iii) The Issuer shall confirm to the relevant Covered Bondholders (in accordance with Condition 17 (*Notices*)), the Rating Agencies, any relevant Hedging Counterparty, the Trustee, the Registrar (in the case of a Registered Covered Bond) and the Principal Paying Agent as soon as reasonably practicable and in any event at least five Athens Business Days prior to the Final Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Covered Bonds on the Final Maturity Date. Any failure by the Issuer to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.
- (iv) Where the applicable Final Terms for a relevant Series of Covered Bonds provides that such Covered Bonds are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Final Maturity Date shall not constitute a default in payment.

## 7.2 Redemption for taxation reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is not a Floating Rate Covered Bond or a Variable Interest Covered Bond) or on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond or a Variable Interest Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 17 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest on the relevant Covered Bonds, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 7.2 (*Redemption and Purchase - Redemption for taxation reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 7.5 (*Redemption and Purchase - Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## 7.3 Redemption at the option of the Issuer (Issuer Call)

If an issuer call is specified in the applicable Final Terms (**Issuer Call**), the Issuer may, having given:

- (i) not less than 15 nor more than 60 days' notice to the Covered Bondholders in accordance with Condition 17 (*Notices*) below with a copy of such notice to be provided to the Trustee; and
- (ii) not less than 5 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent,

which notice shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the **Optional Redemption Amount(s)** specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. Upon expiry of such notice, the Issuer shall redeem the Covered Bonds accordingly. Any such redemption must be for an amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any) as specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds

represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 17 (*Notices*) not less than 15 days (or such shorter period as may be specified in the applicable Final Terms) prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds or represented by Global Covered Bonds shall, in each case, bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds or Global Covered Bonds outstanding bears, in each case, to the aggregate nominal amount of the Covered Bonds outstanding on the Selection Date, provided that such nominal amounts shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 17 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms) prior to the Selection Date.

#### 7.4 Redemption at the option of the Covered Bondholders (Investor Put)

- (i) If an investor put is specified in the Final Terms (the **Investor Put**), then if and to the extent specified in the applicable Final Terms, upon the holder of this Covered Bond giving to the Issuer not less than 30 nor more than 60 days' (or such other notice period specified in the applicable Final Terms) notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.
- (ii) If this Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond, the holder of this Covered Bond must deliver such Covered Bond, on any Business Day falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 7.4.
- (iii) Any Put Notice given by a Covered Bondholder of any Covered Bond pursuant to this Condition shall be irrevocable.

It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

#### 7.5 Early Redemption Amounts

For the purpose of Condition 7.1 (*Redemption and Purchase - Final redemption*), Condition 7.2 (*Redemption and Purchase - Redemption for taxation reasons*) and Condition 10 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond other than a Zero Coupon Covered Bond (but including an Instalment Covered Bond or a Partly Paid Covered Bond), with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified

in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption; and

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable.

Where such calculation in paragraph (iii) above is to be made for a period which is not a whole number of years, it shall be made (A) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each, or (B) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365) or (C) on such other calculation basis as may be specified in the applicable Final Terms.

#### 7.6 Instalments

Instalment Covered Bonds will be redeemed in the instalment amount as specified in the Final Terms (the **Instalment Amount**) and on the date specified in the Final Terms (the **Instalment Date**). In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5 (*Redemption and Purchase - Early Redemption Amounts*).

#### 7.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price in the open market either by tender or private agreement or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation.

#### 7.8 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 7.7 (*Redemption and Purchase - Purchases*) and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

#### 7.9 Late Payment

If any amount payable in respect of any Covered Bond is improperly withheld or refused upon its becoming due and repayable or is paid after its due date, the amount due and repayable in respect of such Covered Bond (the **Late Payment**) shall itself accrue interest (both before and after any



judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the following provisions:

- (i) in the case of a Covered Bond other than a Zero Coupon Covered Bond or a Variable Interest Covered Bond (but including an Instalment Covered Bond or a Partly Paid Covered Bond) at the rate determined in accordance with Condition 5.1 (*Interest - Interest on Fixed Rate Covered Bonds*) or 5.2 (*Interest - Floating Rate Covered Bond and Variable Interest Covered Bond Provisions*), as the case may be;
- (ii) in the case of a Zero Coupon Covered Bond, at a rate equal to the Accrual Yield; and
- (iii) in the case of a Variable Interest Covered Bond, at a rate calculated by the Calculation Agent so as to compensate reasonably the holder of the Covered Bond for the cost of funding the delay in receiving the Late Payment,

in each case on the basis of the Day Count Fraction specified in the applicable Final Terms or, if none is specified, on a 30/360 basis.

For the purpose of this Condition 7.9, the **Late Payment Date** shall mean the earlier of:

- (i) the date which the Principal Paying Agent determines to be the date on which, upon further presentation of the relevant Covered Bond, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is to be made; and
- (ii) the seventh day after notice is given to the relevant Covered Bondholder (whether individually or in accordance with Condition 17 (*Notices*)) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is available for payment,

provided that in the case of both (i) and (ii), upon further presentation thereof being duly made, such payment is made.

#### 7.10 Partly Paid Covered Bonds

Partly Paid Covered Bonds will be redeemed at maturity in accordance with the provisions of the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5 (*Redemption and Purchase - Early Redemption Amounts*).

### 8. Taxation

- (a) All payments of principal and interest (if any) in respect of the Covered Bonds, the Receipts and the Coupons (if any) by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Hellenic Republic or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. Neither the Issuer nor any other entity shall be obliged to pay any additional amount to any Covered Bondholder on account of such withholding or deduction.
- (b) If the Issuer becomes subject at any time to any taxing jurisdiction other than the Hellenic Republic, references in the Conditions to the Hellenic Republic shall be construed as references to the Hellenic Republic and/or such other jurisdiction.

### 9. Issuer Events

Prior to, or concurrent with the occurrence of an Event of Default, if any of the following events (each, an **Issuer Event**) occurs:

- (i) an Issuer Insolvency Event (as defined below); or
- (ii) the Issuer fails to pay any amount of principal (other than that due on the Final Maturity Date or the Extended Final Maturity Date, as applicable) or interest in respect of the Covered Bonds on the due date for payment thereof and such failure continues for a period of seven Athens Business Days; or
- (iii) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of amounts due under the Covered Bonds, Receipts or Coupons of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the Issuer is a party which, in the opinion of the Trustee, would have a materially prejudicial effect on the interests of the Covered Bondholders of any Series, and (except where such default is or the effects of such default are, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required) such default continues for 30 days (or such longer period as the Trustee may permit) after written notice has been given by the Trustee to the Issuer requiring the default to be remedied; or
- (iv) any present or future indebtedness in respect of moneys borrowed or raised in an amount of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) or more (other than indebtedness under this Programme) of the Issuer becomes due and payable prior to the stated maturity thereof as extended by any grace period originally applicable thereto; or if any present or future guarantee of, or indemnity given by the Issuer in respect of, such indebtedness is not honoured when called upon or within any grace period originally applicable thereto; or
- (v) there is a breach of a Statutory Test on a Calculation Date, Issue Date or Monthly Calculation Date and such breach is not remedied within five Athens Business Days; or
- (vi) if it is or will (in the opinion of the Trustee, having taken legal advice from a reputable firm of lawyers or a reputable legal expert) become unlawful or illegal for the Issuer to comply with any of its obligations under or in respect of the Covered Bonds or any of the Transaction Documents where such unlawfulness or illegality is not, or cannot be, remedied within 30 days after written notice has been given by the Trustee to the Issuer requiring the same to be remedied,

then (for so long as such Issuer Event is continuing) (i) no further Covered Bonds will be issued, (ii) the Servicer will procure that any and all payments due from Borrowers under the Cover Pool Assets are paid henceforth directly to the Transaction Account or the Third Party Collection Account, as applicable, in accordance with the Servicing and Cash Management Deed, (iii) all collections of principal and interest on the Cover Pool Assets will be dedicated exclusively to the payment of interest and repayment of principal on the Covered Bonds and to the fulfilment of the obligations of the Issuer *vis-à-vis* the Secured Creditors in accordance with the Pre-Event of Default Priority of Payments, (iv) if Piraeus Bank is the Servicer, its appointment as Servicer will be terminated and a Replacement Servicer will be appointed pursuant to the terms of the Servicing and Cash Management Deed and the Greek Covered Bond Legislation, and (v) the Servicer, or, as applicable, the Replacement Servicer, appointed pursuant to the Servicing and Cash Management Deed and the Greek Covered Bond Legislation will be obliged to sell in whole or in part the Loan Assets in accordance with the provisions of the Servicing and Cash Management Deed.

For the avoidance of doubt, an Issuer Event shall not be deemed to have occurred where there has been a failure to pay the Principal Amount Outstanding on the Covered Bonds on the Final Maturity Date or, as applicable, the Extended Final Maturity Date.

**Issuer Insolvency Event** means, in relation to the Issuer:

- (a) an order is made or an effective resolution passed for the liquidation or winding up or dissolution of the Issuer, except for the purposes of a reconstruction, amalgamation or merger or following the transfer of all or substantially all of the assets of the relevant entity, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Covered Bondholders (of all Series taken together as a single Series) or which has been effected in compliance with the terms of Condition 18 (*Substitution of the Issuer*);
- (b) the Issuer stops or threatens to stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally;
- (c) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or over half of the assets of, the Issuer or an encumbrancer shall take possession of the whole or over half of the assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) a substantial part of the assets of the Issuer and in any of the foregoing cases it or he shall not be discharged within 60 days;
- (d) the Issuer is in a status of cessation of payments within the meaning of article 3 of the Greek Bankruptcy Code;
- (e) the Issuer is declared bankrupt in accordance with the Greek Bankruptcy Code; or
- (f) a supervisor (*Epitropos*) of the Issuer is appointed in accordance with article 63 of Law 3601/2007 or Issuer is placed in liquidation in accordance with article 68 of Law 3601/2007.

## **10. Events of Default and Enforcement**

### **10.1 Events of Default**

If any of the following events (each, an **Event of Default**) occurs, and is continuing:

- (a) on the Final Maturity Date or Extended Final Maturity Date, as applicable, in respect of any Series of Covered Bonds or on any Interest Payment Date or any earlier date for redemption on which principal thereof is due and repayable, there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of seven Athens Business Days from the due date thereof;
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series of Covered Bonds occurs and such default is not remedied within a period of 14 Athens Business Days from the due date thereof; or
- (c) breach of the Amortisation Test pursuant to Clause 8 (*Amortisation Test*) of the Servicing and Cash Management Deed on any Monthly Calculation Date following an Issuer Event,

then the Trustee shall, upon receiving notice in writing from the Principal Paying Agent or any Covered Bondholder or, in respect of (c), the Servicer, of such Event of Default, serve a notice (a **Notice of Default**) on the Issuer.

Following the service of a Notice of Default, the Covered Bonds of each Series shall become immediately due and payable.

Following the occurrence of an Event of Default, the Trustee shall be entitled to direct the Servicer to dispose of the Cover Pool Assets.

## 10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings or steps against the Issuer and/or any other person as it may think fit to enforce the provisions of the Deed of Charge, the Trust Deed, the Covered Bonds or any other Transaction Document in accordance with its terms and the pledge created under the Statutory Pledge and may, at any time after the Security has become enforceable, take such proceedings or steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings or steps or exercise such rights or powers unless (i)(A) it shall have been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series and converted into Euro at the relevant Covered Bond Swap Rate) or (B) a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Euro at the relevant Covered Bond Swap Rate), and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions under this Condition 10.2 the Trustee shall only have regard to the interests of the Covered Bondholders of all Series taken equally and shall not have regard to the interests of any individual Covered Bondholders (whatever their number) or any other Secured Creditors.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer, or to take any action with respect to the Trust Deed, any other Transaction Document, the Covered Bonds, the Receipts, the Coupons, or the Security unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

## 11. Prescription

Claims against the Issuer for payment of principal and interest in respect of the Covered Bonds (whether in bearer or registered form) will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for paying in respect of which would be void pursuant to this Condition 11 or Condition 6 (*Payments*).

As used herein, the **Relevant Date** means the date on which payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent on or prior to such date, the Relevant Date shall be the date on which such moneys shall have been so received and notice to that effect has been given to Covered Bondholders in accordance with Condition 17 (*Notices*).

## 12. Replacement of Covered Bonds, Receipts, Coupons and Talons

If any Covered Bond, Receipt, Talon or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Covered Bonds, Receipts or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Trustee, of which notice shall be given to the Covered Bondholders in accordance with Condition 17 (*Notices*) (and, if the Covered Bonds are then listed on any stock

exchange which requires the appointment of an Agent in any particular place, the Paying Agent having its specified office in the place required by such stock exchange), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Talons or Coupons must be surrendered before replacements will be issued.

### **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

### **14. Trustee and Agents**

- (a) In acting under the Agency Agreement and in connection with the Covered Bonds and the Coupons, the Agents act solely as agents of the Issuer (or, in the circumstances specified in the Agency Agreement, the Trustee) and do not assume any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders or Couponholders.
- (b) The initial Agents and their initial specified offices are set forth in the Base Prospectus and in the Master Definitions and Construction Schedule. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time with the prior written consent of the Trustee to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent or Calculation Agent and additional or successor paying agents *provided, however, that:*
  - (i) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent (which may be the Principal Paying Agent) with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;
  - (ii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer (or following the occurrence of an Issuer Event, the Servicer) shall at all times maintain a Calculation Agent;
  - (iii) if and for so long as the Covered Bonds are listed on any stock exchange which requires the appointment of an Agent in any particular place, the Issuer (or following the occurrence of an Issuer Event, the Servicer) shall maintain an Agent having its specified office in the place required by such stock exchange; and
  - (iv) the Issuer (or following the occurrence of an Issuer Event, the Servicer) shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive or law implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Covered Bondholders in accordance with Condition 17 (*Notices*).

- (c) Under the Trust Deed and the Deed of Charge, the Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and relieved from responsibility in certain circumstances and to be paid its remuneration, costs and expenses and all other liabilities in priority to the claims of the Covered Bondholders and the other Secured Creditors.

## **15. Meetings of Covered Bondholders, Modification and Waiver**

### **(a) *Meetings of Covered Bondholders:***

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matters affecting their interests, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution of the Covered Bondholders of the relevant Series. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer upon the request in writing signed by Covered Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Covered Bonds of the relevant Series. The quorum at any meeting convened to vote on such an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the aggregate principal amount of the outstanding Covered Bonds of such Series or, at any adjourned meeting, one or more persons being or representing Covered Bondholders of such Series whatever the principal amount of the Covered Bonds of such Series held or represented; *provided, however, that* certain Series Reserved Matters, as defined below and as described in the Trust Deed, may only be sanctioned by an Extraordinary Resolution passed at a meeting of Covered Bondholders of such Series at which one or more persons holding or representing not less than two-thirds, or, at any adjourned meeting, not less than one-quarter, of the aggregate principal amount of the outstanding Covered Bonds of such Series form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Covered Bondholders, Receiptholders and Couponholders of such Series, whether present or not.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Trustee to take any enforcement action pursuant to Condition 10.2 (*Events of Default and Enforcement - Enforcement*) (each a **Programme Resolution**) shall only be capable of being passed at a single meeting of the holders of the Covered Bonds of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer or the Trustee or by Covered Bondholders holding at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of all Series then outstanding. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Covered Bonds.

In connection with any meeting of the holders of Covered Bonds of more than one Series where any Series of such Covered Bonds is not denominated in Euro, the nominal amount of the Covered Bonds of such Series not denominated in Euro shall be converted into Euro at the relevant Covered Bond Swap Rate.

In addition, a resolution in writing signed by or on behalf of a clear majority of Covered Bondholders who for the time being are entitled to receive notice of a meeting of Covered Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing

may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders.

(b) *Modification:*

The Trustee may, without the consent or sanction of any of the Covered Bondholders of any Series or any of the other Secured Creditors (other than the Hedging Counterparties in respect of a modification to the Pre-Event of Default Priority of Payments or the Post-Event of Default Priority of Payments (such consent not to be unreasonably withheld or delayed)) at any time and from time to time concur with the Issuer and any other party, to:

- (i) any modification (other than in respect of a Series Reserved Matter) of the terms and conditions applying to the Covered Bonds of one or more Series (including these Conditions), the related Receipts and/or Coupons, the Trust Presents and/or any other Transaction Document provided that in the sole opinion of the Trustee such modification is not materially prejudicial to the interests of the Covered Bondholders of such Series; or
- (ii) any modification of the terms and conditions applying to Covered Bonds of any one or more Series (including these Conditions), the related Receipts and/or Coupons or any Transaction Document which is in the sole opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

**Series Reserved Matter** in relation to Covered Bonds of a Series means:

- (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds other than in accordance with the terms thereof;
- (ii) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made other than in accordance with Condition 6.8 (*Payments - Redenomination*);
- (iii) alteration of the quorum or majority required to pass an Extraordinary Resolution;
- (iv) the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of the Covered Bonds to execute an instrument of transfer of the Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and
- (v) alteration of this definition of Series Reserved Matter.

(c) *Trustee's discretion*

The Trustee may without the consent of any of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders and any other Secured Creditors and without prejudice to its rights in respect of any subsequent breach, Issuer Event, Servicer Termination Event, Potential Event

of Default or Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Trust Presents or the other Transaction Documents or determine that any Issuer Event, Servicer Termination Event, Potential Event of Default or Event of Default shall not be treated as such for the purposes of the Trust Presents PROVIDED ALWAYS THAT the Trustee shall not exercise any powers conferred on it by this Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*) in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 10 (*Events of Default and Enforcement*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Covered Bondholders, the related Receiptholders and/or the Couponholders and shall be notified by the Issuer (i) (if, but only if, the Trustee shall so require) to the Covered Bondholders and (ii) to each Rating Agency, in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

## **16. Further Issues**

The Issuer may from time to time, without the consent of the Covered Bondholders or the Couponholders or any other Secured Creditors, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest thereon, issue date and/or issue price) so as to form a single series with the Covered Bonds provided that (i) there is no Issuer Event or Event of Default outstanding and that such issuance would not cause an Issuer Event or an Event of Default, (ii) such issuance would not result in a breach of any of the Statutory Tests, (iii) each Rating Agency has been notified of such issuance, (iv) such issuance has been notified to the Bank of Greece in accordance with paragraph II.3 of the Secondary Covered Bond Legislation and (v) if applicable, in respect of any Series or Tranche, a Hedging Agreement is entered into.

## **17. Notices**

All notices regarding the Bearer Covered Bonds will be valid if published in one leading English language daily newspaper of general circulation in London or any other daily newspaper in London approved by the Trustee and (for so long as any Bearer Covered Bonds are listed on the official list of the Luxembourg Stock Exchange) if published in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange [www.bourse.lu](http://www.bourse.lu). It is expected that such publication will be made in the Financial Times in London and (in relation to Bearer Covered Bonds listed on the official list of the Luxembourg Stock Exchange) in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer or, in the case of a notice given by the Trustee, the Trustee shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers or where published in such newspapers on different dates, the last date of such first publication). If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing or trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice



will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bearer Covered Bondholders.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relevant Covered Bond or Covered Bonds, with the Principal Paying Agent.

Whilst the Covered Bonds are represented by Global Covered Bonds any notice shall be deemed to have been duly given to the relevant Covered Bondholder if sent to the Clearing Systems for communication by them to the holders of the Covered Bonds and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Covered Bonds are admitted to trading on, and listed on the official list of, the Luxembourg Stock Exchange), any notice shall also be published in accordance with the relevant listing rules (which includes publication on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu)).

## 18. Substitution of the Issuer

- (a) If so requested by the Issuer, the Trustee may, without the consent of any Covered Bondholder, Receipholder or Couponholder or any other Secured Creditor, agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Trust Presents and all other Transaction Documents (the **New Company**) upon notice by the Issuer and the New Company to be given to the Covered Bondholders and the other Secured Creditors in accordance with Condition 17 (*Notices*), *provided that*:
- (i) the Issuer is not in default in respect of any amount payable under the Covered Bonds;
  - (ii) the Issuer and the New Company have entered into such documents (the **Documents**) as are necessary, in the opinion of the Trustee, to give effect to the substitution and in which the New Company has undertaken in favour of the Trustee for itself and on behalf of each Covered Bondholder to be bound by these Conditions, the Trust Presents, and the other Transaction Documents to which the Issuer is a party as the debtor in respect of the Covered Bonds in place of the Issuer (or of any previous substitute pursuant to this Condition 18 (*Substitution of the Issuer*) and Clause 20 (*Substitution*) of the Trust Deed);
  - (iii) If the New Company is resident for tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for tax purposes (the **Former Residence**), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that the Trustee for itself and on behalf of each Covered Bondholder has the benefit of an undertaking in terms corresponding to the provisions of this Condition 8 (*Taxation*), with the substitution of references to the Former Residence with references to the New Residence;
  - (iv) the New Company and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the performance by the New Company of its obligations under the Transaction Documents;

- (v) if two directors of the New Company (or other officers acceptable to the Trustee) have certified that the New Company is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter (which certificate the Trustee can rely on absolutely), the Trustee shall not be under any duty to have regard to the financial conditions, profits or prospect of the New Company or to compare the same with those of the Issuer;
  - (vi) the rights of the Covered Bondholders and the other Secured Creditors in respect of the Cover Pool shall continue in full force and effect in relation to the obligations of the New Company;
  - (vii) legal opinions in form and substance satisfactory to the Trustee shall have been delivered to the Trustee (with a copy of such legal opinions also to be provided to each Rating Agency) from lawyers of recognised standing in the jurisdiction of incorporation of the New Company, in England and in Greece as to matters of law relating to the fulfilment of the requirements of this Condition 18 (*Substitution of the Issuer*) and that the Covered Bonds and any Receipts, Coupons and/or Talons are legal, valid and binding obligations of the New Company;
  - (viii) if Covered Bonds issued or to be issued under the Programme have been assigned a credit rating by any Rating Agency, each such Rating Agency has been notified of the proposed substitution and has confirmed, within 30 days of receiving such notice, that the then current rating of the then outstanding Covered Bonds would not be downgraded as a result of such substitution;
  - (ix) each stock exchange on which the Covered Bonds are listed shall have confirmed that, following the proposed substitution of the New Company, the Covered Bonds will continue to be listed on such stock exchange; and
  - (x) if applicable, the New Company has appointed a process agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Covered Bonds, the Conditions, the Trust Presents, and the other Transaction Documents.
- (b) Upon such substitution the New Company shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Covered Bonds, any Coupons and the Trust Deed with the same effect as if the New Company has been named as the Issuer herein, and the Issuer shall be released from its obligations under the Covered Bonds, any Receipts, Coupons and/or Talons and under the Trust Deed.
  - (c) After a substitution pursuant to Condition 18(a), the New Company may, without the consent of any Covered Bondholder, Receiptholder or Couponholder, effect a further substitution. All the provisions specified in Conditions 18(a) and 18(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further New Company.
  - (d) After a substitution pursuant to Condition 18(a) or 18(c), any New Company may, without the consent of any Covered Bondholder, Receiptholder or Couponholder, reverse the substitution, *mutatis mutandis*.
  - (e) The Transaction Documents shall be delivered to, and kept by, the Principal Paying Agent. Copies of the Transaction Documents will be available free of charge during normal business hours at the specified office of the Principal Paying Agent.

## 19. Renominalisation and Reconventioning

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Covered Bondholders and Couponholders, on giving at least 30 days' prior notice to the Covered Bondholders and the Paying Agents, designate a date, being an Interest Payment Date under the Covered Bonds falling on or after the date on which such country becomes a Participating Member State to redenominate all, but not some only, of the Covered Bonds of any Series.

**20. Governing Law and Jurisdiction**

The Covered Bonds and all matters arising from or connected with the Covered Bonds are governed by, and shall be construed in accordance with, English law, save that the security under the Statutory Pledge referred to in Condition 3 (*Status of the Covered Bonds*) above shall be governed by, and construed in accordance with, Greek law.

The courts of England have exclusive jurisdiction to settle any dispute (a **Dispute**), arising from or connected with the Covered Bonds.

**21. Third Parties**

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999.

## FORMS OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S and Registered Covered Bonds may be issued outside the United States in reliance on Regulation S.

### **Bearer Covered Bonds**

Each Tranche of Bearer Covered Bonds will be in bearer form initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a **Temporary Global Covered Bond**) which will:

- (a) if the Bearer Global Covered Bonds (as defined below) are issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the issue date of the relevant Tranche to a common depository (the **Common Depository**) or, as applicable, common safekeeper, for Euroclear and Clearstream, Luxembourg.

Bearer Covered Bonds will only be delivered outside the United States and its possessions.

If the Bearer Global Covered Bonds are stated in the applicable Final Terms to be issued in NGN form, they may be intended to be eligible collateral for Eurosystem monetary policy. Delivering the Bearer Global Covered Bonds to the Common Safekeeper does not necessarily mean that the Bearer Global Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Whilst any Bearer Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not issued in NGCB form) only outside the United States and its possessions and to the extent that certification (in a form to be provided by Euroclear and/or Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Bearer Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a permanent global covered bond without receipts and interest coupons attached (a **Permanent Global Covered Bond** and, together with the Temporary Global Covered Bonds, the **Bearer Global Covered Bonds** and each a **Bearer Global Covered Bond**) of the same Series or (b) for Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global

Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made outside the United States and its possessions and through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Covered Bond (if the Permanent Global Covered Bond is not issued in NGCB form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, receipts, interest coupons and talons attached upon either (a) provided the Covered Bonds have a minimum Specified Denomination, or integral multiples thereof, not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) to the Principal Paying Agent as described therein or (b) upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Global Covered Bond (and any interests therein) exchanged for Bearer Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b)(ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Global Covered Bonds, Bearer Definitive Covered Bonds and any Coupons, Talons or Receipts attached thereto will be issued pursuant to the Trust Deed.

The following legend will appear on all Bearer Covered Bonds that have an original maturity of more than one year and on all receipts and interest coupons relating to such Bearer Covered Bonds:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States persons (as defined for U.S. federal tax purposes), with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, receipts, talons or interest coupons and will not be entitled to capital gains treatment of any gain on any sale or other disposition in respect of such Bearer Covered Bonds, receipts, talons or interest coupons.

Covered Bonds which are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Covered Bonds**

Registered Global Covered Bonds will be deposited with the Common Depositary (or, as applicable, common safekeeper) for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4 (*Payments - Payments in respect of Registered Covered Bonds*)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4 (*Payments - Payments in respect of Registered Covered Bonds*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without Receipts, Coupons or Talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) in the case of a Registered Global Covered Bond registered in the name of the Common Depositary or its nominee, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Registered Global Covered Bond (and any interests therein) exchanged for Registered Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

## **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*”), the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, CINS number which are different from the common code, ISIN and CINS number assigned to Covered Bonds of any other Tranche of the same Series until at least the Exchange Date applicable to the Covered Bonds of such further Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

[Date]

### PIRAEUS BANK S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]

Under the €3 billion

### Global Covered Bond Programme

The Base Prospectus referred to below (as completed by this Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Base Prospectus. Copies of the Base Prospectus [and the supplement to the Base Prospectus] are available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [date]]. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the Group and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Base Prospectus dated [original date] and [current date] [and the supplement to the Base Prospectus dated [date]]. Copies of such Base Prospectuses are available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs.]

[When completing any final terms or adding any other final terms or information including final terms at items 9, 10, 15, 16, 17 or 28 of Part A or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: Piraeus Bank S.A.
2. (i) Series Number: [•]  
(ii) Tranche Number: [•]  
*(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).*
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount of Covered Bonds: [•]  
[(i)] Series: [•]  
[(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (i) Specified Denominations: [•]  
*(N.B. Where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed: €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].)*  
*(N.B. If an issue of Covered Bonds is (i) NOT admitted to trading on a regulated market within the European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the [€100,000] minimum denomination is not required.)*
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]  
(ii) Interest Commencement Date: [•]
8. (i) Final Maturity Date: [Fixed rate - specify date/Floating Rate - Interest Payment Date falling in or nearest to the relevant month and year]  
(ii) Extended Final Maturity Date [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year, in each case falling one year after the Final Maturity Date]]  
[If an Extended Final Maturity Date is specified and the Final Redemption Amount is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the



- Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date. See Condition 7 (*Redemption and Purchase*)  
*N.B. Zero Coupon Covered Bonds are not to be issued with an Extended Final Maturity Date unless otherwise agreed with the Dealers and the Trustee*
9. Interest Basis:  
 [[•]% Fixed Rate]  
 [[LIBOR/EURIBOR] [•]%  
 [Floating Rate]  
 [Zero Coupon]  
 [Index Linked]  
 [Dual Currency Interest]  
 [Credit Linked Interest]  
 [Equity Linked Interest]  
 [*specify other*](further particulars specified below)
10. Redemption/Payment Basis:  
 [Redemption at par]  
 [Partly Paid]  
 [Instalment]  
 [*specify other*]  
*[N.B. If the Final Redemption Amount is other than [100%] of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro-forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.]*
11. Change of Interest Basis or Redemption/Payment Basis:  
*[Specify details of any provision for convertibility of Covered Bonds into another Interest Basis or Redemption/Payment Basis]*
12. Put/Call Options:  
 [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (i) [Status of the Covered Bonds:] Senior  
 (ii) [Date [Board] approval for issuance of Covered Bonds obtained:] [•]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds)*
14. Method of distribution:  
 [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
15. **Fixed Rate Covered Bond Provisions**  
 [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest:  
 [[•] per cent.] per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s):  
 [[•] in each year up to and including the Final Maturity Date, or the Extended Final Maturity Date, if applicable]/[*specify other*]
- (iii) Business Day Convention  
 [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[*specify other*]
- (iv) Business Day(s)  
 [•]

(v) Additional Business Centre(s)	[•]
(vi) Fixed Coupon Amount[(s)]: (Applicable to Covered Bonds in definitive form)	[•] per Calculation Amount
(vii) Broken Amount(s): (Applicable to Covered Bonds in definitive form)	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
(viii) Day Count Fraction:	[30/360/Actual/Actual [(ICMA/ISDA)]]/[specify other]] [adjusted/not adjusted] (N.B. If interest is not payable on a regular basis (for example, if Broken Amounts are specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)
(ix) Determination Date	[•] in each year [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon] (This will need to be amended in the case of regular interest payment dates which are not of equal durations) (N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
(x) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[Not Applicable/Specify Details]
16. <b>Floating Rate Covered Bond Provisions</b>	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Interest Period(s):	[•]
(ii) Specified Interest Payment Dates:	[•]
(iii) First Interest Payment Date:	[•]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
(v) Business Day(s)	[•]
(vi) Additional Business Centre(s):	[•]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/[specify other]]
(viii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[•]
(ix) Screen Rate Determination:	
- Reference Rate:	[•] (Either LIBOR, EURIBOR or other. If other, provide additional information, including amendment to fallback provisions in the Agency Agreement)
- Interest Determination Date(s):	[•] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR or EURIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR) N.B. Specify the Interest Determination Date(s) up to and including the Extended Final Maturity Date, if applicable

- Relevant Screen Page: [•]  
*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
  - Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (xi) Margin(s): [+/-][[•] per cent.] per annum
- (xii) Minimum Rate of Interest: [[•] per cent.] per annum
- (xiii) Maximum Rate of Interest: [[•] per cent.] per annum
- (xiv) Day Count Fraction: [Actual/ Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
*(See [Condition [5] (Interest) for alternatives)*  
[adjusted/not adjusted]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: [•]
- 17. **Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) [Amortisation/Accrual] Yield: [[•] per cent.] per annum
  - (ii) Reference Price: [•]
  - (iii) Any other formula/basis of determining amount payable: *(Consider applicable Day Count Fraction if not U.S. dollar denominated)*
  - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
  - (v) Business Day(s): [•]
  - (vi) Additional Business Centre(s): [•]
  - (vii) Day Count Fraction in relation to Early Redemption Amounts and late payments: [Conditions [7.5(iii)] (*Redemption and Purchase - Early Redemption Amounts*)] and [[7.9(ii)] (*Redemption and Purchase - Late Payment*)] apply/specify other]
- 18. **Variable Interest Covered Bond Provisions (other than Dual Currency Interest Covered Bonds)** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Index/Formula/other variable: [give or annex details]

- (ii) Calculation Agent responsible for calculating the interest due: [•]
  - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
  - (iv) Determination Date(s): [•]
  - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•] *(Include a description of market disruption or settlement disruption events and adjustment provisions)*
  - (vi) Interest or Calculation Period(s)/ Specified Interest Payment Dates: [•]
  - (vii) Business Day Convention: [•]  
*[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
  - (viii) Business Day(s): [•]
  - Additional Business Centre(s): [•]
  - (ix) Minimum Rate of Interest: [[•] per cent.] per annum
  - (x) Maximum Rate of Interest: [[•] per cent.] per annum
  - (xi) Day Count Fraction: [•] [adjusted/not adjusted]
19. **Dual Currency Interest Covered Bond Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*[give or annex details]*
- (i) Rate of Exchange/method of calculating Rate of Exchange:
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [•]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *(Include a description of market disruption or settlement disruption events and adjustment provisions)*
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [•]
  - (v) Business Day(s): [•] [•]  
Additional Business Centre(s):
- PROVISIONS RELATING TO REDEMPTION**
20. **Issuer Call** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) (If redeemable in part:
    - (a) Minimum Redemption Amount: [•] per Calculation Amount

- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period (if other than as set out in the Terms and Conditions) [•]
- (N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent and the Trustee)*
21. **Investor Put** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
- (N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent and the Trustee)*
22. **Final Redemption Amount of each Covered Bond** [•] per Calculation Amount/specify other/see Appendix
- (N.B. If the Final Redemption Amount is other than [100%] of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This proforma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.)*
- In cases where the Final Redemption Amount is Index Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Principal Paying Agent) [•]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
- (iv) Determination Date(s): [•]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or

- impracticable or otherwise disrupted:
- (vi) Minimum Final Redemption Amount: [•] per Calculation Amount
- (vii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. **Early Redemption Amount**

Early Redemption Amount(s) per [•]  
Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

24. Form of Covered Bonds: [Bearer Covered Bonds:  
[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]]  
*(N.B. The exchange upon notice should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].")*  
[Registered Covered Bonds:  
Registered Covered Bonds registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg / a common safekeeper for Euroclear and Clearstream, Luxembourg]]
25. New Global Covered Bond: [Yes/No]
26. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details]. *Covered Bond that this item relates to the date and place of payment, and not interest period end dates, to which items [15(ii), 16(v) and 18(ix)] relates]*
27. Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Covered Bonds: [Not Applicable/give details]  
amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:  
  
*(N.B. a new form of Temporary Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly Paid issues)*
29. [Details relating to Instalment Covered Bonds:]
- (i) Instalment Amount(s) [Not Applicable/give details]
- (ii) Instalment Date(s) [Not Applicable/give details]

- |     |  |   |
|-----|--|---|
| 30. | Redenomination, renominatisation and reconventioning provisions: | [Not Applicable/The provisions [in Condition 19 ( <i>Renominatisation and Reconventioning</i> )] apply]   |
| 31. | [Consolidation provisions:]                                      | [Not Applicable/The provisions [in Condition 16 ( <i>Further Issues</i> )] apply]   |
| 32. | Other terms or special conditions                                | [Not Applicable/ <i>give details</i> ]<br>(When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.) |

## DISTRIBUTION

- |     |                                       |  |
|-----|---------------------------------------|--|
| 33. | (i) If syndicated, names of Managers: | [Not Applicable/ <i>give names, addresses and underwriting commitments</i> ] |
|     | (ii) Stabilising Manager(s) (if any): | [Not Applicable/ <i>give name</i> ]  |
| 34. | If non-syndicated, name of Dealer:    | [Not Applicable/ <i>give name</i> ]  |
| 35. | U.S. Selling Restrictions:            | [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]         |
|     | Additional selling restrictions:      | [Not Applicable/ <i>give details</i> ]                                       |

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the regulated market of the [*specify relevant regulated market*] of the Covered Bonds described herein pursuant to the €3 billion Global Covered Bond Programme of Piraeus Bank S.A..

## STABILISATION

In connection with this issue, [*insert name of Stabilising Manager(s)*] (the **Stabilising Manager(s)**) (or any person acting for the Stabilising Manager(s)) may over-allot or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager(s) (or any agent of the Stabilising Manager(s)) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to trading and admission to listing: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of the *[specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange)]* and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the *[specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange)]* and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [•].] [Not Applicable.]  
(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[Fitch: [•]]

[[Other]: [•]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.) N.B. Consult the relevant Rating Agency in relation to Covered bonds which may have a Final Redemption Amount of less than [100%] of the nominal value.*

[[•] [is/is not] established in the European Union and [is/is not] registered in under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]/[•] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

### 3. [COVERED BOND SWAP] Covered Bond Swap Provider

[•]



Nature of Covered Bond Swap [•] *[N.B. to be considered for each issue]*

**4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.”]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**5. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

- (i) [Reasons for the offer] [•]  
*(See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer differ from making profit and/or hedging certain risk, those reasons will need to be included..)]*
- (ii) [Estimated net proceeds:] [•]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- (iii) [Estimated total expenses:] [•]  
*(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)  
(If the Covered Bonds are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is] only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

**6. YIELD (Fixed Rate Covered Bonds only)**

Indication of yield: [•]  
*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

**7. HISTORIC INTEREST RATES: (Floating Rate Covered Bonds only).**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

**8. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying including, for example, the name of the issuer of the security and the identification code of such security (if the underlying is a security), or the description of the interest rate (if the underlying is an interest rate) or the disclosure of the relevant weightings of each underlying in the basket (if the underlying is a basket of underlyings), as required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.] \**

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

## 9. PERFORMANCE OF RATE[S] OF EXCHANGE (Dual Currency Interest Covered Bonds only)

*[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

## 10. TRADABLE AMOUNTS:

So long as the Covered Bonds are represented by a Global Covered Bond and [specify relevant clearing system(s)] so permit, the Global Covered Bond shall be tradable in minimum principal amounts of €100,000/[specify equivalent to €100,000if Global Covered Bond not denominated in Euro] and integral multiples of [•] (the Tradable Amount) in addition thereto.

[If item 24 of Part A indicates that the Global Covered Bond is exchangeable for Definitive Covered Bonds at the option of the Covered Bondholders, the Covered Bonds will be tradable only in principal amounts of at least the Specified Denomination.]

## 11. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

*(insert here any other relevant codes such as CINS codes):* [•]

Any clearing system(s) other than Euroclear [Not Applicable/give name(s) and number(s)]

Bank S.A./N.V. and Clearstream Banking,

*société anonyme* and the relevant

identification number(s):

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes][No] [Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper *[include this text for registered Covered Bonds]*] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[Include this text if “yes” selected in which case the bearer Covered Bonds must be issued in NGCB form]\*\**

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\* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

## INSOLVENCY OF THE ISSUER

The Greek Covered Bond Legislation contains provisions relating to the protection of the Covered Bondholders and other Secured Creditors upon the insolvency of the Issuer.

In the event of insolvency of the Issuer, the Greek Covered Bond Legislation (in conjunction with certain provisions of Greek Law 3588/2007 on bankruptcy) provides that the Cover Pool will at all times remain segregated from the insolvency estate of the Issuer until payment of any amounts due to the Covered Bondholders and other Secured Creditors has been made in full. Upon registration of the Registration Statements with the public registry, the issue of the Covered Bonds, the creation of the Statutory Pledge and the security *in rem* governed by foreign law (including pursuant to the Deed of Charge), the payments to Covered Bondholders and other Secured Creditors and the entry into of any agreement relating to the issue of Covered Bonds will not be affected by the commencement of insolvency proceedings in respect of the Issuer. All collections from the Cover Pool Assets shall be applied solely towards payment of amounts due to the Covered Bondholders and other Secured Creditors.

Pursuant to the Greek Covered Bond Legislation, both before and after the commencement of insolvency proceedings in respect of the Issuer, the Cover Pool may be autonomously managed until full payment of the amounts due to the Covered Bondholders and the other Secured Creditors has been made. To ensure continuation of the servicing in the event of insolvency of the Issuer acting as the Servicer the Greek Covered Bond Legislation provides that the Transaction Documents may provide for the substitution of the Servicer by the Trustee upon the insolvency of the Issuer.

In the event that no Replacement Servicer is appointed by the Trustee pursuant to the Transaction Documents, continuation of the servicing is ensured as follows:

- In the event of the Issuer's insolvency under articles 63 or 68, respectively, of Greek Law 3601/2007 on the insolvency of credit institutions, the Bank of Greece may appoint a servicer to carry out the servicing of the Cover Pool, if the Trustee fails to do so. Such person may either be (a) an administrator or a liquidator (under such articles 63 or 68, respectively), and in such an event servicing of the Cover Pool will be included in their general powers over the Issuer's assets; or (b) in addition to such persons, a person specifically carrying out the servicing of the Cover Pool. Any such person appointed as described in paragraph (a) or (b) above shall be obliged to service the Cover Pool in accordance with the terms of the Servicing and Cash Management Deed.
- In the event of the Issuer's insolvency under the bankruptcy provisions of Greek Law 3588/2007, the servicing will be carried out (in accordance with the terms of the Servicing and Cash Management Deed) by the bankruptcy administrator appointed by the court, unless the Bank of Greece appoints a servicer pursuant to Article 91. At the request of the bankruptcy administrator, the court may order the carrying out of the servicing by a third party provided that such third party is in a position to perform the servicing tasks and that the rights of the Covered Bondholders are not adversely affected. It should also be noted that commencement of insolvency proceedings with respect to the Issuer under Greek Law 3601/2007 will result in the postponement and/or cancellation of the insolvency proceedings under Greek Law 3588/2007, if such proceedings have already been commenced.

Any of the aforementioned parties performing the role of the servicer will be required to treat the Cover Pool as a segregated pool of assets on the basis of the segregation provisions of Article 91 and in accordance with the Servicing and Cash Management Deed, the terms of which, including, *inter alia*, the termination, substitution and replacement provisions, will at all times apply.

## **USE OF PROCEEDS**

The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate and financing purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## SUMMARY OF THE GREEK COVERED BOND LEGISLATION

*The following is a summary of the provisions of the Greek Covered Bond Legislation relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. The summary does not purport to be, and is not, a complete description of all aspects of the Greek legislative and regulatory framework pertaining to covered bonds and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.*

### Introduction

The transactions described in this Base Prospectus are the subject of specific legislation, the Greek Covered Bond Legislation. As mentioned elsewhere in the Base Prospectus, the Greek Covered Bond Legislation includes Article 91 of Greek Law 3601/2007 (such law being published in the Government Gazette No. 178/A/1-8-2007 and dealing with, *inter alia*, the capital adequacy of investment firms and credit institutions, by implementation of Directive 2006/48/EC and Directive 2006/49/EC) as amended by Article 48 of Greek Law 3693/2008 (published in the Government Gazette No. 174/A/25-8-2008) and Article 69 of Greek Law 3746/2009 (published in the Government Gazette No. 27/A/16-2-2009) (defined elsewhere in this Base Prospectus collectively as **Article 91**) and the Act of the Governor of the Bank of Greece No. 2598/2007 entitled “Regulatory framework for covered bonds issued by credit institutions” and published in the Government Gazette No. 2236/B/21-11-2007, as amended and restated by the codifying Act of the Governor of the Bank of Greece No. 2620/2009 (published in the Government Gazette No. 2107/B/29-9-2009) (defined elsewhere in this Base Prospectus collectively as the **Secondary Greek Covered Bond Legislation**). The Greek Covered Bond Legislation has been enacted, with a view, *inter alia*, to complying with the standards of article 22(4) of Directive 85/611/EEC, and entitles credit institutions to issue (directly or through a special purpose vehicle) covered bonds with preferential rights in favour of the holders thereof and certain other creditors over a cover pool comprised by certain assets discussed in further detail below.

The provisions of the Greek Covered Bond Legislation that are relevant to the Programme may be summarised as follows:

### Article 91

Credit institutions may issue Covered Bonds pursuant to the provisions of Article 91 and the general provisions of Greek law on bonds (articles 1-9, 12 and 14 of Greek Law 3156/2003).

In deviation from the Greek general bond law provisions, the bondholders’ representative (also referred to as the trustee) may be a credit institution or a related company of a credit institution entitled to provide services in the European Economic Area. Unless otherwise set out in the terms and conditions of the bonds the trustee is liable towards bondholders for wilful misconduct and gross negligence.

Under the Programme, it may be provided that various Series of Covered Bonds may share the same security and more than one trustee may be appointed.

### *Cover Pool – composition of assets*

Paragraph 3 of Article 91 provides that the assets forming part of the cover pool may include receivables deriving from loans and credit facilities of any nature and, on a supplementary basis, receivables deriving from derivative financial instruments (such as, but not limited to, receivables deriving from interest rate swaps contracts), deposits with credit institutions and securities, as specified by a decision of the Bank of Greece.

Following the aforementioned authorisation, the Bank of Greece has defined, in the Secondary Covered Bond Legislation, the cover pool eligible assets as follows:

- (a) certain eligible assets set out in paragraph 8(b) of Section B of the Act of the Governor of the Bank of Greece No. 2588/20-8-2007 (on the “Calculation of Capital Requirements for Credit Risk according to the Standardised Approach”) including, *inter alia*, claims deriving from loans and credit facilities of any nature secured by residential real estate;
- (b) derivative financial instruments satisfying certain requirements as to the scope thereof and the capacity of the counterparty;
- (c) deposits with credit institutions (including any cash flows deriving therefrom) provided that such deposits comply with paragraph 8(b)(iv) of Section B of the Act of the Governor of the Bank of Greece No 2588/20-8-2007; and
- (d) Marketable Assets, as referred to below.

Loans that are in arrears for more than 90 days shall not be included in the Cover Pool for the purposes of the calculations required under the Statutory Tests.

The Bank of Greece has also set out requirements as to the substitution and replacement of cover pool assets by other eligible assets (including, *inter alia*, marketable assets, as defined in the Act of the Monetary Policy Council No. 54/27-2-2004).

*Benefit of a prioritised claim by way of statutory pledge*

Claims comprised in the cover pool are named in a document (defined elsewhere in this Base Prospectus as a Registration Statement) signed by the issuer and the trustee and registered in a summary form including the substantial parts thereof, in accordance with article 3 of Greek Law 2844/2000. The form of the Registration Statement has been defined by Ministerial Decree No. 95630/8-9-2008 (published in the Government Gazette No 1858/B/12-9-2008) of the Minister of Justice. Receivables forming part of the cover pool may be substituted with others and receivables may be added to the cover pool in the same manner.

Holders of covered bonds and certain other creditors having claims relating to the issuance of the covered bonds (such as, *inter alios*, the trustee, the servicer and financial derivatives counterparties) named as secured creditors in the terms and conditions of the covered bonds are secured (by operation of paragraph 4 of Article 91) by a statutory pledge over the cover pool, or, where a cover pool asset is governed by foreign law, by a security *in rem* created under applicable law.

With respect to the preferential treatment of covered bondholders and other secured creditors and pursuant to paragraph 6 of Article 91, claims that are subject to the statutory pledge rank ahead of claims referred to in article 975 of the Greek Code of Civil Procedure (a general provision of Greek law on creditors’ ranking) (**CCP**), unless otherwise set out in the terms and conditions of the covered bonds. In the event of bankruptcy of the issuer, covered bondholders and other creditors secured by the statutory pledge shall be satisfied in respect of the portion of their claims that is not paid off from the cover pool in the same manner as unsecured creditors from the remaining assets of the issuer.

To ensure bankruptcy remoteness of the assets in the cover pool, paragraph 7 of Article 91 provides that upon registration of the Registration Statement with the public registry, the validity of the issue of the covered bonds, the creation of the statutory pledge and the security *in rem* governed by foreign law, if any, the payments to covered bondholders and other creditors secured by the statutory pledge, as well as the entry into any agreement relating to the issue of covered bonds may not be affected by the commencement of insolvency proceedings within the meaning of Greek Law 3458/2006 in respect of the issuer.

Paragraph 8 of Article 91 safeguards the interests of covered bondholders and other secured creditors in providing that assets included in the cover pool may not be attached/seized nor disposed by the issuer without the written consent of the trustee, unless otherwise set out in the terms and conditions of the covered bonds.

Paragraph 9 of Article 91 deals with the servicing of the cover pool. In particular, it provides that the terms and conditions of the covered bonds may specify that either from the beginning or following the occurrence of certain events, such as, but not limited to, the commencement of insolvency proceedings in respect of the issuer, the trustee may assign to third parties or carry out itself the collection of and, in general, the servicing of the cover pool assets by virtue of an analogous application of the Greek provisions on servicing applicable to securitisations (paragraphs 14 through 16 of article 10 of Greek Law 3156/2003).

Paragraph 9 of Article 91 also provides that the trustee may also, pursuant to the terms and conditions of the bonds and the terms of its relationship with the bondholders, sell and transfer the assets forming part of the cover pool either by virtue of an analogous application of articles 10 and 14 of Greek Law 3156/2003 concerning securitisation of receivables or pursuant to the general legislative provisions and utilise the net proceeds from the sale to pay the claims secured by the statutory pledge, in deviation from articles 1239 and 1254 of the Greek Civil Code on enforcement of pledges and any other legislative provision to the contrary. For the purposes of facilitating the transfer pursuant to the above mentioned securitisation provisions of Greek Law 3156/2003, but in deviation from paragraph 2 of article 10 of Greek Law 3156/2003 the transferor shall not be required to have a permanent establishment in Greece.

In the event of the issuer's insolvency the Bank of Greece may appoint a servicer, if the trustee fails to do so. Sums deriving from the collection of the receivables that are covered by the statutory pledge and the liquidation of other assets covered thereby are required to be applied towards the payment of the covered bonds and other claims secured by the statutory pledge pursuant to the terms and conditions of the covered bonds.

Paragraph 9 of Article 91 also deals with banking secrecy and personal data processing. In particular, it provides that the provisions of paragraphs 20 through 22 of article 10 of Greek Law 3156/2003 that regulate these issues in the securitisation transactions shall apply *mutatis mutandis* to the sale, transfer, collection and servicing, in general, of the assets constituting the cover pool.

Paragraph 11 of Article 91 confirms that covered bonds may be listed on a regulated market within the meaning of paragraph 10 of article 2 of law 3606/2007 (GG195 A), as in force, and paragraph 14 of article 4 of Directive 2004/39/EC and offered to the public pursuant to applicable provisions.

Article 91 authorises the Bank of Greece to deal both with specific issues, such as, the definition of the cover pool, the ratio between the value of the cover pool assets and that of covered bonds, the method for the evaluation of cover pool assets and requirements to ensure adequacy of the cover pool and any details in general for the implementation of Article 91.

### **The Secondary Covered Bond Legislation**

The Secondary Greek Covered Bond Legislation has been issued by the Bank of Greece by virtue of authorisations given by Article 91 as aforesaid. To this effect, the Secondary Greek Covered Bond Legislation sets out requirements for the supervisory recognition of covered bonds, including, requirements as to the issuer's risk management and internal control systems; requirements as to a minimum amount of regulatory own funds on a consolidated basis and capital adequacy ratio; definition and eligibility criteria as to the initial cover pool and the substitution and replacement of cover pool assets; requirements in respect of the ratio between the value of the cover pool assets and the value of covered bonds, the ratio between the net present value of liabilities under the covered bonds and the net present value of the cover assets, the ratio between interest payments on covered bonds and interest payments on cover pool assets and the revaluation of the value of the real estate property mortgaged; requirements for the performance of quarterly reviews by the servicer and annual audits thereof by independent chartered accountants; requirement to appoint a trustee; provisions regarding measures to be taken in the event of insolvency procedures in respect of the issuer; procedures for the submission of documents to obtain approval by the Bank of Greece in respect of the issuance of covered bonds; provisions relating to the position weighting of covered bonds; and data reporting and disclosure requirements.

## PIRAEUS BANK S.A.

*The following overview should be read in conjunction with, and is qualified in its entirety by, the more detailed information and the financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this Base Prospectus.*

### 1. Overview of Piraeus Bank and the Piraeus Bank Group

Piraeus Bank was incorporated in Greece on 6 July 1916 pursuant to the laws of the Hellenic Republic and currently operates as a credit institution under the Codified Law 2190/1920 and Law 3601/2007, each as in force. Piraeus Bank is a company limited by shares (société anonyme) with the legal name “Piraeus Bank Société Anonyme” and the commercial name “Piraeus Bank”. It is registered in Greece under number 6065/06/B/86/04 and has its registered office at 4 Amerikis Str., 105 64 Athens, Greece (telephone +30 210 333 5000). It has been listed on the Athens Stock Exchange (**ATHEX**) since 1918, and is subject to regulation and supervision by the Bank of Greece as well as the Hellenic Capital Market Commission. The duration of Piraeus Bank as determined by its Articles of Association has been extended to terminate on 6 July 2099.

Piraeus Bank is the flagship company of the Piraeus Bank group of companies (together, the **Group** or the **Piraeus Bank Group**) and is the direct parent of the majority of the subsidiaries comprising the Piraeus Bank Group.

Piraeus Bank Group is one of the most dynamic and active financial organisations in Greece today. Piraeus Bank is a universal bank and leads a group of companies covering all financial and banking activities in the Greek market. The Piraeus Bank Group possesses particular expertise in the areas of small and medium-sized enterprises (**SMEs**), retail banking, corporate banking, project finance, leasing, capital markets, investment banking, and it also provides services in asset management and bancassurance. Piraeus Bank offers services through a nationwide network and also through its electronic banking network *winbank*, which offers a full set of services through four different distribution channels: the Internet, mobile phones, a call centre and automated teller machines (**ATMs**). The excellent level of services of *winbank* has attracted a number of awards and distinctions.

Both Piraeus Bank and the Piraeus Bank Group, as a whole, have developed significantly in recent years, both through organic growth and acquisitions. Piraeus Bank is the fourth largest bank in Greece in terms of assets, loans and deposits. In terms of international presence, Piraeus Bank Group is active in seven countries in the broader region of Southeastern Europe and the Eastern Mediterranean (namely Bulgaria, Romania, Serbia, Albania, Ukraine, Cyprus and Egypt), while it is also present in the financial centres of London and New York. As at 30 June 2010, Piraeus Bank Group had a network of 878 branches (360 in Greece and 518 abroad) and employed 13,362 people, while its total assets amounted to €56.6 billion (unaudited).

As at 30 June 2010, Piraeus Bank’s share capital consisted of 336,272,519 common registered shares (with voting rights) listed on ATHEX, and the total number of shareholders stood at 146,938. No individual shareholder owns an interest in excess of 5 per cent. and no shareholder has a controlling interest in Piraeus Bank. As at 30 June 2010, Piraeus Bank Group’s equity capital amounted to €3.4 billion (unaudited) (including Greek state preference shares of €0.37 billion (unaudited)) with a capital adequacy ratio of 9.7 per cent. and Tier I ratio of 8.8 per cent. (under Basel II).

On 14 May 2009, an agreement was signed between Piraeus Bank and the Greek State whereby the latter acquired 77,568,134 preferred non-voting shares in Piraeus Bank worth €370 million within the framework of Law 3723/2008 on “*Liquidity Support of the Economy for mitigating the consequences of the international financial and credit crisis and other provisions*” (**Law 3723/2008**).



As described below under “*Piraeus Bank S.A. - Recent Developments in the period since 30 June 2010*”, on 29 October 2010, Piraeus Bank announced its intention to raise approximately €800 million of capital through a rights issue to its existing shareholders, and the successful completion of this rights issue was announced on 31 January 2011.

Since 1 January 2005, Piraeus Bank and the Group have prepared all their financial statements in accordance with International Financial Reporting Standards (**IFRS**). PricewaterhouseCoopers are the auditors. The quarterly financial statements prepared under IFRS are unaudited.

## **2. Strategy**

Piraeus Bank took advantage of the deregulation and consolidation of the Greek banking sector in the 1990s, increasing its presence in the domestic banking sector and increasing its share of the loan sector from 0.3 per cent. in 1991 to 11.4 per cent. as at 30 June 2010 (*source: published parent level financial statements – Bank of Greece*).

In the near term, the economic environment in Greece is expected to remain challenging, characterised by reduced demand and the adaptation to the new, stringent fiscal adjustment process agreed upon in early May 2010 between Greece and the European Union, the European Central Bank and the International Monetary Fund.

To ensure satisfactory liquidity and capital adequacy, the Group’s 2010 policy remained focused on the priorities set for 2009:

- to safeguard its balance sheet;
- to ensure asset quality;
- to maintain satisfactory liquidity;
- to efficiently manage operating costs, and
- to maintain a satisfactory capital adequacy level.

### 3. Piraeus Bank Group Organisational Structure

The Greek financial services sector has historically been characterised by the presence of specialised companies established around a principal bank. In a similar manner, the Piraeus Bank Group is comprised of Piraeus Bank and its subsidiaries. Piraeus Bank is not dependent upon any other entities within the Group. The following diagram summarises the divisional structure of the principal subsidiaries of Piraeus Bank as at 30 June 2010:

Piraeus Bank Group				
Commercial Banking	Investment Banking	Asset Management	Bancassurance	Non-Financial Companies
Tirana Bank I.B.C. S.A. (97%)	Piraeus Securities S.A. (100%)	Piraeus Asset Management Mutual Funds (100%)	Piraeus Insurance and Reinsurance Brokerage S.A. (100%)	Piraeus Direct Services S.A. (100%)
Marathon Banking Corporation (94%)	Piraeus Egypt Brokerage Co. (97%)	Piraeus Asset Management Europe S.A. (100%)	Piraeus Insurance Agency S.A. (100%)	Piraeus Real Estate S.A. (100%)
Piraeus Bank Romania S.A. (100%)	SSIF Piraeus Securities Romania S.A. (99%)	Piraeus Group Capital LTD (100%)	Piraeus Insurance - Reinsurance Broker Romania S.R.L. (100%).	Picar S.A. (100%)
Piraeus Bank Beograd A.D. (100%)		Piraeus Group Finance PLC (100%)	Piraeus Insurance Brokerage EOOD (100%)	ETVA Industrial Parks (65%)
Piraeus Bank Bulgaria A.D. (100%)			Piraeus Insurance Consultant (95%)	
Piraeus Bank Egypt S.A.E (98%)				
JSC Piraeus Bank ICB (100%)				
Piraeus Bank Cyprus LTD (100%)				
Piraeus Leasing S.A. (100%)				
Piraeus Card Services S.A. (100%)				
Piraeus Multifin S.A. (100%)				
Piraeus Factoring S.A. (100%)				
Piraeus Leasing Romania S.R.L. (100%)				
Tirana Leasing S.A. (100%)				
Piraeus Leasing Bulgaria EAS (100%)				
Piraeus Auto Leasing Bulgaria EAD (100%)				
Piraeus Egypt Leasing Co (97%)				
Piraeus Leasing Doo Beograd (100%)				
Olympic Commercial & Tourist Enterprises S.A. (60%)				

#### **4. Ownership of Piraeus Bank**

As at 30 June 2010, the ownership of Piraeus Bank by shareholder category was as follows:

21.4%	Foreign institutional investors
10.8%	Greek institutional investors
23.5%	Enterprises
2.5%	Greek State (ex-ETVAbank's shareholder)
41.8%	Individual Shareholders

As at 30 June 2010, the share capital of Piraeus Bank amounted to €1,974,019,915 (unaudited), divided into 336,272,519 common registered shares with voting rights and a nominal value of €4.77 each, and 77,568,134 preference shares issued pursuant to Law 3723/2008, without voting rights and a nominal value of €4.77 each.

Piraeus Bank is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of Piraeus Bank.

#### **5. Management of Piraeus Bank**

Piraeus Bank is ultimately governed by its shareholders who are entitled to elect the Board of Directors at the Annual General Meeting. The Board of Directors constitutes the managerial body of Piraeus Bank and is made up of sixteen members, six of which have executive, and ten of which have non-executive duties. Three of the non-executive directors are independent, as per applicable legislation. Meetings of the Board of Directors are attended by the appointed representative of the Greek State, pursuant to article 1 of Law 3723/2008.

The Board of Directors was reconstituted as a body and designated its Executive and Non-Executive Members, in accordance with Law 3016/2002, as follows:

##### **Executive Members**

Michael G. Sallas, Chairman and Chief Executive Officer  
Stavros M. Lekkakos, Managing Director and Deputy CEO  
Alexandros S. Manos, Managing Director  
Christodoulos G. Antoniadis, Deputy Managing Director  
Ilias D. Milis, Deputy Managing Director  
Spiridonas A. Papaspirou, Deputy Managing Director

##### **Non-Executive Vice-Chairmen**

Konstantinos P. Aggelopoulos, Economist and Entrepreneur  
Ioannis V. Vardinoyiannis, Entrepreneur  
Non-Executive Members

Georgios P. Alexandridis, Entrepreneur, Member of the Audit Committee (\*)

Hariklia A. Apalagaki, Legal Advisor to Piraeus Bank, University Professor, Member of the Audit Committee

Eftyhios Th. Vassilakis, Entrepreneur

Iakovos G. Georganas, Financial Advisor and Chairman of Risk Management Committee

Stylianios D.Golemis, Economist and Entrepreneur

Fotini A. Karamanli, Attorney (\*)

Theodoros P. Mylonas, Chairman of the Audit Committee (\*)

Vassilios St. Fournalis, Entrepreneur

(\*) independent non-executive member

Other than as disclosed above, no Executive Member, Non-Executive Vice-Chairman or Non-Executive Member has any activities outside Piraeus Bank which are significant with respect to Piraeus Bank.

Piraeus Bank is not aware of any potential conflicts of interest between the duties to Piraeus Bank of the persons listed above and their private interests or other duties.

The business address of each person identified above is 4 Amerikis Street, 105 64 Athens, Greece.

## 6. Activities of the Piraeus Bank Group

The Piraeus Bank Group, either through Piraeus Bank or its subsidiaries, provides a wide variety of banking products and services to retail customers and corporate clients. The Group is active in retail banking, corporate banking, project finance, shipping, investment banking and e-banking, and provides services in equity brokerage, asset management and bancassurance.

### 6.1. Retail Banking and Branch Network

Retail banking is mainly conducted through Piraeus Bank's branch network in Greece and abroad through its subsidiaries. The Group offers a variety of products in retail banking and is focused on developing specialised products for its clientele.

#### 6.1.1. Deposit Products

The Bank offers a wide range of depositary and investment products suited for individual clients as well as for corporate clients, in all major foreign currencies. Deposits and retail bonds of the Group amounted to approximately €29.7 billion (unaudited) at the end of June 2010, a decrease of 4 per cent. since the beginning of the year, on the back of the 6 per cent. decline in the Greek portfolio compared to 31 December 2009, while international deposits increased 11 per cent. in the six months ended 30 June 2010.

Deposits (on a consolidated basis) Amounts in EUR million	as at 30 June 2010 (unaudited)	as at 31 Dec. 2009	Change
Savings deposits	3,909	4,293	-9%
Sight & Other deposits	5,075	5,615	-10%
Term deposits, Retail Bonds & Repos	20,687	20,848	-1%

<b>Total customer deposits and retail bonds</b>	<b>29,671</b>	<b>30,755</b>	<b>-4%</b>
<b>Greece</b>	<b>24,252</b>	<b>25,894</b>	<b>-6%</b>
<b>Abroad</b>	<b>5,419</b>	<b>4,862</b>	<b>11%</b>

#### 6.1.2. Mortgage and Consumer Credit

At the end of June 2010, the Group's loans to individuals amounted to €11.8 billion (unaudited), representing an increase of 1 per cent. since the beginning of the year. During the same period, mortgage loans increased by 3 per cent. while consumer loans and credit cards decreased by 1 per cent.

Mortgage loans in Greece amounted to €6.1 billion (unaudited) at the end of June 2010 compared to €5.9 billion at the end of 2009, with a market share of 7.5 per cent.

Consumer loans in Greece amounted to €3.3 billion (unaudited) at the end of June 2010 (unchanged compared to the end of 2009), in line with market trends, and maintaining almost the same market share, at 8.1 per cent.

The Bank's credit card market share rose to 8.8 per cent. as at 30 June 2010 from 8.0 per cent. at the end of 2009, with the balance reaching €777 million (unaudited) as a result of customer-focused product design.

<b>Retail Loans (on a consolidated basis) Amounts in EUR million</b>	<b>as at 30 June 2010 (unaudited)</b>	<b>as at 31 Dec. 2009</b>	<b>Change</b>
Consumer Loans	4,923	4,949	-1%
Mortgage Loans	6,844	6,659	+3%
<b>Total</b>	<b>11,767</b>	<b>11,608</b>	<b>+1%</b>

#### 6.1.3. Other Retail Banking Services

##### 6.1.3.1. Bancassurance and Insurance Brokerage

Piraeus Insurance Agency S.A. along with Piraeus Insurance and Reinsurance Brokerage S.A. form the single arm of insurance mediation services aimed at fully covering the insurance needs of Piraeus Bank Group customers. At the end of June 2010, the total managed portfolio stood at €187 million (unaudited), while premium income from new business for the six month period ended 30 June 2010 was €12 million (unaudited).

- Piraeus Insurance Agency S.A.

Piraeus Insurance Agency S.A. offers insurance solutions to cover the daily needs of its customers. To this end, it maximises its business synergies with the insurance companies ING and VICTORIA, the know-how of its staff, as well as the bancassurance segment of Piraeus Bank.

Its scope of business focuses on boosting the sales of standard life, health, pension and retail general insurance (i.e. motor, property, liability and personal accident) products, using the Piraeus Bank network. It is also charged with providing training to the branch network staff, as well as new product design and all required marketing activities.

- Piraeus Insurance and Reinsurance Brokerage S.A.

The company operates as a broker for all types of insurance contracts. The company's activities are primarily intended to cover the insurance needs of Piraeus Bank's customers as well as the needs of the Group as a whole. At the same time, it focuses on broadening the Group's customer base, by developing relations with prospective individual or corporate clients. Proper organisation and experience coupled with solid synergies with first class insurance companies in Greece and abroad, enable the company to ensure complete coverage, low premiums and high quality services.

#### 6.1.3.2. *Winbank* and e-banking

*Winbank* is Piraeus Bank's internet banking service. For a decade it has remained the e-banking leader among similar services offered by other Greek banks, as evidenced by 41 awards. This includes the Tech Excellence Awards where *winbank* was voted the best e-banking service of the year for 2009. Moreover, a customer satisfaction survey conducted in 2009 reported satisfaction rates regarding the use of *winbank* of up to 96 per cent.

Piraeus Bank Group has already integrated the *winbank* international platform in four of its international subsidiary banks, namely in Albania, Cyprus, Bulgaria and Egypt.

At the end of June 2010, the Piraeus Bank ATM network had 691 ATMs: 359 installed in branches and 332 off-site. Internationally, Piraeus Bank Group at the end of June 2010 had 511 on-site and 217 off-site ATMs.

#### 6.1.3.3. Green Business and green banking products

In 2009, Piraeus Bank made a commitment to provide further financing to enterprises and individuals wishing to invest in environmentally friendly projects. Therefore, it offers financing options to all enterprises and private individuals involved in any of the following fields:

- Renewable Energy Sources
- Energy Saving
- Green Transportation
- Alternative Waste and Water Management
- Organic Farming
- Green Chemistry
- Ecotourism – Agrotourism

Consequently, Piraeus Bank supports all areas of green enterprise, thus hoping to meet the challenge posed by the greenhouse effect and global warming.

Since 2006, Piraeus Bank has been offering specifically-designed green banking products to support various areas of green enterprise. By the end of June 2010, Piraeus had financed approximately 41 per cent. of photovoltaic projects up to 150 KW in Greece and 36 per cent. of the country's photovoltaic panel production

capacity, with investments totalling €217 million (unaudited). Moreover, it extended credit lines of €770 million (unaudited) to green investments.

## 6.2. Corporate Banking

In Greece, Piraeus Bank Group continues to hold a strong position in providing financing services to businesses active in all sectors of the economy. The Bank is a well-established market participant in business lending and project finance, having set its particular sights on being the main servicing bank for the SME market segment.

Piraeus Bank Group offers financing services to businesses that operate in all sectors of the economy through its branch network, Large Corporate & Structured Finance Division, Shipping Banking Division, subsidiary banks and subsidiary leasing and factoring companies.

As at 30 June 2010, 70 per cent. of Piraeus Bank Group's loan portfolio consisted of business loans, with an outstanding principal balance of €27.9 billion (unaudited), an increase of 3 per cent. compared to 31 December 2009. Corporate loans stood at €9.4 billion (unaudited), of which €1.6 billion (unaudited) were to shipping companies, representing 3.9 per cent. of the Group's loan portfolio. Loans to SMEs stood at €8.5 billion (unaudited), representing 47 per cent. of the Group's total portfolio.

### 6.2.1. Corporate Loans and Advances to Businesses

Piraeus Bank Group holds a strong position in business financing with considerable diversity in all sectors of the economy and an emphasis on SMEs. Total loans and advances to businesses by Piraeus Bank Group in Greece amounted to €21.4 billion (unaudited) at the end of June 2010, an increase of 3 per cent. compared to 31 December 2009. Loans to large enterprises rose to €7.9 billion (unaudited), while loans to SMEs stood at €13.5 billion (unaudited). At the end of June 2010, Piraeus Bank's market share in Greece for all business loans stood at approximately 14.3 per cent. as compared to 14.1 per cent. at the end of 2009 (*source: Bank of Greece for the Greek Market, Piraeus Bank Financial Statements*).

With respect to leasing activities, Piraeus Leasing S.A. focuses on vehicle, real estate and machinery leasing and, at the end of 2009, had a market share of approximately 14 per cent. (*source: Piraeus Bank estimate*). At the end of June 2010, total loans stood at €1.2 billion (unaudited), unchanged from 31 December 2009.

In operating leasing, Piraeus Bank Group operates through its subsidiary Olympic Commercial and Tourist Enterprises S.A., under the AVIS trademark, in both short-term and long-term leases. The value of the company's total fleet amounted to €378 million (unaudited) at the end of June 2010, approximately the same level as compared to that as at 31 December 2009.

The Group provides domestic and export factoring services to Greek businesses, as well as consumer factoring through Piraeus Factoring S.A. The company is a member of the international organisation Factors Chain International (FCI) and co-operates with the most important factoring organisations abroad.

Loans (on a consolidated basis) Amounts in EUR million	as at 30 June 2010 (unaudited)	as at 31 Dec. 2009	Change
Medium-Large Enterprises	9,414	8,901	+6%

SMEs	18,501	18,175	+2%
<b>Total</b>	<b>27,916</b>	<b>27,076</b>	<b>+3%</b>

### 6.3. Investment Banking

#### 6.3.1. Capital Market Operations and Advisory services

Piraeus Bank provides underwriting and advisory services throughout the capital market product spectrum. Piraeus Bank was one of the two main underwriters of the single IPO to be made on the Athens Stock Exchange in 2009, namely that of MIG Real Estate S.A. At the same time, Piraeus Bank was also the advisor for the share capital increase of Hellenic Postbank S.A. and Probank S.A.

In 2009, Piraeus Bank was ranked as the top “Advisor to the Board of Directors of Merging Companies in Public Offers”. Specifically, Piraeus Bank delivered advisor services to the board of directors of Imako Media S.A. and Singular Logic S.A., both listed on the ATHEX, during the optional and compulsory, respectively, public offers for their shares. (*Source*: Piraeus Bank).

#### 6.3.2. Stock Exchange Operations – Piraeus Securities S.A.

Piraeus Securities S.A. was one of the first private securities companies to become a member of ATHEX, upon the company’s establishment in 1990. The company’s network includes two branch offices (in Thessaloniki and Patras), 18 associated investment brokerage companies, as well as the entire Piraeus Bank network. Additionally, the company works with the majority of Greek and foreign institutional investors who are active in the domestic market.

At the end of June 2010, based on total transactions, the company ranked fifth domestically with a market share of 6.2 per cent. The company is equally active on behalf of its customers in derivatives transactions in all major international capital markets.

### 6.4. Asset Management

Total assets managed by Piraeus Bank Group (including deposits, mutual funds, and wealth management) amounted to €30.7 billion (unaudited) at the end of June 2010, a decrease of 4 per cent. since 31 December 2009.

<b>Assets Under Management by the Group</b> <b>Amounts in EUR million</b>	<b>as at 30 June</b> <b>2010</b> <b>(unaudited)</b>	<b>as at 31 Dec.</b> <b>2009</b>	<b>Change</b>
Deposits & repos	29,160	30,064	-3%
Retail bonds	512	692	-26%
Assets under management <sup>(1)</sup>	1,026	1,208	-15%
<b>Total</b>	<b>30,697</b>	<b>31,964</b>	<b>-4%</b>

<sup>(1)</sup> mutual funds (excl. money market) and wealth management.

#### 6.4.1 Piraeus Asset Management Mutual Funds S.A.



Piraeus Asset Management Mutual Funds S.A. is Piraeus Bank's investment arm for the management of mutual funds and institutional investors. At the end of June 2010, total mutual fund assets under management stood at €0.4 billion (unaudited), almost unchanged as compared to 31 December 2009.

#### 6.4.2. Wealth Management

In 2009, Piraeus Bank and BNP Wealth Management concluded a strategic agreement for the provision of wealth management services in the countries where the Piraeus Bank Group operates. Piraeus Wealth Management AEPEY, the company that resulted from the joint venture of the Piraeus Bank Group with BNP Paribas Wealth Management, obtained the necessary authorisations from supervisory authorities in November 2009 and started operating on 29 March 2010. This new company offers a unique combination of expertise in Greece as well as international know-how, allowing customers access to global-level wealth management solutions, as well as a complete scope of products and services, both in Greece and abroad. At the end of June 2010, assets under management of the Wealth Management subsidiary amounted to €0.7 billion (unaudited)

### 6.5. Treasury

Treasury conducts Piraeus Bank's asset liability management and serves as the Group's principal point of access to the wholesale markets. It actively participates in the interbank markets for money, foreign exchange, bonds and derivatives. Within the guidelines of efficient capital allocation and acceptable risk exposure, Treasury manages market risks arising from on- and off-balance sheet items, aiming at the optimisation of Piraeus Bank's overall performance, while at the same time addressing the liquidity requirements derived from Piraeus Bank's commercial and trading activities.

Treasury's trading guidelines and limits are subject to prior approval by the Assets and Liabilities Committee (**ALCO**), as is the case with all main strategic decisions. Such decisions include, *inter alia*, extraordinary investment strategies, launching of new products, introduction of new activities, and participation in foreign financial markets.

Treasury operations are monitored and supported by a wide spectrum of IT systems ranging from a large selection of information providers and electronic trading systems to integrated front, middle and back office systems.

### 6.6. International Banking Activities

The Piraeus Bank Group is present in nine countries besides Greece (Albania, Bulgaria, Cyprus, Egypt, Romania, Serbia, the U.K., the U.S.A, and Ukraine), four of which are EU Member States (Bulgaria, Cyprus, Romania, and the U.K.).

The Group's main fields of business abroad include high quality and innovative products and services to SME and retail banking customers. Moreover, the fact that the Piraeus Bank Group has a number of subsidiaries abroad offering specialised financial services (such as leasing, insurance and investment services and real estate), helps to expand its customer base adding, at the same time, great value to the business activity in each country of operation.

Another point of focus for the Group is, taking into account the prevailing conditions in each market as well as its fundamentals, the safeguarding of loan portfolios held by subsidiaries in countries abroad, through increased provisioning.

At the end of June 2010, the deposits of Piraeus Bank's overseas units rose to €5.4 billion (unaudited), an increase of 11 per cent. compared to year-end 2009, while the loan portfolio of the Group increased by 2 per cent during the first six months of 2010 to €8.9 billion (unaudited). As at 30 June 2010, the Group's international network comprised 518 branches compared to 513 at the end of 2009.

<b>Deposits from Customers</b> <b>Amounts in EUR million</b> <b>(based on financial statements in each country)</b>	<b>as at 30 June</b> <b>2010</b> <b>(unaudited)</b>	<b>as at 31 Dec.</b> <b>2009</b>	<b>Change</b>
Albania – Tirana Bank IBC	431	410	+5%
Bulgaria – Piraeus Bank Bulgaria AD	663	655	+1%
Romania – Piraeus Bank Romania S.A.	1,027	1,142	-10%
Serbia – Piraeus Bank Beograd AD	148	154	-4%
Egypt – Piraeus Bank Egypt S.A.E	1,302	1,091	+19%
Ukraine –JSC Piraeus Bank ICB	107	63	+71%
Cyprus – Piraeus Bank Cyprus Ltd	1,079	774	+39%
USA – Marathon Bank NY	590	506	+17%
UK – London Branch	72	67	+7%
<b>Total</b>	<b>5,419</b>	<b>4,862</b>	<b>+11%</b>
<b>Loans and Advances to Customers</b> <b>Amounts in EUR million</b> <b>(based on financial statements in each country)</b>	<b>as at 30 June</b> <b>2010</b> <b>(unaudited)</b>	<b>as at 31 Dec.</b> <b>2009</b>	<b>Change</b>
Albania – Tirana Bank IBC	461	445	+4%
Bulgaria – Piraeus Bank Bulgaria AD	1,811	1,853	-2%
Romania – Piraeus Bank Romania S.A.	3,379	3,396	0%
Serbia – Piraeus Bank Beograd AD	607	610	-1%
Egypt – Piraeus Bank Egypt S.A.E	954	879	+9%
Ukraine – JSC Piraeus Bank ICB	278	232	+20%
Cyprus – Piraeus Bank (Cyprus) Ltd	665	607	+10%
USA – Marathon Bank NY	456	390	+17%
UK – London Branch	307	301	+2%
<b>Total</b>	<b>8,918</b>	<b>8,712</b>	<b>+2%</b>

## 6.7. Other activities

The Group's other activities are in the real estate sector, with the aim of exploiting investment opportunities and synergies in the real estate market.

### 6.7.1. Picar S.A.

The company has undertaken the utilisation and operation of the Citylink Complex, until 2052. This covers an area of 65,000 square meters and is located on the building block abutted by Stadiou, Voukourestiou, Panepistimiou and Amerikis streets in the centre of Athens. Citylink users include many famous Greek and international corporate names thus imparting prestige on the building complex and, by extension, the company itself. In addition, Citylink houses Piraeus Bank's headquarters, *Attica Department Store*, the fully renovated *Pallas*, *Aliki* and *Mikro Pallas* theatres, the *Holmes Place Athens Health Club Spa*, as well as premium dining halls and several internationally renowned designer stores. Picar S.A. also holds an equity participation in *Attica Golden*, the company that manages and operates *Attica Department Store*.

#### 6.7.2. ETVA Industrial Parks S.A.

ETVA Industrial Parks S.A. was established in 2003, after the industrial areas sector was spun-off from ETVA bank and acquired by the Piraeus Bank Group. Its main scope of activity is the establishment, management and operation of existing or new industrial areas. Piraeus Bank holds a 65 per cent. Stake in the company with the Greek state holding the remaining 35 per cent. This represents a profitable and highly efficient private public partnership, combining entrepreneurship with the country's regional development.

The company has developed, and today operates 26 industrial areas nationwide, building and continuously managing infrastructure projects. Over 2,300 businesses are currently established there employing over 40,000 people.

The company's revenues mainly come from the sale of land within the owned industrial areas, as well as management services, including water supply, sewage and biological purification. The company also generates additional income on the strength of its significant experience in development project management.

#### 6.7.3. Piraeus Real Estate S.A.

The company provides a full range of real estate design, development and management services. It is involved in real estate development, project management and administration, integrated real estate management on behalf of owners and investors, and property valuations. It also offers investment consulting services to real estate investment companies and funds.

### 7. Risk Management

Risk management is a key concern of Piraeus Bank's management. The continuous development and implementation of an effective risk management framework to mitigate negative impacts on the Group's financial results and capital base is deemed a top priority in striving for business stability and continuity.

The Board of Directors has appointed a Risk Management Committee to monitor and uniformly control all forms of risk in a coordinated manner. The Risk Management Committee is charged with the implementation and supervision of the financial risk management principles and policy. It convenes at least quarterly and reports to the Board of Directors on its activities.

The Group also has an Assets and Liabilities Committee (ALCO) which plays an active role in the Group's market and liquidity risk management. The ALCO convenes once a week and is primarily responsible for Piraeus Bank's strategy on asset and liability development, as well as asset and liability management (ALM) and the attendant pricing of its products and services. Furthermore, the ALCO assesses the introduction of new deposit and loan products, monitors the adequacy and allocation of equity capital among business segments, and supervises the application of decisions as appropriate.

The Piraeus Bank Group annually reviews the adequacy and effectiveness of its risk management framework with an eye on market dynamics, product changes, and international best practices.

Group Risk Management consists of two divisions: Group Credit Risk and Capital Management, as well as Group Market and Operational Risk Management. These are responsible for the design, specification and implementation of the risk management framework, as per the guidelines set out by the Risk Management Committee. Group Risk Management is subject to review by the Internal Audit Division.

## **7.1. Credit Risk Management**

The Bank's business activity and profitability entail the assumption of credit risk. Credit risk is the risk of financial loss for Piraeus Bank that arises when debtors are unable to fulfil their contractual or transactional obligations. As a significant source of risk for the Piraeus Bank Group, its effective monitoring and management constitute a top priority. The Group's overall credit exposure originates mainly from approved credit limits, from financing corporate and retail credit, from investment and transaction activities, from trading activities in the derivative markets, as well as from the settlement of financial instruments. The level of risk associated with any credit exposure depends on various factors, including the general economic and prevailing market conditions, the debtors' financial condition, the amount, type, and duration of the exposure, as well as the presence of any collateral, security or guarantee.

The Group's credit risk management principles are articulated in its credit risk policy whose implementation seeks to ensure effective credit risk management. The Group applies a uniform policy and practice with respect to credit assessment, approval, renewal and monitoring procedures. All credit limits are revised and/or renewed at least once a year, while the competent approval authorities are defined based on the size and the category of the total credit risk assumed by Piraeus Bank Group per debtor or group of associated debtors.

## **7.2. Credit Risk Measurement and Monitoring**

Reliable credit risk measurement is at the heart of the Group's credit risk framework. The continuous development of infrastructure, systems and methodologies aimed at quantifying, monitoring and evaluating credit risk, both for the business and retail portfolios, is an essential condition for the timely and efficient support of the management and business units, with respect to decision making, policy formulation and fulfilment of regulatory supervisory requirements.

Regarding corporate credit, credit rating models applied vary with the type of operations and the size of the enterprise. The Group uses *Moody's Risk Advisor* for the assessment of medium-sized and large enterprises. *Moody's Risk Advisor* has been in use by the Group's domestic financial subsidiaries since 2005, and by the Group's international subsidiaries since 2006. SMEs, on the other hand, are assessed through internally developed rating systems, as well as scoring systems. As per Basel II, Piraeus Bank has developed and applies distinct credit rating models for specialised lending.

Regarding enterprises that keep Class C books under Greek accounting standards, Piraeus has customised *Moody's Risk Advisor* both for firms with a turnover exceeding €2.5 million, as well as those businesses with less than €2.5 million in sales. Corporate borrowers are mapped onto 23 ratings representing different levels of credit risk and linked to different default probabilities, thus allowing provisions to be formulated for specific exposures. Each rating level is associated with a specific customer relationship policy.

Adopting and implementing of up-to-date methods for credit risk monitoring and management constitutes a top priority for the Group. Retail credit risk monitoring entails credit scoring, portfolio structure analysis, debtor distribution, as well as monitoring of current and/or potential problem loans. Since 2002, application

scoring models have also been implemented to assess the creditworthiness of prospect borrowers. At the same time, behaviour scoring models are also in place to evaluate existing customers' behaviour both at product and customer levels.

During 2009, further progress was made in the development and implementation of application scoring models in the Group's international subsidiaries. Piraeus Bank also uses the credit rating model of Greece's credit bureau, Teiresias S.A., which assesses an applicant's aggregate exposure in the Greek market. The use of this model has greatly improved the performance of existing models. All models that are used by Piraeus Bank are validated at least semi-annually.

Piraeus Bank Group	June 2010	Dec. 2009
Loans in Arrears > 90 days (IFRS 7)	6.0%	5.1%

Credit risk emerging from debt securities is evaluated through external ratings from rating agencies, and its calculation varies according to IFRS classification.

#### 7.2.1. Credit Risk Stress Testing Exercises

Stress testing exercises are integral to the Group's credit risk measuring and quantifying processes, providing estimates of the size of financial losses that could occur under potential extreme financial conditions. Pursuant to Bank of Greece's directives (Governor's Act 2577/09.03.06) the Piraeus Bank Group conducts regular credit risk stress testing exercises, and the results are presented to, and evaluated by, the Risk Management Committee.

### 7.3. Credit Risk Mitigating Techniques

Piraeus Bank Group applies credit limits to manage its concentration of credit risk exposure. Credit limits define the maximum undertaken risk per counterparty, per group of counterparties, per product and per country, including credit institutions, and is further controlled through the use of sub-limits, which address on- and off-balance sheet exposures.

In order to set customer limits, the Group considers any collateral or security that mitigates the level of risk assumed. The Group uses risk classes, based on the type of associated collateral or security and its liquidation potential. Credit limits per risk class are determined by the Board of Directors. Group credit limits are set with an effective duration of up to twelve months and are subject review at least once per annum. Monitoring of approved limits is performed on a daily basis and any violations are reported and handled swiftly.

The Group accepts collateral and guarantees against credits granted to customers to reduce the overall credit risk and ensure timely debt payment.

### 7.4. Liquidity Risk Management

Liquidity risk management is a key priority for Piraeus Bank Group, and ensures its ability to maintain sufficient liquidity to meet its payment obligations. To manage this risk, liquidity needs are monitored thoroughly, including the respective funding needs, taking into account the projected expiry of outstanding transactions. In general, liquidity management is a process of balancing cash flows within time bands so that the Group may meet all its payment obligations as they fall due.

Adequate liquidity levels are maintained as a result of significant liquid assets on Piraeus Bank's balance sheet consisting mainly of fixed income assets, , as well as a large portion of Piraeus Bank's loan books which meet the strict eligible collateral eligibility criteria for refinancing by the European Central Bank, thus offering additional funding possibilities.

## 7.5. Market Risk Management

Market risk is defined as the risk of incurring losses due to adverse changes in the level or the volatility of market prices and rates, including equity prices, interest rates, commodity prices and currency exchange rates, as well as changes in their correlation.

The Bank has established a Group-wide market risk limits and control framework. The adequacy of the framework and the individual limits are reviewed annually. Piraeus Bank has adopted and applies widely accepted techniques for the measurement of market risk. The *Value-at-Risk* measure is an estimate of the maximum potential loss in the net present value of a portfolio, over a specified period and within a specified confidence level. Piraeus Bank implements the parametric Value-at-Risk methodology, assuming a one-day holding period and utilising a 99 per cent. confidence level. *Value-at-Risk* is measured for the positions in the trading book as well as the *Available for Sale* equity portfolio.

As at 30 June 2010, total *Value-at-Risk* for the Group's total trading book and available for sale stock portfolio was estimated to be €10.88 million (unaudted).

Amounts in € million	Group Trading Book Total VAR	VAR Interest Rate Risk	VAR Equity Risk	VAR Foreign Exchange Risk	VAR Commodities Risk	Diversification effect
30 June 2010	10.88	7.52	3.59	4.7	0.6	-5.53
31 Dec. 2009	9.22	6.40	5.44	3.3	0.1	-6.05

## 7.6. Operational Risk Management

The Piraeus Bank Group acknowledges its exposure to operational risk stemming from its daily operations and from the implementation of business and strategic targets. The Group pursues the consistent implementation of the operational risk management framework in Piraeus Bank's business units and the Group's subsidiaries. The aforementioned framework covers the identification, assessment, quantification, monitoring and mitigation of operational risk. The continuous development of the framework enhances the timely and effective support to the business function of the Group and to the fulfilment of applicable regulatory requirements.

## 7.7. Group Capital Adequacy

At the end of June 2010, the Group's total equity stood at €3.4 billion (unaudited) (a decrease of 7 per cent. as compared to 31 December 2009). This reduction is mainly attributed to the *Available for Sale* portfolio reserve movement. The latter has been affected by the valuation of the Greek Government bond portfolio which came as a result of the significant widening of relevant spreads against German government bonds.

At the end of June 2010, Piraeus Bank's capital adequacy ratio stood at 9.7 per cent., with Tier I at 8.8 per cent., and Equity Tier I (i.e. excluding hybrid and preference shares) at 7.5 per cent. The Group's total regulatory capital was €3.7 billion (unaudited) at the end of June 2010.

## 8. Analysis of Loan Portfolio

Net loans accounted for 68 per cent. of the Group's total assets at the end of June 2010. The loan portfolio of the Piraeus Bank Group as at 30 June 2010 was highly diversified across various sectors with loans to individuals (principally mortgages and consumer credit financing) comprising 30 per cent. of total loans, loans to medium and large enterprises and shipping accounting for 24 per cent., and loans to SMEs accounting for 47 per cent.

<b>Distribution of Piraeus Bank Group Loans and Advances per Sector</b>	<b>As at 30 June 2010 (unaudited)</b>
Loans to Individuals	29.7%
Manufacturing and Handicraft	12.7%
Trade	11.3%
Construction	7.9%
Real Estate	5.4%
Hotels	4.4%
Project Finance and Infrastructure	4.3%
Shipping	3.9%
Transport and Logistics	3.1%
Financials	3.1%
Public Sector	1.9%
Agriculture	1.2%
Green Financing	1.1%
Energy	0.5%
Other (including health, education, fisheries and mining)	9.4%

<b>Loan Quality</b>	<b>as at 30 June 2010 (unaudited)</b>	<b>as at 31 Dec 2009</b>
<b>Amounts in EUR million</b>		
Total Loans	39,682	38,683
Loans in Arrears > 90 days	2,383	1,967
Total loan loss provisions	1,196	995
Addition to loan provisions during the year	269,8	449.1
Amounts written off during the year	68.3	157.1
Loans in Arrears > 90 days ratio	6.01%	5.08%
Loan loss provisions as a percentage of total loans	3.0%	2.6%
Loan loss provisions as a percentage of Loans in Arrears > 90 days	50.2%	50.6%
Write-offs as a percentage of Loans in Arrears	2.8%*	7.4%

\* ratio not annualised

Regarding asset quality according to the IFRS 7 definition, the ratio of loans in arrears for more than 90 days was 6.01 per cent. as at 30 June 2010 as compared to 5.08 per cent. as at 31 December 2009, while the respective coverage ratio stood at 50.2 per cent. and 50.6 per cent., respectively. The market average in Greece for loans in arrears for more than 90 days reached 9.0 per cent. in June 2010, while the average coverage by provisions was 43.4 per cent. (*source: Bank of Greece*).

## **9. Analysis of Funding**

As at 30 June 2010, the Group's total obligations to customers amounted to €29.2 billion (unaudited), while total customer deposits and retail bonds amounted to €29.7 billion (unaudited), compared to €30.8 billion as at 31 December 2009 (a decrease of 3.5 per cent.).

During the six month period ended 30 June 2010, Greek market deposits decreased by 7 per cent. This decrease was attributed mainly to individual deposits. Since the beginning of the year, 11 per cent. of the deposit outflows stemmed from sight deposits, 30 per cent. from savings accounts and 59 per cent. from term deposits. The Piraeus Bank Group deposits in Greece decreased by 6 per cent. during the same period. In the first quarter of 2010, the reduction of Group deposits in Greece was 4 per cent., in line with the Greek market's decline. In the second quarter of 2010, the reduction of Group deposits in Greece was 2.5 per cent., slightly better than the Greek market's decline of 3.2 per cent. over the same period. The decline relates to the outflow of term deposits, especially during the second quarter of the year, and to businesses using cash reserves in order to pay their obligations.

Liabilities to credit institutions amounted to €184 billion (unaudited) as at 30 June 2010, compared with €14.2 billion (unaudited) at the end of 2009, an increase of 30 per cent. Liquidity of the Greek banking system during the six month period ended 30 June 2010 was negatively affected by the continuous downgrades of the Greek State's credit rating, the restricted access to the interbank market, and the outflow of customer deposits as a result of high uncertainty surrounding the country's fiscal developments. During this period, the ECB has been the main source of liquidity for the Greek banks through the Open Market Operations (i.e. Main Refinancing Operations and Long Term Refinancing Operations) with Piraeus obtaining €14.9 billion (unaudited) of funds as at June 30.

## **10. Technology and Infrastructure**

In line with the Group's ongoing policy to invest in technology and infrastructure, the main objective remains the enhancement and improvement of IT procedures and systems in order to raise the internal operation quality and enable faster and better customer service.

## **11. Human Resources**

At the end of June 2010, Piraeus Bank Group employed 13,362 people (as compared to 13,417 as at 31 December 2009), while Piraeus Bank in Greece employed 4,937 people as at 30 June 2010 (as compared to 5,049 as at 31 December 2009). In terms of geography, at the end of June 2010, the Group employed people 6,518 in Greece and 6,844 abroad (as compared to 6,660 and 6,757, respectively, at the end of 2009).

Among total Group employees, 55 per cent. are female and 45 per cent. male, underscoring the Group's commitment to being an equal opportunity employer.

The average age of the Group's employees is 36.5 years. This age distribution favours the introduction and implementation of new technologies, methods and targets, as 83 per cent. of employees are below 45 years of age. In addition, Piraeus Bank employs a significant proportion (approximately 68 per cent.) of graduate and



post-graduate degree holders, with the equivalent percentage of such employees in the international subsidiaries being 78 per cent.

## 12. Subsidiaries

Piraeus Bank Group subsidiaries that were fully consolidated as at 30 June 2010 are illustrated in the table below:

Subsidiary companies	Direct and Indirect participation
Marathon Banking Corporation	93.94%
Tirana Bank I.B.C. S.A	96.71%
Piraeus Bank Romania S.A.	100.00%
Piraeus Bank Beograd A.D.	100.00%
Piraeus Bank Bulgaria A.D.	99.98%
Piraeus Bank Egypt S.A.E.	97.51%
JSC Piraeus Bank ICB (former OJSC Piraeus Bank ICB)	99.97%
Piraeus Bank Cyprus LTD	100.00%
Piraeus Asset Management Europe S.A.	100.00%
Piraeus Leasing Romania S.R.L.	100.00%
Piraeus Insurance and Reinsurance Brokerage S.A.	100.00%
Tirana Leasing S.A.	100.00%
Piraeus Securities S.A.	100.00%
Piraeus Group Capital LTD	100.00%
Piraeus Leasing Bulgaria EAD.	100.00%
Piraeus Auto Leasing Bulgaria EAD.	100.00%
Piraeus Group Finance P.L.C.	100.00%
Piraeus Factoring S.A.	100.00%
Piraeus Multifin S.A.	100.00%
Picar S.A.	100.00%
Bulfina S.A.	100.00%
General Construction and Development Co. S.A.	66.67%
Piraeus Direct Services S.A.	100.00%
Komotini Real Estate Development S.A.	100.00%
Piraeus Real Estate S.A.	100.00%
ND Development S.A.	100.00%
Property Horizon S.A.	100.00%
ETVA Industrial Parks S.A.	65.00%

Piraeus Property S.A.	100.00%
Piraeus Development S.A.	100.00%
Piraeus Asset Management S.A.	100.00%
Piraeus Buildings S.A.	100.00%
Piraeus Developer S.A.	100.00%
Estia Mortgage Finance PLC	—
Euroinvestment & Finance Public LTD	90.86%
Lakkos Mikelli Real Estate LTD	50.66%
Philoktimatiki Public LTD	53.29%
Philoktimatiki Ergoliptiki LTD	53.29%
New Evolution S.A.	100.00%
Imperial Stockbrokers Limited	100.00%
Imperial Eurobrokers Limited	100.00%
EMF Investors Limited	100.00%
Euroinvestment Mutual Funds Limited	100.00%
Bull Fund Limited	100.00%
Good Works Energy Photovoltaics S.A.	33.15%
Piraeus Green Investments S.A.	100.00%
New Up Dating Development Real Estate and Tourism S.A.	100.00%
Sunholdings Properties Company LTD	26.65%
Piraeus Cards S.A.	100.00%
Polytropon Properties Limited	39.97%
Shinefocus Limited	53.29%
Capital Investments & Finance S.A.	100.00%
Maples Invest & Holding S.A.	100.00%
Margetson Invest & Finance S.A.	100.00%
Vitria Investments S.A.	100.00%
Piraeus Insurance Brokerage EOOD	99.98%
SSIF Piraeus Securities Romania S.A.	99.33%
Trieris Real Estate Management LTD	100.00%
Phoenix Kato Asset Management Co.	87.75%
Piraeus Egypt Leasing Co.	97.47%
Piraeus Egypt for Securities Brokerage Co.	97.31%
Piraeus Insurance Reinsurance Broker Romania S.R.L.	100.00%
Piraeus Real Estate Consultants S.R.L.	100.00%
Piraeus Leases S.A.	100.00%

Iapetos Energy Photovoltaics S.A.	33.16%
Phoebe Energy Photovoltaics S.A.	33.16%
Orion Energy Photovoltaics S.A.	33.16%
Astraios Energy Photovoltaics S.A.	33.16%
Multicollection Romania S.R.L.	51.00%
Multicollection S.A.	51.00%
Olympic Commercial & Tourist Enterprises S.A.	60.44%
Piraeus Rent Doo Beograd	100.00%
Estia Mortgage Finance II PLC	—
Piraeus Leasing Doo Beograd	100.00%
Piraeus Real Estate Consultants Doo	100.00%
Piraeus Real Estate Bulgaria EOOD	100.00%
Piraeus Real Estate Egypt LLC	99.80%
Piraeus Bank Egypt Investment Company	97.31%
Piraeus Best Leasing Bulgaria EAD	99.98%
Piraeus Insurance Agency S.A.	100.00%
Piraeus Capital Management S.A.	100.00%
Estia Mortgage Finance III PLC	—
Piraeus Insurance Brokerage Egypt	95.44%
Integrated Storage System Co.	96.42%
Axia Finance PLC	—
Piraeus Wealth Management A.E.P.E.Y.	65.00%
Axia Finance II PLC	—
Praxis Finance PLC	—
Axia Finance III PLC	—
Praxis II Finance PLC	—
Gaia Lease PLC	—
Axia III APC LIMITED	—
Praxis II APC LIMITED	—
PROSPECT N.E.P.A.	100.00%
R.E Anodus LTD	99.99%
Erechtheas Investments & Holdings S.A.	100.00%
Solum Ltd Liability Co.	99.99%
Piraeus (Cyprus) Insurance Brokerage Ltd	100.00%
O.F. Investments Ltd	100.00%
DI.VI.PA.KA. S.A.	60.41%

### 13. Profit and Loss Account

Set out below is the summary unaudited consolidated profit and loss account of the Piraeus Bank Group for the six month period ended 30 June 2010 and 2009. Profit before tax and provisions (excluding trading gains) for the six month period ended 30 June 2010 increased by 14 per cent. to €334 million (unaudited) (as compared to €292 million (unaudited) for the six month period ended 30 June 2009). Including trading results, pre-provision profit for the six month period ended 30 June 2010 decreased to €312 million (unaudited) (as compared to €368 million (unaudited) for the six month period ended 30 June 2009), a reduction by 15 per cent., due to trading losses of €22 million (unaudited) against profits of €76 million (unaudited) for the six month period ended 30 June 2009. The results for the six month period ended 30 June 2010 were adversely affected by a 30 per cent. year-on-year increase in provisions, due to the adverse economic conditions. Hence, provision expense increased to €268 million (unaudited) and net profit attributable to shareholders for the six month period ended 30 June 2010 decreased by 71 per cent. to €37 million (unaudited) (as compared to €28 million (unaudited) for the same period in 2009). Including the one-off tax of €27.6 million (that was imposed on all large Greek companies for profit posted in 2009), net profit attributable to shareholders amounted to €9.7 million (unaudited), a decrease of 92 per cent. as compared to the same period in 2009.

<b>Summary Consolidated Profit and Loss Account Amounts in EUR million</b>	<b>30 June 2010 (unaudited)</b>	<b>30 June 2009 (unaudited)</b>
Interest income	1,254.7	1,530.0
Less: Interest expense	663.3	1,002.4
<b>Net Interest Income</b>	<b>591.4</b>	<b>527.6</b>
Plus: Net Commission Income	99.8	100.6
Plus: Dividend Income	5.9	11.2
Plus: Net Trading Income	-15.2	76.1
Plus: Gains less losses from investment securities	-6.4	-0.4
Plus: Other operating income	55.6	64.7
<b>Total Net Revenues</b>	<b>731.1</b>	<b>779.8</b>
Less: Staff expenses	200.2	202.5
Less: Administrative expenses	170.9	169.8
Less: (Profit)/loss on sale of property and equipment	0.0	(0.6)
Less: Depreciation and amortisation	47.4	45.2
<b>Total operating expenses before provisions</b>	<b>418.5</b>	<b>416.9</b>
Plus: Share of profit of associates	(0.7)	5.3
<b>Profit before provisions and income tax</b>	<b>311.9</b>	<b>368.1</b>
Less: Impairment losses on loans and receivables	267.0	

205.0 Less: Other Provisions	1.4	2.0
<b>Profit before Income Tax</b>	<b>43.5</b>	<b>161.2</b>
Less: Tax for the year	6.1	31.3
Less: Tax Contribution	27.6	
Income Tax	(33.7)	(31.3)
Profit after Tax	9.9	129.9
Profit for the year attributable to equity holders of the parent entity	9.7	128.3
Minority interests	0.1	1.6
<b>Earnings per share attributable to equity holders of the parent entity</b>		
<b>- Basic</b>	<b>(0.013)</b>	<b>0.382</b>
<b>- Diluted</b>	<b>(0.013)</b>	<b>0.382</b>
<b>Net Profit attributable to equity holders without tax contribution</b>	<b>37.0</b>	<b>128.3</b>

For the six month period ended 30 June 2010, net interest income amounted to €591 million (unaudited), an increase of 12 per cent. from net interest income of €528 million (unaudited) for the six month period ended 30 June 2009. Net commission income for the six month period ended 30 June 2010 amounted to €100 million (unaudited), a decrease of 1 per cent. compared to the six month period ended 30 June 2009, while commercial banking fees increased by 2 per cent. over the same period. Net revenues for the six month period ended 30 June 2010 amounted to €731 million (unaudited) compared with €780 million (unaudited) for the six month period ended 30 June 2009, a decrease of 6.2 per cent. on the back of trading losses. Total cost (personnel costs, administrative expenses, profit/loss on sale of property and equipment, depreciation and amortisation) amounted to €418 million (unaudited) for the six month period ended 30 June 2010, as compared to €417 million (unaudited) for the same period in 2009. As at 30 June 2010, the cost-to-income ratio stood at 57.2 per cent., as compared to 53.5 per cent. as at 30 June 2009.

#### 14. Balance Sheet

As at 30 June 2010, the Group's assets increased by 4 per cent. to €56.6 billion (unaudited) from €54 billion at the end of 2009. The proportion of net loans as a percentage of total assets remained at the level of 68 per cent. as at 30 June 2010, as compared to 69 per cent. as at 31 December 2009.

As at 30 June 2010, customer deposits (including retail bonds issued) constituted 52 per cent. of total liabilities and equity, as compared to 57 per cent. as at 31 December 2009.

#### Summary Consolidated Balance Sheet (Amounts in EUR millions)

	as at 30 June 2010 (unaudited)	as at 31 Dec. 2009 (unaudited)
<b>ASSETS</b>		
Cash and balances with central banks	2,346	2,978
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	1,271	992
Derivative financial instruments - assets	206	171
Other financial instruments at fair value through profit and loss account	588	1,556

Loans and advances to customers	39,682	38,683
<i>Minus provisions for loan impairment</i>	<i>1,196</i>	<i>995</i>
Net loans and advances to customers	38,486	37,688
Investment securities	6,911	5,702
Debt securities receivable	2,751	1,183
Investments in associates	192	184
Intangible fixed assets	350	339
Property, plant and equipment	1,875	1,807
Held for sale	84	102
Deferred tax assets	391	283
Other assets	1,141	1,294
<b>Total Assets</b>	<b>56,591</b>	<b>54,280</b>
<b>LIABILITIES AND EQUITY</b>		
Due to credit institutions	18,359	14,433
Derivative financial instruments - liabilities	337	162
Due to customers	29,160	30,064
Debt securities in issue	3,271	4,206
Other borrowed funds	511	511
Deferred tax liabilities	189	140
Retirement benefit obligations	211	202
Other liabilities	1,159	947
<b>Total Liabilities</b>	<b>53,229</b>	<b>50,666</b>
<b>Capital and reserves attributable to equity holders of the parent entity</b>	<b>3,199</b>	<b>3,466</b>
Minority interests	162	148
<b>Total Equity</b>	<b>3,362</b>	<b>3,614</b>
<b>Total Liabilities and Equity</b>	<b>56,591</b>	<b>54,280</b>

## 15. Summary Consolidated Cash Flow Statement

### Amounts in EUR millions as at 30 June (unaudited)

	June 2010 (unaudited)	June 2009 (unaudited)
<i>Cash flows from operating activities</i>		
Profit before tax .....	43.5	161.2
<b>Adjustments to profit before tax</b>		
Add: impairment for loans and advances and other provisions .....	268.4	207.0
Add: depreciation and amortisation .....	47.4	45.2
Add: retirement benefits.....	16.6	19.2
(Gains)/losses from valuation of trading securities and financial instruments at fair value through profit or loss .....	90.4	(10.9)
(Gains)/losses from investing activities .....	(17.2)	(36.5)
<i>Cash flows from operating activities before changes in operating assets and liabilities.....</i>	<b>449.1</b>	<b>385.2</b>
<i>Changes in operating assets and liabilities:</i>		
Net (increase)/decrease in cash and balances with Central Bank .....	149.0	252.5
Net (increase)/decrease in treasury bills and other eligible bills .....	-	18.0
Net (increase)/decrease in trading securities and financial instruments at fair value through profit or loss.....	46.7	(584.8)
Net (increase)/decrease in debt securities -receivables.....	(631.6)	(373.8)
Net (increase)/decrease in loans and advances to credit institutions .....	(300.6)	271.7
Net (increase)/decrease in loans and advances to customers .....	(1,067.5)	665.8
Net (increase)/decrease in other assets .....	75.4	(77.7)
Net increase/(decrease) in amounts due to credit institutions.....	3,959.4	(1,178.4)
Net increase/(decrease) in liabilities at fair value through profit or loss .....	188.9	-
Net increase/(decrease) in amounts due to customers .....	(904.0)	1,731.4
Net increase/(decrease) in other liabilities.....	28.1	(334.0)
<i>Cash from operating activities before income tax payment.....</i>	1,992.8	775.9
Income tax paid.....	(23.9)	(5.2)
<b>Net cash inflow/(outflow) from operating activities .....</b>	<b>1,968.9</b>	<b>770.7</b>
<i>Cash flows from investing activities</i>		
Purchases of property, plant and equipment .....	(128.9)	(138.1)
Sales of property, plant and equipment .....	46.0	15.9
Purchases of intangible assets .....	(12.0)	(7.4)
Purchases of held for sale assets .....	(9.2)	-
Sales of held for sale assets.....	24.3	-
Purchases of available for sale securities .....	(360.4)	(138.4)
Disposals of available for sale securities.....	99.5	74.8
Purchase of held to maturity securities.....	(1,212.0)	(53.2)
Maturity of held to maturity securities .....	13.1	28.8
Acquisition of subsidiaries (net of cash & cash equivalents acquired).....	(4.1)	(4.9)
Disposal of subsidiaries (net of cash & cash equivalents disposed) .....	0.2	-
Acquisition and participation in share capital increases of associates .....	(0.2)	(18.2)
Disposal of associates .....	-	3.1
Dividends receipts.....	5.1	9.4
<b>Net cash inflow/(outflow) from investing activities .....</b>	<b>(1,538.5)</b>	<b>(228.1)</b>
<i>Cash flows from financing activities</i>		
Net proceeds from issue/(repayment) of debt securities and other borrowed funds .....	(936.3)	(1,559.9)
Net proceeds from issue of share capital due to reinvestment of dividends.....	-	32.1

Net proceeds from issue of preference shares		
Greek State.....	-	370.0
Payment/ reinvestment of prior year dividends.....	(23.3)	(35.8)
Purchases of treasury shares.....	(0.4)	(4.1)
Sales of treasury shares.....	0.1	102.0
Other cashflows from financing activities.....	27.5	5.9
<b>Net cash inflow/(outflow) from financing activities .....</b>	<b>(932.3)</b>	<b>(1,089.7)</b>
Foreign exchange differences on cash and cash equivalents of the period.....	(15.9)	(14.6)
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<b>(517.8)</b>	<b>(561.8)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>3,389.0</b>	<b>5,009.3</b>
<b>Cash and cash equivalents at the end of the period.....</b>	<b>2,871.2</b>	<b>4,447.4</b>

## 16. Capital Adequacy

On a consolidated basis, the Group's capital adequacy ratio under Basel II as at 30 June 2010, calculated in accordance with Bank of Greece requirements, stood at 9.7 per cent., with the Tier I ratio at 8.8 per cent.

## 17. Participation of the Hellenic Republic's representative in the meetings of the Board of Directors of Piraeus Bank, pursuant to articles 1 and 2 of Law 3723/2008, may affect Piraeus Bank's decisions on certain matters provided in the aforementioned liquidity support scheme, after Piraeus Bank's voluntary submission to particular measures stipulated therein

On 9 December 2008, Law 3723/2008 was enacted under which the Hellenic Republic established a voluntary scheme for the capitalisation and liquidity support of credit institutions licensed by Piraeus Bank of Greece (the **Support Scheme**). The Bank has voluntarily accepted part of the Support Scheme. According to the Support Scheme, so long as a credit institution remains within the ambit of articles 1 and 2 of Law 3723/2008, the Hellenic Republic is entitled to appoint a representative that may be elected as an additional Board member of such credit institution (the **Representative**). The Representative has a veto power on decisions related to dividend distribution and the remuneration policy of the Chairman and Chief Executive Officer and the rest of the Board members, as well as of the general managers and its deputies, pursuant to a specific Decision of the Minister of Economy and Finance or, if, according to his own judgment, such decisions may endanger the interests of the depositors or materially affect the solvency ratio and the proper operations of the credit institution. The Representative may also be present at the General Meeting of the Shareholders with the right to exercise the same veto powers upon discussion and resolution on the aforementioned specific matters. See *"Risk Factors - Risks Relating to the Issuer's Business - As a result of the participation of the Issuer in the Support Scheme, the Hellenic Republic is in a position to exert influence over the dividend and remuneration policies of the Group"*.

## 18. Recent Developments in the period since 30 June 2010

On 1 October 2010, the credit rating agencies Standard & Poor's and Fitch changed their outlook of the Issuer's credit ratings following the withdrawal of the Issuer's offer to buy the Greek Government's equity stake in Agricultural Bank of Greece and Hellenic PostBank. Specifically, Standard & Poor's affirmed the Issuer's ratings (BB/B/negative outlook), and removed them from *"credit watch with negative implications"*. In addition, Fitch affirmed the Issuer's individual rating at D and removed it from *"Rating Watch Negative"*. At the same time, Fitch affirmed the Issuer's ratings (BBB-/F3 /Negative outlook).

The Hellenic Republic has recently undergone a series of credit rating downgrades. In April 2010 Greece's sovereign credit rating was lowered by Fitch from BBB+ to BBB-, by Moody's from A2 to A3 and by Standard & Poor's from BBB+ to BB+ (which is below investment grade). On 14 June 2010, Moody's further



lowered its credit rating for the Hellenic Republic by four notches to Ba1 (which is below investment grade). On 3 December 2010, Standard & Poor's placed on "*credit watch with negative implications*" the long- and short-term ratings of all the Greek banks, including their debt and hybrid instruments. The "*negative credit watch*" implications reflect the potential for a sovereign downgrade and its direct and indirect impact of Piraeus Bank's credit ratings. Consequently, Piraeus Bank's credit rating remains BB but the outlook changed to "*credit watch negative*" from "*negative*". In addition, on 16 December 2010 Moody's placed Greece's Baa1 government debt rating on review for possible downgrade. On 17 December 2010, Moody's followed its decision to place Greece's bond ratings on review by putting Piraeus Bank's Ba1 rating on review for possible future downgrades, together with the ratings of five other major Greek banks. On 22 December 2010, Fitch placed Piraeus Bank's BBB- rating on "*negative rating watch*", along with the rest of the rated Greek banks, following respective action for the Hellenic Republic the previous day. On 14 January 2011, Fitch downgraded Greece's long-term foreign and local currency "*Issuer Default Ratings*" (**IDRs**) to BB+ from BBB- and its short-term IDR to B from F2, and also removed them from "*rating watch negative*". The ratings "*outlook*" is "*negative*". Following that action, on 17 January 2011 Fitch also downgraded the long-term IDRs of five Greek banks (including Piraeus Bank) to BB+ from BBB- and the short-term IDRs to B from F3, and also removed them from "*rating watch negative*". The "*outlook*" on the long-term IDRs is "*negative*". The reasoning of the credit rating agencies for these downgrades was that the deepening recession and the increasing cost of servicing its debt would make it harder for Greece to achieve its debt reduction objectives.

On 5 October 2010, the EBRD and Piraeus Bank announced their agreement for the extension of credit lines of a total of €200 million towards Piraeus Bank Group's subsidiaries in Romania (€90 million), Bulgaria (€70 million) and Albania (€40 million).

The Issuer's Executive Board approved the redemption and termination of the retained securitisation issue through the special purpose entity Axia II, which was completed on 26 October 2010.

On 29 October 2010, the Board of Directors of the Issuer announced its intention to proceed with a capital increase in cash pursuant to an offering of pre-emptive rights to existing shareholders, for approximately €800 million (the **Rights Issue**), subject to shareholder approval by Extraordinary General Meeting of the Issuer's ordinary and preferred shareholders (each an **EGM** and, together, the **EGMs**). Analytical information is available on the Issuer's corporate website ([www.piraeusbank.gr](http://www.piraeusbank.gr)). In order to effect the Rights Issue, the Issuer called EGMs to resolve upon (i) a capital increase by way of the Rights Issue, and (ii) a reduction of the par value of the ordinary shares of the Issuer without increasing the number of shares outstanding.

At the same EGMs, the Issuer sought shareholder approval for the issuance of convertible bonds of a principal amount up to €250 million with waiver of pre-emption rights (the **Convertible Bond Offering**), in order to further improve the financial flexibility of the Issuer, and to increase its ability to strengthen its capital base as appropriate. The specific terms of any such Convertible Bond Offering will be set by the Board of Directors of the Issuer prior to the launch of any such offering.

The first EGM, which took place on 23 November 2010, did not discuss or resolve on the items of the agenda due to lack of the required quorum of 66.6 per cent. An iterative EGM that was held on 6 December 2010 also did not discuss or resolve on the items of the agenda due to lack of the required quorum of 50 per cent. The second iterative EGM that was held on 20 December 2010 approved the recommendation of the Issuer's management for an increase in the equity capital of the Group and further authorised, for purposes of greater flexibility, the Board of Directors to proceed with a capital increase and to determine the exact amount, as well as the other relevant issue terms. The second iterative EGM also approved the Convertible Bond Offering and has further authorised the Board of Directors to determine its timing and terms.

Accordingly, the Board of Directors of the Issuer decided to proceed with an increase in the equity capital of the Issuer of approximately €800 million by offering pre-emptive rights to existing shareholders pursuant to the Rights Issue.

The EGM also resolved upon the reduction of the nominal value of the Issuer's ordinary shares to €0.30 according to article 4 of Codified Law 2190/1920, with the formation of a special reserve. This reduction is of a purely technical nature, does not affect shareholders' equity, and no additional shares will be issued as a result.

On 3 January 2011, the Board of Directors of the Issuer unanimously decided to proceed with the Rights Issue to raise approximately €807 million in cash by way of offering pre-emption rights in favour of existing ordinary shareholders at a subscription price of €100 per share and a subscription ratio of 12 new ordinary registered shares for every five existing ordinary registered shares.

On 31 January 2011, the subscription period for the Rights Issue offering ended and the Rights Issue was successfully completed. The total amount offered from the exercise of pre-emption rights and oversubscription rights relating to the Rights Issue offering exceeded €1 billion (i.e. the Rights Issue was oversubscribed approximately 1.3 times).

## **THE BANKING SECTOR AND THE ECONOMIC CRISIS IN GREECE**

### **The Structure of the Banking Sector in Greece and Recent Developments**

The banking sector in Greece has expanded rapidly in the past decade, due to deregulation, entry into the Eurozone and technological advances.

The growth of the sector was the result of organic expansion, as well as mergers and acquisitions primarily in the wider region of SEE where Greek banks operate. Nevertheless, as a result of the international financial crisis since the end of 2008, and especially since the last quarter of 2009, with the emergence of the fiscal crisis in Greece, the Greek banking system has had to deal with particularly challenging conditions. The deteriorating fiscal condition of the country led the international credit rating agencies to downgrade the credit rating of the Hellenic Republic, which has adversely affected the credit ratings of the Greek banks. The liquidity of the Greek banks has been materially and adversely affected by the successive downgrades of the credit rating of the Hellenic Republic, as well as the outflows of customer deposits during the first seven months of 2010 as a result of the uncertainty in the market conditions. The primary source of liquidity for Greek banks during this period has been the ECB through their collateral-based financing operations. The adverse effects of those rating downgrades led the Greek banks to use during 2010 the resources available to them through the measures supporting the liquidity of the banking system pursuant to Law 3723/2008 and the expansion of the measures relating to government guarantees. In addition, the FSF has provided additional protection of €10 billion within the IMF/Eurozone Stabilisation Programme. This additional protection is exclusively aiming at the strengthening of the banks' capital base.

Today, all of the banks in the Greek banking markets are commercial banks. There is only one specialised credit institution, the Consignment Deposits and Loans Fund.

#### ***Commercial Banks***

According to the Hellenic Bank Association, there are 18 credit institutions in the Greek banking market, whereas the five largest commercial banks measured by loans are the National Bank of Greece, EFG Eurobank Ergasias, Alpha Bank, Piraeus Bank and Emporiki Bank.

On 14 July 2010, in response to the invitation extended by the Greek government and the Bank of Greece for the restructuring of the Greek banking system, as well as to the need of the sector to adjust to the new conditions, Piraeus Bank expressed interest in simultaneously acquiring approximately 77.3 per cent. of Agricultural Bank of Greece (now ATE Bank) and approximately 33.0 per cent. of Hellenic Postbank, held by the Greek state as shareholder, through privatisation procedures. On 30 September 2010, Piraeus Bank withdrew its interest due to delays by the Greek government in reaching the relevant decisions.

#### ***Competition in the Greek Banking Market***

Greece's entry into the Eurozone in 2001 has redefined the strategic goals and the activities of domestic financial institutions, while rapid technological developments, the integration of the financial and capital markets resulting from a significant number of mergers and acquisitions in the banking sector during the period from 2006 to 2008, and the economic crisis that has erupted in Greece since 2009, have been continuously posing new challenges to the industry. Notwithstanding the Hellenic economic crisis, Greek banks have continued to expand their activities and the five largest Greek banks have continued to maintain dominant market shares as they had been prior to the eruption of the crisis.

In 2009, financial intermediation continued to deepen in Greece, albeit at a significantly lower pace compared with previous years, mainly due to very tight liquidity conditions and banks' need to preserve asset quality and capital in an adverse macroeconomic environment. Bank loans recorded a year-on-year growth rate of 3.9

per cent. while deposits recorded an increase of 4.1 per cent.. Lending to businesses was the main driver of credit activity in Greece, growing by 5.5 per cent. year-on-year as at the end of December 2009.

During the first ten months of 2010, bank loans increased by 0.4 per cent. while lending to businesses grew by 1.5 per cent.

It is also important to note that despite the intensified competition in the Greek banking market in recent years and the current Hellenic economic crisis, the interest rate spread of the Greek banks remained favourable to the banking environment as it increased from 3.45 per cent. as at 31 December 2008 to 3.77 per cent. as at 31 December 2009 and finally to 3.93 per cent. as at 30 September 2010. This is due to the timely re-pricing of the loan portfolios of the banks, with re-pricing aiming to offset the significant increases of the cost of term deposits in Greece due to market conditions and the relevant liquidity constraints.

### ***Foreign Banks***

At the end of December 2009, according to the Hellenic Bank Association, there were 17 foreign banks or branches of foreign banks operating in the Greek banking market. The principal foreign banks with operations in Greece are Credit Agricole (through Emporiki Bank), Société Générale (through Geniki Bank), Bank of Cyprus, Citibank, HSBC Bank plc and BNP Paribas.

### **The Hellenic Republic Bank Support Plan**

In November 2008, the Greek Parliament passed Law 3723/2008 setting out the Hellenic Republic bank support plan (the **Hellenic Republic bank support plan**). The law was passed with the goal of strengthening Greek banks' capital and liquidity positions in an effort to safeguard the Greek economy from the adverse effects of the international financial crisis. Recently, the Hellenic Republic bank support plan was revised by Law 3844/2010, Law 3845/2010 and Law 3872/2010 (and a number of Ministerial Decisions) which increased the return on the preference shares of Pillar I referred to below, amended the payment of dividends prohibition, increased the total amount that can be provided by the Hellenic Republic under Pillar II referred to below, extended the duration of the plan as a whole until 31 December 2010, and increased as of July 2010 onwards the commission paid to the Hellenic Republic for the provisions of guarantees under Pillar II.

The Hellenic Republic bank support plan, as currently applicable, is comprised of the following three pillars, each of which is described below:

Pillar I: Up to €5 billion in non-dilutive capital designed to increase Tier I ratios. The capital will take the form of non-transferable voting redeemable preference shares with a 10 per cent. fixed return. Such shares will be non-transferable and non-tradable and will incorporate voting rights at the General Meeting of the Special Preference Shareholders. The shares are to be redeemed at the issue price either within five years after their issuance or, at the election of a participating bank, earlier with the approval of the Bank of Greece. In case they are not redeemed within five years from their issuance or no decision has been undertaken by the participating bank's General Meeting of shareholders on redemption, the Greek Minister of Finance shall impose, pursuant to a recommendation by the Bank of Greece, a gradually cumulative increase of 2 per cent. per year on the 10 per cent. fixed return provided for during the first five years from the issuance of the shares to the Hellenic Republic. The issue price of the preference shares must be the nominal value of the common shares of the last issue of each bank. Pursuant to a decision by the Minister of Finance (following recommendation by the Governor of the Bank of Greece), the banks will be required to convert the preference shares into common shares or another class of shares if redemption is not possible due to non-compliance with the minimum capital adequacy requirements set by the Bank of Greece for such banks. The conversion ratio will be determined by virtue of the above decision of the Minister of Finance and will take into account the average market price of Piraeus Bank's common shares during the calendar year preceding such conversion.

Pillar II: Up to €55 billion in Hellenic Republic guarantees. The guarantees will guarantee new borrowings (excluding interbank deposits) concluded until 31 December 2010 (whether in the form of debt instruments or otherwise) and with a maturity of three months to three years. These guarantees will be granted to banks that meet the minimum capital adequacy requirements set by the Bank of Greece as well as criteria set forth in Decision No. 54201/B2884/2008 of the Minister of Finance, as currently applicable, regarding capital adequacy, market share size and maturity of liabilities and share in the mortgage and SME lending market. The terms under which guarantees will be granted to financial institutions are included in Decision Nos. 2/5121/2009 and 29850/B1465 of the Minister of Finance.

Pillar III: Up to €8 billion in debt instruments. These debt instruments will have maturities of less than three years and were issued by the Public Debt Management Agency until 31 December 2010 to participating banks meeting the minimum capital adequacy requirements set by the Bank of Greece. The debt instruments bear no interest, are issued at their nominal value in denominations of €1 million and are listed on the ATHEX. They are issued by virtue of a bilateral agreement executed between the participating bank and the Public Debt Management Agency. At the applicable termination date of the bilateral agreement (irrespective of the maturity date of the debt instruments) or at the date Law 3723/2008 ceases to apply to a bank, the debt instruments must be repaid. The participating banks must use the debt instruments received only as collateral for refinancing, in connection with fixed facilities from the ECB and/or for purposes of interbank financing. The proceeds of liquidation of such instruments must be used to finance mortgage loans and loans to SMEs at competitive terms.

Participating banks that utilise either the capital or guarantee facility will have to accept a Government-appointed director. The director will be in addition to the existing directors of the participating banks and will have the power to veto corporate decisions both at board and shareholder assembly level pertaining to directors and senior management compensation and dividend policy. However, the Government-appointed director may only utilise its veto power following a decision of the Minister of Finance or if he considers that the relevant corporate decisions may jeopardise the interests of depositors or materially affect the solvency and effective operation of the participating bank. In addition, those banks will be required to limit maximum executive pay to that of the Governor of the Bank of Greece, and must not pay bonuses to senior management as long as they participate in the Hellenic Republic bank support plan. Also, during that period, dividend payouts for those banks will be limited to up to 35 per cent. of distributable profits of the participating bank (at the parent company level). According to Law 3756/2009, as amended, participating banks may only distribute stock dividends exclusively in the form of common stock in relation to financial years 2008 and 2009, which must not be from treasury shares, and may not purchase treasury shares. These provisions do not apply to the payment of dividends in respect of preference shares issued by credit institutions and traded on foreign organised markets.

Furthermore, participating banks are obliged not to pursue aggressive commercial strategies including advertising the support they receive from the plan in an attempt to compete favourably against competitors that do not enjoy the same protection. Participating banks are also obliged to avoid expanding their activities or pursuing other aims, in such a way that would lead to unjustifiable distortions of competition. To this end, the participating banks must ensure that the mean growth rate of their assets on a yearly basis will not exceed the highest of the following ratios:

- the growth rate of the nominal GDP of the Hellenic Republic of the previous year; or
- the mean annual asset growth rate of the banking sector of the period 1987-2007; or
- the mean annual asset growth rate of the EU banking sector of the past six months.

To oversee the implementation and regulation of the plan, Law 3723/2008 provided for the establishment of a supervision council (the **Council**). The Council is chaired by the Minister of Finance. Members will include the Governor of the Bank of Greece, the Deputy Minister of Finance, who is responsible for the Greek

General Accounting Office, and the Government-appointed directors at each of the participating banks. The Council convenes on a monthly basis with a mandate to supervise the correct and effective implementation of the plan and ensure that the resulting liquidity is used for the benefit of the depositors, the borrowers and the Greek economy overall. Participating banks which fail to comply with the terms of the plan will be subject to certain sanctions, while the liquidity provided to them may be revoked in whole or in part.

Towards the end of 2008, Piraeus Bank, along with National Bank of Greece, EFG Eurobank, Alpha Bank, and ATE Bank, among others, announced that it would participate in the plan. The deadline for inclusion in the plan initially was 1 February 2009, but this was subsequently extended to 31 December 2010. Piraeus Bank agreed to participate in the plan at its inception although Piraeus Bank believed that it had adequate liquidity and sound capital ratios. The main reasons for Piraeus Bank participating were:

- to maintain and source new liquidity facilities given the current dysfunctional interbank markets and the closure of senior debt and securitisation markets;
- to continue to expand domestic credit in Greece as part of a coordinated effort to maintain liquidity in the Greek economy;
- to increase the Tier I capital and further strengthen the capital position of Piraeus Bank; and
- to remain competitive with the domestic and other European competitors of Piraeus Bank, who participate in other European bank support plans.

According to a resolution adopted by shareholders at an extraordinary general meeting held on 22 May 2009, Piraeus Bank issued 77,568,134 convertible redeemable Special Preference Shares at a par value of €4.77 each, with the cancellation of the pre-emptive rights of the existing shareholders in favour of the Hellenic Republic. The issue was fully subscribed by the Hellenic Republic, through the transfer by the latter to the Bank of an equivalent amount of Greek Government bonds, in accordance with Law 3723/2008.

Of the other banks in Greece participating in the support plan, National Bank of Greece increased their share capital by €350 million, EFG Eurobank and Alpha Bank by €950 million, and ATE Bank by €675 million, the Hellenic Postal Savings Bank by €225 million and Atica Bank by €100 million. Emporiki Bank, a subsidiary of Credit Agricole S.A., has not utilised the facilities of the initial Hellenic Republic bank support plan but has proceeded with a share capital increase of €850million.

On 3 May 2010, the Greek parliament passed Law 3844/2010 amending Law 3723/2008 to render preference shares not mandatorily redeemable. If not redeemed after five years following their issuance, the coupon rate will be increased by 2 per cent. per annum cumulatively. Law 3844/2010 also extends the obligation not to distribute a cash dividend for profits relating to fiscal year 2009.

In May 2010, the residual €17 billion under the initial Hellenic Republic bank support plan of €28 billion was fully drawn. In light of the extraordinary economic circumstances, the total amount allocated for the provision of guarantees by the Hellenic Republic increased (progressively) from €15 billion to €55 billion.

### **The Sovereign Debt and Fiscal Deficit Crisis in Greece**

Upon its entry into the Eurozone in early 2001, Greece experienced an improved, stability-oriented economic environment as compared with that in the early-1980s until the mid-1990s. In the period from 2001 to 2008, real GDP rose by an average of 3.8 per cent. per year, underpinned by increases in public expenditures, prices, wages, availability of credit, household spending for consumption, housing investment, and business investment.

Notwithstanding the growth in real GDP, Greece continued to maintain large and growing fiscal and external imbalances throughout the period 2001 through 2009, with declining competitiveness due to increasing rates of inflation, deficits, debt and unemployment. With relatively high real growth rates (growth in real GDP of

4.3 per cent. in 2007 and 1.3 per cent. in 2008) and declining competitiveness, the current account deficit, which had already touched 7.2 per cent. of GDP in 2001, rose to about 14.4 per cent. of GDP in 2007 and 14.7 per cent. in 2008.

Debt and unemployment continued to rise in 2009. In October 2009, the newly-elected Greek Government announced that the 2009 fiscal deficit would be 12.7 per cent. of GDP, more than double the previous Government's projection. The real GDP growth rate of Greece declined by 2.3 per cent. and public debt increased from below 100 per cent. of GDP to 126.8 per cent. of GDP by the end of 2009. These figures have been further revised by Eurostat in November 2010 (see "*The Banking Sector and the Economic Crisis in Greece - Anticipated Impact of the IMF/Eurozone Stabilisation Programme*").

The high fiscal deficit and public debt, the loss of credibility from inconsistent financial statistics, and delays of necessary reforms prompted major international credit rating agencies in late 2009 to downgrade Greece's credit rating. As a result, the international capital markets withdrew access to liquidity and the financial system and the economy of Greece entered into a period of significant liquidity shortages. Fears of upward revisions to previous years' data and sovereign default in global financial markets led the yield of the ten-year Greek Government bonds reaching pre-EMU levels and peaking in early May 2010 at 973 basis points over the reference German Bund, leading the country eventually to participate in the IMF/Eurozone Stabilisation Programme.

The Greek economy deteriorated further in the nine month period ended 30 September 2010 as reflected in the considerable GDP contraction of 3.8 per cent. during that period (compared to the nine month period ended 30 September 2009).

### **The IMF/Eurozone Stabilisation Programme**

In early May 2010, the Greek Government agreed to the IMF/Eurozone Stabilisation Programme, jointly supported by the IMF, ECB and the EU, which will provide significant financial support of €110 billion in the form of a cooperative package of IMF and EU funding. The IMF/Eurozone Stabilisation Programme includes a Stand-by Arrangement with the IMF, the terms of which appear to be significantly more beneficial than current spreads for the Hellenic Republic's sovereign bonds with similar terms in the secondary market. The facilities have an expected term of over three years and an interest rate of approximately 4.7 per cent.

The Eurozone share of the programme is €80 billion and that of the IMF is €30 billion.

The IMF/Eurozone Stabilisation Programme was established pursuant to the Memorandum of Economic and Financial Policies and the memorandum of understanding on specific financial policy conditions precedent, each dated 3 May 2010 (the **Memoranda**). The Memoranda provide for certain stabilising and other measures to be adopted in the Greek financial sector, in general, including banking supervision. The Memoranda state that financial sector policies need to maintain stability and that, despite its current strong solvency position, the Greek banking system faces challenges. According to the Memoranda, while current capital buffers in the banking system are reassuring, bank supervisors will need to closely monitor liquidity and non-performing loans at individual banks. The Bank of Greece and the Greek Government will further strengthen and clarify the key elements of Greece's supervisory and financial crisis framework to assist the banking system through this period of lower growth.

The Memoranda discuss liquidity and the creation of the FSF. Within the existing Eurosystem framework, national central banks may give support to temporarily illiquid, but solvent institutions. If that support is given by the Bank of Greece, it will be fully guaranteed by the Greek state in a manner that is consistent with relevant ECB and EU requirements. In addition, the Greek Government and the Bank of Greece are putting in place a new safety net intended to preserve the sound level of bank equity, and thus improve conditions to support the real economy.

Pursuant to the IMF/Eurozone Stabilisation Programme, the Greek Government committed to implement:

- fiscal sustainability measures to reduce the fiscal deficit to below 3 per cent. in 2014;
- structural reforms to reduce costs, increase revenues, improve price competitiveness, and reduce state interference in the economy; and
- austerity measures to safeguard stability of the financial sector.

The Greek Government measures under the IMF/Eurozone Stabilisation Programme are described below.

### ***Fiscal Sustainability Measures***

The IMF/Eurozone Stabilisation Programme requires the Hellenic Republic to implement, among other things:

- substantial expenditure reduction measures, including a reduction in pensions, benefits of public sector employees, employment in public administration, discretionary and low priority investment spending, and subsidies to public enterprises;
- a new contributory pension scheme to top-up the existing pension scheme;
- revenue expansion measures, including increases in taxes and duties, excises on fuel, cigarettes and tobacco and assessment of real estate as well as the introduction of gaming royalties and licensing fees; and
- structural fiscal reforms, including improvements in budget control and processes and tax administration.

### ***Structural Measures***

In addition, the IMF/Eurozone Stabilisation Programme requires the Hellenic Republic to implement structural measures to, among other things:

- reform the legal and regulatory framework concerning collective wage bargaining;
- improve domestic competition and expand product and service markets;
- reduce the size and improve efficiency of local Government;
- divest State enterprises and encourage private investment through the reduction of costs and delays for the creation of new employment and businesses;
- address tax evasion and corruption; and
- restrict early retirement provisions, lower pension entitlements and reduce pension payments.

### ***Financial Sector Measures and the Financial Stability Fund***

*Summary.* The IMF/Eurozone Stabilisation Programme requires the establishment of the FSF, funded by the Government out of the resources available from the IMF and EU to ensure adequate capitalisation of the banking system. If supervisory assessments conclude that a bank's capital buffer might fall below adequate levels to be determined, the shareholders will be invited to immediately bring additional capital or take bridging capital support from the FSF. The capital support programme would provide equity to banks in the form of preference shares that could convert to ordinary shares. When banks are not able to repay the capital support within five years from the issuance of the preference shares, the FSF would devise a restructuring plan for the bank consistent with EU legislation requirements for State aid and fair competition, in consultation with the Bank of Greece. Should the financial targets set out under the restructuring plan not be complied with, the FSF will have the power to convert the preference shares into ordinary shares. The FSF will manage its participations in the banks with a view to selling all of its holdings in a limited timeframe and



to maximise sale proceeds, and will make use of its shareholder rights to steer the board of the credit institution in a direction which would maximise its market value.

The FSF will have an initial duration of seven years. Any shares remaining in the FSF at the time it ceases its activities will be transferred to the Greek State. The amount of funds earmarked for the FSF out of the IMF and EU resources will be €10 billion. Appointees by Bank of Greece, the Governor of Bank of Greece, and the Ministry of Finance will sit on the board, while the appointees by the ECB and the EC will have the right to participate in board meetings as observers. The FSF will report regularly to the Greek parliament, the EC, the ECB, and the IMF staff.

The FSF was established by Greek law 3864/2010 as a private law entity, with the objective of helping to maintain the stability of the Greek banking system by providing equity capital in case of a significant decline in capital buffers. The equity will be provided in the form of non-transferable and non-negotiable preference shares to credit institutions authorised to operate in Greece by licence from the Bank of Greece. The preference shares will be convertible into ordinary shares at a later stage under certain conditions to be further specified in the legislation establishing the FSF. Legal or statutory limitations with respect to the relationship between preference shares and common shares do not apply.

The conversion price will be determined by applying principles of EU legislation on state aid and fair competition. Participation in the FSF can arise either (a) pursuant to the relevant recommendation of the Bank of Greece, based on certain triggers linked to capital adequacy requirements as established for specific credit institutions by the Bank of Greece in its capacity as the competent supervisory authority or (b) under the initiative of the credit institution (such initiative must also be supported by the Bank of Greece under the following conditions: (i) if under conservative assumptions of the Bank of Greece it is estimated that there is a reasonable risk of the credit institution being unable to continue to comply with capital adequacy requirements under Greek legislation, and (ii) if the credit institution's efforts to increase its own capital through the participation of its existing or new shareholders have not been successful). Following its participation in the FSF, if the credit institution is unable to expeditiously raise additional capital on its own and repay the preference shares, the FSF will execute a restructuring plan for the credit institution, with a time horizon of three years (extendable for two more years).

*Legal status.* The FSF is a private law legal entity, fully independent with regards to its administration and financing. The FSF has an initial lifespan of seven years. After seven years, any shares remaining in the FSF will be transferred to the Greek state.

*Funding.* The FSF will be fully funded by the Government in the amount of €10 billion out of the resources available under the IMF/Eurozone Stabilisation Programme for this purpose. This implies that the risk of losses arising out of the FSF's operations would lie exclusively with the Greek Government, as the primary shareholder in the FSF. The purchase of preference shares by the FSF shall be made in cash.

*Powers of the FSF.* The FSF will have certain powers over credit institutions receiving capital from the FSF, to be exercised following consultation with the Bank of Greece. These powers will be without prejudice to the supervisory powers of the Bank of Greece, and will include, among others, the power to:

- appoint an additional member to the board of directors of a credit institution, as representative of the FSF;
- veto key corporate decisions of a credit institution both at the board and shareholder assembly level (e.g., business strategy, dividend distributions, salary caps, liquidity and asset-liability management as well as any other matter which may set at risk the rights of depositors or have a material adverse effect on the liquidity, solvency and/or, in general, on the prudent and orderly operation of the credit institution;

- call a general shareholders' meeting for a credit institution in accordance with Greek company law;
- require conversion of preference shares into ordinary shares if a credit institution fails to meet (i) the minimum capital adequacy requirements established for credit institutions generally under applicable regulatory requirements or (ii) certain financial conditions to be established in the restructuring plan for the credit institution; and
- conduct diagnostic studies and special audits with the help of outside consultants, on-site inspections and off-site reviews to assess the solvency of a credit institution where the Fund considers this necessary.

Each of the Bank of Greece, in its capacity as the competent authority for the supervision of credit institutions, and the FSF will be authorised to exchange confidential information with one another to the fullest extent permitted by law.

*Conditions applicable to capital increases.* The conditions applicable to any capital increases should be aligned with the EU Decision of 19 November 2008 (European Commission, State Aid N.560/2008 on support measures for the credit institutions in Greece). The granting of equity capital would be made subject to the approval of the Bank of Greece and the following conditions. In particular, the credit institutions will be expected to pay the FSF a market-oriented, non-cumulative remuneration unless an analysis of the restructuring plan warrants an alternative approach. A market-oriented, non-cumulative remuneration could be the result of independent valuation (as stipulated in the above decision). In particular, the remuneration is the average of the evaluations of two independent audit offices which will be effected through generally accepted methods and criteria. The aforementioned offices will be appointed by the FSF and the credit institution respectively. In case of variation, where such averages exceeding 10 per cent., the remuneration will be determined definitely by a third independent audit office, appointed by a joint decision of the Minister of Finance and the Governor of the Bank of Greece. In all cases, the aforementioned assessments must also respect relevant European Commission guidelines with regards to similar assessments. The credit institutions would not be permitted to pay dividends or any outstanding coupon on hybrid capital, unless they are legally obliged to do so, as is typically the case when a credit institution is profit making (the credit institution would not however not be allowed to use reserves to book a profit). Preference shares issued to the FSF would be required to be repurchased by the credit institution for an amount equivalent to the amount originally invested in the credit institution after five years, upon the approval of the Bank of Greece, while the repurchase price will be equal to the higher of the issue price (plus any non-paid but payable dividends) and the price at the time the corporate body of the credit institution approves the repurchase (the latter is considered to be the reasonable value of the preference shares determined as described above by the assessment procedure). Partial repurchase is not allowed. In case the shares are not repurchased within the five-year period, a cumulative annual increase of 2 per cent. is imposed on the return of the preference shares.

In case the capital adequacy requirements are not fulfilled and upon recommendation of the Bank of Greece the preference shares shall be converted into ordinary shares.

*Approval of restructuring plan by the EU.* Any restructuring plan imposed by the FSF is required to comply with EU rules on state aid and be approved by decision of the EC ensuring that the credit institutions will restore viability at the end of the restructuring period, burden sharing of shareholders is achieved and distortion of competition is limited. The EU has approved the FSF until June 2011.

The Memorandum provides that other elements of the safety net for the financial sector will also be strengthened.

The Bank of Greece will implement intensified supervision and increase the resources dedicated to banking supervision. This will include an increase in the frequency and speed of data reporting, and the further

development of a comprehensive framework for regularly stress-testing financial institutions. Staffing will be increased both for on-site inspections and off-site review, while also taking into account the new responsibilities of the Bank of Greece with respect to insurance supervision. Additional flexibility will be introduced in the management of human resources, and all Bank of Greece staff will be granted strong legal protection for actions performed in good faith.

#### ***Anticipated Impact of the IMF/Eurozone Stabilisation Programme***

The successful implementation of the above austerity measures are intended to gradually ameliorate the uncertainty about the Hellenic Republic's near- to medium-term financial prospects. Meanwhile, economic activity in the Hellenic Republic is expected to suffer certain significant negative short-term effects, including a drop in consumer and business confidence and a reduction in inter bank liquidity. In fact, the IMF/Eurozone Stabilisation Programme projects a decline in economic activity of 4.2 per cent. (in real terms) in 2010, and 3 per cent. in 2011, but contemplates output growth returning to positive on an annual basis in 2012 (+1.1 per cent.) while it is likely to bottom out, on a quarterly basis, in the third and fourth quarters of 2011.

If the IMF/Eurozone Stabilisation Programme is implemented successfully, the plan contemplates the general Government deficit declining to 9.4 per cent. of GDP in 2010 and to below 3 per cent. of GDP in 2014, at which time the Government debt as a percentage of GDP is expected to return to a downward trend after peaking at 150 per cent. of GDP in 2013, up from 126.8 per cent. of GDP at the end of 2009. In addition, the unemployment rate is expected by the Greek government to peak at around 14.8 per cent. in 2012 from 12.1 per cent. in 2010. On 15 November 2010, the Hellenic Statistic Authority in co-operation with Eurostat released its final revised figures for the Greek fiscal position relating to the period 2006-2009. The fiscal deficit for the year 2009 was revised from 13.6 per cent. to 15.4 per cent. of GDP (or approximately €36.2 billion), primarily due to the reclassification of public corporations controlled by the Government into general Government data, adjustment of accounts of social security funds and local government and a downward revision of GDP for 2009. This revision has also affected the total debt position of the Hellenic Republic. As a result, the amount of consolidated debt of the Greek general Government has been revised to approximately €298 billion or 126.8 per cent. of GDP in 2009 (from 115.4 per cent. of GDP). Despite the revision, the debt to GDP ratio is still projected to peak in 2013 and start declining afterwards. As a result of the data revision for the period 2006-2009, the 2010 budget deficit is estimated to be 9.4 per cent. of GDP (compared to the target 8.1 per cent. of GDP under the IMF/Eurozone Stabilisation Programme).

The IMF has stated that the above adjustment needs are “unprecedented and will take time”. Whether or not these fiscal targets, described by the IMF as “ambitious” and “bold”, will be met in view of the deteriorating macroeconomic conditions domestically remains challenging due to increasing signs of re-emerging stress in international financial markets. Nevertheless, the IMF/Eurozone Stabilisation Programme includes fiscal consolidation measures which appear to the IMF sufficient to ensure the attainment of the fiscal targets at least for 2010 even under a scenario of deeper-than-currently-expected recession.

It is difficult for Piraeus Bank to predict or state with any degree of certainty whether the IMF/Eurozone Stabilisation Programme will be implemented successfully and, if implemented successfully, whether it will have the effects intended, and how severe an impact on the Piraeus Bank Group's results of operations and financial condition an implementation of the IMF/Eurozone Stabilisation Programme, successfully or unsuccessfully, might have. For more detail on the risks and uncertainties that Piraeus Bank faces regarding the failure to implement the stabilisation plan and otherwise, see “*Risk Factors—Risks Relating to the Hellenic Republic Economic Crisis*”.

#### ***The Greek Banking Sector under the Hellenic Economic Crisis and IMF/Eurozone Stabilisation Programme***

As a result of the economic crisis detailed above, the stability of the domestic financial system came under considerable pressure during the first nine months of 2010. In particular, the instability in the money and

capital markets, including the market for Greek Government bonds, adversely affected the profitability and liquidity ratios of the Greek banking sector. While the widening of Greek Government bond credit spreads increased the market risk of Greek banks, the deterioration of the financial situation of businesses and households led to a further increase in the non-performing loans ratios for Greek banks. A rise in the non-performing loan ratio was observed across all loan categories, with the total non-performing loan ratio increasing from 5.0 per cent. as at 31 December 2008, to 7.7 per cent. as at 31 December 2009 and to 10 per cent. as at 30 September 2010. Losses from financial operations, coupled with a significant increase (on an annual basis) in provisions for credit risk, adversely affected the results of operations of Greek banks. Nonetheless, the capital adequacy of banks and their groups remained satisfactory, recording only a marginal decline from 13.2 per cent. as at 31 December 2009 to 12.3 per cent. as at 30 June 2010 whereas on a consolidated level it was 11.8 per cent. and 11.2 per cent., respectively.

To enhance the ability of Greek banks to use the refinancing facilities of the Eurosystem, the Greek Government, upon approval from the EC, extended, initially until 30 June 2010 and subsequently until 31 December 2010, the deadline for the use of non-allocated funds under the liquidity support measures of Law 3723/2008. Furthermore, Law 3845/2010 expanded the bank bond guarantee scheme by €15 billion (in addition to the €15 billion which were initially provided for by Law 3723/2008). Moreover, by virtue of Law 3872/2010, the bank bond guarantee scheme was expanded by another €25 billion. In this context, Greek banks issued bonds guaranteed by the Greek Government totalling of a sum total of approximately €28 billion and received special Greek Government bonds of approximately €7.7 billion. Greek banks' access to liquidity was further facilitated by measures taken by the ECB, which decided on 3 May 2010 to accept as collateral in the Eurosystem's refinancing operations all Greek Government bonds, as well as bonds guaranteed by the Greek Government, irrespective of their credit rating.

Moreover, on 10 May 2010, the ECB decided to start conducting interventions in the Eurozone public and private debt securities markets to ensure liquidity in those market segments and restore an appropriate monetary policy transmission mechanism. It also decided to conduct a supplementary six-month longer-term refinancing operation (the **LTRO**) on 13 May 2010 and adopted a tender procedure with full allotment in the regular three-month LTROs on 26 May 2010 and 30 June 2010 and reactivated U.S. dollar liquidity-providing operations.

In July 2010, an EU-wide stress test exercise was conducted in which the six largest Greek banking groups participated in a total of 91 EU banks. The stress test covered the period from 2010 to 2011 and comprised several scenarios, including a "benchmark" scenario, which is broadly in line with current macroeconomic projections and forecasts, an "adverse" scenario, and an "extremely adverse" scenario, which assumes a significant further worsening of macroeconomic conditions and a sovereign risk shock. The objective of the exercise was to investigate the resilience of capital adequacy in the banking industry in Europe, in case of further worsening of the economic crisis, and to define the amount of necessary capital for the restoration of the Tier I capital to 6 per cent., when taking into consideration the adverse scenario and the extremely adverse scenario at the end of 2011. The criteria that were applied in the case of Greece compared to other European countries were by far the strictest.

The results of the exercise showed that, under the benchmark scenario, the Tier I ratio of all six Greek banking groups exceeded the 6 per cent. threshold that was agreed as a benchmark solely for the purposes of this exercise, even though the regulatory minimum is 4 per cent.

Under the extremely adverse scenario, despite Tier I ratio declines of between three and seven percentage points, the high starting level enabled five of the six Greek banking groups to pass the test. For all six banking groups, the results of the stress test under the extremely adverse scenario showed an aggregate net capital surplus of €3.3 billion over the amount corresponding to the defined 6 per cent. threshold of the Tier I ratio.

The results of the stress test for the Tier I ratio of the Piraeus Bank Group for 2011, which were announced by Piraeus Bank on 23 July 2010, were as follows:

- at the “benchmark scenario”, 10.9 per cent.;
- at the “adverse scenario”, 8.3 per cent.; and
- at the “extremely adverse” scenario, 6.0 per cent..

The Bank of Greece is expected to closely monitor the developments to ensure that necessary steps are taken to increase capital adequacy of banks where needed. As discussed, the establishment of a €10 billion FSF also provides a safety net for banks’ capital adequacy. In addition, €1.2 billion is still available for the issuance of preference shares through the measures supporting the liquidity of the Greek banking system of Law 3723/2008.

## REGULATION AND SUPERVISION OF BANKS IN GREECE

The Bank of Greece is the central bank and is responsible for the licensing and supervision of credit institutions in Greece, in accordance with Law 3601/2007, Law 3746/2009 (*Deposits and Guarantee Fund*), Law 3691/2008 (*Anti Money Laundering*), Law 3862/2010 (*Payment Services*) and other relevant Greek laws, each as amended.

Regulation of the banking industry in Greece has changed in recent years as Greek law has changed largely to comply with applicable EU directives. In August 2007, the EU directives regarding the adoption of the new capital adequacy framework (**Basel II**) were incorporated into Greek law relating to the business of credit institutions and to the capital adequacy of investment firms and credit institutions. Following this, on 20 August 2007, the Bank of Greece issued ten Governor's Acts specifying the details for the implementation of Basel II, which took effect from 1 January 2008. A number of regulatory initiatives have recently been proposed or are shortly to be implemented which would alter the Group's capital requirements, including the EU Directive 2009/111/EC (**CRD II**) and the EU Capital Requirements Directive III (**CRD III**) as discussed below under "*Regulation and Supervision of Banks in Greece - Guidelines for Risk-based Capital Requirements*".

Recently, the Greek Government has revised the terms of the Hellenic Republic bank support plan to strengthen Greek banks' capital and liquidity positions. For more information concerning Piraeus Bank's participation in this plan, see below "*The Banking Sector and the Economic Crisis in Greece - The Hellenic Republic Bank Support Plan*". In addition, in response to the unprecedented economic downturn in the Hellenic Republic, in early May 2010, the Greek Government agreed to the IMF/Eurozone Stabilisation Programme. See "*The Banking Sector and the Economic Crisis in Greece - The IMF/Eurozone Stabilisation Programme*".

### The regulatory framework

Credit institutions operating in Greece are obliged to:

- observe the liquidity ratios prescribed by the Bank of Greece (Act No. 2560/2005 of the Governor of the Bank of Greece as amended by Act No. 2614/2009 of the Governor of the Bank of Greece which took effect from 1 July 2009);
- maintain efficient internal audit, compliance and risk management systems and procedures (Act No. 2438/1998 and No. 2577/2006 of the Governor of the Bank of Greece, as amended and in force);
- submit to the Bank of Greece periodic reports and statements (Act No. 2606/2008 of the Governor of the Bank of Greece);
- provide the Bank of Greece with such further information as it may require; and
- (in connection with certain operations or activities) make notifications to or request the prior approval (as the case may be) of the Bank of Greece, in each case in accordance with the applicable laws of Greece and the relevant Acts, Decisions and Circulars of the Bank of Greece.

Under Law 3601/2007, the Acts of the Governor of the Bank of Greece and other relevant laws of Greece, the Bank of Greece has the power to conduct audits and inspect the books and records of credit institutions. If a credit institution breaches any law or a regulation falling within the scope of the supervisory power attributed to the Bank of Greece, the Bank of Greece is empowered to:

- require the relevant credit institution to take appropriate measures to remedy the breach;
- impose fines (Act No. 2602/2008 of the Governor of the Bank of Greece);

- appoint an administrator; and
- where the breach cannot be remedied or in case of insolvency, revoke the license of the credit institution.

If a credit institution lacks sufficient liquidity, the Bank of Greece may order a mandatory extension of its due and payable obligations for a period not exceeding two months (which can be extended for a further one-month period) and appoint an administrator under its supervision. In accordance with Law 2832/2000, in addition to other powers to impose sanctions under specific laws, the Bank of Greece has the general power to impose sanctions against credit institutions in case of any breach of any law or regulation falling within the supervisory power of the Bank of Greece. Such sanctions consist of the obligation of the Bank to make a deposit to the Bank of Greece, amounting to 40 per cent. of the amount of the breach or to €8,804,109 if the breach cannot be evaluated. Alternatively or cumulative to the above Bank of Greece may impose a fine amounting to 40 per cent. of the amount of the breach or to €880,411, which may be increased to €1,467,351 in case of repetition of the breach.

### **Interest Rates**

Under Greek law, interest rates applicable to bank loans are not subject to a legal maximum, but they must comply with certain requirements intended to ensure clarity and transparency, including with regard to their readjustments.

Limitations apply to the compounding of interest. In particular, the compounding of interest with respect to bank loans and credits only applies if the relevant agreement so provides and is subject to limitations that apply under Article 30 of Law 2789/2000 (as in force) and Article 39 of Law 3259/2004 (as in force).

### **Foreign Exchange**

Starting in 1991, Greek foreign exchange restrictions were gradually relaxed, and were totally eliminated concurrently with the adoption of the euro on 1 January 2001. A 2 per cent. requirement of re-deposit and assignment, which currently applies to deposits in euro, applies to foreign currency deposits as well.

Under Article 4 of Law 2842/2000, effective 1 January 2001, credit institutions operating in Greece and authorised to enter into foreign currency transactions can freely enter into transactions of any type in foreign currencies and foreign notes, on their own account and at their own risk, in accordance with the provisions in force.

Furthermore, credit institutions operating in Greece publish daily rate bulletins of buy/sell exchange rates of foreign currencies and notes for the purposes of trading with the public. The relevant bid/offer spreads are determined freely. The Bank of Greece publishes daily reference exchange rates of the euro against foreign currencies based on the corresponding foreign exchange rate bulletins of the ECB.

### **Compulsory Deposits with the Central Bank**

The compulsory reserve requirement framework of the Bank of Greece is in line with Eurosystem regulations. Reserve ratios are determined by category of liabilities at 2 per cent. for all categories of liabilities comprising the reserve base, with the exception of the following liabilities to which a zero ratio applies:

- deposits with agreed maturity over two years;
- deposits redeemable at notice over two years;
- repos; and

- debt securities with agreed maturity over two years.

This requirement applies to all credit institutions.

### **Restrictions on Enforcement of Collateral**

According to Greek law 3814/2010, the forced auctions launched either by credit institutions or by companies providing credit or by their assignees to satisfy claims not exceeding €200,000 were suspended until and including 30 June 2010. Pursuant to Greek law 3858/2010, and specifically, under article 40, the above suspension was extended until 31 December 2010 and, following recent enactment of Legislative Act dated 4/1/2001 published in Greek Government Gazette A/1/4.1.2011 to be further ratified by law, is further extended until 30 June 2011. In addition, under Greek law 3869/2010 on the restructuring of debt of individuals banks cannot enforce on an individual's primary residence under certain conditions.

### **Guidelines for Risk-based Capital Requirements**

The current framework which is set by EU Directives (2006/48/EC and 2006/49/EC) (**Basel II**) includes the general requirement for banks to hold total capital equivalent to at least 8 per cent. of their risk-weighted assets, the basic structure of the 1996 Market Risk Amendment regarding the treatment of market risk and the definition of eligible capital. Greece implemented the above EU Directives by Law 3601/2007, as in force, and secondary legislation issued by the Bank of Greece.

The framework also puts forward a detailed set of minimum requirements designed to ensure the integrity of these internal risk assessments. The revised framework introduces capital requirements for operational risk and also directs banks to establish an internal capital adequacy assessment process. This process accounts for market, credit and operational risks as well as other risk, including, but not limited to, liquidity risk, concentration risk, interest rate risk in the banking book, business risk and strategic risk.

The revised framework provides a range of options of escalated sophistication for determining the capital requirements for credit risk and operational risk. Various options allow banks and supervisors to select approaches that are most appropriate for their own operations and their financial market infrastructure. Furthermore, Basel II significantly enhances the requirements for market disclosures on both quantitative and qualitative aspects of risk management practices and capital adequacy.

In 2008, the EC submitted a Proposal for a Directive of the European Parliament and the European Council amending Directives 2006/48/EC and 2006/49/EC regarding banks affiliated with central institutions, certain own funds items, large exposures, supervisory arrangements and crisis management which led to the adoption of Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009. Greece was required to enact the laws, regulations and administrative provisions necessary to comply with this Directive by 31 October 2010, and implemented these measures on 29 October 2010.

A number of regulatory initiatives have recently been proposed, which would significantly alter the Piraeus Bank's capital requirements. These proposed initiatives include:

- EU Directive 09/11/EC (**CRD II**): CRD II was implemented in Greece on 29 October 2010. In particular it will make changes to the criteria for assessing hybrid capital eligible to be included in Tier I capital and may require the Piraeus Bank Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria. There is still significant uncertainty around the interpretation and the implementation of CRD II as it relates to Piraeus Bank.
- The EU Capital Requirements Directive III (**CRD III**): CRD III is currently subject to consultation. It will introduce a number of changes in response to the recent and current market conditions, which may:



- increase the capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
  - limit investments in re-securitisations and impose higher capital requirements for re-securitisations to make sure that firms take proper account of the risks of investing in such complex financial products; and
  - increase disclosure standards.
- On 16 December 2009, the Basel Committee published a consultation paper entitled "*Strengthening the resilience of the banking sector*". The consultation paper contains proposals to strengthen the global capital framework by, among other things, raising the quality of the Core Tier I capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base and reforms to the capital structure), introducing a requirement for non-Core Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written-off on the occurrence of a bailout of the institution (applicable to internationally active banks), strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing a global minimum liquidity standard for the banking sector. In September 2010, the Basel Committee endorsed the agreements it reached on 26 July 2010 and reached an agreement regarding the global minimum capital standards to be implemented by member countries from January 2013. The minimum common equity requirement will be raised from 2 per cent. to 4.5 per cent. in a phased manner starting in 2013 (when it will rise to 3.5 per cent.), and then increasing to 4.0 per cent. in 2014 and then 4.5 from 2015. In addition, banks will be required to hold a 'capital conservation buffer' of 2.5 per cent. in addition to the minimum common equity component, to bring the total common equity requirement to 7 per cent. The capital conservation buffer will be phased in from 2016 (at 0.625 per cent.), going up to 1.25 per cent. in 2017, 1.875 per cent. in 2018 and 2.5 per cent. from 2019. The Tier 1 capital component will rise from 4 per cent. to 4.5 per cent. from 2013, and then up to 5.5 per cent. from 2014, and then 6.0 per cent. from 2015.
  - On 26 February 2010, the EC issued a public consultation document on further possible changes to the CRD IV which is closely aligned with the proposals of 16 December 2009 from the Basel Committee.
  - Piraeus Bank Group anticipates that Serbia will adopt Basel II in its totality further to the "Basel II Adoption Programme" introduced by the Central Bank of Serbia. Rumania, Bulgaria and Cyprus, being EU member states, have adopted Basel II. To the contrary, the latter has not yet been introduced in Albania, Ukraine, Egypt or the United States of America.

### **Additional Reporting Requirements**

Following the adoption of Basel II guidelines, the Bank of Greece issued Governor's Act No. 2606/2008 determining the new reporting requirements for credit institutions in Greece, which include the following:

- capital structure, special participations, persons who have a special relationship with the credit institution and loans or other types of credit that have been provided to these persons by the credit institution;
- own funds and capital adequacy ratios;
- capital requirements for credit risk and counterparty credit risk;
- capital requirements for market risk of the trading book (including foreign exchange risk);
- information on the composition of the trading book;

- capital requirements for operational risk;
- large exposures and concentration risk;
- liquidity risk;
- financial statements and other financial information;
- covered bonds;
- combating money laundering and terrorist financing;
- information systems; and
- other information.

Piraeus Bank submits to the Bank of Greece a complete set of reports that are required under the regulatory framework on a quarterly basis, which report on the Piraeus Bank level, as well as on the Piraeus Bank Group level. Additionally, under the decision of the Banking and Credit Committee No 297/25.5.2010, some of these reports are submitted on a monthly basis on the Piraeus Bank level only.

### **Deposit Guarantee Fund**

In January 1993, the Greek Parliament adopted and introduced the deposit protection fund (**Deposit Guarantee Fund** or **DGF**). Currently, the DGF has been substituted by the Deposit and Investment Guarantee Fund (**DIGF**) which is a private entity according to Law 2832/2000, and is administered jointly by the Bank of Greece, the Hellenic Bank Association, the Ministry of Finance and the Association of Greek Cooperative Banks.

DIGF's objective is to indemnify (a) depositors of credit institutions participating in the DIGF, either mandatorily or voluntarily, and failing to comply with their obligations towards their depositors and (b) clients to whom credit institutions offer investment services in case such institutions fail to comply with their obligations under such services.

The DIGF is funded by annual contributions of participating credit institutions and donations, liquidations of receivables and other contributions and loans. The level of each participant's annual contribution is generally determined according to certain percentages applied to the total amount of eligible deposits. If accumulated funds are not sufficient to cover the claimants whose deposits become unavailable, participants may be required to pay an additional contribution. However, this contribution may not exceed an amount equal to 300 per cent. of a bank's last annual contribution. This additional contribution is set-off against the annual contributions of following years. Greek law adopted the minimum level of coverage provided by the EU Directive 1994/19/EC on deposit guarantee schemes, which amounts to €20,000 per depositor per credit institution. However, following the market developments in 2008, and based on the resolutions of the meeting of the EU Economic and Financial Affairs Council (**ECOFIN Council**) on 7 October 2008, the coverage level was increased to €100,000 until 31 December 2011. The Minister of Finance has the authority to extend the above deadline. The level of coverage extended to credit institution clients relating to the provision of investment services is €30,000 per depositor per credit institution.

### **Prohibition of Money Laundering and Terrorist Funding**

Greece, as a member of the Financial Action Task Force (**FATF**) and as a Member State of the EU, fully complies with FATF recommendations and the relevant EU legal framework. Law 3691/2008 on the prevention and suppression of money laundering and terrorist funding implemented EU Council Directives 2005/60/EC and 2006/70/EC. The main provisions of Greek legislation on money laundering and terrorist financing are as follows:

- money laundering and terrorist financing constitute criminal offences;
- persons subject to the law include credit institutions, financial institutions, and certain insurance undertakings;
- credit institutions (and other persons) are required to identify customers, retain documents and notify authorities of suspicious transactions;
- provisions of private law and banking secrecy do not apply to money laundering activities; and
- the Committee for the Combating of Money Laundering and Terrorist Financing was established and given responsibility for examining reports filed by banks and other natural or legal persons with respect to suspicious transactions. Among others, several ministries, the Bank of Greece, the HCMC, tax authorities and the police participate in the administration of this committee.

In July 2002, the Greek Parliament adopted Law 3034/2002, which implemented the International Convention for the Suppression of the Financing of Terrorism, with which Piraeus Bank are fully compliant. Additionally, Piraeus Bank complies with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (known as the “USA PATRIOT Act of 2001”), which took effect from October 2001 and which has implemented a range of new anti-money laundering requirements on banks and other financial services institutions worldwide.

The Bank of Greece, through its Banking and Credit Affairs Committee, has also issued Decision No. 281/5/2009 on the “*Prevention of the use of the credit and financial institutions, which are supervised by the Bank of Greece, for the purpose of money laundering and terrorist financing*”. Decision No. 281/5/2009 takes into account the principle of proportionality, the obligations of all credit and financial institutions and FATF recommendations. The decision also reflects the common understanding of the obligations imposed by European Regulation 1781/2006 on the information on the payer accompanying funds transfers to payment service providers of payees.

### **Equity Participation by Banks**

Banks must follow certain procedures regarding holdings in other companies. Under Law 3601/2007, credit institutions may not have a qualifying holding, the amount of which exceeds 15 per cent. of its own funds in an undertaking, that is not a credit institution, a financial institution, an insurance or re-insurance company, an investment firm or an undertaking carrying on activities which are a direct extension of banking or concern services ancillary to banking. The total amount of a credit institution’s qualifying holdings in such undertakings may not exceed 60 per cent. of its own funds. A “qualifying holding” means a direct or indirect holding in an undertaking which represents 10 per cent. or more of the capital or the voting rights, or which makes it possible to exercise a significant influence over the management of that undertaking.

To calculate these thresholds, the following shares or holdings are not taken into account:

- shares or holdings that are held by the credit institution as a result of credit support to an undertaking in distress for a period of one year (that may be extended for one more year following a resolution of the Bank of Greece);
- shares or holdings that are held as a result of underwriting services provided by the credit institution for a period of six months following the end of the subscription period;
- shares or holdings that are held on behalf of a third party; and
- shares or holdings included in the trading book of the credit institution.

The above thresholds or the time limits referred to above may be exceeded in exceptional cases following a decision of the Bank of Greece to that effect, provided that the credit institution either increases its own funds or takes equivalent measures. The Bank of Greece may also allow the thresholds and the time limits to be exceeded, provided that the excess is fully covered by own funds which are not taken into account for the calculation of the capital adequacy ratio.

According to Act No. 2604/2008 of the Governor of the Bank of Greece, credit institutions must obtain central bank approval to acquire or increase a qualifying holding in the share capital of credit institutions, financial services companies, insurance and re-insurance companies, information technology and financial data collection processing companies, asset and liability management companies, venture capitals, real property management companies, paying systems management companies and external credit assessment institutions. The provisions of such Act do not apply to branches of credit institutions with their registered seat in a country of the European Economic Area, or outside the European Economic Area provided that the Bank of Greece has recognised the equivalency of their supervisory regime. For the purposes of the aforementioned Act a “qualifying holding” means a direct or indirect holding in an undertaking which represents 10 per cent. or more of the capital or the voting rights, or which makes it possible to exercise a significant influence over the management of the undertaking. Any “indirect holding” means the one held by a subsidiary of the credit institution.

Prior approval for the acquisition or increase of a qualifying holding is not required in any of the following circumstances:

- (1) If the value of the qualifying holding does not exceed, in the aggregate, taking into account any increases effected within the same calendar year, 2 per cent. of the credit institution’s own funds, as calculated on the basis of the data for the immediately preceding calendar quarter.
- (2) If the value of the qualifying holding amounts to, in the aggregate and taking into account any increases effected within the same calendar year, between 2 per cent. and 5 per cent. of its own funds as calculated on the basis of the data for the immediately preceding calendar quarter, provided that:
  - the capital adequacy ratio (on a consolidated basis), after calculating the influence of such qualifying holding, exceeds the minimum ratio required by law plus (i) one percentage point in the case of credit institutions having the status of a société anonyme and (ii) five percentage points in the case of cooperative banks; and
  - the ratio of the core or Tier 1 capital to the assets of the credit institution amount at least to 6 per cent.
- (3) If the acquisition or increase of the qualifying holding:
  - is a result of investments made by investment companies of Law 3371/2005 or real estate investment companies of Law 2778/1999; or
  - is the result of underwriting services provided by the credit institution for a period of six months following the end of the subscription period; or
  - is effected without the direct or indirect disposal of funds, with the exception of exchange of shares in case of credit institutions’ mergers (which, in such case the provisions of paragraphs (1) and (2) above apply).

The value of qualifying holdings under paragraph (3) is not taken into account for the calculation of the qualifying holdings for the purposes of paragraphs (1) and (2) above.

- (4) If the acquisition or increase of the qualifying holding in an undertaking is supervised by the Bank of Greece, provided that such holding is subject to approval pursuant to the general provisions

regarding the establishment and operation of such undertaking and the suitability of its shareholders. The value of such qualifying holding is not taken into account for the calculation of the qualifying holdings for the purposes of paragraphs (1) and (2) above.

Subject to EU regulations, new and significant holdings (concentrations) must be reported to the Greek Competition Commission according to Greek Law 703/1977, as in force.

The CMC and ATHEX must be notified once certain ownership thresholds are crossed with respect to listed companies.

### **Payment Services Directive (PSD)**

EU Council Directive 2007/64 on payment services established uniform rules on electronic payments (for example, debit card payments or monies transfer) in 30 European countries (EU Member States, Iceland, Norway and Lichtenstein). PSD sets forth information to be furnished to payments services users and renders such payments faster and safer.

EU Council Directive 2007/64 was incorporated in Greek law by Law 3862/2010, according to the provisions of which any payment service provider, including Piraeus Bank, must ensure easy access to a minimum of information and transparency concerning the respective payment services, as per the terms and conditions further provided for in such Law. The provisions of Law 3862/2010 regulate banking activity in aspects such as the transparency of the terms, notification requirements, contracts, provision of payment services, refunding, credit to the beneficiary, the valuer etc. The new legal framework includes a series of provisions protecting the rights of payment services users.

### **MiFID**

EU Council Directives 2004/39 and 2006/73 and Council Regulation 1287/2006 on investment services or the Markets in Financial Instruments Directive (the **MiFID**) were introduced in Greece by Law 3606/2007 (the **MiFID Law**) and subsequent decisions of the Hellenic Capital Market Committee as well as Bank of Greece Governor's Acts. Relevant provisions introduced significant changes with a view to improving the legal framework of investment services: investment services providers must categorise their clients as per the latter's risk profile, offer increased transparency on their fees and expenses payable by clients, ensure timely forwarding of clients' orders concerning transactions under the ATHEX, locate and prevent interest conflicts, and other relevant matters.

## THE MORTGAGE AND HOUSING MARKET IN GREECE

The Greek housing loan market was deregulated in the early 1990s. This allowed both domestic and foreign commercial banks to rapidly establish themselves in this market as well as in the broader region of south-eastern Europe. The seven largest lenders in the Greek residential mortgage market are the National Bank of Greece, Alpha Bank, Eurobank EFG, Emporiki Bank, Piraeus Bank, ATE Bank and Hellenic Postbank, together accounting for around 84 per cent. of the total market as at end of June 2010. (*Source: Bank of Greece and published financial statements of each bank.*)

Over the last decade and following Greece's adoption of the Euro, households have taken advantage of the downward convergence of borrowing costs and the stable macroeconomic environment to increase their leverage. The residential mortgage market thus experienced growth of 25 per cent. per annum in the period from 2000 to 2009 and mortgage credit increased from 11 per cent. of GDP in 2001 to around 34 per cent. by the end of 2009, but total household leverage at the end of 2009 was 51 per cent. and thus remains lower than the euro area average of 65 per cent. as at the end of 2009. The global credit crunch and the global financial crisis following the collapse of Lehman Brothers effectively ended this rapid expansion, and 2009 saw the mortgage loan growth rate in Greece decelerate to 3.7 per cent. per annum from 12 per cent. per annum in 2008 and 21 per cent. per annum in 2007. This deceleration is attributable to the stricter lending criteria applied by the Greek banking sector as well as lower demand from households as a result of high uncertainty surrounding Greece's fiscal developments. Nevertheless, at the end of 2009, the 34 per cent. penetration rate of mortgages in Greece remains well below the euro area average of 47 per cent.

### *Mortgage Products*

The Greek mortgage market offers fairly standard products as well as more sophisticated products, driven by demand and strong competition among lenders. Currently, most banks offer the following mortgage products:

- (a) long-term fixed rate mortgages (they account for a small percentage of the market);
- (b) floating rate mortgages, based on EURIBOR, LIBOR (EUR or CHF), ECB refinance rates, or base rates set by the lending institution;
- (c) fixed rate mortgages for an initial period (for example, for one, two, three, five, 10 or 15 years) converting to a floating rate thereafter;
- (d) mortgages with a discounted fixed rate for an initial period of either one or two years converting to a floating rate thereafter; and
- (e) mortgages with floating rates which are subsidised up to a certain amount and for a specific period of time by OEK and/or the Greek State or by any additional Greek State entity; and
- (f) preferential floating rate mortgages granted in favour of the banks' employees.

Typically, mortgage loans have a term of 15 to 30 years, with a maximum term of 40 years. Annuity loans are the most common form of repayment, while interest-only loans account for only a very small proportion of total loans.

### *The Greek Housing Market*

The Greek housing market is characterised by very low turnover: strong family ties keep the younger generation with their parents until their first home purchase, which usually accompanies marriage.

Home ownership within Greece is highest in the regions outside Athens and lowest in Athens, and the ownership of second homes is quite common.

The most common type of property is the apartment, followed by maisonettes and detached houses.

### *Security for Housing Loans*

In Greece, security for housing loans is created by establishing a mortgage. A mortgage can be established by a notarial deed (or by a judicial decision, or by law in special cases). The establishment of a mortgage by notarial deed is quite costly and is therefore not preferred by banks and borrowers. Instead, banks generally obtain a pre-notation of a mortgage, which is an injunction over the property entitling its beneficiary to obtain a mortgage as soon as a final judgment for the secured claim has been obtained, but which is valid as of the date of the pre-notation. From the perspective of enforceability, ranking of the security and preferred right to the proceeds of the auction, there is no difference between a holder of a mortgage and a holder of a pre-notation of a mortgage, since the latter is treated as a secured creditor of the property. Both the holder of a pre-notation of a mortgage and a mortgagee need an enforcement right before commencing enforcement procedures. The difference between them is that the pre-notation is a conditional security interest whose preferential treatment is subject to the unappealable adjudication of the claim it purports to secure, whereas a mortgagee's claim is enforceable pursuant to the mortgage deed itself.

Establishing a pre-notation is the most common way of establishing security for a housing loan in Greece.

The pre-notation, as a form of injunction, can be established with or without the consent of the owner(s) of the property on which the pre-notation will be established, but is only granted pursuant to a court decision.

The procedures adopted by lenders of housing loans in practice has led to an arrangement whereby pre-notations are granted "by consent", where both the lending bank and the owner of the property over which the pre-notation will be established (i.e. the borrower or guarantor or a third party), appear before the competent court and consent to the establishment of the pre-notation on the specific real estate property. The court issues the decision immediately (in fact, the decision is drafted beforehand by the lending bank and is certified and signed by the judge who hears the claim).

Having a certified copy of the court decision and a summary thereof, the lawyer of the lending bank takes them to the Land Registry or the Cadastre, where applicable, along with a written request for the issuance (by the Cadastre or the Land Registry) of certificates confirming:

- (a) the ownership by the person that consented to the granting of the pre-notation (i.e. the borrower, guarantor or third party) of the mortgaged property;
- (b) the registration and ranking of the pre-notation;
- (c) the absence of (judicially raised) claims of third parties against the current and all previous owner(s) of the mortgaged property; and
- (d) any other mortgages, pre-notations or seizures preceding the pre-notation registered by the bank.

At the same time the bank's lawyer effects a search in the Cadastre or the Land Registry, in order to confirm the uncontested ownership of the person that consented to the granting of the pre-notation (i.e. the borrower, guarantor or third party, as the case may be) and the first priority nature of the mortgage or pre-notation, before the loan can be disbursed.

Once the certificates are issued, they are reviewed by the bank's legal department and are included in the borrower's file. The legal review of both the ownership titles and the pre-notation registration is based on public documents, i.e. on notarial deeds and certificates issued by the competent Land registries or Cadastres, where applicable. The history of the ownership titles for the previous 20 years is examined (which is the period for adverse possession). Such a review together with a titles search in the Cadastre or the Land

Registry, precedes the approval of the loan. Upon registration of the pre-notation, a second titles search is made to confirm the *status quo*.

### *Enforcing Security*

It is Piraeus Bank's policy to commence enforcement proceedings once an amount remains unpaid under a loan for more than 180 days, at which point, the loan is terminated. Once a loan is in default for more than 180 days, a notice of termination of the loan is served on the borrower and on the guarantors (each borrower being, in respect of a Loan, the individual specified as such in the relevant mortgage terms together with each individual (if any), such as a guarantor, who assumes from time to time an obligation to repay such Loan (the **Borrower**)), if any, informing them of this fact and requesting the persons indebted to an immediate payment of all amounts due. Following the service of notice of termination of the loan on the Borrower and in the case of continued non-payment, a judge of the competent First Instance Court is presented with the case upon which the judge issues an order for payment to be served on the Borrower together with a demand for immediate payment. Service of the order and demand for payment is the first action of enforcement proceedings. Three working days after serving the payment order and demand, the property can be seized and the auction process starts (see below for a description of the auction process). The Borrower, after being served the order for payment, is granted 15 working days to contest the validity of the order for payment, either on the merits of the case or on the ground of procedural irregularities. This can be done by filing an Article 632 Annulment Petition before the relevant Court of First Instance (in short, **632/Annul**). At the same time, the Borrower can file an Article 632 Suspension Petition (in short, **632/Susp**) for the suspension of the enforcement proceedings as a provisional measure. At the time of filing the 632/Susp, in most cases, immediate suspension is granted up until the hearing of the 632/Susp. If the Court of First Instance decides that the arguments in the 632/Susp are correct and reasonable, the suspension of enforcement will be granted to the petitioner until the issue of a final Court of Appeal's decision on the 632/Annul. If the Court of First Instance decides that the 632/Annul has no grounds and rejects this, the suspended enforcement procedures can continue. If the Borrower has not filed a 632/Annul and subsequent Article 632/Susp within 15 working days after serving the payment order, then the bank according to Article 633 CCP may again serve the payment order whereby a second period of 10 working days is granted to the Borrower to contest the payment order by filing an Article 633 Annulment Petition (in short, **633 Annul**). Failure to contest the payment order will result in the order for payment becoming final and the bank acquiring a final deed of enforcement and then the relevant pre-notation, for the loans covered with, must be converted into one or more mortgages within 90 days.

The 632/Annul will be heard within 20 to 24 months after its filing and another six to eight months are required for a decision to be issued by the court, upon which either the enforcement procedures are continued due to the decision rejecting the 632/Annul, or the legal process before the Court of Appeal is continued by the bank until a decision is reached regarding the contested order of payment. The defeated Borrower may also continue the legal process but, in the experience of Piraeus Bank, it is highly unusual that a suspension of enforcement proceedings will be granted by the Court of Appeal if the initial suspension was granted up until the decision of the First Instance Court.

The Borrower may also file with the relevant Court of First Instance an Article 933 Annulment Petition (in short, **933/Annul**) for annulment of certain actions of the foreclosure proceedings based on reasons pertaining to both the validity of the order for payment and to procedural irregularities. Both 632/Annul or 633/Annul and 933/Annul may be filed either concurrently or consecutively, but it should be noted that the 933/Annul may not be based on reasons pertaining to the validity of the order for payment, once the order for payment has become final as mentioned above. The time for the filing of a 933/Annul varies depending on the foreclosure action that is being contested. The filing of a 933/Annul entitles the Borrower to file an Article 938 Suspension Petition (in short, 938/Susp) in relation to the enforcement until the decision of the Court of First Instance on the annulment motion is issued. Again, foreclosure proceedings may be suspended until the hearing of the 938/Susp, which, in a normal case where the Borrower seeks the suspension of the auction, takes place 5 days prior to the auction and the relevant decision is issued 2 days prior to the auction. It should



nevertheless be noted that such suspension is more difficult to obtain if the Court of First Instance has already rejected a 632/Susp based on similar reasons.

The actual auction process is started with seizure of the property, which takes places 3 working days after the order for payment is served on the Borrower. The seizure statement that is issued by the bailiff who performs it, contains the auction date (a Wednesday which is also a business day with the auction terminating not earlier than 17.30 hours Athens time) and place and the notary public who will act as the auction clerk. At this point all mortgagees (including those holding a pre-notation) are informed of the upcoming auction.

The minimum auction price is at least equal to the taxable (“objective”) value of the property (set out in accordance with articles 41 and 41a of Greek Law 1249/1982) pursuant to Greek Law 3714/2008 and can be contested by the Borrower or any other lender if supported by evidence that the property value is significantly higher or lower than the proposed auction value. In such case, the auction is postponed until a date not exceeding six months from the initial auction date and for a new reserve price, both as determined by the Court of First Instance.

The auction will take place at the Court of Peace within the competent territory where the enforcement has commenced. In the auction, the property is sold to the highest bidder who then has 15 days to pay the auction price. Once the price of the property is paid, the notary public prepares a special deed listing all the creditors and allocating the proceeds of the auction. Each creditor must announce its claim to the notary public within 15 days of the auction, otherwise the notary public will not take his claim into account. Once the allocation of proceeds amongst the creditors of the Borrower has been determined pursuant to a deed issued by a notary public, the creditors of the Borrower may dispute the allocation and file a petition contesting the deed. The Court of First Instance adjudicates the matter but the relevant creditor is entitled to appeal against the decision to the Court of Appeal. This procedure may delay the collection of proceeds for up to five years. This can further delay the time at which the Issuer finally receives the proceeds of the enforcement of the relevant property. However, the law provides that a bank is entitled to the payment of its claim even if its allocation priority is subject to a challenge, provided that the bank provides a letter of guarantee securing repayment of the money in the event that such challenge is upheld.

Following the example of other countries, Greek Law 3714/2008 for the protection of borrowers has been passed by the Greek Parliament which provides, among other things, that (a) enforced public auctions should be made by sealed bids and, if there is more than one bidder, be followed by oral bids between the two highest bidders, (b) the starting price of the auction must be at least equal to the “objective” price of the property, as assessed for tax purposes, (c) each bid must be accompanied by a bank guarantee or banker’s draft of an amount equal to the starting price, (d) properties being the sole residence of the debtor may not be seized and judicially sold by credit or financial institutions for claims not exceeding the amount of Euro 20,000 in cases where the debtor is in a state of proven impossibility to perform his contractual obligation through no fault of his own (this restriction would not apply to debts secured by mortgages and pre-notations granted with the consent of the debtor and thus will not apply to any of the loans in the Cover Pool, which are all secured by such charges).

The proceeds of an auction following enforcement against a property securing a Loan must be allocated in accordance with Articles 975 CCP, as recently amended by article 41 of Greek Law 3863/2010, and 976 CCP. After deduction of the enforcement expenses (including legal, bailiff’s and notarial fees), any claims arising from employment relationships and contracts for legal and educational services in the previous two years, as well as claims against the relevant Borrower of social security funds subject to the responsibility of the General Secretariat of Social Security arising until the time of the auction, are ranked before any other creditor. Then, one-third of the remaining proceeds is allocated to claims of the public sector and other preferential claims listed in Article 975 CCP and the remaining two-thirds to the secured creditors, i.e. mortgagees, with any excess being available to satisfy the claims of unsecured creditors according to Articles 976 and 1007 CCP. Once the list of creditors is confirmed and adjudicated, the proceeds are distributed according to the ranking order.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Servicing and Cash Management Deed

The Servicing and Cash Management Deed, made between the Issuer, the Trustee and the Servicer contains provisions relating to, *inter alia*:

- the Issuer's obligations when dealing with any cash flows arising from the Cover Pool and the Transaction Documents;
- the servicing, calculation, notification and reporting services to be performed by the Servicer, together with cash management services and account handling services in relation to moneys from time to time standing to the credit of the Transaction Account, the Collection Accounts and the Third Party Collection Account (if any);
- the terms and conditions upon which the Servicer will be obliged to sell in whole or in part the Loan Assets;
- the Issuer's right to prevent the sale of a Loan Asset to third parties by removing the Loan Asset made subject to sale from the Cover Pool and transferring to the Transaction Account, an amount equal to the price set forth in such offer letter, subject to the provision of a solvency certificate;
- the covenants of the Issuer;
- the representations and warranties of the Issuer regarding itself and the Cover Pool Assets;
- the responsibilities of the Servicer following the service of a Notice of Default on the Issuer or upon failure of the Issuer to perform its obligations under the Transaction Documents; and
- the circumstances in which the Issuer or the Trustee will be obliged to appoint a new servicer to perform the Servicing and Cash Management Services.

#### *Servicing*

Pursuant to the Servicing and Cash Management Deed, the Servicer has agreed to service the Loans and their Related Security comprised in the Cover Pool and provide cash management services.

The Servicer will be required to administer the Loans and their Related Security in accordance with the Issuer's administration, arrears and enforcement policies and procedures forming part of the Issuer's policy from time to time as they apply to those Loans.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the Issuer in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing and Cash Management Deed, and to do anything which it reasonably considers necessary, convenient or incidental to the administration of the Loans and their Related Security.

#### *Right of delegation by the Servicer*

The Servicer may from time to time subcontract or delegate the performance of its duties under the Servicing and Cash Management Deed, provided that it will nevertheless remain responsible for the performance of those duties to the Issuer and the Trustee and, in particular, will remain liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor. Any such subcontracting or delegation may be varied or terminated at any time by the Servicer.

#### *Appointment of Replacement Servicer*

Upon the occurrence of any of the following events (each a **Servicer Termination Event**):

- (a) where the Issuer and Servicer are not the same entity:
  - (i) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing and Cash Management Deed and such default continues unremedied for a period of three Athens Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Trustee requiring the same to be remedied;
  - (ii) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing and Cash Management Deed, which is materially prejudicial to the interests of the Covered Bondholders and such default continues unremedied for a period of 20 Athens Business Days after the Servicer becoming aware of such default, PROVIDED THAT where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 20 Athens Business Days of awareness of such default by the Servicer, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Trustee may approve to remedy such default;
  - (iii) the occurrence of an Insolvency Event in relation to the Servicer; or
- (b) the occurrence of an Issuer Event or an Event of Default (where the Issuer and the Servicer are the same entity),

then at any time after the Trustee has received notice of any such Servicer Termination Event, the Trustee shall, following consultation with the Bank of Greece and while such Servicer Termination Event continues, use its reasonable endeavours to:

- (i) appoint an independent investment or commercial bank of international repute (the **Investment Bank**) to select an entity to act as a substitute servicer (the **Replacement Servicer**); and
- (ii) by notice in writing to the Servicer terminate its appointment as Servicer under the Servicing and Cash Management Deed with effect from a date (not earlier than the date of the notice) specified in the notice.

In the event that the Trustee does not appoint the Investment Bank or the Investment Bank does not select a Replacement Servicer or the Trustee does not appoint the entity selected by the Investment Bank to act as Replacement Servicer within a reasonable period of time, the Bank of Greece may appoint a Replacement Servicer or a special administrator or liquidator in respect of the Cover Pool Assets pursuant to Article 91.

**Insolvency Event** means in respect of the Servicer: (a) an order is made or an effective resolution passed for the winding up of the relevant entity; or (b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any substantial part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or against the whole or any substantial part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or (d) the relevant entity is unable to pay its debts as they fall due, other than where the Issuer or the Servicer is Piraeus Bank S.A. and any of the events set out in (a) to (c) above occurs in connection with a substitution in accordance with

Condition 18 (*Substitution of the Issuer*); or (e) a creditors' collective enforcement procedure is commenced against the Servicer (including such procedure under the Greek Bankruptcy Code and articles 63 and 68 of the Greek Banking Legislation).

**Greek Banking Legislation** means Greek Law 3601/2007 (published in the Government Gazette No 178/A/1-8-2007), as currently in force.

**Greek Bankruptcy Code** means Greek law 3588/2007, as currently in force.

The Trustee will not be obliged to act as servicer in any circumstances.

#### *The Cover Pool*

The Issuer shall be entitled, subject to filing a Registration Statement so providing, to:

- (a) allocate to the Cover Pool Additional Cover Pool Assets for the purposes of issuing further Series of Covered Bonds and/or complying with the Statutory Tests and/or maintaining the initial rating(s) assigned to the Covered Bond provided that with respect to the allocation of New Asset Types in the Cover Pool, the Rating Agencies have been notified in writing of such allocation; and
- (b) prior to the occurrence of an Issuer Event and provided that no breach of any Statutory Test would occur as a result of such removal or substitution (i) remove Cover Pool Assets from the Cover Pool or (ii) substitute Cover Pool Assets with additional Cover Pool Assets, provided that for any substitution of New Asset Types, the Rating Agencies have been notified in writing of such removal or substitution.

Any further assets added to the Cover Pool at the option of the Issuer in accordance with the above or by way of mandatory changes below shall form part of the Cover Pool.

#### *Sale of Selected Loans and their Related Security following an Issuer Event*

Following the occurrence of an Issuer Event which is continuing and/or following a Final Maturity Date in relation to any Series of Covered Bonds on which such Covered Bonds (a) are subject to an Extended Final Maturity Date and (b) are not redeemed in full, the Issuer, or the Servicer acting in the name and on behalf of the Issuer, will be obliged, or the Trustee will be entitled, to sell Loan Assets and their Related Security in the Cover Pool having the Required Outstanding Principal Balance (the **Selected Loans**) in accordance with the Servicing and Cash Management Deed, subject to the rights of preemption in favour of the Issuer to remove the Selected Loans from the Cover Pool.

Prior to the Servicer making any offer to sell Selected Loans and their Related Security to third parties and provided that no Issuer Insolvency Event has occurred and is continuing, the Servicer will serve on the Issuer a loan offer notice in the form set out in the Servicing and Cash Management Deed (a **Selected Loan Offer Notice**) giving the Issuer the right to prevent the sale by the Servicer of the Selected Loans to third parties, by removing the Selected Loans made subject to sale from the Cover Pool and transferring an amount equal to the then Outstanding Principal Balance of the Selected Loans and all arrears of interest and accrued interest relating to such Selected Loans to the Transaction Account.

If the Issuer validly accepts the Servicer's offer to remove the Selected Loans and their Related Security from the Cover Pool by signing the duplicate Selected Loan Offer Notice in a manner indicating acceptance and delivering it to the Servicer within ten Athens Business Days from and including the date of the Selected Loan Offer Notice, the Servicer shall within three Athens Business Days of receipt of such acceptance, serve a selected loan removal notice on the Issuer in the form set out in the Servicing and Cash Management Deed (a **Selected Loan Removal Notice**).

The Servicer shall offer for sale the Selected Loans and their Related Security in respect of which the Issuer rejects or fails within the requisite time limit to accept the Servicer's offer to remove the Loans and their Related Security from the Cover Pool in the manner and on the terms set out in the Servicing and Cash Management Deed.

Upon receipt of the Selected Loan Removal Notice duly signed on behalf of the Servicer, the Issuer shall (i) promptly sign and return a duplicate copy of the Selected Loan Removal Notice, (ii) deliver to the Servicer and the Trustee a solvency certificate stating that the Issuer is, at such time, solvent and (iii) will remove from the Cover Pool the relevant Selected Loans (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Removal Notice. Completion of the removal of the Selected Loans by the Issuer will take place on the Calculation Date next occurring after receipt by the Issuer of the Selected Loan Removal Notice or such other date as the Servicer may direct in the Selected Loan Removal Notice (provided that such date is not later than the earlier to occur of the date which is (a) ten Athens Business Days after receipt by the Servicer of the returned Selected Loan Removal Notice and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds) when the Issuer shall pay to the Transaction Account an amount in cash equal to the price specified in the relevant Selected Loan Removal Notice.

On the date of completion of the removal of the Selected Loans and their Related Security in accordance with the above, the Issuer shall ensure that the Selected Loans are removed from the Registration Statement.

Upon such completion of the removal of the Selected Loans and their Related Security in accordance with above or the sale of Selected Loans and their Related Security to a third party or third parties, the Issuer shall cease to be under any further obligation to hold any Customer Files or other documents relating to the Selected Loans and their Related Security to the order of the Trustee and, if the Trustee holds such Customer Files or other documents, it will send them to the Issuer at the cost of the Issuer.

**Earliest Maturing Covered Bonds** means, at any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the Transaction Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to an Event of Default).

#### *Method of Sale of Selected Loans*

If the Servicer is required to sell Selected Loans and their Related Security to third-party purchasers following an Issuer Event which is continuing, the Servicer will be required to ensure that before offering Selected Loans for sale:

- (a) the Selected Loans have been selected from the Cover Pool on a random basis; and
- (b) the Selected Loans have an aggregate Outstanding Principal Balance (subject in the case of Loans denominated in a currency other than Euro to the euro equivalent thereof as determined in accordance with the relevant FX Rate Swap Agreement) in an amount (the **Required Outstanding Principal Balance Amount**) which is as close as possible to the amount calculated as follows:

$$N \times \frac{\text{Outstanding Principal Balance of all Loan Assets in the Cover Pool}}{\text{the Euro Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where N is an amount equal to the Euro Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the Transaction Account (other than amounts standing to the credit of the Commingling Reserve Ledger) and the principal amount of any Marketable Assets or Authorised Investments (other than Authorised Investments acquired from amounts standing to the credit of the Commingling Reserve Ledger) (excluding all

amounts to be applied on the next following Programme Payment Date to repay higher ranking amounts in the Pre-Event of Default Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

For the purposes hereof:

**Required Redemption Amount** means, in respect of a Series of Covered Bonds, the amount calculated as follows:

the Principal Amount Outstanding of the relevant Series of Covered Bonds	x	(1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/360))
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Where **Negative Carry Factor** is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, not be less than 0.50 per cent.

**Euro Equivalent** means, relation to a Series of Covered Bonds which is denominated in (a) a currency other than Euro, the Euro equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Series of Covered Bonds and (b) Euro, the applicable amount in Euro.

The Servicer will offer the Selected Loans for sale to third parties for the best price reasonably available but in any event following, for an amount not less than the Adjusted Required Redemption Amount.

The **Adjusted Required Redemption Amount** means the Euro Equivalent of the Required Redemption Amount, plus or minus

- (i) any swap termination amounts payable to or by the Issuer under a Covered Bond Swap Agreement in respect of the relevant Series of Covered Bonds less (where applicable) the principal balance of any Marketable Assets and Authorised Investments (excluding all amounts to be applied on the next following Programme Payment Date to pay or repay higher ranking amounts in the Pre-Event of Default Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); and plus or minus;
- (ii) any swap termination amounts payable to or by the Issuer under an Interest Rate Swap Agreement or an FX Rate Swap Agreement in respect of the relevant Series of Covered Bonds.

Following the occurrence of an Issuer Event which is continuing, and/or following a Final Maturity Date in relation to any Series of Covered Bonds on which such Covered Bonds (a) are subject to an Extended Final Maturity Date and (b) are not redeemed in full, if the Selected Loans have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, if the Earliest Maturing Covered Bonds are not subject to an Extended Final Maturity Date in accordance with the relevant Final Terms, the Final Maturity Date of the Earliest Maturing Covered Bonds or, if the Earliest Maturing Covered Bonds are subject to an Extended Final Maturity Date in accordance with the relevant Final Terms, the Extended Final Maturity Date in respect of the Earliest Maturing Covered Bonds, then the Servicer will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

Following the occurrence of an Issuer Event which is continuing, in addition to offering Selected Loans for sale to third-party purchasers in respect of the Earliest Maturing Covered Bonds, the Servicer (subject to the rights of pre-emption enjoyed by the Issuer) is permitted to offer for sale a portfolio of Selected Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The Servicer will appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) and to advise it in relation to the sale of the Selected Loans to third-party purchasers (except where the Issuer exercises its right of pre-emption).

In respect of any sale of Selected Loans and their Related Security following the occurrence of an Issuer Event which is continuing, and/or following a Final Maturity Date in relation to any Series of Covered Bonds on which such Covered Bonds (a) are subject to an Extended Final Maturity Date and (b) are not redeemed in full, the Servicer will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and, where relevant, the scheduled repayment dates of the Covered Bonds and the terms of the Servicing and Cash Management Deed.

The Trustee, or its authorised attorney, will not be required to release the Selected Loans and their Related Security from the Registration Statement unless the conditions for Security release under applicable law (other than the Statutory Pledge) are satisfied.

Following the occurrence of an Issuer Event which is continuing, and/or following a Final Maturity Date in relation to any Series of Covered Bonds on which such Covered Bonds (a) are subject to an Extended Final Maturity Date and (b) are not redeemed in full, if third parties accept the offer or offers from the Servicer so that some or all of the Selected Loans shall be sold prior to the Final Maturity Date of the Earliest Maturing Covered Bonds or, if the Earliest Maturing Covered Bonds are subject to an Extended Final Maturity Date in accordance with the relevant Final Terms, the Extended Final Maturity Date in respect of the Earliest Maturing Covered Bonds, then the Servicer will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant third-party purchasers which will require, *inter alia*, a cash payment from the relevant third party purchasers. Any such sale will not include any representations and warranties from the Servicer or the Issuer in respect of the Loans and their Related Security unless expressly agreed by the Servicer.

#### *Amendment to definitions*

The Servicing and Cash Management Deed will provide that the definitions of Eligibility Criteria, Cover Pool, Cover Pool Asset, Statutory Test and Amortisation Test may be amended by the Issuer (without the consent of the Trustee) from time to time, subject to Greek Covered Bond Legislation as a consequence of, *inter alia*, including in the Cover Pool any Additional Cover Pool Assets which are New Asset Types and/or changes to the hedging policies or servicing and collection procedures of Piraeus Bank provided that the Rating Agencies have been notified in writing of such amendment.

The Servicing and Cash Management Deed shall set forth the conditions for any such amendment to be effected.

#### *Commingling Reserve Ledger*

The Servicer will establish a ledger on each of the Transaction Account to be called the **Commingling Reserve Ledger**.

On the First Issue Date and at any time the Issuer's long-term or short-term IDR fall below A or F1 respectively as determined by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies) (the **Issuer Rating Downgrade**) then as soon as reasonably practicable but in any event within 10 calendar days, and on each Calculation Date after an Issuer Rating Downgrade up until the occurrence of an Issuer Rating Upgrade, the Issuer will be required to make a Commingling Reserve Advance in an amount equal to the difference between amounts standing to the credit of the Commingling Reserve Ledger and the Commingling Required Amount. Such amount paid pursuant to the Commingling Reserve Advance will be paid to the Transaction Account and credited to the Commingling Reserve Ledger.

**Commingling Required Amount** means, on each Calculation Date:

- (a) before the occurrence of an Issuer Rating Downgrade, zero; or
- (b) after the occurrence of an Issuer Rating Downgrade, the sum of (i) the amount of interest due on all Series of Covered Bonds over the next three months (calculated on a rolling basis), and (ii) the amounts due over the next three months under paragraphs (a) to (e) (both inclusive) of the Pre-Event of Default Priority of Payments (without double counting).

Whilst the Issuer Rating Downgrade is continuing the Issuer (or the Servicer on its behalf) will on the Calculation Date prior to each Programme Payment Date pay the proceeds of each Commingling Reserve Advance to the Transaction Account and credit the same to the Commingling Reserve Ledger.

**Commingling Reserve Advance** means the advance made by the Issuer on each Calculation Date following the occurrence of an Issuer Rating Downgrade until the occurrence of an Issuer Rating Upgrade in an amount equal to the difference between the Commingling Required Amount and amounts standing to the credit of the Commingling Reserve Ledger.

Following the occurrence of the Issuer Rating Downgrade, and whilst an Issuer Event is continuing, the Servicer shall, on each Programme Payment Date, debit an amount equal to the Commingling Withdrawal Amount from the Commingling Reserve Ledger and apply such funds as Covered Bond Available Funds.

**Commingling Withdrawal Amount** means on each Programme Payment Date following an Issuer Event, a drawing from the Commingling Reserve Ledger to be applied as Covered Bonds Available Funds in accordance with the Pre Event of Default Priority of Payments, if and to the extent that the Servicer has during the immediately preceding Programme Payment Period failed to transfer to the Issuer any collections received by the Servicer during or with respect to such Programme Payment Period and such amounts represent amounts other than principal or, as applicable, principal paid by the Borrowers.

On any Programme Payment Date whether or not an Issuer Event has occurred, if and to the extent that amounts standing to the credit of the Commingling Reserve Ledger (taking into account any amounts applied as Covered Bonds Available Funds) would exceed the Commingling Required Amount, such excess amounts will be paid directly to the Issuer (and shall not form part of the Covered Bond Available Funds).

In the event that the Issuer's long-term and short-term IDR increase to A and F1 respectively as determined by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies) (the **Issuer Rating Upgrade**) or in the event that there are no outstanding liabilities under the Covered Bonds, all amounts standing to the credit of the Commingling Reserve Ledger will be paid directly to the Issuer (and shall not form part of the Covered Bonds Available Funds).

The Servicer shall, prior to the occurrence of an Event of Default, invest all amounts standing to the credit of the Commingling Reserve Ledger in Authorised Investments.

#### *Law and Jurisdiction*

The Servicing and Cash Management Deed will be governed by English law.

#### **Asset Monitor Agreement**

The Asset Monitor has agreed, subject to due receipt of the information to be provided by the Servicer to the Asset Monitor, to conduct tests in respect of the arithmetical accuracy of the calculations performed by the Servicer, prior to service of a Notice of Default, on the Calculation Date immediately prior to each anniversary of the Programme Closing Date with a view to confirmation of compliance by the Issuer with the Statutory Tests on that Calculation Date. If and for so long as the short-term and long-term IDR of the Issuer or the Servicer are below F2 and BBB+ as determined by Fitch, the Asset Monitor will, subject to receipt of



the relevant information from the Servicer within the agreed timeframe, be required to conduct such tests following each Calculation Date.

Following the occurrence of an Issuer Event, the Asset Monitor will, subject to receipt of the relevant information from the Servicer within the agreed timeframe, be required to conduct the Statutory Tests and the Amortisation Test following each Monthly Calculation Date.

Following a determination by the Asset Monitor of any errors in the arithmetical accuracy of the calculations performed by the Servicer such that the Statutory Tests have failed on the Calculation Date (where the Servicer had recorded it as being satisfied), or the reported Nominal Value of the Cover Pool or the reported Net Present Value of the Cover Pool or the reported amount of interest for the next 12 months expected to be received in respect of the Loans and the Marketable Assets (if any) comprised in the Cover Pool, as applicable, was mis-stated by the Servicer by an amount exceeding two per cent. of the Nominal Value of the Cover Pool or the Net Present Value of the Cover Pool or the amount of interest for the next 12 months expected to be received in respect of the Loans and the Marketable Assets (if any) comprised in the Cover Pool, as applicable, the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled to assume that all information provided to it by the Servicer for the purpose of conducting such tests is true and correct and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The Asset Monitor will deliver a report (the **Asset Monitor Report**) to the Servicer, the Issuer and, if so requested, to the Trustee.

The Issuer or the Servicer will ensure that a copy of the Asset Monitor Report is sent to the Bank of Greece for the purposes of the Greek Covered Bond Legislation at least once per annum.

Following the Programme Closing Date, the Issuer or the Servicer, as applicable, will pay to the Asset Monitor a fee for the tests to be performed by the Asset Monitor.

The Issuer (or after the occurrence of an Issuer Event, the Servicer) may, at any time, but subject to the prior written consent of the Trustee, terminate the appointment of the Asset Monitor by giving at least 30 days' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the Issuer (or after the occurrence of an Issuer Event, the Servicer) (such replacement to be approved by the Trustee (such approval to be given if the replacement is an accountancy firm of international standing)) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement (or substantially similar duties).

The Asset Monitor may, at any time, resign by giving at least 90 days' prior written notice to the Issuer and the Trustee (copied to the Rating Agencies), and may resign by giving immediate notice in the event of a professional conflict of interest caused by the action of any recipient of its reports.

Upon the Asset Monitor giving prior written notice of resignation, the Issuer (or following the occurrence of an Issuer Event, the Servicer) shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the Trustee (such approval to be given if the replacement is an accountancy firm of international standing)) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. No resignation shall be effective unless and until a replacement asset monitor is appointed.

The Trustee will not be obliged to act as Asset Monitor in any circumstances.

#### *Law and Jurisdiction*

The Asset Monitor Agreement will be governed by Greek law.

## Trust Deed

The Trust Deed, made between the Issuer and the Trustee on the Programme Closing Date appoints the Trustee to act as the bondholders representative. As such, the Trustee will act as a representative in accordance with paragraph 2 of Article 91. The Trust Deed contains provisions relating to, *inter alia*:

- (a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under Terms and Conditions of the Covered Bonds above);
- (b) the covenants of the Issuer;
- (c) the enforcement procedures relating to the Covered Bonds; and
- (d) the appointment powers and responsibilities of the Trustee and the circumstances in which the Trustee may resign or be removed.

## Law and Jurisdiction

The Trust Deed will be governed by English law.

## Agency Agreement

Under the terms of an Agency Agreement to be entered into on the Programme Closing Date between the Issuer, the Trustee, the Principal Paying Agent (together with any paying agent appointed from time to time under the Agency Agreement, the **Paying Agents**), the Transfer Agent and the Registrar (the **Agency Agreement**), the Paying Agents have agreed to provide the Issuer with certain agency services and have agreed, *inter alia*, to make available for inspection such documents as may be required from time to time by the rules of the Luxembourg Stock Exchange and to arrange for the publication of any notice to be given to the Covered Bondholders.

For the purposes of Condition 5.2(b)(ii) (*Floating Rate Covered Bond and Variable Interest Covered Bond Provisions - Rate of Interest - Screen Rate Determination for Floating Rate Covered Bonds*) of the Terms and Conditions, the Agency Agreement provides that if the Relevant Screen Page is not available or if, no offered quotation appears or if fewer than three offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR (the **Specified Time**)), the Principal Paying Agent shall request each of the reference banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the reference rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the reference banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

For the purposes of Condition 5.2(b)(ii) (*Floating Rate Covered Bond and Variable Interest Covered Bond Provisions - Rate of Interest - Screen Rate Determination for Floating Rate Covered Bonds*) of the Terms and Conditions, the Agency Agreement also provides that if on any Interest Determination Date one only or none of the reference banks provides the Principal Paying Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the reference banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the reference rate by leading banks in the London inter-bank market (if the reference rate is LIBOR) or the Euro-zone inter-bank market (if the reference rate is EURIBOR) plus or

minus (as appropriate) the Margin (if any) or, if fewer than two of the reference banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the reference rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the reference rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the reference rate is LIBOR) or the Euro-zone inter-bank market (if the reference rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Clause, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

#### *Law and Jurisdiction*

The Agency Agreement will be governed by English law.

For the purposes of this section "Agency Agreement" any capitalised terms have the meanings given to them in the Terms and Conditions of the Covered Bonds above.

#### **Deed of Charge**

Pursuant to the terms of the Deed of Charge entered into on the Programme Closing Date by the Issuer, the Trustee and the other Secured Creditors, the Secured Obligations of the Issuer and all other obligations of the Issuer under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by the following security over the following property, assets and rights (the **Deed of Charge Security**):

- (a) an assignment by way of first fixed security or first fixed charge (as the case may be) over all of the Issuer's interests, rights and entitlements under and in respect of any Transaction Document to which the Issuer is a party and all other contracts, documents, agreements and deeds to which it is, or may become, a party;
- (b) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the Bank Accounts and all amounts standing to the credit of the Bank Accounts; and
- (c) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the Issuer in respect of all Authorised Investments and Marketable Assets (to the extent governed by English law) purchased from time to time from amounts standing to the credit of any Issuer Account.

In addition, to secure its obligations under the Covered Bonds the Issuer has, pursuant to paragraph 10 of Article 91, created a pledge over the Cover Pool (which consists principally of the Issuer's interest in the Loan Assets and certain Marketable Assets). The Deed of Charge will also provide that (other than in certain limited circumstances) only the Trustee may enforce the security created under the Deed of Charge. The proceeds of any such enforcement of the Deed of Charge and paragraph 10 of Article 91 will be required to be applied in accordance with the order of priority set out in the Post-Event of Default Priority of Payments.

The Trustee shall at all times be a credit institution (or a subsidiary company of a credit institution) that is entitled to provide services in the European Economic Area in accordance with paragraph 2 of Article 91 (an **EEA Credit Institution**). If at any time the Trustee ceases to be an EEA Credit Institution it will notify the Issuer immediately and take all steps necessary to find a replacement Trustee that is an EEA Credit Institution.

### *Release of Security*

In accordance with the terms of the Deed of Charge all amounts which the Servicer (on behalf of the Issuer and the Trustee or its appointee) is permitted to withdraw from the Transaction Account pursuant to the terms of the Deed of Charge will be released from the Deed of Charge Security. In addition, upon the Issuer or the Servicer making a disposal of an Authorised Investment or Marketable Assets (to the extent governed by English law) charged under the Deed of Charge and provided that the proceeds of such disposal are paid into the Transaction Account in accordance with the terms of the Servicing and Cash Management Deed, that Authorised Investment or Marketable Assets (to the extent governed by English law) will be released from the Deed of Charge Security.

At such time that all of the obligations owing by the Issuer to the Secured Creditors have been discharged in full, the Trustee will, at the cost of the Issuer, take whatever action is necessary to release the Charged Property from the Deed of Charge Security to, or to the order of, the Issuer.

### *Enforcement*

Upon the occurrence of an Event of Default, the Trustee shall be entitled to appoint a Receiver, and/or enforce the Deed of Charge Security constituted by the Deed of Charge, and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds received by the Trustee from the enforcement of the Deed of Charge Security will be applied in accordance with the Post-Event of Default Priority of Payments.

### *Law and Jurisdiction*

The Deed of Charge will be governed by English law.

### **Interest Rate Swap Agreement**

Some of the Loan Assets in the Cover Pool will pay from time to time a variable rate of interest for a period of time that may either be linked to the standard variable rate of the Issuer (the **Issuer Standard Variable Rate**) or linked to an interest rate other than the Issuer Standard Variable Rate, such as EURIBOR or a rate that tracks the ECB base rate. Other Loan Assets will pay a fixed rate of interest for a period of time. However, the Euro payments to be made by the Issuer under the Covered Bonds or under each of the Covered Bond Swaps may vary. To provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Loan Assets in the Cover Pool; and
- (b) payments by the Issuer under the Covered Bonds or the Covered Bond Swaps,

the Issuer, the provider of the Interest Rate Swaps (each such provider, an **Interest Rate Swap Provider**) and the Trustee may enter into one or more interest rate swap transactions in respect of each Series of Covered Bonds under an **Interest Rate Swap Agreement** (each such transaction an **Interest Rate Swap**).

Under the terms of each Interest Rate Swap, in the event that the relevant rating of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the Interest Rate Swap Agreement (in accordance with the published criteria of the Rating Agency), the Interest Rate Swap Provider may, in accordance with the relevant Interest Rate Swap Agreement, be required to take certain remedial measures which are consistent with the then published criteria of the Rating Agency and which may include providing collateral for its obligations under the Interest Rate Swaps, arranging for its obligations under the Interest Rate Swaps to be transferred to an entity with appropriate ratings, procuring another entity with the appropriate ratings to become co-obligor or guarantor in respect of its obligations under the Interest Rate Swaps (such guarantee to be provided in accordance with the then-current guarantee criteria of the Rating Agency), or taking such other action as it

may agree with the relevant Rating Agency. A failure to take such steps within the periods set out in the relevant Interest Rate Swap Agreement may, subject to certain conditions, allow the Issuer to terminate the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the Interest Rate Swap Agreement (each referred to as an **Interest Rate Swap Early Termination Event**), which may include:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Interest Rate Swap Agreement; and
- upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations, or the merger of the Interest Rate Swap Provider without an assumption of its obligations under the Interest Rate Swap Agreement.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement. The amount of this termination payment will be calculated and made in Euro. Any termination payment made by the Interest Rate Swap Provider to the Issuer in respect of an Interest Rate Swap will first be used (prior to the occurrence of an Issuer Event) to pay a replacement Interest Rate Swap Provider to enter into a replacement Interest Rate Swap with the Issuer, unless a replacement Interest Rate Swap has already been entered into on behalf of the Issuer. Any premium received by the Issuer from a replacement Interest Rate Swap Provider in respect of a replacement Interest Rate Swap will first be used to make any termination payment due and payable by the Issuer with respect to the previous Interest Rate Swap, unless such termination payment has already been made on behalf of the Issuer. Any tax credits received by the Issuer in respect of an Interest Rate Swap will first be used to reimburse the relevant Interest Rate Swap Provider for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant Interest Rate Swap.

If a withholding or deduction for or on account of taxes is imposed on payments made by the Interest Rate Swap Provider to the Issuer under the Interest Rate Swaps, the Interest Rate Swap Provider shall always be obliged to gross up those payments so that the amount received by the Issuer is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the Issuer to the Interest Rate Swap Provider under the Interest Rate Swaps, the Issuer shall not be obliged to gross up those payments.

Any tax credits or Swap Collateral Excluded Amounts will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

The Interest Rate Swap Provider may transfer all its interest and obligations in and under the relevant Interest Rate Swap Agreement to a transferee with minimum ratings in line with the criteria of each of the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions.

If the Issuer is required to sell Selected Loans in the Cover Pool following the occurrence of an Issuer Event then, to the extent that such Selected Loans include Fixed Rate Loans, the Issuer may:

- (a) require that the Interest Rate Swaps in connection with such Selected Loans partially terminate to the extent that such Selected Loans include Fixed Rate Loans and any breakage costs payable by or to the Issuer in connection with such termination will, following the occurrence of an Issuer Event, be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

- (b) request that the Interest Rate Swaps in connection with such Selected Loans be partially novated to the purchaser of such Fixed Rate Loans to the extent that such Selected Loans include Fixed Rate Loans, such that each purchaser of Selected Loans will thereby become party to a separate interest rate swap transaction with the Interest Rate Swap Provider.

#### *Law and Jurisdiction*

Each Interest Rate Swap Agreement (and each Interest Rate Swap thereunder) will be governed by English law.

#### **Covered Bond Swap Agreements**

The Issuer may enter into one or more covered bond swap transactions with one or more Covered Bond Swap Providers and the Trustee in respect of each Series of Covered Bonds (each such transaction a **Covered Bond Swap**). Each Covered Bond Swap may be either a Forward Starting Covered Bond Swap or a Non-Forward Starting Covered Bond Swap and each will constitute the sole Transaction under a single **Covered Bond Swap Agreement** (such Covered Bond Swap Agreements, together, the **Covered Bond Swap Agreements**).

Each Forward Starting Covered Bond Swap will provide a hedge (after the occurrence of an Issuer Event) against certain interest rate, currency and/or other risks in respect of amounts received by the Issuer in respect of the Loans and any relevant Interest Rate Swaps and FX Rate Swaps and amounts payable by the Issuer in respect of the Covered Bonds (**Forward Starting Covered Bond Swap**).

Each Non-Forward Starting Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the Issuer in respect of the Loans and any relevant Interest Rate Swaps and FX Rate Swaps and amounts payable by the Issuer in respect of the Covered Bonds (**Non-Forward Starting Covered Bond Swap**).

Where required to hedge such risks, there may be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds (such Covered Bond Swap Agreements, together, the **Covered Bond Swap Agreements**).

Under the Forward Starting Covered Bond Swaps, the Covered Bond Swap Provider will pay to the Issuer on each Interest Payment Date, after the occurrence of an Issuer Event, an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable in respect of the relevant Series or Tranche of Covered Bonds. In return, the Issuer (or the Servicer on its behalf) will periodically pay to the Covered Bond Swap Provider an amount in Euro calculated by reference to Euro EURIBOR plus a spread and, where relevant, the Euro Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Series or Tranche of Covered Bonds.

Under the Non-Forward Starting Covered Bond Swaps on the relevant Issue Date, the Issuer (or the Servicer on its behalf) will, if the Covered Bonds are denominated in a currency other than Euro, pay to the Covered Bond Swap Provider an amount equal to the relevant portion of the amount received by the Issuer in respect of the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds and in return the Covered Bond Swap Provider will pay to the Issuer the Euro Equivalent of the first-mentioned amount. Thereafter, and where the Covered Bonds are denominated in Euro, the Covered Bond Swap Provider will pay to the Issuer on each Interest Payment Date an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Issuer (or the Servicer on its behalf) will periodically pay to the Covered Bond Swap Provider an amount in Euros calculated by reference to EURIBOR plus a spread and, where relevant, the Euro Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Series or Tranche of Covered Bonds.

Under the terms of each Forward Starting Covered Bond Swap and each Non-Forward Starting Covered Bond Swap, in the event that the relevant rating of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of the Rating Agency), the Covered Bond Swap Provider may, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which are consistent with the then published criteria of the Rating Agency and which may include providing collateral for its obligations under the Covered Bond Swap, arranging for its obligations under the Covered Bond Swap to be transferred to an entity with the appropriate ratings, procuring another entity with the appropriate ratings to become co-obligor or guarantor in respect of its obligations under the Covered Bond Swap Agreement (such guarantee to be provided in accordance with the then-current guarantee criteria of the Rating Agency), or taking such other action as it may agree with the relevant Rating Agency. In addition, if the net exposure of the Issuer against the Covered Bond Swap Provider under the relevant Covered Bond Swap exceeds the threshold specified in the relevant Covered Bond Swap Agreement, the Covered Bond Swap Provider may be required to provide collateral for its obligations. A failure to take such steps within the time periods set out in the Covered Bond Swap Agreement may, subject to certain conditions, allow the Issuer to terminate the Covered Bond Swap.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the relevant Covered Bond Swap Agreement (each referred to as a **Covered Bond Swap Early Termination Event**), which may include:

- (a) at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under such Covered Bond Swap Agreement; and
- (b) upon the occurrence of an insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap, the Issuer or the Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Euro. Any termination payment made by the Covered Bond Swap Provider to the Issuer in respect of a Covered Bond Swap will first be used (prior to the occurrence of an Issuer Event) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap with the Issuer, unless a replacement Covered Bond Swap has already been entered into on behalf of the Issuer. Any premium received by the Issuer from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the Issuer with respect to the previous Covered Bond Swap, unless such termination payment has already been made on behalf of the Issuer. Any tax credits received by the Issuer in respect of a Covered Bond Swap will first be used to reimburse the relevant Covered Bond Swap Provider for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes. Duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant Covered Bond Swap.

Any tax credits or Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

If withholding or deduction for or on account of taxes is imposed on payments made by the Covered Bond Swap Provider to the Issuer under a Covered Bond Swap, the Covered Bond Swap Provider shall always be obliged to gross up those payments so that the amount received by the Issuer is equal to the amount which would have been received in the absence of such withholding or deduction. If withholding or deduction for or on account of taxes is imposed on payments made by the Issuer to the Covered Bond Swap Provider under a Covered Bond Swap, the Issuer shall not be obliged to gross up those payments.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with minimum ratings in line with the criteria of each of the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Terms and Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the Issuer in connection with such termination may be taken into account in calculating:

- (a) the Adjusted Required Redemption Amount for the sale of Selected Loans; and
- (b) the purchase price to be paid for any Covered Bonds purchased by the Issuer in accordance with Condition 7.7 (*Redemption and Purchase - Purchases*).

#### *Law and Jurisdiction*

Each Covered Bond Swap Agreement (and each Covered Bond Swap thereunder) will be governed by English law.

#### **FX Rate Swap Agreements**

Some of the Loan Assets in the Cover Pool may be denominated in a currency other than Euro and will either pay a variable rate of interest for a period of time that may either be linked to a specified interest rate, such as LIBOR or a rate that tracks a specific base rate or will pay a fixed rate of interest for a period of time. As noted above, the Issuer will make payments to each Covered Bond Swap Provider in Euro. To provide a hedge against the possible variance between:

- (a) the currency of the relevant Loan Assets and the rates of interest payable on such Loan Assets in the Cover Pool; and
- (b) the Euro payments to be made by the Issuer under the Covered Bond Swaps,

the Issuer, the provider of the FX rate swap (each such provider, an **FX Rate Swap Provider**)) and the Trustee may enter into one or more FX swap transactions in respect of the Loans in the Cover Pool which are denominated in a currency other than Euro under one or more FX rate swap agreements (each, an **FX Rate Swap Agreement** and each such transaction an **FX Rate Swap**).

Under the terms of each FX Rate Swap, in the event that the relevant rating of the FX Rate Swap Provider or any guarantor of the FX Rate Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the relevant FX Rate Swap Agreement (in accordance with the requirements of the Rating Agency) for the FX Rate Swap Provider or any guarantor of the FX Rate Swap Provider's obligations, the FX Rate Swap Provider may, in accordance with the FX Rate Swap Agreement, be required to take certain remedial measures which are consistent with the then published criteria of the Rating Agency and which may include providing collateral for its obligations in respect of the FX Rate Swaps, arranging for its obligations under the FX Rate Swaps to be transferred to an entity with the appropriate ratings, procuring another entity with the appropriate ratings to become co-obligor or guarantor in respect of its obligations under the FX Rate Swaps (such guarantee to be provided in accordance with then current guarantee criteria of the Rating Agency), or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps within the periods set out in the relevant FX Rate Swap Agreement may, subject to certain conditions, allow the Issuer to terminate the FX Rate Swap Agreement.

A FX Rate Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the relevant FX Rate Swap Agreement (each referred to as an **FX Swap Early Termination Event**), which may include:



- at the option of any party to the FX Rate Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the FX Rate Swap Agreement; and
- upon the occurrence of the insolvency of the FX Rate Swap Provider or any guarantor of the FX Rate Swap Provider's obligations, or the merger of the FX Rate Swap Provider without an assumption of its obligations under the FX Rate Swap Agreement.

Upon the termination of a FX Rate Swap pursuant to an FX Swap Early Termination Event, the Issuer or the FX Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant FX Rate Swap Agreement. The amount of this termination payment will be calculated and made in Euro. Any termination payment made by the FX Rate Swap Provider to the Issuer in respect of an FX Rate Swap will first be used (prior to the occurrence of an Issuer Event) to pay a replacement FX Rate Swap Provider to enter into a replacement FX Rate Swap with the Issuer, unless a replacement FX Rate Swap has already been entered into on behalf of the Issuer. Any premium received by the Issuer from a replacement FX Rate Swap Provider in respect of a replacement FX Rate Swap will first be used to make any termination payment due and payable by the Issuer with respect to the previous FX Rate Swap, unless such termination payment has already been made on behalf of the Issuer. Any tax credits received by the Issuer in respect of a FX Rate Swap will first be used to reimburse the relevant FX Rate Swap Provider for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant FX Rate Swap.

If a withholding or deduction for or on account of taxes is imposed on payments made by the FX Rate Swap Provider to the Issuer under the FX Rate Swaps, the FX Rate Swap Provider shall always be obliged to gross-up those payments so that the amount received by the Issuer is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the Issuer to the FX Rate Swap Provider under the FX Rate Swaps, the Issuer shall not be obliged to gross-up those payments.

The FX Rate Swap Provider may transfer all its interest and obligations in and under the relevant FX Rate Swap Agreement to a transferee with the minimum ratings in line with the criteria of the Rating Agency, without any prior written consent of the Trustee, subject to certain conditions.

Any tax credits or Swap Collateral Excluded Amounts will be paid to the FX Rate Swap Provider directly and not via the Priorities of Payments.

The FX Rate Swap Provider may transfer all its interest and obligations in and under the relevant FX Rate Swap Agreement to a transferee with minimum ratings in line with the criteria of by each of the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions. If the Issuer is required to sell Selected Loans in the Cover Pool following the occurrence of an Issuer Event then, to the extent that such Selected Loans include Fixed Rate Loans, the Issuer may:

- (a) require that the FX Rate Swaps in connection with such Selected Loans partially terminate to the extent that such Selected Loans include Fixed Rate Loans and any breakage costs payable by or to the Issuer in connection with such termination will, following the occurrence of an Issuer Event, be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or
- (b) request that the FX Rate Swaps in connection with such Selected Loans be partially novated to the purchaser of such Fixed Rate Loans to the extent that such Selected Loans include Fixed Rate Loans, such that each purchaser of Selected Loans will thereby become party to a separate FX Rate Swap transaction with the FX Rate Swap Provider.

#### *Law and Jurisdiction*

Each FX Rate Swap Agreement is (and each FX Rate Swap thereunder) will be governed by English law.

### **Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement to be entered into on the Programme Closing Date between the Account Bank, the Issuer, the Servicer and the Trustee, the Servicer will maintain with the Account Bank the Bank Accounts, which will be operated in accordance with the Servicing and Cash Management Deed and the Deed of Charge.

If the long-term and short-term IDR of the Account Bank cease to be at least A and F1 respectively as determined by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies or may be agreed between the parties to the Bank Account Agreement and the Rating Agencies from time to time), then the Issuer shall within 30 calendar days of such occurrence:

- (i) procure an unconditional and unlimited guarantee of the obligations of the Account Bank under the Bank Account Agreement from an Eligible Institution; or
- (ii) procure the transfer of the Bank Accounts held with the Account Bank (and the balance standing to the credit thereto) to an Eligible Institution and enter into a bank account agreement with such Eligible Institution on substantially the same terms as the Bank Account Agreement.

The costs arising from any remedial action taken by the Issuer, following its long-term and short-term IDR ceasing to be rated at least A and F1 as determined by Fitch (or such other ratings which are consistent with the published criteria of the Rating Agencies from time to time) shall be borne by the Account Bank.

The Bank Account Agreement will be governed by English law.

### **Issuer-ICSDs Agreement**

The Issuer will enter into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement will be governed by English law.

## TAXATION

### Greece

*The following summary of the principal Greek taxation consequences of the purchase, ownership and disposal of Covered Bonds by Greek or foreign resident holders, who are the beneficial owners of the Covered Bonds, is of a general nature and is based on the provisions of tax laws currently in force in Greece. The summary below does not constitute a complete analysis and therefore, potential investors should consult their own tax advisers as to the tax consequences of such purchase, ownership and disposal. This summary is based on current Greek tax legislation and administrative practice of the Greek tax Authorities, without taking into account any developments or amendments thereof after the date hereof whether or not such developments or amendments have retroactive effect.*

#### **Income Tax**

##### 1. Greek tax residents

Interest on the Covered Bonds earned by Greek resident holders or holders with a permanent establishment in Greece will be subject to withholding tax at 10 per cent., if payment is made by a paying agent in Greece, such agent is liable to make the relevant withholding. The withholding is calculated on the total interest amount of coupon and is imposed on the coupon maturity day. In the case of a transfer of Covered Bonds (or their coupon) before the maturity date thereof, withholding tax as described above is also imposed on the interest accrued for the period from their last payment date until the date of transfer thereof.

In the case of Covered Bondholders who are individuals, partnerships, joint ventures or non-for-profit entities, such withholding extinguishes their income tax liability in respect of this income.

In the case of Covered Bondholders (mainly companies limited by shares (*anonimi eteria*) limited liability companies (*eteria periorismenis efthinis*) and branches of foreign entities operating in Greece, interest on the Covered Bonds will be reported in their annual tax return as part of their taxable base of the year in which such interest arose and will be subject to tax at the applicable corporate income tax rate (currently 24 per cent. for the calendar year 2010) while the 10 per cent. tax withheld at source will be offset against the income tax liability of the year or, if the tax due is not sufficient to absorb tax withheld, the entity has a right for refund.

In the case of banks and insurance companies interest is fully taxable at the applicable corporate income tax rate (currently 24 per cent. for the calendar year 2010), however special rules apply as to the time of taxation.

Institutional investors (mutual funds, portfolio investment companies and real estate investment companies) are exempt from the 10 per cent. withholding tax on condition that the holder acquires the interest coupon at least 30 days prior to maturity.

Pursuant to Article 14 of Greek Law 3156/2003, capital gains from the sale of Covered Bonds are not subject to capital gains tax in Greece.

The listing of the Covered Bonds on the Luxembourg Stock Exchange is not expected to alter the income tax implications in respect of Greek residents, as analysed above.

The corporate income tax rate applying to Greek companies limited by shares (*anonimi eteria* (AE)) and Greek limited liability companies (*eteria periorismenis efthinis* (EPE)) is currently 24 per cent. for the calendar year 2010. This also applies to branches of foreign entities operating in Greece.

##### 2. Foreign tax residents

Foreign tax residents (individuals or legal entities) are exempt from any withholding on the total interest amount of coupon on the coupon maturity day, according to par. 1 and 3 of art. 31 of Law 2682/1999 in combination with par. 8 of art. 26 of Law 2789/2000. Similar tax exemption is provided for foreign tax residents by par. 9 art. 69 of Law 3746/2009.

### ***Value Added Tax***

No value added tax is payable upon disposal of the Covered Bonds (pursuant to Article 22(1)(ka) of Greek Law 2859/2000).

### ***Death Duties and Taxation on Gifts***

The Covered Bonds are subject to Greek inheritance tax if the deceased holder of Covered Bonds had been resident of Greece or is a Greek national.

The rates of inheritance tax vary up to 40 per cent., depending on the relationship between the heir and the deceased.

A gift of Covered Bonds is subject to Greek tax if the holder of the Covered Bonds (donor) is a Greek national or if the recipient thereof is a Greek national or resident.

The rates of gift tax vary up to 40 per cent. depending on the relationship between the donor and the recipient.

### ***Stamp Duty***

Pursuant to Article 14 of Greek Law 3156/2003 the issuance or transfer of Covered Bonds is exempt from Greek stamp duty.

### **EU Savings Directive**

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, together with certain dependent or associated territories of member states, have adopted similar measures.

### **Luxembourg Taxation**

*The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

### ***Withholding Tax***

#### **(a) Non-resident holders of Covered Bonds**

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest

made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it has been levied at a rate of 15 per cent. during the first three-year period starting 1 July 2005, and it will be levied at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the paying agents. Payments of interest under the Covered Bonds coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

(b) Resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the paying agents. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## SUBSCRIPTION AND SALE

Covered Bonds may be issued from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in a Programme Agreement dated on or about the date hereof (the **Programme Agreement**) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds. The Programme Agreement will be supplemented on or around the date of each issuance by Subscription Agreement, which will set out, *inter alia*, the relevant underwriting commitments. The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Covered Bonds. In the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

### United States

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it has not offered and sold, and will not offer or sell Covered Bonds (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer(s) (or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager), of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells Covered Bonds of such Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering of such Covered Bonds) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

Each issuance of Index Linked Covered Bonds, Credit Linked Interest Covered Bonds, Equity Linked Interest Covered Bonds or Dual Currency Interest Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

## Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Covered Bonds specifies that an offer of those Covered Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Covered Bonds which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a base prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Covered Bonds to the public in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### **The Hellenic Republic**

The Covered Bonds have not been submitted to the approval procedure of the Hellenic Capital Market Commission provided by Law 3401/2005 which implements the Prospectus Directive. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell the Covered Bonds unless it has complied and will comply with (i) the Public Offer Selling Restrictions under the Prospectus Directive, described above in this section; (ii) all applicable provisions of Greek Law 3401/2005, implementing into Greek law the Prospectus Directive; and (iii) all applicable provisions of Greek Law 876/1979 as currently in force, with respect to anything done in relation to any offering of any Covered Bonds in, from or otherwise involving the Hellenic Republic.

### **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **The Grand Duchy of Luxembourg**

In addition to the cases described in the European Economic Area selling restrictions in which the Dealers can make an offer of Covered Bonds to the public in an EEA Member State (including the Grand Duchy of Luxembourg), the Dealers can also make an offer of Covered Bonds to the public in the Grand Duchy of Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the Prospectus Directive) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF as competent authority in Luxembourg in accordance with the Prospectus Directive.

### **General**



Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## **GENERAL INFORMATION**

### **Listing and admission to trading**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for the Covered Bonds issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Covered Bonds may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

### **Authorisations**

The establishment, implementation and operation of the Programme and the issue of Covered Bonds have been duly confirmed and authorised by a resolution of the Board of Directors of the Issuer dated 18 November 2010.

### **Post-issuance information**

The Issuer provides quarterly Investor Reports detailing, among other things, compliance with the Statutory Tests. This information will be available at the offices of the Paying Agent, on Bloomberg and on the website [www.piraeusbank.gr](http://www.piraeusbank.gr).

### **Litigation**

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of 12 months preceding the date of this Base Prospectus which may have, or have had, in such period, a significant effect on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

### **No significant or material adverse change**

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer, or the Group, since 31 December 2009 (the last day of the financial period in respect of which the most recent annual audited financial statements of the Issuer have been prepared), and no significant change in the financial or trading position of the Issuer or the Group since 30 September 2010 (the last day of the financial period in respect of which the most recent unaudited interim financial statements of the Issuer have been prepared).

### **Documents available for inspection**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agents or the Luxembourg Listing Agent:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the audited financial statements of the Issuer (on both a consolidated and non-consolidated basis) in respect of the financial years ended 31 December 2008 and 31 December 2009 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (with an English translation thereof), together with any audit or review reports prepared in connection therewith;
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement, and the forms of the Global Covered Bonds, the Covered Bonds in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms

(save that a Final Terms relating to a Covered Bond which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, any supplement to the Base Prospectus, any documents incorporated by reference and each Final Terms relating to Covered Bonds which are admitted to trading on the official list of the Luxembourg Stock Exchange will also be available for inspection free of charge from the internet site of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

### **Clearing Systems**

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Credit Rating Agencies**

The Covered Bonds issued under the Programme are expected on issue to be assigned a rating of A- by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation. Certain ratings issued by Standard & Poor's and Moody's are also referred to in this Base Prospectus. As of the date of this Base Prospectus, Fitch, Standard & Poor's and Moody's are all established in the European Union and have each applied for registration under Regulation (EU) No 1060/2009 (the **CRA Regulation**), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. Whether or not any credit rating applied for in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

### **Independent Auditors**

The auditors of the Issuer are PricewaterhouseCoopers of 268-270 Kifissias Avenue, Halandri 152 32, Greece (members of the Institute of Certified Auditors-Accountants in Greece), Chartered Accountants and Registered Auditors, who have audited the Issuer's financial statements, without qualification, in accordance with IFRS for each of the two financial years ended 31 December 2008 and 31 December 2009. The auditors of the Issuer have no material interest in the Issuer.

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**Dexia Banque Internationale à Luxembourg S.A.**

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Luxembourg

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