

OFFERING CIRCULAR



***Piraeus Group Capital Limited***

*(incorporated with limited liability in Jersey)*

**€200,000,000 Series A Floating Rate Non-Cumulative Guaranteed Non-Voting Preferred Securities**

*having the benefit of a subordinated guarantee of*

***Piraeus Bank S.A.***

*(incorporated with limited liability in the Hellenic Republic)*

**Issue price: €1,000 per Preferred Security**

*Unless expressly indicated otherwise, capitalised terms and expressions used herein have the same meaning as given to them in "Description of the Preferred Securities".*

*The €200,000,000 Series A Floating Rate Non-Cumulative Guaranteed Non-Voting Preferred Securities (the "Preferred Securities") each with a liquidation preference of €1,000 (the "Liquidation Preference") are proposed to be issued by Piraeus Group Capital Limited (the "Issuer") on 27th October, 2004 (the "Closing Date"). All obligations of the Issuer to make payments in respect of the Preferred Securities will be guaranteed on a subordinated basis by Piraeus Bank S.A. (the "Bank") pursuant to a subordinated guarantee dated 27th October, 2004 (the "Guarantee"), all as more fully described herein under "Subordinated Guarantee".*

*The Preferred Securities will entitle holders to receive (subject as described herein under "Description of the Preferred Securities") Non-Cumulative preferential cash dividends payable quarterly in arrear on 27th January, 27th April, 27th July and 27th October in each year, commencing on 27th January, 2005. In relation to any Preferred Dividend Period, the rate of Preferred Dividend shall be the sum of Three Month EURIBOR and the relevant Margin.*

*The Preferred Securities are perpetual securities and have no fixed redemption date. However, the Preferred Securities may be redeemed, in whole but not in part, on the First Call Date or on any Preferred Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice, each to be redeemed at the Redemption Price. Such redemption is subject to the consent of the Bank and the Bank of Greece.*

*In the event of a liquidation, dissolution or winding-up of the Issuer, holders of the Preferred Securities will be entitled to receive, for each Preferred Security, a liquidation preference of €1,000 plus accrued and unpaid Preferred Dividends for the then current applicable Preferred Dividend Period to the date of payment, as more fully described in "Description of the Preferred Securities".*

*Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.*

*In making an investment decision, potential investors should carefully review the "Investment Considerations" on page 10 of this Offering Circular.*

*The Preferred Securities are expected to be rated "Baa3" by Moody's Investors Service Limited and "BB+" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.*

*The Preferred Securities will be represented on issue by a single global certificate in registered form (the "Global Certificate"). The Global Certificate will be registered in the name of BT Globenet Nominees Limited as nominee for, and will be deposited with, a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or around the Closing Date.*

*Structuring Adviser*

***Morgan Stanley***

*Joint-Lead Managers*

***Morgan Stanley***

***ABN AMRO***

***Alpha Bank***

*Co-Lead Managers*

***Emporiki Bank***

***Greek Postal Savings Bank***

***NBG International***

*The date of this Offering Circular is 25th October, 2004.*

Each of the Issuer and the Bank, having made all reasonable enquiries, confirms that this Offering Circular, including any document deemed to be incorporated herein by reference as provided under “Documents Incorporated by Reference” below, contains all information which is material in the context of the issuance and offering of the Preferred Securities, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held, that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading and that each of the Issuer and the Bank accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Preferred Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Bank or the Managers (as defined under “Subscription and Sale” below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Bank or the Bank and its subsidiaries as a whole (the “Group”) since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Bank or the Managers to subscribe for, or purchase, any of the Preferred Securities. This Offering Circular does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful. This Offering Circular may only be used for the purposes for which it has been published.

The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Bank in connection with the Preferred Securities or their distribution.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Bank or the Managers that any recipient of this Offering Circular should purchase any of the Preferred Securities. Each investor contemplating purchasing Preferred Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Bank.

The Preferred Securities 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. The Preferred Securities may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. For a further description of certain restrictions on the offering and sale of the Preferred Securities and on distribution of this Offering Circular, see “Subscription and Sale” below.

A copy of this Offering Circular has been delivered to the Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 as amended and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 as amended to the issue of the Preferred Securities by the Issuer. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions, expressed with regard to it.

An investment in the Preferred Securities is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.

If you are in any doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Nothing in this Offering Circular or anything communicated to Holders of, or investors in, the Preferred Securities (or any such potential Holders or investors) by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Preferred Securities or

the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

**IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF THE PREFERRED SECURITIES, MORGAN STANLEY & CO. INTERNATIONAL LIMITED OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON MORGAN STANLEY & CO. INTERNATIONAL LIMITED OR ANY PERSON ACTING FOR IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

All references in this Offering Circular to “Euro”, “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended.

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## DOCUMENTS INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Bank for the years ended 31st December, 2002 and 2003 prepared in accordance with generally accepted accounting standards in Greece (“Greek GAAP”), and the reviewed interim financial statements as at 30th June, 2004 are incorporated by reference in this Offering Circular. Copies of these documents are available free of charge from the specified office of the Paying and Transfer Agent for the time being in Luxembourg as described in “General Information” below.

## SUMMARY OF THE OFFERING

*The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Description of the Preferred Securities”.*

<b>Issuer:</b>	Piraeus Group Capital Limited, a wholly-owned subsidiary of the Bank incorporated in Jersey.
<b>Guarantor:</b>	Piraeus Bank S.A. (the “Bank”).
<b>Issue Size:</b>	€200,000,000.
<b>Issue Details:</b>	€200,000,000 Series A Non-Cumulative Guaranteed Non-Voting Preferred Securities each with a par value and a liquidation preference of €1,000.
<b>Preferred Dividends:</b>	<p>Preferred Dividends on the Preferred Securities will be declared by the Directors of the Issuer and paid by the Issuer out of funds legally available therefor, subject to certain limitations (see “Limitations on Payments” below).</p> <p>For each Preferred Dividend Period, Preferred Dividends on the Preferred Securities will be payable quarterly in arrear on 27th January, 27th April, 27th July and 27th October in each year (subject to adjustment) at a rate of Three Month EURIBOR plus the relevant Margin.</p> <p>The “Margin” is (i) for each Preferred Dividend Period during the period from and including the Closing Date to but excluding the First Call Date, 1.25 per cent. and (ii) for each Preferred Dividend Period commencing on or after the First Call Date, 2.25 per cent.</p>
<b>Guarantee:</b>	<p>The Bank will guarantee payments on the Preferred Securities in respect of any declared but unpaid Preferred Dividends, payments on liquidation of the Issuer, payments on redemption of the Preferred Securities and any Additional Amounts (as defined below).</p> <p>The Bank’s obligations under the Guarantee will be subordinated so that they rank junior to all senior and subordinated indebtedness of the Bank, <i>pari passu</i> with the Parity Obligations, if any, of the Bank, and senior to the ordinary shares of the Bank and any other Junior Obligations.</p>
<b>Limitations on Payments:</b>	<p>Subject to the Law and to the provisions relating to compulsory payments below, Preferred Dividends may be declared by the Directors of the Issuer, in their sole discretion, and paid by the Issuer out of funds legally available therefor.</p> <p>However, subject to the provisions relating to compulsory payments below, the Directors of the Issuer will not be permitted to pay any Preferred Dividend on the Preferred Securities if such Preferred Dividend, together with the amount of:</p> <ul style="list-style-type: none"><li>(i) any Preferred Dividends previously paid in respect of the Preferred Securities and distributions previously paid in respect of Preferred Dividend Parity Obligations in the then current financial year; and</li><li>(ii) any Preferred Dividends proposed to be paid in respect of the Preferred Securities and distributions proposed to be paid in respect of any Preferred Dividend Parity Obligations in the then current calendar quarter;</li></ul> <p>would exceed Distributable Funds.</p>

For the avoidance of doubt, the Directors of the Issuer will only be required to declare, and the Issuer will only be required to pay, a Preferred Dividend as set out in “Compulsory Payments” below.

References to Preferred Dividends include Additional Amounts.

**Preferred Dividends  
non-cumulative:**

If the Directors of the Issuer do not declare a Preferred Dividend payable on a Preferred Dividend Payment Date by virtue of the limitations set out above (see “Limitation on Payments”), then subject to the below (see “Compulsory Payments” and “Redemption”) and without affecting the rights of the Holders of Preferred Securities under the Guarantee, the entitlement of the holders of Preferred Securities to such Preferred Dividend shall lapse. Accordingly no payment will need to be made at any time by the Issuer or the Bank in respect of any such missed payment.

**Compulsory Payments:**

*Payment on Junior Obligations*

If the Bank, the Issuer or any other Subsidiary of the Bank pays any distribution on or in respect of any class of Junior Obligations (other than in the form of further or other Junior Obligations), then, subject to the Law, the Issuer will be required to pay Preferred Dividends on the Preferred Securities on one or more Preferred Dividend Payment Dates contemporaneous with or following such distribution, as follows:

- (i) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next four Preferred Dividend Payment Dates if the distribution on the Junior Obligation is made in respect of an annual period;
- (ii) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next two Preferred Dividend Payment Dates if the distribution on the Junior Obligation is made in respect of a semi-annual period; and
- (iii) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Junior Obligation is made in respect of a quarterly period.

*Redemption of Junior Obligations*

Subject to the Law, the Issuer will be required to make payment of the full amount of Preferred Dividend payable on each of the next four Preferred Dividend Payment Dates contemporaneous with or following any date on which the Bank or any Subsidiary of the Bank has redeemed, repurchased or otherwise acquired any Junior Obligations for any consideration (or any moneys are paid to or made available for a sinking fund for, or for redemption of, any such securities) unless such acquisition is effected in accordance with the provisions of article 16 paragraphs 2(b) to (f) or paragraph 5 *et seq.* of Greek Codified Law 2190/1920 and does not result in a decrease of the Bank’s own funds for the purposes of Greek capital adequacy requirements below the minimum thresholds set by circular 21/2004 of the Bank of Greece on Hybrid Tier I securities, as amended or supplemented from time to time.

*Payment on Preferred Dividend Parity Obligation*

If the Bank, the Issuer or any other Subsidiary of the Bank pays any distribution on or in respect of any class of Preferred Dividend Parity Obligations (other than in the form of Junior Obligations), then the Issuer will be required to make *pro rata* payments of Preferred Dividends on the Preferred Securities on one or more Preferred Dividend Payment Dates contemporaneous with or following such distribution, as follows:

- (i) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next four Preferred Dividend Payment Dates if the distribution on the Preferred Dividend Parity Obligation is paid in respect of an annual period;
- (ii) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next two Preferred Dividend Payment Dates if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a semi-annual period; and
- (iii) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a quarterly period.

When a distribution on Preferred Dividend Parity Obligations requires *pro rata* payment of Preferred Dividends as described above, the amount of the required payment will be in the same proportion to the aggregate specified amount of Preferred Dividends payable on the Preferred Securities as the aggregate payment that was made on such Preferred Dividend Parity Obligations bears to the amount that was payable on such Preferred Dividend Parity Obligations at the time of such payment.

*Aggregation of Preferred Dividends in Preferred Dividend Period*

Subject to the Law, compulsory payments of Preferred Dividends to be made by virtue of Article 4(a), 4(b) or 4(c) shall be aggregated on any Preferred Dividend Payment Date with any payments made or to be made by virtue of Article 3 in respect of any relevant Preferred Dividend Period, provided that in any relevant Preferred Dividend Period the aggregate amount paid in respect of Preferred Dividends on the Preferred Securities shall not exceed the scheduled amount of the Preferred Dividends.

All the compulsory Preferred Dividends described above will be guaranteed by the Bank under the Guarantee.

**Withholding Tax and Additional Amounts:**

The Preferred Securities will contain a gross up provision in respect of imposition of Jersey or Greek withholding taxes. The Guarantee will contain a gross up provision in respect of imposition of Greek withholding taxes. Each gross up provision will be subject to customary exceptions.

Under the gross up provisions, subject to customary exceptions, the Issuer, or the Bank pursuant to the Guarantee, will pay to each holder of the Preferred Securities such additional amounts (“Additional Amounts”) as may be necessary in order that every net payment in

respect of the Preferred Securities, after withholding for any taxes imposed by Jersey or Greece, as the case may be, upon or as a result of such payment, will not be less than the amount otherwise required to be paid.

The obligations of the Issuer and the Bank to pay any such Additional Amounts will be subject to limitations described in “Limitation on Payments” above.

**Optional Redemption:**

Subject to the Law, the Preferred Securities are redeemable at the option of the Issuer, in whole but not in part, on the First Call Date and on any Preferred Dividend Payment Date falling thereafter, at €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date, and any Additional Amounts remaining unpaid.

Such optional redemption will be subject to the prior consent of the Bank and the Bank of Greece.

**Capital Disqualification Redemption:**

If, at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event has occurred and is continuing, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Issuer on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days’ notice to the Holders of the Preferred Securities.

In this circumstance the Preferred Securities may be redeemed at €1,000 per Preferred Security plus any Additional Amounts remaining unpaid plus the Premium (as defined in “Description of the Preferred Securities”).

Any such redemption will be subject to the prior consent of the Bank and the Bank of Greece.

**Redemption for Tax Reasons:**

If, at any time falling prior to but excluding the First Call Date, as a result of a change in the laws or regulations of Jersey or Greece the Issuer or the Bank is or would be required to pay Additional Amounts in respect of payments due on the Preferred Securities or under the Guarantee then, subject to the Law, the Preferred Securities will be redeemable at the option of the Issuer, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days’ notice to the Holders of the Preferred Securities.

In this circumstance the Preferred Securities may be redeemed at €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date, and any Additional Amounts remaining unpaid.

If, at any time falling prior to but excluding the First Call Date, the Issuer or the Bank, in relation to the Preferred Securities, the Guarantee and any associated transactions (including, but not limited to, any loan from the Issuer to the Bank or any other Subsidiary of the Bank), is or would be required to pay more than a *de minimis* amount of (i) Jersey Tax (other than in respect of Jersey source income) or (ii) Greek Tax, then the Preferred Securities will be redeemable, at the option of the Issuer, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days’ notice to the Holders of the Preferred Securities.

In this circumstance the Preferred Securities may be redeemed at €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date, and any Additional Amounts remaining unpaid plus the Premium.

Any redemption for tax reasons will be subject to the prior consent of the Bank and the Bank of Greece.

**Rights upon Liquidation:**

In the event of any winding-up, liquidation or dissolution of the Issuer, Holders of Preferred Securities will be entitled to receive the Liquidation Distribution per Preferred Security held out of assets available for distribution to shareholders.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution, if at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the liquidation, dissolution or winding-up of the Bank, the Liquidation Distribution per Preferred Security paid to Holders of Preferred Securities and the liquidation distribution paid to the holders of Liquidation Parity Obligations shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank had the Preferred Securities and Liquidation Parity Obligations been issued by the Bank and ranked (i) junior to all liabilities of the Bank (other than any liability ranking *pari passu* with or junior to the Guarantee), (ii) *pari passu* with the most senior preferred or preference shares, if any, of the Bank, and (iii) senior to all Junior Obligations.

In the event of liquidation, dissolution or winding-up of the Bank, the Directors of the Issuer shall convene an extraordinary general meeting of the Issuer for the purpose of placing the Issuer in winding-up and the amount to which Holders of Preferred Securities shall be entitled as a Liquidation Distribution will be as described above.

The Bank has undertaken in the Guarantee that, so long as any of the Preferred Securities is outstanding, it will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer unless the Bank of Greece has given its prior approval, or the Bank itself is in liquidation.

**Voting Rights:**

Generally Holders of the Preferred Securities will not be entitled to vote at any general meeting of shareholders of the Issuer.

Holders of the Preferred Securities (together with the holders of any other preferred or preference shares of the Issuer having the right to vote for the election of Directors in such event) are entitled to elect two additional Directors of the Issuer's board of Directors if, in respect of four consecutive Preferred Dividend Periods, Preferred Dividends on the Preferred Securities have not been paid in full, or if the Bank breaches its payment obligations under the Guarantee.

Such Directors will vacate their office if Preferred Dividends are resumed by the Issuer, or payments by the Bank in respect thereof are made in full, for four consecutive Preferred Dividend Periods.

**Form of the Preferred Securities:**

The Preferred Securities will be represented on issue by a single global certificate in registered form, which will be registered in the name of BT Globenet Nominees Limited as nominee for, and will be deposited



with, a common depository for Euroclear and Clearstream, Luxembourg.

**Governing Law:**

The Preferred Securities will be governed by, and construed in accordance with, Jersey law.

The Guarantee of the Bank will be governed by, and construed in accordance with, English law, save that the provisions concerning the ranking of the Guarantee and amounts payable on any liquidation, dissolution or winding-up of the Bank as described above will be governed by, and construed in accordance with, Greek law.

**Use of Proceeds:**

The net proceeds from the issue of the Preferred Securities will be used by the Bank and/or its consolidated Subsidiaries for general banking purposes.

**Listing:**

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

**Rating:**

The Preferred Securities are expected to be rated “Baa3” by Moody’s Investors Service Limited and “BB+” by Standard & Poor’s Rating Services, a division of the McGraw Hill Companies Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

## INVESTMENT CONSIDERATIONS

*Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular before investing in the Preferred Securities.*

### **Risks Associated with the Bank's Financial Condition**

An investment in the Preferred Securities will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by the Bank having the same liquidation preference and rate of distribution as the Preferred Securities. The Preferred Securities are guaranteed on a limited and subordinated basis by the Bank pursuant to the terms of the Guarantee. Accordingly, if the Bank's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Preferred Dividends on the Preferred Securities or of payments under the Guarantee.

### **Preferred Dividends Not Cumulative**

Preferred Dividends on the Preferred Securities are not cumulative. Subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities", Preferred Dividends on the Preferred Securities will not be paid on each Preferred Dividend Payment Date if the Bank has insufficient Distributable Funds. If Preferred Dividends on the Preferred Securities for any Preferred Dividend Period are not paid, Holders will not be entitled to receive such Preferred Dividends (or any payment under the Guarantee in respect of such Preferred Dividends) whether or not sufficient funds are, or subsequently become, available.

### **Perpetual Nature of the Preferred Securities**

The Preferred Securities have no fixed final redemption date and Holders have no rights to require the redemption of the Preferred Securities. Although the Issuer may elect to redeem the Preferred Securities in certain circumstances (including at its option on the First Call Date or any Preferred Dividend Payment Date thereafter or following the occurrence of certain tax events or a Capital Disqualification Event (as set out in "Description of the Preferred Securities")), such election is discretionary and subject to certain limitations.

Any early redemption by the Issuer is subject to the prior consent of the Bank and the Bank of Greece. It is currently expected that such consent of the Bank of Greece will be given only in cases where, after such redemption of the Preferred Securities by the Issuer, (i) the solvency ratio of the Bank, on an unconsolidated and consolidated basis, remains above 8 per cent. and (ii) the ratio of "conventional" items of own funds (namely tier 1 capital excluding the Preferred Securities and similar instruments) to risk adjusted assets of the Bank, remains above 5 per cent.

### **No Limitation on Future Debt**

The Bank is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Guarantee.

## DESCRIPTION OF THE PREFERRED SECURITIES

*The following summary sets forth the material terms and provisions of the Preferred Securities. It is qualified in its entirety by reference to the terms and conditions of the Company's Articles of Association. Copies of the Company's Articles of Association and other documents relating to the Preferred Securities are available as described under "General Information — Documents relating to the Preferred Securities"*

### 1. Definitions and Interpretation

In this description of the Preferred Securities, except to the extent that the context requires otherwise:

"Additional Amounts" means the additional amounts which may be payable in respect of the Preferred Securities as described in Article 11;

"Agency Agreement" means the agency agreement dated 27th October, 2004 relating to the Preferred Securities between the Bank, the Company, the Principal Paying and Transfer Agent, the Registrar and the other agent named therein;

"Bank" means Piraeus Bank S.A. and its successors and assigns;

"Business Day" means any day on which commercial and foreign exchange markets settle payments in London, Athens and Jersey and on which the TARGET System, or any successor thereto, is operating;

"Capital Disqualification Event" means a change in any applicable law or regulation (including the provisions of Circular 21/2004 of the Bank of Greece on tier 1 instruments), or in the official interpretation or application thereof, as a result of which for the purposes of capital adequacy requirements applicable to banks in Greece, at that time an amount equal to, and in respect of, the aggregate liquidation preference of the Preferred Securities outstanding (being €1,000 per Preferred Security) will not be included in the tier one capital of the Bank on a consolidated basis;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme or its successor;

"Closing Date" means 27th October, 2004;

"Common Depositary" means Deutsche Bank AG London as common depositary for Euroclear and Clearstream, Luxembourg;

"Company" means Piraeus Group Capital Limited, the company incorporated under the Law in respect of which the articles have been registered;

"Distributable Funds" means in respect of any current financial year, the aggregate amount, as calculated as of the end of the immediately preceding financial year of the Bank, of the profit and any accumulated retained earnings and any other reserves and surpluses of each member of the Group available for distribution as cash dividends in such current financial year to ordinary shareholders of the Bank under the companies laws of, and generally accepted accounting principles in, Greece; but before deduction of the amount of any dividend or other distribution declared on the Bank's share capital in such current financial year;

"Dividends" means the Preferred Dividends and the Ordinary Dividends or either of them;

"Euroclear" means Euroclear Bank S.A./N.V. as operator of the Euroclear System;

"First Call Date" means the Preferred Dividend Payment Date falling in October 2014;

"Greek Tax" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Greece or any political sub-division thereof or by any authority therein or thereof having power to tax;

"Group" means the Bank together with its Subsidiaries;

"Guarantee" means the subordinated guarantee in favour of the Holders of the Preferred Securities to be executed by the Bank on 27th October, 2004 as a deed poll;

"Holder" means, in relation to any Preferred Security, the member of the Company whose name is entered in the Register as the holder of such Preferred Security and in relation to any Ordinary Security the

member of the Company whose name is entered in the ordinary register as the holder of such Ordinary Security;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Jersey or any political sub-division thereof or by any authority therein or thereof having power to tax;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security or other obligation of a Subsidiary including the Company (other than the Preferred Securities) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Guarantee, or any such guarantees, support agreements or similar undertakings of the Bank;

“Law” means the Companies (Jersey) Law, 1991;

“Liquidation Distribution” means the Liquidation Preference plus (i) any accrued and unpaid Preferred Dividends (whether or not declared) calculated from and including the immediately preceding Preferred Dividend Payment Date (or, if none, the Closing Date) to but excluding the date of payment, and (ii) any Additional Amounts, in each case payable in cash only;

“Liquidation Parity Obligations” means the most senior preferred or preference shares or similar securities of the Bank and any guarantee, support agreement or other contractual undertaking (ranking *pari passu* with the Guarantee as regards participation in the assets of the Bank) or any preferred or preference shares of Subsidiaries;

“Liquidation Preference” means the liquidation preference of €1,000 per Preferred Security;

“Margin” has the meaning set out in Article 2(b);

“Ordinary Dividends” means the dividends in respect of the Ordinary Securities;

“Ordinary Securities” means the ordinary shares of the Company;

“Parity Obligations” means Liquidation Parity Obligations and Preferred Dividend Parity Obligations;

“Paying and Transfer Agents” means each of the Principal Paying and Transfer Agent and Deutsche Bank Luxembourg S.A. and/or any other entity appointed as paying and transfer agent by the Company and notified to the Holders of the Preferred Securities;

“Preferred Dividends” means the non-cumulative dividends in respect of the Preferred Securities as described under Article 2;

“Preferred Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier 1 capital of the Bank and all preferred securities or preference securities or other obligation of Subsidiaries including the Company (other than the Preferred Securities) qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or similar undertaking of the Bank ranking *pari passu* with the Guarantee as regards entitlement to distributions thereunder, and all such guarantees, support agreements or contractual undertakings;

“Preferred Dividend Payment Date” means each date on which a Preferred Dividend is payable in accordance with the provisions of Article 2(a);

“Preferred Dividend Period” means the period from and including the Closing Date to but excluding the first Preferred Dividend Payment Date and each successive period from and including a Preferred Dividend Payment Date to but excluding the next succeeding Preferred Dividend Payment Date;

“Preferred Dividend Floating Rate” has the meaning set out in Article 2(b);

“Preferred Securities” means the € Series A Floating Rate Non-Cumulative Guaranteed Non-Voting Preferred Securities of the Company outstanding, each with a Liquidation Preference of €1,000, and including any further Preferred Securities of the Company of the same series issued after the Closing Date and ranking *pari passu* with the Preferred Securities then in issue;

“Premium” has the meaning set out in Article 5(e);

“Principal Paying and Transfer Agent” means Deutsche Bank AG London or such other entity appointed by the Company and notified to the Holders of the Preferred Securities;

“Redemption Date” means the date on which the Preferred Securities are to be redeemed by the Company pursuant to Article 5;

“Redemption Price” means €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date and any Additional Amounts remaining unpaid;

“Reference Banks” means any four major banks in the euro-zone interbank market selected by agreement between the Principal Paying and Transfer Agent and the Bank;

“Registrar” means Deutsche Bank Luxembourg S.A. or such other entity appointed by the Company and notified to the holders of the Preferred Securities;

“Register” means the register of holders of Preferred Securities maintained outside the United Kingdom on behalf of the Issuer;

“Relevant Screen Page” means Moneyline Telerate Screen Page 248 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month EURIBOR;

“Subsidiary” means any corporation or other person or entity more than 50 per cent. of whose equity share capital is owned by the Bank, or 20 per cent., at least, of whose equity share capital is directly or indirectly controlled by the Bank and whose board of directors is controlled by the Bank or which is consolidated in the most recent annual audited consolidated financial statements of the Bank or which will be so consolidated in the next annual audited consolidated financial statements of the Bank;

“TARGET Settlement Day” means any day on which the TARGET System, or any successor thereto, is operating;

“TARGET System” means the Trans-European Automated Real-time Gross settlement Express Transfer system; and

“Three Month EURIBOR” has the meaning set out in Article 2(b).

## **2. Preferred Dividends on Preferred Securities**

### *(a) Preferred Dividend Payment Dates*

Preferred Dividends on the Preferred Securities are non-cumulative and will be deemed to accrue on a day by day basis whether or not declared. Subject to the Law, the Preferred Dividends will be payable quarterly in arrear on 27th January, 27th April, 27th July and 27th October in each year, commencing on 27th January, 2005, provided that if any such date would otherwise fall on a day which is not a Business Day, payment shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day.

### *(b) Preferred Dividend Floating Rate*

In relation to any Preferred Dividend Period, the rate of Preferred Dividend shall be the sum (as determined by the Principal Paying and Transfer Agent) of Three Month EURIBOR and the relevant Margin (the “Preferred Dividend Floating Rate”).

For the purpose of calculating the Preferred Dividend Floating Rate:

“Margin” means (i) for each Preferred Dividend Period during the period from and including the Closing Date to but excluding the First Call Date, 1.25 per cent. and (ii) for each Preferred Dividend Period commencing on or after the First Call Date, 2.25 per cent.; and

“Three Month EURIBOR” means the rate for deposits in euro for a period of three months which appears on the Relevant Screen Page as of 11.00 a.m., Brussels time, (or such other time as may be customary

for the daily reset of such rate) on the day that is two TARGET Settlement Days preceding the first day of the relevant Preferred Dividend Period.

If such rate does not appear on the Relevant Screen Page on the day that is two TARGET Settlement Days preceding the first day of the relevant Preferred Dividend Period, then Three Month EURIBOR for the relevant Preferred Dividend Period will be determined on the basis of the rates at which deposits in euro are offered by the Reference Banks at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Settlement Days preceding the first day of the relevant Preferred Dividend Period to prime banks in the euro-zone interbank market for a period of three months commencing on the first day of the relevant Preferred Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time. The Principal Paying and Transfer Agent shall request the principal euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, the rate shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Three Month EURIBOR in respect of such Preferred Dividend Period shall be the arithmetic mean of the rates quoted by major banks in the euro-zone selected by the Principal Paying and Transfer Agent, at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Settlement Days preceding the first day of the relevant Preferred Dividend Period for loans in euro to leading banks in the euro-zone for a period of three months commencing on the first day of such Preferred Dividend Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, except that, if the banks so selected by the Principal Paying and Transfer Agent are not quoting as mentioned above, the Preferred Dividend Floating Rate for such Preferred Dividend Period shall be the Three Month EURIBOR in effect for the last preceding Preferred Dividend Period to which one of the preceding paragraphs of this definition of Three Month EURIBOR shall have applied plus the relevant Margin.

The amount of any Preferred Dividend shall be calculated by multiplying the applicable Preferred Dividend Floating Rate by the Liquidation Preference and the actual number of days in the relevant Preferred Dividend Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

The Principal Paying and Transfer Agent shall, upon the determination of each Preferred Dividend Floating Rate, calculate the Preferred Dividend payable on the relevant Preferred Dividend Payment Date on each Preferred Security for the relevant Preferred Dividend Period. The Principal Paying and Transfer Agent shall cause the relevant Preferred Dividend Floating Rate and each Preferred Dividend payable in respect of the relevant Preferred Dividend Period to be notified to the Company, the Bank, the Luxembourg Stock Exchange and the Holders (in accordance with the provisions of Article 14) as soon as possible after their determination but in any event not later than the second Business Day thereafter.

### **3. Limitations on Payments of Preferred Dividends on Preferred Securities**

- (a) Subject to the Law and to the provisions of Article 4 below, Preferred Dividends on the Preferred Securities may be declared by the Directors of the Issuer, in their sole discretion, and paid by the Company out of funds legally available therefor.

However, subject to the provisions of Article 4 below, the Directors of the Issuer will not be required to declare, and the Company will not be permitted to pay, any Preferred Dividend if such Preferred Dividend, together with the amount of:

- (i) any Preferred Dividends previously paid by the Company in respect of the Preferred Securities and distributions previously paid in respect of Preferred Dividend Parity Obligations in the then current financial year; and
- (ii) any Preferred Dividends proposed to be paid in respect of the Preferred Securities and distributions proposed to be paid in respect of Preferred Dividend Parity Obligations in the then current calendar quarter;

would exceed Distributable Funds.

For the avoidance of doubt, the Directors of the Issuer will only be required to declare, and the Company will only be required to pay, a Preferred Dividend as set out in Article 4.

- (b) References to Preferred Dividends in this Article include Additional Amounts.
- (c) Preferred Dividends non-cumulative

If the Directors of the Company do not declare a Preferred Dividend payable on a Preferred Dividend Payment Date in respect of the Preferred Securities then, subject to Articles 4 and 5 and without affecting the rights of the Holders of the Preferred Securities under the Guarantee, the right of Holders of the Preferred Securities to receive such Preferred Dividend will be lost. The Company will have no obligation to pay the Preferred Dividend accrued for such Preferred Dividend Period or to pay any interest thereon, whether or not Preferred Dividends on the Preferred Securities are declared in respect of any future Preferred Dividend Period.

#### **4. Compulsory Payment of Preferred Dividends on Preferred Securities**

##### *(a) Compulsory payment as a result of payment on Junior Obligations*

If the Bank, the Company or any other Subsidiary of the Bank makes any distribution on or in respect of any class of Junior Obligations (other than in the form of further or other Junior Obligations), then, subject to the Law, the Company will be required to pay Preferred Dividends on the Preferred Securities on one or more Preferred Dividend Payment Dates contemporaneous with or following such distribution, as follows:

- (i) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next four Preferred Dividend Payment Dates if the distribution on the Junior Obligation is made in respect of an annual period;
- (ii) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next two Preferred Dividend Payment Dates if the distribution on the Junior Obligation is made in respect of a semi-annual period; and
- (iii) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Junior Obligation is made in respect of a quarterly period.

##### *(b) Compulsory payment as a result of redemption of Junior Obligations*

Subject to the Law, the Company will be required to make payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next four Preferred Dividend Payment Dates contemporaneous with or following any date on which the Bank or any Subsidiary of the Bank has redeemed, repurchased or otherwise acquired any Junior Obligations for any consideration (or any moneys are paid to or made available for a sinking fund for, or for redemption of, any such securities) unless such acquisition is effected in accordance with the provisions of article 16 paragraphs 2(b) to (f) or paragraph 5 *et seq.* of Greek Codified Law 2190/1920 and does not result in a decrease of the Bank's own funds for the purposes of Greek capital adequacy requirements below the minimum thresholds set by Circular 21/2004 of the Bank of Greece as amended and/or supplemented from time to time (i.e., (i) the solvency ratio of the Bank, on an unconsolidated and consolidated basis, falls below 8 per cent. and (ii) the ratio of "conventional" items of own funds, namely tier 1 capital excluding the Preferred Securities and similar instruments, to risk adjusted assets of the Bank falls below 5 per cent.).

##### *(c) Compulsory payment as a result of payment on Preferred Dividend Parity Obligations*

If the Bank, the Company or any other Subsidiary of the Bank pays any distribution on or in respect of any class of Preferred Dividend Parity Obligations (other than in the form of Junior Obligations), then, subject to the Law, the Company will be required to make *pro rata* payments of Preferred Dividends on the Preferred Securities on one or more Preferred Dividend Payment Dates contemporaneous with or following such distribution, as follows:

- (i) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next four Preferred Dividend Payment Dates if the distribution on the Preferred Dividend Parity Obligation is paid in respect of an annual period;

- (ii) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on each of the next two Preferred Dividend Payment Dates if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a semi-annual period; and
- (iii) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a quarterly period.

When a distribution on Preferred Dividend Parity Obligations requires *pro rata* payment of Preferred Dividends as described above, the amount of the required payment will be in the same proportion to the aggregate specified amount of Preferred Dividends payable on the Preferred Securities as the aggregate payment that was made on such Preferred Dividend Parity Obligations bears to the amount that was payable on such Preferred Dividend Parity Obligations at the time of such payment.

(d) *Aggregation of Preferred Dividends in Preferred Dividend Period*

Subject to the Law, compulsory payments of Preferred Dividends to be made by virtue of Article 4(a), 4(b) or 4(c) shall be aggregated on any Preferred Dividend Payment Date with any payments made or to be made by virtue of Articles 2 and 3 in respect of any relevant Preferred Dividend Period, provided that in any relevant Preferred Dividend Period the aggregate amount paid in respect of Preferred Dividends on the Preferred Securities shall not exceed the scheduled amount of the Preferred Dividends.

Save as described in this Article and in Article 5, after payment of the Preferred Dividend, the Holders of the Preferred Securities will have no right to participate in the profits of the Company.

## **5. Redemption of Preferred Securities**

(a) *Optional redemption*

Subject to the Law, the Preferred Securities are redeemable, at the option of the Company, in whole but not in part, on the First Call Date and on any Preferred Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price.

(b) *Redemption for tax reasons*

If, at any time falling prior to but excluding the First Call Date, as a result of any amendment to or change in the laws or regulations of Jersey or Greece or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any change in the application of or official interpretation or administration of any such laws or regulations, which amendment or change becomes effective on or after 25th October, 2004, the Company is required to pay Additional Amounts, or the Bank would be unable for reasons outside its control to procure payment by the Company and in making payment itself would be required to pay additional amounts under the Guarantee, then, subject to the Law, the Preferred Securities will be redeemable, at the option of the Company, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price.

If, at any time falling prior to but excluding the First Call Date, the Company or the Bank, in relation to the Preferred Securities, the Guarantee and any associated transactions (including, but not limited to, any loan from the Company to the Bank or any other Subsidiary of the Bank), is or would be required to pay more than a *de minimis* amount of (i) Jersey Tax, other than in respect of Jersey source income, or (ii) Greek Tax, then the Preferred Securities will be redeemable, at the option of the Company, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price plus the Premium.



(c) *Redemption for Capital Disqualification Event*

If, at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event has occurred and is continuing, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Company on the next Preferred Dividend Payment Date, upon not less than 30 or more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price plus the Premium.

(d) *Precondition to redemption*

Any redemption under Article 5 (a), (b) or (c) will be subject to the prior consent of the Bank and the Bank of Greece.

The notice to the Holders of the Preferred Securities under Article 5 (a), (b) or (c) will specify the Redemption Date and whether the Redemption Price will include the Premium, if any. For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg Stock Exchange of any redemption under Article 5(a), (b) or (c).

(e) *Calculation of Premium*

For the purposes of paragraphs (b) and (c) above:

“Premium” means, in respect of each Preferred Security, the amount, as determined by the Calculation Agent, equal to the present value of the Liquidation Preference multiplied by 1.25 per cent. per annum from the date on which the Preferred Security is to be redeemed to the First Call Date. The present value calculated above shall be calculated by discounting the relevant amounts to the date when the Preferred Security is to be redeemed on an annual basis at the Adjusted Yield;

For the purpose of determining the Premium:

“Adjusted Yield” means the Interpolated Swap Rate, plus 0.50 per cent.;

“Calculation Agent” means an investment bank of international standing selected by the Company;

“Calculation Date” means the third Business Day prior to the date when the Preferred Securities are to be redeemed;

“Interpolated Swap Rate” means a rate determined by the Calculation Agent through the use of straight-line interpolation by reference to two Swap Rates, one of which shall be determined as if the Designated Maturity were the whole number of unexpired Preferred Dividend Periods to the First Call Date (but excluding the Preferred Dividend Period in which the calculation is to be made) and the other of which shall be determined as if the Designated Maturity were the whole number of unexpired Preferred Dividend Periods to the First Call Date (including the Preferred Dividend Period in which the calculation is made); and

“Swap Rate” means a rate equal to the Floating Rate (as defined in the 2000 ISDA Definitions as amended, published by the International Swaps and Derivatives Association, Inc) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, and under which:

1. the Floating Rate Options (as defined in the 2000 ISDA Definitions) is “EUR-ISDA-EURIBOR Swap Rate — 11:00”;
2. the Designated Maturity (as defined in the 2000 ISDA Definitions) in respect of a Swap Rate is as set out in the definitions of “Adjusted Yield” or “Interpolated Swap Rate” as applicable; and
3. the Reset Date (as defined in the 2000 ISDA Definitions) is the Calculation Date.

## **6. Payments**

Preferred Dividends declared on the Preferred Securities will be payable on the relevant Preferred Dividend Payment Date by the Company to the Holders of record as they appear on the Register on the relevant record date, which will be five days prior to the relevant Preferred Dividend Payment Date.

Whilst the Preferred Securities are represented by a global certificate, payments in respect of the Preferred Securities will be made to or as directed by the Common Depositary. Payments made to the Common Depositary shall be made by wire transfer, and Euroclear or Clearstream, Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable Preferred Dividend Payment Dates or Redemption Dates.

If definitive Preferred Securities are issued, payments of the Redemption Price plus the Premium, if applicable, in respect of the Preferred Securities will be made upon presentation and surrender of the Preferred Securities at the office of the agent of the Company maintained for such purpose, which initially will be the office of Deutsche Bank AG London as Principal Paying and Transfer Agent in London and Deutsche Bank Luxembourg S.A. as Paying and Transfer Agent in Luxembourg, in each case against presentation and surrender of the relevant definitive Preferred Security. Subject to any applicable fiscal or other laws and regulations, each payment in respect of Preferred Dividends on definitive Preferred Securities may, at the Company's option, be made by euro cheque drawn on a bank in a principal financial centre in the euro-zone and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date or by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the Principal Paying and Transfer Agent not less than 30 days prior to the date of any such payments.

If the Company does not pay a Preferred Dividend, a Holder's right to receive payment of such Preferred Dividend will be satisfied if and to the extent that the Bank pays such Preferred Dividend pursuant to the Guarantee.

If the Company gives a notice of redemption in respect of the Preferred Securities, then, by 10.00 a.m., Brussels time, on the Redemption Date, the Company will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Redemption Price plus the Premium, if applicable, and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Redemption Price plus the Premium, if applicable, to the Holders of the Preferred Securities. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Preferred Securities will be extinguished, except the right of the Holders of Preferred Securities to receive the Redemption Price plus the Premium, if applicable, in respect of each Preferred Security, but without interest, and the Preferred Securities will cease to be outstanding.

In the event that payment of the Redemption Price plus the Premium, if applicable, in respect of any Preferred Security is improperly withheld or refused and not paid either by the Company or by the Bank pursuant to the Guarantee or deposited as provided in the preceding paragraph, Preferred Dividends on such Preferred Security, subject as described above, will continue to accrue, at the then applicable rate, from the Redemption Date to the date of actual payment of such Redemption Price plus the Premium, if applicable.

## **7. Purchase of Preferred Securities**

Subject to the foregoing and to applicable law, (including, without limitation, Greek, Jersey and Luxembourg securities and banking laws and regulations) and to the requirements of the rules of the Luxembourg Stock Exchange, the Company or the Bank or any of the Bank's other Subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Any such purchase to be made by the Company or by the Bank or by any of the Bank's other Subsidiaries shall be subject to the prior consent of the Bank of Greece. Any purchase to be made by the Company shall be made in such manner and in such terms as the Company shall approve in general meeting.

The restrictions contained in this Article 7 shall not apply to any purchase of Preferred Securities where such purchase is made (i) in the ordinary course of a business of dealing in securities and (ii) for the account of a person other than the Company, the Bank or any of the Bank's other Subsidiaries.

## **8. Liquidation Distributions**

In the event of any winding-up, liquidation or dissolution of the Company, the Holders of the Preferred Securities at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Preferred Security held out of the assets of the Company available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of Ordinary Securities or any other class of shares of the Company ranking junior as regards participation in assets to the Preferred Securities, but such entitlement will rank equally with the entitlement of the holders of any other preferred securities or preference shares, if any, of the Company ranking *pari passu* with the Preferred Securities as regards participation in assets of the Company.

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders of the Preferred Securities, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the liquidation, dissolution or winding-up of the Bank, the Liquidation Distribution per Preferred Security paid to Holders of the Preferred Securities and the liquidation distribution paid to the holders of Liquidation Parity Obligations shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Greek law of all creditors of the Bank, including holders of its subordinated debt but excluding holders of any liability ranking *pari passu* with or junior to the Guarantee) had the Preferred Securities and all such Liquidation Parity Obligations been issued by the Bank and ranked (i) junior to all liabilities of the Bank (other than any liability ranking *pari passu* with or junior to the Guarantee), (ii) *pari passu* with the most senior preferred securities or preference shares, if any, of the Bank and (iii) senior to all Junior Obligations.

If the Liquidation Distributions and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation. After payment of the Liquidation Distribution, as adjusted if applicable, the Holders of the Preferred Securities will have no right or claim to any of the remaining assets of the Company or the Bank.

In the event of the liquidation, dissolution or winding-up of the Bank, the Directors of the Company shall convene an extraordinary general meeting of the Company for the purpose of proposing a Special Resolution to put the Company into winding-up and the amount to which Holders of the Preferred Securities shall be entitled as a Liquidating Distribution will be as set out above.

## **9. Voting Rights**

Except as provided in this Article, Holders of Preferred Securities will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.

If in respect of four consecutive Preferred Dividend Periods:

- (a) Preferred Dividends (whether or not declared) or any Additional Amounts in respect of such Dividends on the Preferred Securities have not been paid in full by the Company in accordance with the terms and provisions of the Preferred Securities; or
- (b) the Bank breaches any of its payment obligations under the Guarantee in respect of such Preferred Dividends or Additional Amounts,

then the Holders of outstanding Preferred Securities together with the holders of any other preferred securities or preference shares of the Company having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the holders of a majority by liquidation preference of such shares or securities or by ordinary resolution passed by the holders of a majority in liquidation preference of such shares or securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint two additional persons to act as Directors of the Company, and to remove any such Director from office and to appoint another person in place of such Director.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Preferred Securities and the holders of any other preferred securities or preference shares of the Company having the right to vote for the election of Directors in the circumstances described in the preceding sentence has not been given as provided for in the preceding sentence, the Directors of the Company will convene a separate general meeting for the above purpose. If the Directors fail to convene such meeting within such 30 day period, the holders of not less than 10 per cent. by liquidation preference of the outstanding Preferred Securities and such other preferred securities or preference shares will be entitled to convene such meeting.

The provisions of the Articles concerning the convening and conduct of general meetings of shareholders shall apply with respect to such meeting. Subject to the terms of such other preferred securities or preference shares, if, in respect of four consecutive Preferred Dividend Periods, Preferred Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Preferred Securities by the Company and/or the Bank has made payment of all amounts guaranteed in respect of such Preferred Dividends (whether or not declared) and any Additional Amounts, any Director so appointed shall vacate the office.

Any variation or abrogation of the rights, preferences and privileges of the Preferred Securities by way of amendment of the Articles or otherwise (including, without limitation, the authorisation or issuance of any shares of the Company ranking, as to participation in the profits or assets of the Company, senior to the Preferred Securities) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of the Holders of not less than two-thirds by liquidation preference of the outstanding Preferred Securities or with the sanction of a resolution, passed by a majority of not less than two-thirds by liquidation preference of the Holders of the outstanding Preferred Securities, present or represented at a separate meeting at which the quorum shall be Holders present or represented holding at least one-third by liquidation preference of the outstanding Preferred Securities.

No such sanction shall be required if, as determined by the Directors, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that any such change does not reduce the amounts payable to or impose any obligation on the Holders of the Preferred Securities or adversely affect their voting rights or cause any modification of the terms of the Preferred Securities pursuant to Article 10.

Notwithstanding the foregoing, no vote of the Holders of the Preferred Securities will be required for the Company to redeem the Preferred Securities in accordance with the Company's Articles.

In addition to the voting rights referred to above, no resolution may be proposed for adoption by the Holders of the Ordinary Securities providing for the winding-up, liquidation or dissolution of the Company, unless the Holders of a simple majority by liquidation preference of the outstanding Preferred Securities and holders of any other preferred securities or preference shares ranking *pari passu* as regards participation in profits or assets with the Preferred Securities have approved such resolution. Such approval may only be given by the consent in writing of the holders of at least a simple majority by liquidation preference of the outstanding Preferred Securities and such other preferred securities or preference shares or with the sanction of a resolution passed by not less than a simple majority by liquidation preference at a meeting of the holders of the Preferred Securities and such other preferred securities or preference shares present and voting at such meeting. Such approval shall not be required if the winding-up, liquidation or dissolution of the Company is proposed or initiated because of the winding-up, liquidation or dissolution of the Bank.

Notwithstanding that Holders of Preferred Securities are entitled to vote under any of the limited circumstances described above, any Preferred Security outstanding at such time that is owned by the Bank, or a Subsidiary shall not carry a right to vote and shall, for voting purposes, be treated as if it were not outstanding.

The Company will cause a notice of any meeting at which Holders of the Preferred Securities are entitled to vote to be mailed to each Holder of a Preferred Security. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

## **10. Further Issues**

Notwithstanding Article 9, provided that the most recent Preferred Dividend payable on the Preferred Securities has been paid in full by the Company (or the Bank pursuant to the Guarantee), the Holders of Ordinary Securities or the Directors of the Company may, without the consent or sanction of the Holders of the Preferred Securities, take such action as is required in order to amend the Company's Articles:

- (a) to increase the authorised amount of Preferred Securities or to create and issue one or more other series of preferred securities or preference shares of the Company ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Company; or

- (b) to authorise, create and issue one or more other classes of shares of the Company ranking junior, as regards participation in the profits and assets of the Company, to the Preferred Securities.

Thereafter, the Company may, provided that in the case of (a) above the circumstances for non-payment of Preferred Dividends under Article 3(a) are not subsisting, without the consent of the Holders of the Preferred Securities obtained in accordance with the procedures set out in Article 9, issue any such further securities either having the same terms and conditions as the Preferred Securities in all respects (or in all respects except for the first payment of Preferred Dividends on them) and so that such further issue shall be consolidated and form a single series with the Preferred Securities then in issue or upon such other terms as aforesaid.

Notwithstanding the foregoing, the Company may only issue further Preferred Securities if, at the same time, the Bank issues in respect of the further Preferred Securities a guarantee having terms and conditions that are substantially identical to the Guarantee (or extends the Guarantee to cover the further Preferred Securities).

#### **11. Additional Amounts**

All payments in respect of the Preferred Securities by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Greek Tax, unless the withholding or deduction of such Jersey Tax or Greek Tax is required by law. In that event, the Company will pay as further dividends such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received by the Holders of Preferred Securities after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Preferred Securities (or to a third party on his behalf) with respect to any Preferred Security (i) to the extent that such Jersey Tax or Greek Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preferred Security) having some connection with Jersey or Greece, other than being a Holder (or beneficial owner) of such Preferred Security or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, or (iii) who would not be liable or subject to such withholding or deduction if it were to comply with a statutory requirement or to make a declaration of non-residence or other similar claim for exemption but fails to do so or who would, where presentation of the Preferred Security is required, have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union, and except that the Company’s obligations to make any such payments are subject to the limitations on payments provisions under Article 3.

#### **12. Prescription**

Any moneys paid by the Company to the Principal Paying and Transfer Agent for the payment of Preferred Dividends or on a redemption of the Preferred Securities and remaining unclaimed at the end of two years following the date on which such Preferred Dividends or redemption proceeds become payable shall be returned to the Company at the Company’s request, and the Holders of the Preferred Securities shall thereafter look only to the Company for the payment thereof.

#### **13. Form, Registration and Transfer of Preferred Securities**

The Preferred Securities will be in registered form and evidenced by a global certificate deposited with, and registered in the name of a nominee for, the Common Depositary or its nominee. Except as set forth below, no definitive Preferred Securities will be issued.

Beneficial interests in the Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Euroclear and Clearstream, Luxembourg and their respective participants and, except in the limited circumstances described below, Preferred Securities in certificated form will not be issued. Holders of beneficial interests in the global certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg and (if applicable) their respective participants to exercise any rights of a Holder of Preferred Securities under the global certificate. None of the Bank, the

Company, any Paying and Transfer Agent, or the Registrar for the Preferred Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the global certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The global certificate will cease to represent the Preferred Securities, and Preferred Securities in definitive registered form in aggregate Liquidation Preference equal to the Liquidation Preference of the global certificate will be exchangeable therefor, only if (i) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business or does in fact so cease business other than in connection with a merger of Euroclear and Clearstream, Luxembourg; or (ii) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Euroclear and/or Clearstream, Luxembourg. Such definitive Preferred Securities will be in denominations of €1,000 (and integral multiples thereof) and will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct (such instructions being expected to be based upon directions received by Euroclear and Clearstream, Luxembourg from their participants with respect to ownership of beneficial interests in the Preferred Securities), and the Liquidation Preference and Preferred Dividends with respect thereto will be payable, and the transfer thereof will be registrable, at the offices described below. In addition, in all cases where any Preferred Securities are issued in definitive registered form, the record dates for payment of Preferred Dividends will be 15 days prior to the relevant Preferred Dividend Payment Date (whether or not such date is a Business Day). Except as set forth in this paragraph, no definitive Preferred Securities will be issued.

If definitive Preferred Securities are issued, they may be exchanged or transferred in whole or in part by surrendering such definitive Preferred Securities at the office of the Registrar or any Paying and Transfer Agent with a written instrument of transfer (which may be obtained at any such office) duly executed by the Holder thereof or its attorney duly authorised in writing. In exchange for any definitive Preferred Security properly presented for transfer, the Registrar or such Paying and Transfer Agent will promptly authenticate and deliver or cause to be authenticated or delivered at the office of the Registrar or such Paying and Transfer Agent, to the Holder entitled to such Preferred Security, or send by mail (at the risk of such Holder) to such address as such Holder may request, a definitive Preferred Security or Preferred Securities.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Company, but only upon payment by the transferor of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Company will not be required to register or cause to be registered the transfer of Preferred Securities after such Preferred Securities have been called for redemption.

#### **14. Paying and Transfer Agents and Registrar**

For so long as any Preferred Securities are outstanding, the Company will appoint and maintain a Preferred Securities Registrar having its office outside the United Kingdom.

The Principal Paying and Transfer Agent shall be permitted to resign as Principal Paying and Transfer Agent upon 30 days' written notice to the Company. In the event that Deutsche Bank AG London shall no longer be the Principal Paying and Transfer Agent, the Company shall appoint a successor (which shall be a bank or trust company acceptable to the Company) to act as Principal Paying and Transfer Agent. For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, the Company will maintain a Paying Agent and a Transfer Agent in Luxembourg and will give notice in the manner described under "Notices" below (see Article 15) when any new paying and transfer agent in Luxembourg is appointed. For so long as any Preferred Securities are outstanding, the Company undertakes that it will ensure that it maintains a Paying and Transfer Agent having a specified office in a European Union Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained whether by the Reference Banks (or any of them), the Principal Paying and

Transfer Agent or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Company, the Reference Banks, the Principal Paying and Transfer Agent, the Calculation Agent, the Registrar and all Holders of the Preferred Securities and (in the absence of any such wilful default, bad faith or manifest error) no liability to the Company, the Registrar or the Holders of the Preferred Securities shall attach to the Reference Banks, the Principal Paying and Transfer Agent or the Calculation Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions.

#### **15. Notices**

Any notice to Holders of the Preferred Securities will be given to them at their addresses set forth in the Register. In addition, for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, all notices to Holders of Preferred Securities will also be published in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or, if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions whether or not it shall be published in Saturday, Sunday or holiday editions. Such notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

## OTHER PROVISIONS OF THE ISSUER'S ARTICLES

In addition, the Articles of Association of the Issuer contain, *inter alia*, provisions (with the exception of sections in italics) to the following effect:

**(a) Ordinary Securities**

*All the Company's Ordinary Securities are owned by the Bank. In any year, subject to Jersey law, the Company may, without the consent of the Holders of the Preferred Securities, declare and pay dividends on the Ordinary Securities to the Bank as the holder of the Ordinary Securities. Such dividends will be paid out of the Company's funds, if any, available after payment of the Preferred Dividends on the Preferred Securities if and as due in accordance with the terms and conditions of the Preferred Securities. No dividend has been paid on the Ordinary Securities of the Issuer since its incorporation.*

**(b) Prescription**

Any Dividend unclaimed for a period of ten years from its date of declaration shall be forfeited and shall cease to be owing by the Company. *The Preferred Securities are governed by, and shall be construed in accordance with, Jersey law.*



## **SUMMARY OF PROVISIONS RELATING TO THE PREFERRED SECURITIES IN GLOBAL FORM**

### **Initial Issue of Preferred Securities**

The Preferred Securities will be issued in registered form and will be initially represented by interests in a Global Certificate which will be registered in the name of BT Globenet Nominees Limited, as nominee for, and will be deposited with, a common depository for, Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon the initial registration of Preferred Securities in the name BT Globenet Nominees Limited as nominee for a common depository for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the common depository for Euroclear and Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg will, in accordance with their respective procedures, credit each subscriber with such number of Preferred Securities equal to the number thereof for which it has subscribed and paid.

### **Exchange**

If (a) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days (other than for the purposes of a public holiday) or announces an intention permanently to cease business or does in fact so cease business other than in connection with a merger of Euroclear and Clearstream, Luxembourg or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Euroclear and/or Clearstream, Luxembourg, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the certificate held by the Common Depository referred to above will be transferred to each holder of an interest in the Preferred Securities whose name is notified by a holder of such interest to the Registrar. Each such holder will be registered as a Holder of the Preferred Securities in the Register maintained by or on behalf of the Issuer and will receive a certificate made out in its name.

### **Accountholders**

So long as the Preferred Securities are registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, the nominee for Euroclear and Clearstream, Luxembourg will be the sole registered owner or holder of the Preferred Securities represented by the Global Certificate. Except as set forth under “Description of Preferred Securities — Form, Registration and Transfer of Preferred Securities” and under “Transfers of Interests” below, the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) as the Holders of the Preferred Security evidenced by the Global Certificate (each an “Accountholder”) will not be entitled to have Preferred Securities registered in their names, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Preferred Securities and will not be considered registered owners or Holders thereof. Accordingly, each Accountholder must rely on the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be, to exercise any rights and obligations of a Holder of Preferred Securities.

### **Payment**

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made by the Issuer to the registered Holder of the Preferred Securities and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. Such persons shall have no claim directly against the Issuer in respect of payments due on the Preferred Securities for so long as the Preferred Securities are represented by such Global Certificate and such obligations of the Issuer will be discharged by payment to the registered Holder of the Preferred Securities in respect of each amount so paid.

### **Transfers of Interests**

Accountholders will only be able to transfer their beneficial interests in the Preferred Securities in accordance with the restrictions described under “Description of Preferred Securities — Form, Registration and Transfer of Preferred Securities” and with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

## SUBORDINATED GUARANTEE

*Set forth below is the text of the Subordinated Guarantee substantially in the form to be executed by the Bank:*

“THIS DEED OF GUARANTEE (the “Guarantee”), dated 27th October, 2004, is executed and delivered by PIRAEUS BANK S.A. a company incorporated under the laws of Greece (the “Bank”) for the benefit of the Holders (as defined below).

WHEREAS the Bank desires to cause the Issuer to issue the Preferred Securities and the Bank desires to issue this Guarantee for the benefit of the Holders, as provided herein.

NOW THEREFORE the Bank executes and delivers this Guarantee for the benefit of the Holders.

### 1. DEFINITIONS AND INTERPRETATION

As used in this Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Issuer’s Articles of Association and otherwise the following terms shall, unless the context otherwise requires, have the following meanings:

“Additional Amounts” means, except where otherwise defined in relation to the Issuer, the additional amounts which may be payable in respect of the Preferred Securities by the Bank under this Guarantee as described in paragraph 4;

“Distributable Funds” means the aggregate amount, as calculated as of the end of the immediately preceding financial year of the Bank, of the profit for such financial year and any accumulated retained earnings and any other reserves and surpluses of each member of the Group available for distribution as cash dividends to ordinary shareholders of the Bank under the companies laws of, and generally accepted accounting principles in, Greece; but before deduction of the amount of any dividend or other distribution declared on the Bank’s ordinary share capital in respect of such financial year;

“Group” means the Bank together with its Subsidiaries;

“Guarantee Payments” means (without duplication) payments under this Guarantee in respect of (a) any declared but unpaid Preferred Dividends on the Preferred Securities for the most recent Preferred Dividend Period; (b) any compulsory Preferred Dividends pursuant to, and in accordance with, Article 4 of the Issuer’s Articles of Association; (c) the Redemption Price and any other amounts payable with respect to any Preferred Securities due to be redeemed by the Issuer; (d) the Liquidation Distributions due on the Liquidation Date; and (e) any Additional Amounts (as defined in the Issuer’s Articles of Association) payable by the Issuer;

“Holder” means, in relation to any Preferred Security, the member of the Issuer whose name is entered in the Register as holder of such Preferred Security;

“Issuer” means Piraeus Group Capital Limited, a wholly-owned Subsidiary of the Bank incorporated in Jersey;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank that ranks junior to the most senior ranking preferred or preference shares or similar securities of the Bank and (iii) any preference share or preferred security or other obligation of a Subsidiary including the Company (other than the Preferred Securities) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Guarantee, or any such guarantees, support agreements or similar undertakings of the Bank;

“Liquidation Date” means the date of final distribution of the assets of the Issuer in the case of a liquidation, dissolution or winding-up of the Issuer;

“Liquidation Distribution” means the Liquidation Preference plus (a) any accrued and unpaid Preferred Dividends (whether or not declared) calculated from and including the immediately preceding Preferred Dividend Payment Date (or, if none, the Closing Date) to but excluding the date of payment, and (b) any Additional Amounts, in each case payable in cash only;

“Liquidation Preference” means the liquidation preference of €1,000 per Preferred Security;

“Preferred Dividends” means the Non-Cumulative dividends in respect of the Preferred Securities as described in the Articles of Association of the Issuer;

“Preferred Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier 1 capital of the Bank and all preferred or preference shares or similar securities of Subsidiaries qualifying as tier 1 capital of the Bank and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with this Guarantee as regards entitlement to distributions thereunder, and any such guarantees, support agreements or contractual undertakings of the Bank;

“Preferred Securities” means the € Series A Floating Rate Non-Cumulative Guaranteed Non-Voting Preferred Securities of the Issuer outstanding, each with a Liquidation Preference of €1,000, and including any further Preferred Securities of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Preferred Securities;

“Redemption Date”

“Redemption Price” means, in respect of the Preferred Securities, €1,000 per Preferred Security;

“Register” means the register of Holders maintained outside the United Kingdom on behalf of the Issuer;

“Senior Creditors” means all liabilities of the Bank other than any liability ranking *pari passu* or junior to this Guarantee; and

“Subsidiary” means any corporation or other person or entity more than 50 per cent. of whose equity share capital is owned by the Bank or 20 per cent., at least, of whose equity share capital is directly or indirectly controlled by the Bank and whose board of directors is controlled by the Bank or which is consolidated in the most recent annual audited consolidated financial statements of the Bank or which will be so consolidated in the next annual audited consolidated financial statements of the Bank.

## **2. GUARANTEE**

Subject to the limitations contained in the following paragraphs, the Bank irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (except to the extent paid by the Issuer), as and when due, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is continuing, irrevocable and absolute.

## **3. LIQUIDATION DISTRIBUTIONS**

Notwithstanding paragraph 2 above, if, at the time that any Liquidation Distribution is to be paid by the Bank in respect of the Preferred Securities, proceedings are pending or have been commenced for the liquidation, dissolution or winding-up of the Bank, payment under this Guarantee of such Liquidation Distributions and payment by the Bank in respect of any liquidation distributions payable with respect to Liquidation Parity Obligations, shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Greek law of all creditors of the Bank, including holders of its subordinated debt but excluding holders of any liability ranking *pari passu* with or junior to this Guarantee) had the Preferred Securities and all such Liquidation Parity Obligations been issued by the Bank and ranked (a) junior to Senior Creditors, (b) *pari passu* with the most senior preferred securities or preference shares, if any, of the Bank and (c) senior to all Junior Obligations.

## **4. ADDITIONAL AMOUNTS**

All Guarantee Payments made hereunder in respect of the Preferred Securities by the Bank will be made without withholding or deduction for, or on account of, any Greek Tax, unless the withholding or deduction of such Greek Tax is required by law. In that event, the Bank will pay such Additional Amounts as may be necessary in order that the net amounts received by the Holders of Preferred Securities after such withholding or deduction shall equal the amounts which would have been receivable in respect of the

Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Preferred Securities (or to a third party on his behalf) with respect to any Preferred Security (i) to the extent that such Greek Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preferred Security) having some connection with Greece, other than being a Holder (or beneficial owner) of such Preferred Security, or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or, or (iii) who would not be liable or subject to such withholding or deduction if it were to comply with a statutory requirement or to make a declaration of non-residence or other similar claim for exemption but fails to do so or, where presentation is required, who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union.

## **5. CONTINUING GUARANTEE**

The obligations, undertakings, agreements and duties of the Bank under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer; or
- (b) the extension of time for the payment by the Issuer of all or any portion of the Preferred Dividends, Redemption Price, Liquidation Distributions or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities; or
- (c) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind; or
- (d) the liquidation, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer; or
- (e) any invalidity of, or defect or deficiency in, the Preferred Securities; or
- (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Bank with respect to the happening of any of the foregoing.

## **6. DEPOSIT OF GUARANTEE**

This Guarantee shall be deposited with and held by Deutsche Bank AG (London) as Principal Paying and Transfer Agent until all the obligations of the Bank have been discharged in full. The Bank hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee.

It is specifically agreed that the place of performance of any and all obligations of the Bank under this Guarantee shall be London, England and consequently any and all payments of the Bank under this Guarantee shall be made out of bank accounts maintained with banks legally operating and situated in London, England.

## **7. ENFORCEMENT; RIGHTS OF REMEDY**

- (a) A Holder may enforce this Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity

before proceeding against the Bank. Subject to paragraph 8, all waivers contained in this Guarantee shall be without prejudice to the right to proceed against the Issuer. The Bank agrees that this Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Guarantee.

- (b) Following a breach by the Bank of its payment obligations under this Guarantee, a Holder may petition for the winding-up of the Bank and claim in the liquidation of the Bank but no other remedy shall be available to the Holder.
- (c) No Holder shall, following any breach by the Bank of any of its obligations under this Guarantee, be entitled to exercise any right of set-off or counterclaim which may be available to it against amounts owing by the Bank to such Holder. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Holder against the Bank is discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to the Bank or, in the event of its winding-up, the liquidator of the Bank and until such time as payment is made, will hold a sum equal to such amount in trust for the Bank, or the liquidator of the Bank and accordingly such discharge will be deemed not to have taken place.
- (d) In the event of a winding-up of the Bank if any payment or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Bank being subordinated to the payment of amounts owing under this Guarantee, shall be received by any Holders before the claims of Senior Creditors have been paid in full, such payment or distribution shall be held in trust by the Holder, as applicable, and shall be immediately returned by it to the liquidator of the Bank and in that event, the receipt by the liquidator shall be a good discharge to the relevant Holder. Thereupon, such payment or distribution will be deemed not to have been made or received.

## **8. SUBROGATION**

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Guarantee. The Bank shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If any amount with respect to the Preferred Securities shall be paid to the Bank in violation of the preceding sentence, the Bank agrees to pay over such amount to the Holders.

## **9. STATUS**

- (a) The Bank acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Preferred Securities and that the Bank shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee, notwithstanding the occurrence of any event referred to in paragraph 5.
- (b) Subject to applicable law, the Bank agrees that the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank (i) junior to Senior Creditors, (ii) *pari passu* with the most senior preferred or preference shares, if any, of the Bank and (iii) senior to the Bank's ordinary shares and other Junior Obligations.

## **10. UNDERTAKINGS OF THE BANK**

- (a) The Bank undertakes that it will not issue any preferred or preference shares or other securities, or enter into any contractual obligation in respect of securities or any other instrument or obligation which would qualify or be capable of qualifying as tier 1 capital of the Bank (a "Tier 1 Qualifying Obligation") which rank senior to its obligations under this Guarantee; or give any guarantee (which for these purposes shall include any support agreement or contractual undertaking) in respect of any Tier 1 Qualifying Obligation, if such guarantee would rank senior to this Guarantee (including, without limitation, any guarantee that would provide a priority of

payment with respect to Distributable Funds) unless, in each case, (i) this Guarantee is changed to give the Holders such rights and entitlements as are contained in or attached to such Tier 1 Qualifying Obligation or such guarantee with respect to a Tier 1 Qualifying Obligation so that this Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as any such Tier 1 Qualifying Obligation or such guarantee with respect to a Tier 1 Qualifying Obligation and (ii) the most recent Dividend payment on the Preferred Securities has been paid in full either by the Issuer or by the Bank pursuant to this Guarantee.

- (b) The Bank undertakes that any amount required to be paid pursuant to this Guarantee in respect of any Preferred Dividend payable in respect of the most recent Preferred Dividend Period will be paid before any payment or other distribution in respect of any dividends (except distributions in kind or dividends in the form of the Bank's ordinary shares or other shares of the Bank ranking junior to the obligations of the Bank under this Guarantee) upon the Bank's ordinary shares or any other securities ranking junior to this Guarantee (whether issued directly by the Bank or by a Subsidiary and entitled to the benefits of a guarantee or other support agreement or similar undertaking ranking junior to this Guarantee).
- (c) The Bank undertakes that, unless one of the provisions of article 16 paragraphs 2(b) to (f) or paragraph 5 of Greek Codified Law 2190/1920 applies which does not result in a decrease of the Bank's own funds for the purposes of Greek capital adequacy requirements below the minimum thresholds set by Circular 21/2004 of the Bank of Greece, as amended and/or supplemented from time to time (i.e. (i) the solvency ratio of the Bank, on an unconsolidated and consolidated basis, falls below 8 per. cent. and (ii) the ratio of "conventional" items of own funds, namely tier 1 capital excluding the Preferred Securities and similar instruments, to risk adjusted assets of the Bank falls below 5 per. cent).", if the Bank's Junior Obligations are redeemed, repurchased or otherwise acquired for any consideration (or any moneys are paid to or made available for a sinking fund for the redemption of any such Junior Obligations) by the Bank or any Subsidiary (except by conversion into or in exchange for shares of the Bank ranking junior to this Guarantee), the Bank will procure that the Issuer will pay, or set aside payment with respect to, full Preferred Dividends on all outstanding Preferred Securities for each of the next four consecutive Preferred Dividend Periods contemporaneous with or following the date of such redemption, repurchase or other acquisition.
- (d) The Bank undertakes to maintain the Issuer as a wholly-owned Subsidiary for so long as any Preferred Security remains outstanding. The Bank undertakes that, so long as any of the Preferred Securities is outstanding, unless the Bank of Greece has given its prior approval or unless the Bank is itself in liquidation, the Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.
- (e) The Bank undertakes to procure that the Issuer will maintain at all times whilst any of the Preferred Securities is outstanding, (i) whilst the Preferred Securities are listed on the Luxembourg Stock Exchange, a Paying and Transfer Agent in Luxembourg, (ii) a Registrar having its office outside the UK and (iii) a Paying and Transfer Agent having a specified office in a European Union Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC of 3rd June, 2003 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

## 11. TERMINATION

With respect to the Preferred Securities, this Guarantee shall terminate and be of no further force and effect upon (i) payment of the Redemption Price plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared up to the Redemption Date and any Additional Amounts under the Preferred Securities of clause 4 hereof remaining unpaid or (ii) purchase and cancellation of all Preferred Securities or (iii) full payment of the Liquidation Distributions and liquidation of the Issuer, provided however that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Guarantee must be restored by a Holder for any reason whatsoever.

## **12. TRANSFER**

Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the Holders. The Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Preferred Securities (excluding any Preferred Securities held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests), which consent shall be obtained in accordance with procedures contained in the Issuer's Articles of Association and the applicable law of Jersey; provided, however, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring all or substantially all of its assets and liabilities to, a banking organisation organised under the laws of Greece or another European Union Member State, without obtaining any approval of such Holders.

## **13. AMENDMENTS**

Except for those changes (a) required by paragraph 10(a) above, (b) which do not adversely affect the rights of Holders, or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to paragraph 12 above (in any of which cases no agreement will be required), this Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of the Holders of not less than two-thirds of the Preferred Securities (excluding any Preferred Securities held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Issuer's Articles of Association and the applicable law of Jersey.

## **14. NOTICES**

Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given, shall be deemed given against receipt in the case of delivery or upon mailing of confirmation, if given by facsimile transmission), to:

Piraeus Bank S.A.  
20 Amalias Ave. & 5 Souri Str.  
105 57 Athens  
Greece

Telephone: +30 210 333 5624  
Facsimile: + 30 333 5238  
Attention: Konstantinos Liapis – Head of Finance Division

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to Deutsche Bank AG London as Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Bank in the same manner as notices sent by the Issuer to Holders.

## **15. MISCELLANEOUS**

- (a) This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.
- (b) The Bank will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the ordinary shares of the Bank.
- (c) The Bank hereby waives notice of acceptance of this Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.

**16. GOVERNING LAW AND JURISDICTION**

- (a) This Guarantee shall be governed by, and construed in accordance with, English law save that paragraphs 3 and 9(b) shall be governed by, and construed in accordance with, Greek law.
- (b) The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts.
- (c) The Bank irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction. Nothing contained in this paragraph shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.
- (d) The Bank will receive service of process in respect of this Guarantee at its London branch for the time being (being at the date hereof, Tower 42, 25 Old Broad Street, London EC2N 1HQ) in respect of any Proceedings. If the Bank ceases to maintain a branch in England, the Bank shall appoint a further person in England to accept service of process on its behalf.

IN WITNESS WHEREOF this Guarantee has been manually executed as a deed poll on behalf of the Bank

Executed as a deed by

.....  
acting as attorney-in-fact for and on behalf of  
PIRAEUS BANK S.A.

in the presence of:

.....  
Witness's signature

Name:

Address:

Occupation:

Dated 27th October, 2004"



## **USE OF PROCEEDS**

The net proceeds of the issue of the Preferred Securities after payment of expenses, fees and commissions, amounting to approximately €198,752,000, will be used by the Bank and/or its consolidated subsidiaries for general banking purposes and to further strengthen the capital base of the Bank.

## PIRAEUS GROUP CAPITAL LIMITED

### History

Piraeus Group Capital Limited (the “Issuer”) was incorporated in Jersey on 15th October, 2004 for an unlimited duration and with limited liability under the laws of Jersey with registered number 88728.

The registered office of the Issuer is Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG. The Issuer has no place of business in Greece.

### Business

The Issuer is a wholly-owned subsidiary of Piraeus Bank S.A. The Issuer has no subsidiaries. It was formed to act as a general finance vehicle for the Group.

### Capitalisation

- (a) The existing issued Ordinary Securities of the Issuer are not listed on the Luxembourg Stock Exchange or on any other stock exchange and are not dealt on any other recognised market.
- (b) The Issuer has an authorised share capital of up to €251,000,000 divided into 1,000,000 Ordinary Securities of €1 each and 250,000 Series A Non-Cumulative Guaranteed Non-Voting Preferred Securities of €1,000 each.

At the date hereof 10,000 Ordinary Securities have been issued and are fully paid. There has been no subsequent change in the share capital of the Issuer.

- (c) The holders of the Ordinary Securities of the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Preferred Securities.
- (d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

### Indebtedness

Since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness and has had no contingent liabilities or granted any guarantees.

### Directors

- (a) The Directors of the Issuer and their principal activities outside the Issuer are as follows:

<i>Name</i>	<i>Function in the Issuer</i>	<i>Principal Activity Outside the Issuer</i>
John Kyriakopoulos	Director	General Manager of the Bank’s London Branch and Director of Piraeus Group Finance Plc
Nikolas Zenzefylis	Director	Treasury Dealer of the Bank’s London Branch
Peter Gatehouse	Director	Manager of Ogier SPV Services Limited

For the purpose of this Offering Circular, the business address of each of the Directors is that of the Issuer’s registered office.

- (b) The Directors do not, and it is not proposed that they will, have service contracts with the Issuer. No Director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature of conditions or is or was significant to the business of the Issuer since its incorporation.

At the date of this Offering Circular there were no loans granted or guarantees provided by the Issuer to any Director.

- (c) As at the date of this Offering Circular, the Directors have not received, nor is it expected that they will receive, any remuneration for the provision of their services as directors of the Issuer. Peter Gatehouse is a manager of Ogier SPV Services Limited, derives fees from the provision of

administrative services to the Issuer and is associated with the Ogier Group Partnership, the owner of Ogier SPV Services Limited.

- (d) The Articles of Association of the Issuer provide that:

Subject to the provisions of the Law, any Director may vote on any proposal, arrangement or contract in which he is materially interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon.

The remuneration of the Directors shall from time to time be determined by the Issuer in general meeting.

Subject to the provisions of the Articles of Association, a Director shall hold office until such time as he is removed from office by resolution of the Issuer in general meeting.

For purposes of the Issuer's Articles of Association, "Law" means the Companies (Jersey) Law, 1991, as the same may be amended from time to time.

### **Secretary**

The Secretary of the Issuer is Ogier SPV Services Limited of Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG.

### **General**

- (a) Since 15th October, 2004, the date upon which the Issuer was incorporated, there has been no significant change in the trading or financial position of the Issuer.
- (b) PricewaterhouseCoopers, of Twenty Two Colomberie, St. Helier, Jersey JE1 4XA have been appointed as auditors to the Issuer. It is intended that the Issuer will prepare financial statements on an annual basis.
- (c) No accounts have been prepared for the Issuer nor have any dividends been declared or paid since the Issuer was incorporated.
- (d) No transactions have occurred since incorporation of the Issuer other than (i) the allotment of the shares described under "Capitalisation" above and (ii) the execution of the Subscription Agreement dated 25th October, 2004 and the Agency Agreement to be dated 27th October, 2004, each as described in this Offering Circular and of a Corporate Administration Agreement to be dated on or about 25th October, 2004 and made between the Issuer and Ogier SPV Services Limited.

## PIRAEUS BANK S.A. AND THE PIRAEUS BANK GROUP

*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 the Offering Circular.*

### **1. Overview of Piraeus Bank S.A. and the Piraeus Bank Group**

Founded in 1916, Piraeus Bank (the “Bank”) was initially headquartered in the city of Piraeus, port of Athens. The Bank was nationalised in 1975 and reverted to private ownership in 1991 to a group of prominent businessmen. Today, the Bank is the flagship company of the Piraeus Bank Group of companies (the “Piraeus Bank Group” or the “Group”) and the direct parent of the majority of the subsidiaries comprising the Group.

The Bank is a public bank under Greek Law and has been listed on the Athens Exchange (“ATHEX”) since 1918. Piraeus Bank is subject to regulation and supervision by the Bank of Greece as well as the Hellenic Capital Market Commission. The Bank’s registered office is at 20 Amalias & 5 Souri Street, Athens, Greece 105 57.

Both the Bank and the Group, as a whole, have developed rapidly over the last few years, through organic growth and acquisitions, and the Group is now the third largest privately-held banking group in Greece. At 30th June, 2004 the Group’s assets totalled €15.7 billion representing approximately 8.2 per cent. of all commercial bank assets in Greece. The Group contains a number of companies covering a wide spectrum of retail and commercial banking services in the Greek market, including corporate and investment banking, mutual funds management, equity brokerage, leasing, financial consulting, venture capital, and bancassurance.

In addition to organic growth, the Piraeus Bank Group has made a series of strategic acquisitions with the goal of establishing a strong presence in the dynamically developing market. In 1998, Piraeus Bank acquired and absorbed the Greek operations of Chase Manhattan Bank and in 1999 of National Westminster Bank. In June 2000, through an exchange of shares, Piraeus Bank merged with two of its banking subsidiaries, Macedonia-Thrace Bank and XiosBank, in which it had held controlling interests since April 1998 and February 1999, respectively. In early 2002, Piraeus Bank acquired the Hellenic Industrial Development Bank (“ETBA Bank”), thus enhancing the Group’s capital base and increasing its market share in banking activities, leasing and asset management. ETBA Bank was successfully absorbed by Piraeus Bank in December 2003.

At the beginning of 2002, a strategic alliance agreement for the Greek market was signed between the Piraeus Bank Group and the international banking and insurance ING Group. As part of this agreement, a cross-shareholding took place in November 2002 and two joint ventures were established at the beginning of 2003 in the fields of Bancassurance — Employee Benefits and Asset Management.

The Bank’s know-how extends in retail banking, small and medium-sized enterprises (SMEs), capital markets and investment banking, leasing, and shipping. These services are offered through the Bank’s branch network and its subsidiaries, and through the electronic banking network of Winbank.

Internationally, the Group has steadily expanded its presence. The Group operates in New York through its subsidiary Marathon Bank (10 branches), in London through a branch of Piraeus Bank, in Albania through its subsidiary Tirana Bank (16 branches), in Romania through its subsidiary Piraeus Bank Romania S.A. (7 branches) and in Bulgaria through 11 branches of Piraeus Bank.

In accordance with Greek law, the Bank prepares audited annual and reviewed semi-annual financial statements in accordance with Greek GAAP. PriceWaterhouseCoopers and Sol are the auditors for the annual financial statements and reviewers of the semi-annual financial statements. The Bank also prepares quarterly unaudited financial statements, in accordance with the requirements of the Hellenic Capital Market Commission.

As at 30th June, 2004, Piraeus Bank Group had a network of 277 branches (of which 45 were abroad) and 401 ATMs and employed 5,103 people (4,074 of which were employed by the Bank). Its equity capital amounted to €1.2 billion with a BIS ratio of 9.7 per cent. estimate. (Tier I only). Customer deposits

(including customer repos) amounted to €11.2 billion, loans reached €11.9 billion and total assets were €15.7 billion.

## **2. Strategy**

Piraeus Bank has taken advantage of the deregulation and consolidation of the Greek market in the 1990s by increasing its presence in the domestic retail banking market and raising its share of the loan market from 0.3 per cent. in 1991 to 10.7 per cent. at the end of June 2004. The Greek banking market offers opportunities for development as viewed by a variety of measures, such as household loans-to-GDP (26 per cent. as opposed to 48 per cent. in the Eurozone) or business loans-to-GDP (40 per cent. as opposed to 68 per cent. in the Eurozone).

Over the next four years, the Bank seeks to achieve a 14 per cent. share of loans in Greece where room for growth in the mortgage and consumer credit segments is considerable. The Group plans to maintain its focus on servicing small and medium sized enterprises (“SMEs”) through specialised products and longer credit terms. With regard to medium and large enterprises and shipping, the Group aims to establish a larger presence, with profit margins commensurate with the assumed risk. The Group’s non-performing loans are to be reduced to approach the long-term target of approximately 2.5 per cent. of outstanding loans.

In investment banking, the Group shall seek to enhance its current presence in the market, whereas in the private banking area the renewal of electronic data processing (“EDP”) and organisation infrastructures is anticipated to strengthen the Group’s involvement in asset management.

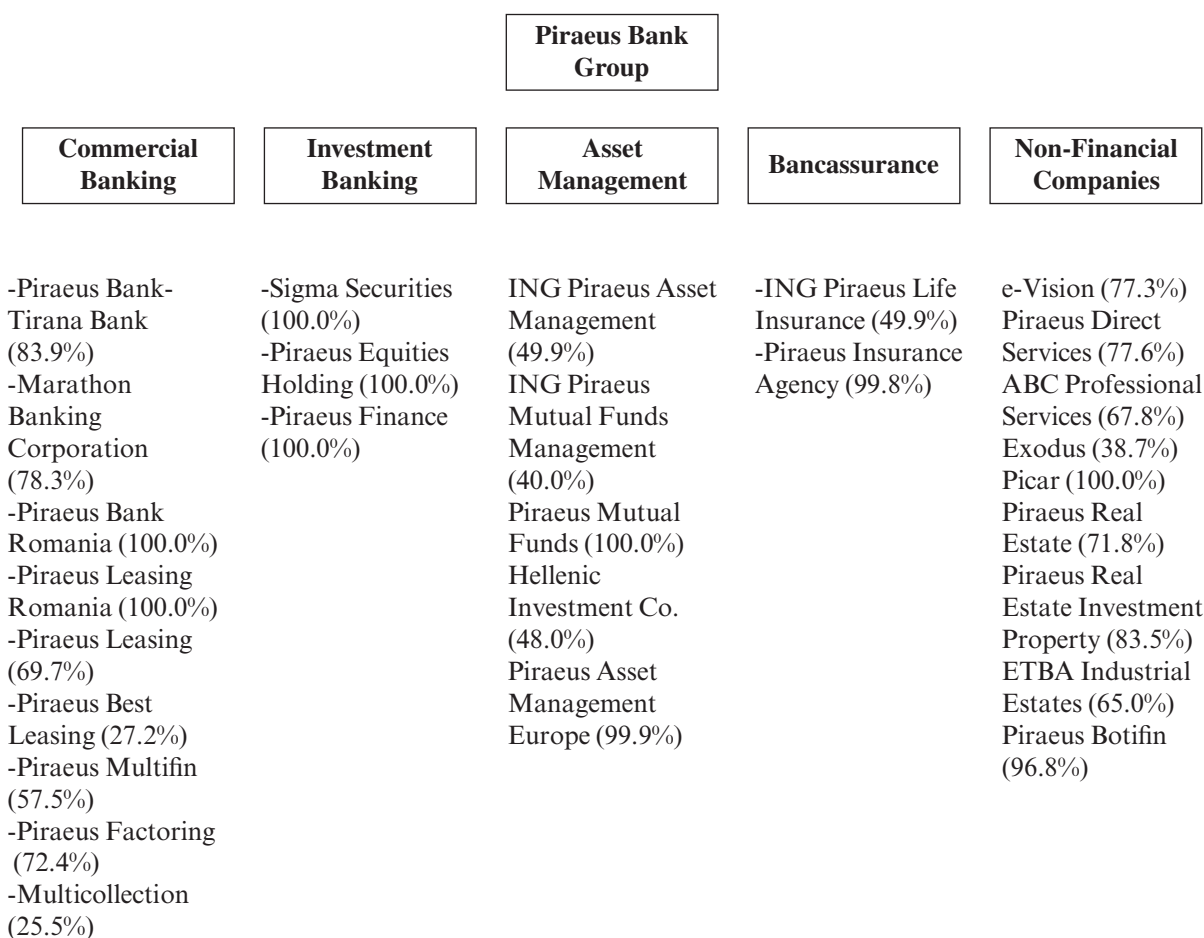
In Southeastern Europe, the Group aims to take advantage of the banking reforms expected in the medium term by raising its share of the loan market to 5 per cent. in each country where the Group has a presence.

The Bank plans to maintain its branch expansion rate by establishing approximately 30-40 new branches in two to three years, mainly in the Attica prefecture surrounding Athens where economic activity exceeds the potential of the existing network. This will complement the historically strong presence in Northern Greece which the Bank had acquired via the purchase of ex-Macedonia Thrace Bank in 1998. These new branches, along with the maturing of 83 branches established in the past four years, are expected to contribute decisively to the further growth of the Group’s operations.

The Group is keen to expand its business while maintaining efficiency. To contain cost, personnel hires to new branches are to be filled primarily through staff transfers from the Head Office in Athens. The Group’s medium-term target cost-to-income target ratio is set below 55 per cent. (as opposed to 55.2 per cent. in June 2004). The maturing of its Greek branch network and the cost containment policy are expected to drive after-tax return on equity (“ROE”) above the 15 per cent. threshold, from 12.5 per cent. and 11.1 per cent. in 2003 and 2002 respectively.

### 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 S.A. and its subsidiaries. The following diagram summarises the divisional structure of the principal subsidiaries of the Piraeus Bank Group as at 30th June, 2004:



### 4. Ownership of Piraeus Bank S.A.

Piraeus Bank's share capital consists of 197,578,101 common registered shares listed on the Athens Exchange. As of 30th June, 2004, the total number of shareholders stood at 233,278. The two largest shareholding interest groups are the members of the Vardinoyiannis family controlling an approximate 7.5 per cent. stake and the Dutch financial group ING, which holds 4.2 per cent. No single shareholder owns an interest in excess of 5.0 per cent.

<i>Ownership (%)</i>	<i>Shareholder Identity</i>
4.2	ING Group
21.3	Foreign institutional investors
12.6	Greek institutional investors
6.4	Corporates
2.7	Greek State (ex-ETBA Bank's shareholder)
52.8	Individual Shareholders

It should be noted that the number of foreign institutional investors holding Bank shares has increased following the recent placement of Piraeus Bank S.A. treasury stock, equal to 6.7 per cent. of share capital to foreign and Greek institutional investors in October 2003 and the increase of Piraeus Bank's share weight in the MSCI Greece index.

## 5. Management of Piraeus Bank S.A.

The Annual General Shareholders' Meeting ("AGSM") which took place on 7th April, 2004 appointed the Board of Directors of the Bank to a three-year term, which is renewable, ending on 30th June, 2004. The Board consists of sixteen (16) members, four (4) executive and twelve (12) non-executive, two (2) of which are independent.

### *Executive Members*

Michalis G. Sallas, Chairman and Managing Director  
Michael H. Colakides, Vice Chairman and Deputy Managing Director  
Theodoros N. Pantalakis, Vice Chairman and Deputy Managing Director  
Nikolaos D. Remantas, Legal Advisor

### *Non-Executive Vice Chairmen*

Konstantinos P. Angelopoulos, Economist — Businessman  
Ioannis V. Vardinoyiannis, Businessman

### *Non-Executive Members*

Iakovos G. Georganas, Economist, Chief Financial Advisor  
Georgios P. Alexandridis<sup>1,3</sup>, Economist, Member of the Board of Directors of Motor Oil S.A.  
Vassilios S. Fourlis, Businessman, Chairman and Managing Director of Fourlis Holding S.A.  
Loukas A. Gerostathopoulos, Electrical Mechanical Engineer — Businessman  
Michalis D. Gigilinis, Businessman  
Stilianos D. Golemis, Economist, Chairman of Goldair Group  
Solomon I. Kapetas, Businessman, Chairman of the Board of Directors of Profisol S.A. and Thebes Steel Pipe Manufacturers S.A.  
Panagiotis A. Karalis, Mathematician — Actuary<sup>4</sup>  
Eftichios Th. Vassilakis, Economist, Vice Chairman of the Board of Directors of Autohellas S.A., Vassilakis Group  
Nikolaos J. Zografos, Economist<sup>2,3</sup>

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1 Member of the Audit Committee

2 Chairman of the Audit Committee

3 Non-Executive Independent Director, as per AGSM resolution on 7th April, 2004

4 Mr. Karalis resigned from the Bank's Board of Directors, effective as of 6th September, 2004, and has yet to be replaced.

## 6. Description of the Business of the Piraeus Bank Group

The Piraeus Bank Group, either through the 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, shipping, investment banking, 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 the Bank's branch network in Greece and abroad. The Bank offers a variety of products in retail banking and is focused on developing specialised products for the Greek market. Facilitated by the Bank's branch network and alternative distribution channels, mortgage and consumer credit totals have grown significantly over the last few years and are expected to continue, particularly as the loan market itself has significant room for development.

#### *6.1.1 Personal Deposit Products*

The Bank offers a wide range of depositary and investment products suited for individual clients, in all major foreign currencies. Total deposits have been increasing, supported by the expanding branch network.

## Personal Deposits (on a consolidated basis)

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
		<i>Amounts in € million</i>		
Savings .. .. .	2,686.9	2,426.0	2,194.4	10.8%
Current Accounts .. .. .	776.5	610.7	479.1	27.1%
Time Deposits .. .. .	2,210.6	1,657.9	917.8	33.3%
Investment Products .. .. .	326.7	270.0	375.2	21.0%
Bank Bonds issued .. .. .	412.9	465.1	261.0	(11.2)%
<b>Total Deposits .. .. .</b>	<b>6,413.6</b>	<b>5,429.7</b>	<b>4,227.5</b>	<b>18.1%</b>
Customer Repos .. .. .	558.9	943.5	1,929.7	(40.8)%
<b>Total Deposits and Repos .. .. .</b>	<b>6,972.5</b>	<b>6,373.2</b>	<b>6,157.2</b>	<b>9.4%</b>

### 6.1.2 Personal Investment and Mutual Funds

Investment opportunities in mutual funds are provided by ING Piraeus Asset Management S.A., Piraeus Mutual Funds Management S.A. and Piraeus Asset Management Europe S.A.

### 6.1.3 Mortgage and Consumer Credit

Mortgage and Consumer Credit continued its growth in June 2004, accounting for 28.3 per cent. of the Group's total loan advances. The June 2004 domestic market share for the Group reached 10.1 per cent. (4th overall) in the consumer credit segment (16.1 per cent., 3rd place when excluding credit cards). Similarly, market share in mortgage credits reached 7.1 per cent. in June 2004.

Regarding personal loans, the Bank offers customised interest-rate products off its individualized consumer loan platform. With respect to mortgage and home repair loans, the Bank distributes a wide range of fixed and floating rate mortgages of up to 30 years' maturity through the branch network as well as the alternative networks such as ING's insurance agents. Emphasis is placed on product innovation and service quality as the Bank targets specific customer groups. The Bank also issues consumer factoring loans to individuals through a network of more than 3,500 retail outlets (merchant co-operation). With respect to credit card issuance, holders of Visa, MasterCard, and co-branded credit cards amounted to 218,000, generating €278 million in turnover. In 2003, debit cardholders totalled 405,000 as at 31st December, 2003, and the market is expected to grow as spending habits converge with the European average. The Bank is active in consumer vehicle financing via Piraeus Multifin S.A., granting financing for new and used vehicles at either the purchase (stock finance) or sale stages. Piraeus Multifin works with more than 300 car dealerships, including select central dealers.

## Consumer Credit (on a consolidated basis)

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
		<i>Amounts in € million</i>		
Consumer Loans .. .. .	1,533.4	1,480.7	1,322.1	3.6%
Mortgage Loans .. .. .	1,781.7	1,572.3	1,269.5	13.3%
<b>Totals .. .. .</b>	<b>3,315.0</b>	<b>3,053.0</b>	<b>2,591.6</b>	<b>8.6%</b>

### 6.1.4 Other Retail Banking Services

#### 6.1.4.1 Bancassurance

ING Piraeus Life Insurance S.A., a bancassurance joint venture between Piraeus Bank and the ING Group, was established in 2003 for the purpose of offering insurance products through the Bank's network and, banking products through the insurance advisors of ING. The upgraded electronic data processing system of ING Piraeus Life Insurance S.A. and specialised training of the sales forces of



both networks assist this endeavour. In 2003 individual and group insurance premia amounted to €13.1 million.

#### 6.1.4.2 Fund Transfer and Payments Systems

The Bank maintains a competitive edge in the domestic market with regard to fund transfers and payment systems, thanks to high automation standards of such transactions and its state-of-the-art information systems. In this context, the migration from the automated fund transfer system SWIFT to the new SWIFTNetFin environment was completed in 2003. The new system operates exclusively via the internet and Group companies in Southeastern Europe are online with the Athens centralised units. Piraeus Bank successfully joined the European STEP1 Straight Through Euro Processing clearing system, a pan-European means of electronically processing payments, and has commenced procedures to join STEP2.

#### 6.1.4.3 e-banking — Winbank

The Group is continually developing its electronic banking capacity to complement traditional distribution networks. Electronic banking was enhanced via the expansion of the ATM network to 401 terminals (June 2004) and the introduction of Winbank services that have attracted more than 123,000 customers in four years. Winbank, which handles a significant volume of tax and payment orders, recently received the ISO 9001: 2000 Certification — the first electronic financial services unit so certified in Greece.

## 6.2 Corporate Banking

Piraeus Bank Group offers financing services to businesses that operate in all sectors of the economy through its: Corporate Banking Division, Shipping Banking Division, Long-Term Credit & Project Finance Division, branch network, subsidiary banks and subsidiary leasing and factoring companies.

Piraeus Bank attributes great importance to its relationship with medium-large corporations, providing a wide range of modern bank services and products, including syndicated loans and bond issues. The Bank manages its larger corporate relationships, including Greece's biggest corporate names, centrally, through the Corporate Banking Division. The needs of SMEs are met through the branch network, where specialised products are offered, as well as loans targeted to specific market segments. The product range encompasses all types of working capital, trade finance, fixed assets & equipment and mortgages, leasing, factoring, documentary, letters of guarantee, foreign exchange, capital markets and advisory services.

Piraeus Bank has also established a specialised shipping centre providing the full range of banking products and services needed by shipping companies.

### 6.2.1 Corporate Deposit Products

Corporate deposits amounted to €4,319 million at the end of June 2004, compared with €3,715 million at the end of 2003, recording an increase of 16.3 per cent.

#### Corporate Deposits (on a consolidated basis)

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
	<i>Amounts in € million</i>			
Sight .. .. .	1,464.1	1,257.3	1,193.8	16.4%
Time .. .. .	2,693.4	2,304.9	2,322.0	16.9%
Other .. .. .	161.6	153.0	130.1	5.7%
<b>Total Deposits .. .. .</b>	<b>4,319.1</b>	<b>3,715.2</b>	<b>3,645.9</b>	<b>16.3%</b>
Repos .. .. .	211.1	305.4	532.9	(30.9)%
<b>Total Deposits and Repos .. .. .</b>	<b>4,530.2</b>	<b>4,020.6</b>	<b>4,178.8</b>	<b>12.7%</b>

## 6.2.2 Corporate Loans and Advances to Businesses

Medium-large corporates and shipping accounts constitute more than one-third of the Group's loans. In 2003, Piraeus Bank improved its return on employed capital, by means of more efficient use of the existing portfolio and cross selling. In addition, the Corporate Banking Division lead or co-lead 15 syndicated loans and bond issues totalling €920 million in 2003. The Shipping Banking Division continued its growth in 2003, by playing an active role in the renewal of its customers' fleet.

The Bank uses a threefold approach to SMEs that consists of product design, customer service procedures and after-sales support. The Bank supports this approach via a network of executives trained to assess customer needs, evaluate them and implement decisions effectively and unbureaucratically, and sees itself as having a competitive edge in the area of SMEs.

With respect to leasing activities, Piraeus Leasing S.A. focuses on car, real estate and machinery leasing and has an estimated market share of 16.0 per cent. Its market position is based both on organic growth and acquisitions (OTE Leasing S.A. and ETBA Leasing S.A.). Total assets have increased fivefold to €662.3 million within a five year period and turnover in 2003 rose 53.5 per cent. (as compared to 2002) to €181.3 million. Piraeus Best Leasing S.A. is a subsidiary of Piraeus Leasing S.A. and currently manages over 4,500 autos (as opposed to 4,000 in 2002). The customer base consists of companies, professionals or retail customers and lending tenors range from two to five years.

The Group provides domestic and export factoring services to Greek businesses, as well as consumer factoring through Piraeus Factoring S.A. It offers amounts receivable management and collection, credit risk insurance, financial statements improvement and ongoing information on customers' solvency. The company is a member of the international organisation Factor Chain International ("FCI") and co-operates with the major factoring organisations abroad.

### Loans (on a consolidated basis)

	<i>June 2004</i>	<i>December 2003</i>	<i>December 2002</i>	<i>Change y-t-d</i>
	<i>Amounts in € million</i>			
Medium — Large Enterprises .. .. .	3,372.6	3,079.2	2,723.5	9.5%
Shipping* .. .. .	626.5	695.5	573.9	(9.9)%
SMEs .. .. .	3,737.3	3,083.0	2,576.9	21.2%
Leasing .. .. .	669.0	619.3	477.5	8.0%
<b>Total .. .. .</b>	<b>8,405.4</b>	<b>7,477.2</b>	<b>6,351.8</b>	<b>12.4%</b>

\* The figures up to 2003 include also loans to shipyards

## 6.3. Investment Banking

Piraeus Bank has a significant presence in the developing capital markets of Greece and has acquired a large share in the securities underwriting market. Piraeus Bank Group is one of the leading IPO advisory institutions and among the major underwriters in the Greek market, reaching a market share of 9.9 per cent. in June 2004. The Group has also developed in the areas of syndicated loans arrangement, bond issuance, and offers consulting services for capital restructuring, company valuation, acquisitions and mergers and special financing for corporate clients.

### 6.3.1 Capital Market Operations

Piraeus Bank provides underwriting services for IPOs on the ATHEX, for share capital increases, and for corporate bonds (convertible or regular). It also provides consulting services for company listings, capital restructuring, company valuation, acquisitions and mergers.

Piraeus Bank participated in 16 IPOs during 2003; 13 private sector companies and one public-interest company listed their shares in ATHEX through hard underwriting, and two public-interest companies proceeded with secondary offerings existing shares through soft underwriting. The Bank acted as principal underwriter in three offerings and as underwriter in 11 offerings. It topped all underwriters in terms of risk

amount assumed in all 13 private IPOs, with a market share of 14.4 per cent. (1st place), and captured 7.6 per cent. market share (4th place) when measured against all 16 issues in 2003 (including three cases of soft underwriting).

In terms of financial advice and consulting in 2003, the Bank acted as the issue advisor in four out of 13 applicant listings. The Bank also provided consulting services in three cases of privatisations to a strategic investor.

### 6.3.2 Stock Exchange Operations — Sigma Securities S.A.

Sigma Securities S.A. is the Bank's brokerage house. It trades and intermediates in the trade of Greek and foreign shares, derivatives, government and corporate bonds and offers a wide range of investment services to its customers through its network. Sigma's national network includes 4 own branches and 54 associated brokerage offices as well as the entire network of Piraeus Bank's branches. The firm works with the majority of Greek and foreign institutional investors who are active in the domestic market.

In terms of market presence in 2003, Sigma Securities was placed 5th in total trading volume (6.1 per cent. market share) and 4th in trading value after deduction of repurchase agreements and block trades (6.8 per cent. market share). It was the first Greek private securities company engaged in derivatives trading and is a market maker on the Derivatives Market of ATHEX ("ADEX").

### 6.3.3 Custody Services

Custodian services are provided on a wide range of instruments including shares, bonds and derivative products etc. in the domestic as well as in foreign markets, for the Bank's network and institutional investors. The Bank is a general clearing member of the ADEX and the service range includes dividend/interest collections, corporate actions, and underwriting services for listed companies. Despite adverse market conditions in the Greek and international markets in 2003, Piraeus Bank Custody's clientele encompasses approximately 100,000 retail customers and 36 Greek and foreign institutional clients with assets under custody exceeding €4.7 billion as at 31st December, 2003.

## 6.4 Asset Management

In the asset gathering market, the Group operates in the context of its strategic alliance with the ING Group. In early 2003, it established a joint venture ING Piraeus Asset Management S.A. and offers mutual funds covering all investment categories. The strategic alliance with ING has reinforced the Group's position in the area of asset management, as it brings international know-how and a variety of investment products.

### Assets Under Management by the Group

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
	<i>Amounts in € million</i>			
Deposits .. .. .	9,993.1	8,679.8	7,612.2	15.1%
Bank issued bonds (held by customers) .. .. .	412.9	465.1	261.0	(11.2)%
Repos .. .. .	770.0	1,248.9	2,462.6	(38.3)%
Assets managed by private banking .. .. .	200.0	158.0	108.5	26.6%
Mutual funds (excluding money market funds) <sup>(1)</sup>	739.9	761.3	710.5	(2.8)%
Net assets value of investment companies .. .. .	429.7	398.2	310.5	7.9%
<b>Total</b> .. .. .	<u>12,545.6</u>	<u>11,711.3</u>	<u>11,465.5</u>	<u>7.1%</u>

Note:

(1) 2002 figures include the assets of the former NN Mutual Funds S.A.

### 6.4.1 Hellenic Investment Company S.A.

Following the absorption of Piraeus Investment S.A. by Hellenic Investment S.A. in early October 2003, Piraeus Bank Group possesses the largest closed-end fund among listed companies of the domestic

industry with net assets of €429.7 million on 30th June, 2004 (vs. €398.2 million in 2003). Hellenic Investment Company is the oldest Greek Investment Company listed on the ATHEX.

#### 6.4.2 ING Piraeus Asset Management S.A.

ING Piraeus Asset Management S.A. was established in 2003 in the framework of the strategic alliance of Piraeus Bank with the ING Group. It manages 10 domestic mutual funds and offers 69 additional international mutual funds into the Greek market. Domestic mutual fund assets amounted to €681 million in June 2004 (approximately 2.2 per cent. of total market assets). The company offers 31 international mutual funds of ING Luxembourg and 36 mutual funds of Goldman Sachs, along with two of Piraeus Asset Management Europe, with assets amounting to €147 million in June 2004. It also manages another €34 million from institutional investors. In total, mutual funds managed/offered by the company rose slightly to €862 million as at 30th June, 2004, from €858 million at year-end 2003.

#### 6.4.3 Piraeus Mutual Funds Management S.A.

Piraeus Mutual Funds Management S.A. manages two money market mutual funds with assets totalling €371.3 million as at 30th June, 2004.

#### 6.4.4 Piraeus Asset Management Europe S.A.

Based in Luxembourg, Piraeus Asset Management Europe manages two mutual funds, PiraeusInvest European Equity and PiraeusInvest European Bond, with assets under management totalling €22.0 million as at 30th June, 2004.

#### 6.4.5 Private Banking

The Bank's Private Banking Division targets customers of medium-high financial strength holding investment portfolios in excess of €600,000. Portfolios are designed around the availability of funds, the time horizon of the investment, customer risk preferences, the purpose of the investment and the customer's liquidity needs and monitored throughout accordingly. Total assets under management over all investment types and markets were €200 million as at 30th June, 2004, up 27 per cent. over 2003.

### 6.5 *Treasury*

Treasury is entrusted with the Bank's asset and liability management and serves as the Group's principal point of access to the financial markets by actively participating in the interbank markets for money, foreign exchange, bond and derivatives. Within guidelines of rational risk exposure and efficient capital allocation, Treasury trades and manages market risks, with the aim of delivering results and contributing to the Bank's overall performance.

The Bank is a primary dealer of Greek State Bonds and plays an active role in the Greek debt markets. During 2003, the Bank has participated, in a series of international issues totalling €11.7 billion. The Bank is a member of EUREX and a founding member of the ADEX.

Treasury has an established client base of institutional investors, which underpins the distribution of a variety of investment and risk management products addressing specific customer needs. The Bank is also active in the niche market of trading banknotes. In terms of technology, Treasury is equipped with digital information platforms, a variety of trading systems and comprehensive risk management systems.

In the course of expanding its funding capacity and broadening its funding base, the Bank established a €1.5 billion Euro Commercial Paper ("ECP") Programme in July 2003. Outstanding issuance under the Programme equalled €594 million as at 30th June, 2004, capped by the Bank's funding requirements.

### 6.6 *Bancassurance Services*

The Group operates in the fields of bancassurance and employee benefits through ING Piraeus Life S.A. in the context of its strategic alliance with the ING Group. The company sees its competitive edge in offering structured products with low distribution and operational costs at competitive prices. It promotes the entire spectrum of life, accident, health, medical insurance care and investment products through dedicated insurance agents located in every branch of Piraeus Bank. ING Piraeus Life S.A. also designs and promotes special employee benefits programmes. The Group's insurance brokerage company, Piraeus

Insurance Agency S.A., operates as a broker for a range of insurance policies to satisfy the insurance requirements of the Group's customers.

### 6.7 International Banking Activities

The Group is present in the financial centres of New York and London through its subsidiary's branch network in the former and its London branch in the latter. In Southeastern Europe, the Group expanded its physical presence in 2003 through the opening of 6 new branches and establishment of two new subsidiaries, Piraeus Leasing Romania in Romania and Bulfina, a real estate company in Bulgaria. It has also been decided to set up a leasing company in Albania.

The Group intends to carefully build on its strategic presence in Southeastern Europe, with the aim of providing a full spectrum of commercial banking services.

At the end of June 2004, total customer deposits in units of Piraeus Bank Group abroad amounted to €832.3 million, compared with €534.8 million at the end of 2003. Such deposits represent 7.4 per cent. of the Group's total deposits.

#### Deposits from Customers

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
	<i>Amounts in € million</i>			
UK — Piraeus Bank branch .. .. .	40.1	47.5	73.4	(15.6)%
USA — Marathon Bank NY .. .. .	496.5	248.6*	269.5	99.7%
Romania — Piraeus Bank Romania S.A. .. .. .	45.2	33.1	23.2	36.6%
Albania — Tirana Bank IBC .. .. .	202.7	175.0	150.7	15.8%
Bulgaria — Piraeus Bank branches .. .. .	47.8	30.6	17.8	56.2%
<b>Total .. .. .</b>	<b>832.3</b>	<b>534.8</b>	<b>534.6</b>	<b>55.6%</b>

\* Deposits have been impacted in 2003 vs. 2002 by \$ depreciation against €. In \$ prices deposits grew by 11.1 per cent.

Loans and advances to customers account for 9.8 per cent. of the Group's total loans and advances.

#### Loans and Advances to Customers

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
	<i>Amounts in € million</i>			
UK — Piraeus Bank branch .. .. .	482.8	547.5	531.6	(11.8)%
USA — Marathon Bank (N.Y.) .. .. .	301.4	166.4*	159.2	81.1%
Romania — Piraeus Bank Romania S.A. .. .. .	149.1	111.3	67.1	34.0%
Albania — Tirana Bank IBC .. .. .	64.5	53.6	41.8	20.3%
Bulgaria — Piraeus Bank branches .. .. .	132.6	98.4	39.0	34.8%
<b>Total .. .. .</b>	<b>1,130.4</b>	<b>977.2</b>	<b>838.7</b>	<b>15.7%</b>

\* Loans have been impacted in 2003 vs. 2002 by \$ depreciation against €. In \$ prices loans grew by 25.9 per cent.

#### 6.7.1 Piraeus Bank Branch in London

The Piraeus Bank London branch provides banking services to the Greek London community and off-shore products to Greek corporate customers of the Corporate Banking Division. Furthermore, the branch has the appropriate expertise to search for and select investment opportunities with attractive risk/return profiles with an emphasis on developing countries.

### 6.7.2 Marathon Banking Corporation

Marathon Bank of New York is a subsidiary of the Marathon Banking Corporation. It holds a U.S. banking operating license, is supervised by the U.S. Office of the Comptroller of the Currency, and provides a wide range of banking services and products through its branch network.

Marathon Banking Corporation became a member of the Piraeus Group in July 1999. Marathon focused on providing commercial housing mortgage credits as well as deposit products for private and corporate customers through its network of six branches. At the end of 2003, Marathon Banking Corporation agreed to acquire Interbank NY, a U.S. commercial bank with \$275 million in assets and a network of 5 branches in the New York district, and merged it with its Marathon Bank operation. The takeover and integration of Interbank into Marathon Bank were concluded at the beginning of 2004. As a result of this merger, combined assets in June 2004 totalled \$555 million with a network of 10 branches.

### 6.7.3 Piraeus Bank Romania S.A.

Piraeus Bank Romania was founded in 1995 as Pater Credit Bank, and in 2000 it was acquired and incorporated into the Piraeus Bank Group. The Bank's growth in 2003 was mainly based on its wholesale banking operations. Its range of retail banking products includes mortgages, debit and credit cards, and is supported by a call centre. It has also established a leasing subsidiary, Piraeus Leasing Romania, to capitalize on the growth prospects offered by the leasing sector.

In June 2004, Piraeus Bank Romania had a total of seven branches and plans to add eight more during 2004. During 2003, Piraeus Bank Romania doubled its loans market share to 1.7 per cent. of the local market and at 30th June, 2004 its total assets were €293 million, while equity stood at €23 million.

### 6.7.4 Tirana Bank IBC

Tirana Bank IBC was founded in September 1996 as the first privately owned banking institution in Albania and currently has assets totalling €229.6 million (as at 30th June, 2004). It increased its share of the banking sector in first-half 2004 capturing 15 per cent. of loans against 14.4 per cent. in year-end 2003 in the domestic market (10.6 per cent. of deposits in 2003 against 7.3 per cent. in 2002). The current network of Tirana Bank IBC consists of 16 branches covering the main cities of Albania, with plans to open nine more in 2004. As at 30th June, 2004, total equity was €12.7 million.

### 6.7.5 Piraeus Bank Branches in Bulgaria

Piraeus Bank started operating as the first foreign bank in Bulgaria in 1993. The Bank initially focused on servicing Greek business in its efforts to penetrate the local market. Today, the Bank caters to local, non-Greek business and individual needs via its network of eleven branches through a broad range of products and services. As at 30th June, 2004, total assets had risen to €170 million and loans represented 2.3 per cent. of the local loan market.

## 6.8 *Other activities*

Other activities pertain basically to the real estate sector and information technology sectors, with the aim of exploiting investment opportunities and synergies on the real estate market, as well as implementing new technologies in the banking sector as they play an increasingly crucial role.

The Group's activities in the real estate sector expanded in 2003 in the following three segments: real estate development, real estate advisory services and fixed assets management.

### 6.8.1 Piraeus Real Estate S.A. Real Estate Development — Management and Operation

The company is listed on the ATHEX and is the Group's most significant real estate firm. In 2003, Piraeus Real Estate restructured in order to provide more comprehensive real estate services, develop its own real estate and, finally, manage its shareholdings, mainly in Piraeus Real Estate Investment Property S.A.

### 6.8.2 Piraeus Real Estate Investment Property S.A.

The company was the first in Greece to undertake collective investments in fixed assets.

### 6.8.3 Picar S.A.

Picar S.A. was awarded the commercial development and management of the Army Pension Fund Building, a prime real estate in central Athens, based on a long contract expiring in 2049. Restoration and renovation are expected to be complete with operations commencing in early 2005.

### 6.8.4 Piraeus Botifin S.A.

The company owns a large plot in Northern Athens, which is being developed into an amusement and commercial centre with underground public parking facilities for 500 vehicles. The project is expected to be completed in the first half of 2005.

### 6.8.5 ETBA Industrial Estates S.A.

ETBA Industrial Estates S.A. is engaged in managing 33 industrial development zones set close to large urban centres throughout Greece. It was formed in 2003 as a separate entity, jointly owned by Piraeus Bank (65.0 per cent.) and the Greek State (35.0 per cent.) following the former's acquisition of the state-controlled ETBA Bank. In early 2004, Piraeus Bank established eight new branches in these industrial zones to capitalise on the proximity of more than 2,000 businesses that are based there and more than 35,000 employees. At the end of 2003, the company's assets were EUR 222 million and pre-tax profit was EUR 2.8 million

### 6.8.6 e-Vision Advanced Systems and Information Services S.A.

e-Vision focuses on information technology, telecommunications and related services by exploiting synergies in areas such as the internet, e-commerce, call centres, customer support and banking applications that are complementary to the core business of the Group.

### 6.8.7 Exodus S.A.

Exodus S.A. is an e-business solution provider. It offers advanced solutions and services in e-commerce, application content management for business-to-business and business-to-commerce processes, workflow and knowledge management support, data warehouses and Decision Support Systems, new media exploitation over the internet, intranet, extranet as well as e-learning applications. In 2003, Exodus was ISO 9001:2000 certified and awarded the EFQM-Level I 'Committed to Excellence' distinction by the EFQM Levels of Excellence programme.

### 6.8.8 ABC Professional Services S.A.

For more than two decades, ABC Professional Services S.A. has been operating in the software development and integrated IT solutions sectors. In the last three years, major investments were made to establish a new modern Card Processing Centre, as well as creating and promoting new technology products and services in the Greek market and countries in the broader geographic region.

### 6.8.9 Piraeus Direct Services S.A.

Piraeus Direct Services S.A. ("PDS") was established in 2000 as an evolution of Piraeus Bank's call centre. The company offers its services to both Piraeus Bank (customer service, products and services promotion, Winbank etc.) and Piraeus Group companies, as well as to third parties. Besides financial contact services provided, PDS also operates credit and debit card management services including issuance, support, applications' processing, customer service and product and programme development.

## 7. Risk Management

The Bank considers effective risk management critical to safe operations growth, to limiting adverse profit variations and to the rational allocation of capital. The role of the Bank's Risk Management Division is to analyse, monitor and control the Bank's position using advanced risk management methods and practices. The Bank follows international best practices, including centralising the risk control function and developing a risk management culture within the organisation.

In 1999, the Bank established an independent Risk Management Division and an Asset and Liability Management Committee ("ALCO") to operate within a well-established framework for the monitoring of

the organisation's activities and the maintenance of the business risks within predefined limits. The members of the ALCO are responsible for defining the strategy regarding balance sheet items evolution and the developments in the business environment. The Committee meets on a monthly basis, to review financial data and risk exposures of the Group business units.

With regard to the development of risk management infrastructure, the integrated risk management system IRIS/Risk-Pro went live for Piraeus Bank in March 2002. During 2003, the transactional data of Sigma Securities Company S.A., Hellenic Investment Company S.A., Piraeus Multifin S.A., Tirana Bank IBC and Piraeus Leasing S.A. were interfaced with the integrated risk management system. As a result, over 97 per cent. of the Piraeus Bank Group assets are being monitored by the risk management system. In 2004, the remaining of the Group's subsidiaries will be interfaced with the system, thus providing an integrated view of risk exposures at a Group level. The new risk management system provides analyses for market and liquidity risks and credit exposures on a daily basis, using data of the previous business day. The overall design allows for an integrated information management through an appropriate Risk Data Model, as well as an automated production of risk reports. Thus, operational errors and the resources required to support risk reporting have been substantially reduced.

Piraeus Bank closely monitors developments regarding the new Basel II regulatory framework. A working group is committed to the implementation of the new framework by developing the required infrastructure and by notifying the Group's executives on the new proposals and their implications. The integrated risk management system provides a new function for the evaluation of capital requirements in line with Basel II proposals. At the same time, the development of new applications, such as historic databases for monitoring past due items, collateral management system, credit limit monitoring and credit rating systems, will further support the implementation of Basel II framework.

### *7.1 Market Risk*

Market risk refers to the possibility of incurring losses due to variations in market prices, such as share prices, interest rates or currency exchange rates. Market risk is therefore differentiated in Equity Risk, Interest Rate Risk and Foreign Exchange Risk, respectively. Piraeus Bank applies modern and widely accepted market risk analysis techniques, such as Value-at-Risk ("VaR"), earnings-at-risk, stress test results and sensitivity indicators.

In September 2002, the Piraeus Bank Board of Directors approved a common market risk management policy for Piraeus Bank and its subsidiaries. This policy, applied since early 2003, outlines the main definitions pertaining to market risk management, determines the roles and responsibilities of units and executives involved, and describes the market risk measurement and monitoring methodologies. On the basis of this policy, every unit of Piraeus Bank Group has been assigned specific market risk limits, which are monitored on a consistent basis.

For market risk assessment the VaR measure is used, which captures the maximum loss in the net present value of a portfolio over a specified period (holding period) with a specified probability (confidence level). Piraeus Bank implements Risk Metrics parametric methodology, assuming a one-day holding period and utilising a 99.0 per cent. confidence level.

### *7.2 Liquidity Risk*

Liquidity risk management focuses on the ability of the Bank to maintain sufficient liquid assets in order to meet its contractual obligations. Management of this type of risk involves systematic monitoring of future cash flows and related funding needs by currency, depending on the maturity of particular transactions.

In line with Market Risk Management Policy, a common Liquidity Risk Management Policy has been approved for the Group. The policy specifies the definitions and methodology of liquidity risk assessment, determines the roles and responsibilities of involved parties and describes the actions to be taken to manage a liquidity crisis. The policy focuses on the liquidity position in one week and one month time horizons, based on a liquidity crisis hypothesis.

Piraeus Bank manages liquidity risk by holding liquid portfolios of Fixed Income instruments, by attracting "diversified" deposit accounts and by expanding the average maturity of time deposits. At the



same time, the Bank is actively diversifying its funding sources, for example, through its Euro Commercial Paper Programme.

### *7.3 Operational Risk*

Piraeus Bank acknowledges operational risk as a major risk element facing financial institutions. The Bank's staff takes all necessary actions to limit the impact of legal risks, natural disasters, inadequate procedures or systems failures. The Bank relies on the quality of its human resources and technological infrastructure, the internal audit functions and the use of insurance policies to minimise losses due to operational risk. Insurance coverage is based on banker blanket bonds (which are insurance coverage packages for banks) insurance policies for the assets of the Group, and house insurance policies linked with mortgage loans.

Special emphasis is placed on the protection of e-banking activities and IT systems security. The development of the Business Continuity/ Disaster Recovery Site for the Bank's central information system in 2003 has minimised the risks due to central system failures.

Currently, operational loss event databases are being developed to record operating risk events, which will form the basis for operating risk analysis and management in the future.

### *7.4 Credit Risk*

It is the aim of the Credit Division to actively and systematically maintain credit risk at "moderate" levels. This goal is achieved through pro-active measures, such as the pre-screening of potential credits and the active monitoring and hedging of credit risk, and retroactive measures, such as the proper management of doubtful loans.

The Group applies a common credit policy and practice on credit approval procedures, renewals and monitoring of credit lines. Approvals are granted on the basis of total credit risk per obligor or group of associated obligors, taking into account credit exposures in Piraeus Bank Group subsidiaries. In the credit assessment process, a thorough analysis of the qualitative and quantitative criteria, is applied according to the internal credit rating methodology defined by the Bank.

With respect to credit risk exposure to financial institutions, Piraeus Bank applies a credit approval policy and interbank credit lines are monitored by the limit monitoring functionality of the Treasury system.

Regarding country risk exposures, a country risk policy has been approved with specific limits that cap exposure to countries with a credit rating lower than that of Greece.

With respect to personal loans, Piraeus Bank emphasises the implementation of modern credit risk management methods. Emphasis is placed on the analysis of credit scoring parameters, the population parameters' distribution and the monitoring of past due amounts. The use of three-year historical data has permitted assessing default rates and recovery rates in particular portfolios, in accordance with the Basel II framework.

In 2003, new credit rating models (scorecards) were developed for consumer loans, personal loans and credit cards. In addition, analysis of historical data demonstrated the importance of the effectiveness of the collection process in increasing recoverability of past due amounts. The refinement of these two factors contributed significantly to the improved quality of retail loans, despite their growth in 2003.

For the year 2004, the use of the "Moody's Risk Advisor" system is planned to support the rating of companies. The rating is based on quantitative and qualitative data compared with benchmarks calculated for related industries. This system will enhance the ability to create projected financial statements and capability to provide analytical information for financial data of a large number of companies.

With respect to doubtful credits, the Bank has developed a policy where business loans are considered delinquent when, after a period of 90 days, no interest or principal has been paid. This period is 180 days for household loans. Delinquent loans are reported through a special Report of Classifiable Outstandings ("ROCO") from the branch network or the Corporate Account Officer to the General Manager, who is in charge of the Problem Loan Division. A loan is also reported immediately in the ROCO once its collection is considered to bear increased risk. Each case is assessed by the General Manager, who decides on the status of the delinquent loan and the course of action to be taken by the responsible business unit (branch or

corporate). Delinquent loans are classified as either (a) Special mention, or accruing interest, (b) Substandard, or accruing interest, (c) Doubtful, or non-accruing interest, or (d) Loss, non-accruing interest.

The ROCOs are then distributed to the managers responsible for those loans to implement the courses of action that have been decided. A copy of the ROCOs is sent to the Internal Audit Division. The necessary courses of action are reassessed and documented monthly. A summary of all the delinquent loans, exceeding €150,000, is reviewed monthly and referred to senior management.

The Problem Loan Division and the relevant branch or account officer are jointly responsible for taking appropriate measures such as collecting payment, increasing security or increasing collateral by communicating with the delinquent borrower, or initiating extrajudicial and judicial actions. The Bank's Legal Division assists in recovering problem assets. After all legal actions have been exhausted the balance of any remaining exposure is classified as a loss.

At least once a year, the Asset Monitoring Committee reviews all write-off proposals for doubtful loans and formally approves those loans to be written off. Asset write-offs are subject to the approval of the Board of Directors.

The Bank annually raises general provisions of up to 1.0 per cent. of the average loan balance, which is tax deductible. The Bank can also apply additional special provisions to specific loans on a case-by-case basis. The Board of Directors decides all write-offs on the proposals made by the Problem Loan Division every December. Approved write-offs are deducted from the accumulated provisions amount (either general or special).

## 8. Analysis of Loan Portfolio

Due to significant loan growth achieved, net loans increased their share in total assets in June 2004 to 72.7 per cent. (from 69.8 per cent. in December 2003). The loan portfolio of Piraeus Bank Group is highly diversified across various sectors with loans to individuals (mortgage, consumer credit) comprising 28.3 per cent. of the total loan portfolio of the Group, loans to medium and large enterprises and shipping 36.7 per cent., and loans to SMEs 35.0 per cent. of the loan portfolio as at 30th June, 2004.

### Distribution of Piraeus Bank Group Loans and Advances per Sector

	<i>June 2004</i>	<i>December 2003</i>	<i>December 2002</i>	<i>Change y-t-d</i>
	<i>Amounts in € million</i>			
Industry .. .. .	1,858.5	1,784.2	1,623.6	4.2%
Handicraft .. .. .	139.6	147.9	89.1	(5.6%)
Trade .. .. .	1,666.7	1,581.8	1,172.8	5.4%
Shipping* .. .. .	626.5	695.4	573.9	(9.9%)
Energy and Transport .. .. .	307.3	290.7	145.2	5.7%
Construction .. .. .	910.5	771.5	503.7	18.0%
Mortgage .. .. .	1,781.7	1,572.3	1,269.5	13.3%
Consumer .. .. .	1,533.4	1,480.7	1,322.1	3.6%
Public Companies and Organisations .. .. .	62.5	43.0	111.8	45.2%
Other Sectors .. .. .	2,833.9	2,162.7	2,131.7	31.1%
<b>Total</b> .. .. .	<b>11,720.4</b>	<b>10,530.2</b>	<b>8,943.4</b>	<b>11.3%</b>
Other receivables .. .. .	138.2	150.9	139.6	(8.4%)
<b>Total Loans</b> .. .. .	<b>11,858.7</b>	<b>10,681.1</b>	<b>9,083.0</b>	<b>11.0%</b>

\* The figures up to 2003 include also loans to shipyards

The majority of loans granted by the Group are on a floating rate basis, with interest resets mostly at one- or three-month intervals. As of 30th June, 2004, the Group's loans and advances, in currencies other than Euro, amounted to €1,429.4 (12.1 per cent. of total loans and advances to customers).

## Loans and Advances to Customers in Euro & Foreign Currencies

	<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>	<i>Change</i> <i>y-t-d</i>	<i>Composition</i>		
					<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>
<i>Amounts in € million</i>							
Euro .. .. .	10,429.3	9,524.6	7,775.8	9.5%	87.9%	89.2%	85.6%
Other Currencies .. .. .	1,429.4	1,156.5	1,307.2	23.6%	12.1%	10.8%	14.4%
<b>Total Loans and Advances to Customers.. .. .</b>	<b>11,858.7</b>	<b>10,681.1</b>	<b>9,083.0</b>	<b>11.0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Group's asset quality improved, as indicated by the Group's declining non-performing loan ("NPL") percentage. Approximately 45 per cent. of NPLs are attributable to ex-ETBA Bank and are covered with sufficient loan loss reserves and collateral securities. If ex-ETBA Bank's loan portfolio were excluded, the Npl percentage drops to approximately 2.5 per cent. The 88.2 per cent. loan loss reserve coverage ratio of NPLs is one of the highest coverage ratios in the Greek banking market. Accumulated loan loss reserves more than cover total doubtful loans as well as the reserves required by Bank of Greece (according to the 2513/2003 Bank of Greece Governor's Act).

## Loan Quality

	<i>June 2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>
<i>Amounts in € million</i>			
Total Loans .. .. .	11,858.7	10,681.1	9,083.0
Non-performing Loans (NPLs) .. .. .	457.1	424.7	383.8
Total loan loss provisions.. .. .	403.3	402.8	324.5
Addition to loan provisions during the period .. .. .	45.5	68.5	72.5
Amounts written off during the year .. .. .	47.7	31.0	44.8
NPLs as a percentage of total loans .. .. .	3.85%	4.0%	4.2%
Loan loss provisions as a percentage of total loans .. .. .	3.40%	3.8%	3.6%
Loan loss provisions as a percentage of NPLs .. .. .	88.2%	94.8%	84.6%
Write-offs as a percentage of NPLs .. .. .	10.4%	7.3%	11.7%

## 9. Analysis of Funding

As at 30th June, 2004, the Group's total obligations to customers amounted to €11.2 billion, up 7.5 per cent. against the end of 2003. Customer repos amounted to €770 million against €1,243 million at the end of 2003, a decline of 38.3 per cent.

### Development of Obligations to Customers

	<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>	<i>Change</i> <i>y-t-d</i>	<i>Composition</i>		
					<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>
<i>Amounts in €million</i>							
Sight .. .. .	2,240.6	1,868.0	1,672.9	19.9%	20.0%	18.0%	16.2%
Savings.. .. .	2,686.9	2,426.0	2,194.4	10.8%	24.0%	23.3%	21.2%
Time Deposits .. .. .	4,904.0	4,232.8	3,615.0	15.9%	43.9%	40.7%	35.0%
ETBA bonds .. .. .	412.9	465.1	261.0	(11.2)%	3.7%	4.5%	2.5%
Other obligations .. .. .	161.6	153.0	130.1	5.7%	1.4%	1.5%	1.3%
<b>Total Deposits .. .. .</b>	<b>10,406.0</b>	<b>9,144.9</b>	<b>7,873.4</b>	<b>13.8%</b>	<b>93.1%</b>	<b>88.0%</b>	<b>76.2%</b>
Customer repos .. .. .	770.0	1,248.9	2,462.6	(38.3)%	6.9%	12.0%	23.8%
<b>Total Obligations to Customers .. .. .</b>	<b>11,176.0</b>	<b>10,393.8</b>	<b>10,336.0</b>	<b>7.5%</b>	<b>100%</b>	<b>100.0%</b>	<b>100.0%</b>

As at 30th June, 2004, the Group's deposits, in currencies other than Euro, amounted to €1,602.6 (14.3 per cent. of total obligations to customers).

### Total Obligations to Customers in Euro and Other Currencies

	<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>	<i>Change</i> <i>y-t-d</i>	<i>Composition</i>		
					<i>June</i> <i>2004</i>	<i>December</i> <i>2003</i>	<i>December</i> <i>2002</i>
<i>Amounts in €million</i>							
Euro .. .. .	9,573.4	8,979.7	8,873.1	6.6%	85.7%	86.4%	85.8%
Other Currencies .. .. .	1,602.6	1,414.0	1,462.9	13.3%	14.3%	13.6%	14.2%
<b>Total obligations to Customers .. .. .</b>	<b>11,176.0</b>	<b>10,393.7</b>	<b>10,336.0</b>	<b>7.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

About 44.1 per cent. of total obligations to customers comprise sight and savings accounts, the vast majority of the remainder maturing in less than a year.

### Obligations to Customers by Maturity as at 31st December, 2003

	<i>Less than</i> <i>3 months</i>	<i>More than</i> <i>3 months</i> <i>and up to</i> <i>1 year</i>	<i>More than</i> <i>1 year</i>	<i>Total</i>
<b>Total obligations to customers .. .. .</b>	<b>9,638.0*</b>	<b>641.8</b>	<b>114.0</b>	<b>10,393.8</b>

\* Includes savings and sight deposits

Liabilities to credit institutions totalled €2,128 million as at 30th June, 2004 compared to €2,283 million at the end of 2003, a decrease of 6.8 per cent. Interbank funding in foreign currencies represents almost half of the total interbank deposits, whereas maturities in all currencies do not exceed one year. Currency mismatches are managed through short-term foreign exchange forward transactions.

Piraeus Bank Group established a Euro Commercial Paper Programme in July 2003 with a size of €1.5 billion. As at 30th June, 2004 the amount outstanding under this programme stood at €594 million.

## **10. Information Technology**

It is the goal of Piraeus Bank to ascertain the availability of leading technology capable of supporting business needs and ensuring delivery of quality services. Technology infrastructure is primarily based on four major banking systems: (a) customer relationship management (“CRS”), (b) accounts management, (c) general ledger, and (d) treasury systems. These four core systems are complemented by additional product and service oriented applications.

The Bank has developed a number of alternative electronic sales, delivery and service channels, utilizing a broad range of technologies. The Bank has branded its electronic services under the commercial name of Winbank, offering full Internet Banking services, Internet Stock Brokerage, Mobile Banking through WAP and SMS, e-Commerce Solutions and Call Centre services which are fully integrated with the systems of the Bank.

Access to the various Bank systems is granted via a modern, sophisticated high-speed telecommunications network, serving data, voice and video facilities. This network has been developed to support the operational needs of all entities and individuals having access to the branch network, customers and external agents. Part of the telecommunications network is satellite based and is mainly used to support shipboard ATMs, providing on-line/real-time connection with the Bank’s mainframe computer system via satellite links. Piraeus Bank is the first bank in Greece to provide this facility.

Network perimeter security is provided by a series of mechanisms, such as firewalls, virtual private networks (“VPNs”), Intrusion Detection Systems and appropriate network segregation. Furthermore, information security is of major concern to the Bank. Significant resources have been applied to raise security awareness of IT personnel, including other initiatives such as private key infrastructure (“PKI”), and on-going risk assessments.

Piraeus Bank’s Disaster Recovery Site was created in 2003 to fully support banking operations should any disaster occur in the main computer centre. The IT Division identified and evaluated factors that could threaten business continuity and devised cost effective and realistic solutions. Appropriate risk transfer arrangements coupled with recovery plans and procedures were developed. The Disaster Recovery Site IT systems are fully synchronised online/real-time with those of the main centre at the transactions level, a technique that ensures full operational recovery within three to four hours.

The Bank’s credit and debit card management and processing operations were transferred from Delta Singular S.A. to ABC Professional Services S.A., whose more modern systems allow greater flexibility in the growing credit card sector and give the Group a major competitive edge. The online/real-time connection of Winbank and ABC systems was put in place and new more ‘user friendly’ Winbank screens and transaction interfaces were developed.

Piraeus Bank’s payment system is highly sophisticated and fully supports STEP1: on-line electronic connection for in-out remittances, as well as enhancement and automation of on-line dispatch of individual or mass remittances via Winbank.

As at 31st December, 2003 Piraeus Bank is equipped with a network of 401 ATMs, of which 162 are located outside of the Bank’s branches (off-site) and ten are on ships travelling between Greece and Italy. In addition, the Bank’s POS network now has more than 11,500 terminals and 5,000 imprints.

The Piraeus Bank I.T. Division supports more than two million customers holding over 1.3 million accounts and producing over 400,000 transactions per day using all the available system channels.

## **11. Human Resources**

As at 31st December, 2003, the Piraeus Bank Group employed 4,896 persons (as compared to 4,743 in 2002, up 3.2 per cent.), Piraeus Bank S.A. employed 3,996 persons (as compared to 3,932 in 2002, an increase of 1.6 per cent.), and the Group’s subsidiaries employed 900 persons (as compared to 811 in 2002, an increase of 11.0 per cent.).

The majority of the Group's activities are within the prefecture of Attica. This is reflected in the number of employees working in the greater Athens area (2,466 or 50.4 per cent.), in the Thessaloniki region (783 or 16.0 per cent.) and 1,131 (23.1 per cent.) in the remaining counties. In 2003, the number of staff employed by the network abroad grew significantly, rising to 516 (an increase of 10.5 per cent.) from 436 in 2002.

The Group is an active practitioner of equal opportunity employment. The male-female ratio of employees is balanced at 50.1 per cent. to 49.9 per cent. as at 31st December, 2003.

The ratio of the Group's employees holding university, postgraduate or PhDs degrees as compared to those with only secondary school education levels is 53.1 per cent. and 46.9 per cent. respectively. In 2003 the number of employees with postgraduate degrees grew by 10.7 per cent. over 2002. As at 31st December, 2003, the average age of the Group's staff was 35.4 years (as compared to 34.2 years a year earlier) and the average age of the Group's executives was 41.5 years (as compared to 41.0 a year earlier).

## 12. Participations (Subsidiaries and Affiliates)

The Bank's direct and indirect participations in subsidiaries which are fully consolidated in the Consolidated Balance Sheet as at 30th June, 2004, are illustrated in the table below:

### Financial Sector Subsidiaries

	<i>Direct and Indirect participation (%)</i>	<i>Total Assets as at 30th June, 2004</i>	<i>Total Equity as at 30th June, 2004</i>	<i>Profit before Tax as at 30th June, 2004</i>
<i>Amounts in €</i>				
Marathon Banking Corporation .. ..	78.27%	555,239,550.80	44,538,923.08	4,333,312.62
Tirana Bank IBC .. .. .	83.93%	229,621,201.96	12,683,887.00	1,873,831.81
Piraeus Bank Romania S.A. .. .. .	99.99%	293,127,618.35	22,738,427.82	1,404,423.78
Piraeus Leasing S.A. .. .. .	69.70%	710,609,990.32	152,912,513.50	7,106,364.60
Piraeus Leasing Romania SRL .. .. .	100.00%	20,264,397.38	945,202.61	306,170.20
Piraeus Multifin S.A. .. .. .	57.50%	441,810,824.28	13,345,071.22	5,253,842.00
Piraeus Factoring S.A. .. .. .	72.36%	161,560,237.57	15,652,403.57	545,074.72
Sigma Securities S.A. .. .. .	100.00%	146,544,683.64	31,652,415.51	3,702,707.36
Piraeus Finance S.A. .. .. .	100.00%	16,982,041.63	13,826,644.44	293,502.69
Piraeus Equities Holding S.A. .. .. .	100.00%	11,546,205.26	8,656,961.22	(115,127.04)
Piraeus Investment Consulting S.A. ..	100.00%	220,735.08	216,635.20	3,534.91
Hellenic Investment Company S.A. ..	47.97%	429,936,700.28	387,904,499.29	33,589,011.00
Piraeus Mutual Funds Management S.A. .. .. .	100.00%	2,523,252.35	1,338,972.44	318,297.96
Piraeus Asset Management Europe S.A.	99.94%	1,482,361.97	1,379,337.75	91,279.76
Piraeus Group Finance PLC .. .. .	100.00%	597,036,290.57	99,431,36	394,036.46
Piraeus Insurance Agency S.A. .. .. .	99.86%	4,818,748.66	1,229,728.61	(495,499.65)
ETBA Insurance Agency S.A. .. .. .	88.59%	559,511.77	308,317.21	(61,609.19)
Multicollection S.A. .. .. .	25.50%	2,864,153.21	765,511.31	516,769.07

As at 30th June, 2004, the Bank's principal direct and indirect participations in subsidiaries, which are accounted for via the net equity method in the Consolidated Balance Sheet, as they do not belong to the financial sector, are illustrated in the table below:

### Non-Financial Sector Subsidiaries

<i>Business activity</i>		<i>Direct and Indirect participation (%)</i>	<i>Total Assets</i>	<i>Total Equity</i>	<i>Balance Sheet Date</i>
<i>Amounts in €</i>					
ETBA Industrial Estates S.A.	Real Estate	65.00%	222,086,072.62	203,736,974.31	31.12.2003
Piraeus Real Estate S.A.	Real Estate	71.79%	63,593,851.84	53,587,772.95	31.12.2003
Piraeus Real Estate Investment Property S.A.	Real Estate Invest. Fund	83.54%	48,074,047.17	39,842,507.29	31.12.2003
Picar S.A.	Real Estate	100.00%	167,980,900.59	22,188,641.06	31.12.2003
Piraeus Botifin S.A.	Real Estate	96.77%	19,504,427.10	7,415,170.02	31.12.2003
e-vision S.A.	Holding company	77.28%	32,625,712.90	32,142,286.80	31.12.2003
Exodus S.A.	e-business	38.71%	13,073,777.76	7,624,936.22	31.12.2003
ABC Professional Services S.A.	Banking software and Card Proces. Call Centre — Card Services	67.82%	7,286,563.76	973,086.90	31.12.2003
Piraeus Direct Services S.A.	Services	77.57%	2,142,637.26	419,614.67	31.12.2003

Certain other non-financial sector subsidiaries are excluded from consolidation based on article 130 of Greek Law 2190/1920.

The table below depicts the Bank's principal direct and indirect participations in affiliate companies that are accounted for in the Consolidated Balance Sheet using the net equity method.

### Participation in Affiliate Companies

<i>Business activity</i>		<i>Direct and Indirect participation (%)</i>	<i>Total Equity</i>	<i>Balance Sheet Date</i>
<i>Amounts in €</i>				
ING Greek Life Insurance S.A.	Life Insurance	20.00%	90,188,847.51	31.12.2003
ING Greek General Insurances S.A.	General Insurance	20.00%	21,094,116.61	31.12.2003
ING Piraeus Life Insurance S.A.	Bank Assurance	49.90%	4,356,583.98	31.12.2003
ING Piraeus Asset Management S.A.	Asset Management	49.90%	4,267,852.85	31.12.2003
ING Piraeus Mutual Funds Management S.A.	Mutual Fund	40.00%	1,188,183.01	31.12.2003
Piraeus Best Leasing S.A.	Operating Car Leasing	32.17%	3,108,547.35	31.12.2003

### 13. Profit and Loss Account

Set out below is the consolidated Profit and Loss Account of the Piraeus Bank Group for the first half of 2004, 2003 and 2002, respectively. After-tax profit attributable to Piraeus Bank's shareholders amounted to €79.1 million in first half 2004 compared to €54.4 million the year before, representing a growth of 45.3 per cent.

The 2004 interim results for the Piraeus Bank Group were characterised by the following highlights (with the previous years in parentheses):

- Net interest income by 18.9 per cent. (against 5.8 per cent.) and net commission income by 31.5 per cent. (against 14.9 per cent.)
- Net Interest Margin ("NIM") on average interest earning assets grew to 3.1 per cent. (against 2.7 per cent.)

- Net Revenues grew by 20.7 per cent., while operating expenses grew by 10.3 per cent.
- The Cost-to-Income ratio improved to 55.2 per cent. (against 60.4 per cent.)
- Core profitability, excluding financial operations and extraordinary results, grew by 60.9 per cent.
- Loan Portfolio expansion amounted to 22.1 per cent.
- After-Tax ROE improved to 15.9 per cent. (against 14.0 per cent.)
- After-Tax ROA improved to 1.30 per cent. (against 0.86 per cent.)

### Consolidated Profit and Loss Account

	<i>June</i> <u>2004</u>	<i>December</i> <u>2003</u>	<i>December</i> <u>2002</u>
	<i>Amounts in € thousands</i>		
Interest income .. .. .	378,120	757,191	777,351
Less: Interest expense .. .. .	(160,716)	(365,997)	(422,257)
<b>Net Interest Income</b> .. .. .	<b>217,403</b>	<b>391,194</b>	<b>355,094</b>
Plus: Income from securities .. .. .	17,474	19,793	18,746
Plus: Net Commission Income .. .. .	66,418	110,061	88,943
Plus: Net profit from financial transactions .. .. .	39,870	57,647	32,238
Plus: Other operating income .. .. .	5,882	16,509	11,666
Plus: Income from operation of Industrial Estates .. .. .	0	0	10,109
<b>Gross Operating Results</b> .. .. .	<b>347,047</b>	<b>595,205</b>	<b>516,797</b>
Less: Staff expenses .. .. .	89,855	173,531	168,046
Less: Administrative expenses .. .. .	75,030	147,900	129,603
Less: Other operating expenses .. .. .	2,597	4,142	5,268
Less: Depreciation of fixed assets .. .. .	24,215	50,040	55,949
<b>Operating expenses</b> .. .. .	<b>191,696</b>	<b>375,614</b>	<b>358,865</b>
Less: Provisions for Bad Debt and Doubtful Debts .. .. .	45,541	68,508	72,549
<b>Total Operating Results</b> .. .. .	<b>109,810</b>	<b>151,083</b>	<b>85,382</b>
Plus: Extraordinary results .. .. .	13,866	13,958	29,713
Profit before Tax .. .. .	123,676	165,041	115,095
<i>Share of minority in profit before tax</i> .. .. .	22,566	27,254	24,801
Profit of Piraeus Bank Shareholders before tax .. .. .	101,110	137,787	90,294
Less: Tax .. .. .	24,489	41,319	34,254
<b>Net Profit</b> .. .. .	<b>99,187</b>	<b>123,722</b>	<b>80,841</b>
<i>Share of minority in profit after tax</i> .. .. .	20,065	22,241	14,641
<b>Net Profit of Piraeus Bank Shareholders</b> .. .. .	<b>79,123</b>	<b>101,481</b>	<b>66,200</b>

Gross operating results in the first half of 2004 amounted to €347.0 million compared to €287.6 million in the same period of 2003, enhanced by 20.7 per cent. Net interest income and commissions constitute 81.8 per cent. of the Group's total net revenues.

Operating cost amounted to €191.7 million versus €173.8 million in H1 2003, up 10.3 per cent., due to the branch network expansion by 10.4 per cent. and the increase of business volumes of the Group.

The cost to income ratio improved to 55.2 per cent. from 60.4 per cent. in H1 2003, towards the Groups' medium-term goal for a ratio lower than 55 per cent.

The ratio of pre-provision profit to average assets improved to 2.04 per cent. against 1.54 per cent. the previous year.



As at 30th June, 2004, return on equity increased to 20.3 per cent. before tax (against 19.1 per cent. in H1 2003) and to 15.9 per cent. after tax (against 14.0 per cent. in H1 2003). Similarly, return on assets rose to 1.62 per cent. before tax (against 1.15 per cent. in H1 2003), and to 1.30 per cent. after tax (against 0.86 per cent. in H1 2003).

#### **14. Balance Sheet**

As at 30th June, 2004 the Group's assets had risen to €15.7 billion, up 5.6 per cent. As a result of this expansion, the share of gross loans in total assets increased to 72.7 per cent. (against 62.8 per cent. in end-June 2003), mainly off-setting the drop in bonds to €1,518 million or 9.4 per cent. of total assets (against 19.4 per cent. in 2003). This is in line with the Group's policy of gradually enhancing the most profitable assets of the balance sheet.

As at 30th June, 2004 customer deposits and domestic bonds in issue constituted 66.1 per cent. of Total Liabilities & Equity (against 58.4 per cent. in end-June 2003), while interbank deposits and commercial paper constituted 17.3 per cent. and 16.5 per cent. respectively.

## Consolidated Balance Sheet

	<u>June 2004</u>	<u>December 2003</u>	<u>December 2002</u>	<u>Change y-t-d</u>
	<i>Amounts in € thousands</i>			
<b>ASSETS</b>				
Cash in hand and balances with the Central				
Bank .. .. .	1,063,124.5	785,912.4	592,754.1	35.3%
Treasury bills and other eligible bills .. .. .	148,663.1	117,705.7	90,775.3	26.3%
Loans and Advances to Credit Institutions .. .. .	265,521.0	219,946.8	253,238.2	20.7%
Loans and Advances to Customers .. .. .	11,455,399.0	10,278,343.6	8,758,418.6	11.5%
Bonds and other fixed-income securities .. .. .	1,369,616.0	1,857,004.8	3,517,391.1	(26.2)%
Shares (closed end fund) .. .. .	269,234.8	307,804.5	214,848.7	(12.5)%
Shares .. .. .	164,207.2	225,333.6	239,955.9	(27.1)%
Equity participations .. .. .	468,395.0	464,432.0	340,440.4	0.9%
Intangible Assets .. .. .	39,844.4	43,245.5	56,238.3	(7.9)%
Tangible Assets .. .. .	150,035.5	150,328.7	207,289.0	(0.2)%
Land-buildings from Industrial Estates .. .. .	0.0	0.0	115,834.4	—
Other Assets .. .. .	254,243.5	204,911.2	238,181.3	24.1%
Prepaid expenses and accrued income .. .. .	98,588.4	79,569.3	99,484.6	23.9%
<b>Total Assets .. .. .</b>	<b>15,746,872.4</b>	<b>14,734,537.9</b>	<b>14,724,849.7</b>	<b>6.9%</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from Credit Institutions .. .. .	2,127,671.6	2,283,202.8	2,403,136.9	(6.8)%
Customer Deposits .. .. .	9,993,098.8	8,679,746.1	7,612,209.2	15.1%
Customer Repos .. .. .	769,947.1	1,248,906.0	2,462,598.9	(38.4)%
Bank issued bonds (held by customers) due in one year .. .. .	412,925.0	465,095.6	261,009.4	(11.2)%
Commercial Paper .. .. .	594,313.6	223,281.7	0.0	166.2%
Other liabilities .. .. .	298,250.0	326,434.2	502,813.5	(8.6)%
Deferred income and accrued expenses .. .. .	106,436.3	97,536.8	107,003.2	9.1%
Provisions .. .. .	70,901.4	64,177.0	36,363.8	10.5%
Subordinated Debt .. .. .	4,113.5	3,958.8	4,767.8	3.9%
Share Capital and Reserves .. .. .	1,279,055.9	1,257,672.7	808,860.8	1.7%
Own shares .. .. .	(22,887.1)	(19,767.0)	(62,788.7)	15.8%
Goodwill — Amounts written off .. .. .	(278,808.1)	(221,984.7)	(137,422.5)	25.6%
Minority interests in equity .. .. .	268,178.1	326,277.8	726,297.5	(17.8)%
Profit for the period .. .. .	123,676.4	—	—	—
<b>Total Liabilities and Equity .. .. .</b>	<b>15,746,872.4</b>	<b>14,734,537.9</b>	<b>14,724,849.7</b>	<b>6.9%</b>

As at 30th June, 2004 the share of Equity in Total Liabilities and Equity decreased slightly to 7.9 per cent., rising slightly in absolute terms to €1,245.5 million from €1,241.5 million in H1 2003.

### 15. Capital Adequacy

On a consolidated basis, the Group's capital adequacy ratio as at 30th June, 2004, calculated in accordance with the Bank of International Settlements stood at 9.7 per cent. estimate, comprised entirely of core capital (Tier I).

## THE BANKING SECTOR IN GREECE

### Structure of the Market

Owing to the Greek legal framework, which historically has required the establishment of specialised institutions for the provision of specific financial services, the majority of Greek banks until recently created subsidiaries for the provision of specific categories of financial services. As a consequence, the market was dominated by groups of companies each established around a principal bank.

The banking sector has expanded rapidly in the last ten years as a result of deregulation and modernisation, as well as entry into the Eurozone. In the past six years, restructuring has led to higher concentration. Six state-controlled banks and four private banks have changed ownership, while some new banks have entered the market. However, the five biggest commercial banks had a 77.7 per cent. share in the market (in terms of loans) at the end of December 2003, compared with a 60.2 per cent. share in 1997.

The domestic banks can be grouped into two principal categories, namely commercial banks and specialised credit institutions. However, most specialised institutions have recently been either absorbed by other commercial banks (e.g. The Hellenic Industrial Development Bank or ETBA Bank which has been absorbed by Piraeus Bank) or transformed into full-scale commercial banks (e.g. Agricultural Bank of Greece).

### Commercial Banks

There are currently five large commercial banks. These are the National Bank of Greece, Alpha Bank, EFG Eurobank Ergasias, Emporiki Bank and Piraeus Bank. Most specialised credit institutions, like the Agricultural Bank of Greece, have been transformed into commercial banks (listed on the Athens Exchange) following increased liberalisation of the Greek market. Traditionally, commercial banks are the dominant group among all categories of deposit and credit institutions operating in the Greek financial market.

### Foreign Banks

At the end of March 2004, there were approximately 21 foreign-owned or incorporated credit institutions, which are still operating through branches in the Greek banking market<sup>1</sup>. Principal participants include Citibank, HSBC and Bank of Cyprus. Overall, foreign banks have made limited inroads into the Greek retail market.

### Specialised Credit Institutions

Today, the major specialised credit institutions are the Deposits and Loans Fund (which is under the Ministry of Economy and Finance) and the Postal Savings Bank. The role of specialised credit institutions has been decreasing significantly in the last few years.

### Economic Environment

Greek banks operate in a rather stable economic environment with the economy growing at high rates and with good prospects for strong growth in the following years. Entry into the Eurozone (implying monetary stability and low interest rates) and the substantial investment programme of infrastructure projects associated with the 2004 Olympic Games and the Community Support Framework III (“CSF III”) have contributed to the achievement of high rates of growth of more than 4 per cent. in the last three years and provide for the maintenance of good prospects for the economy to grow in the following three to four years at growth rates well above 3.5 per cent. As a consequence, Greek banks have the opportunity to expand their activities given the low bank intermediation in relation to Greek GDP when compared with their European peers. Greece’s entry into the Eurozone has redefined the strategic goals and the activities of domestic financial institutions, although rapid technological developments and the integration of the financial and capital markets pose a whole new range of challenges.

In order to face these challenges, Greek banks have made substantial investments in IT projects and in the modernisation of the products and services they provide. On the other hand, in recent years a significant number of mergers and acquisitions have taken place as a result of the transformation of the Greek banking system to conform to the new European environment. At the same time, Greek banks have increased their

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<sup>1</sup>Source: Hellenic Banking Association.

presence in Southeastern Europe either through the acquisition of local credit institutions or through the establishment of representative offices and branches. The expansion in the Balkans follows the significant expansion and growing presence in this area of Greek businesses and utility firms, which have made significant investments in the area.

The growth prospects of the Greek market for financial products and services seem rather positive when compared to the other markets in the Eurozone. The outstanding balances of housing and consumer loans as a percentage of GDP were 17.0 per cent. and 9.0 per cent. respectively at the end of December 2003, while in the other markets in the Eurozone the corresponding figures were 32.0 per cent. and 16.0 per cent. respectively. This suggests there is significant potential for the further growth of this retail banking business in the next few years.

Apart from the retail banking business, there are also very good prospects for expansion in the areas of investment banking and asset management services, such as pension fund management and private banking, as well as in bank assurance.

It is also important to note that although competition in the Greek market has intensified during recent years, the net interest margin of the Greek banks remains at satisfactory levels due to the major restructuring of the asset side of their balance sheets, which now include more profitable asset categories, in particular mortgages consumer lending, and lending to small and medium-sized firms.

Another important development characteristic of the Greek banking system is the gradual improvement of the quality of the Greek banks' assets following substantial clean-up operations in recent years. This has been supported by the strength of the economy and the lack of major credit exposures, either to businesses or to the individual sectors. For Piraeus Bank, specifically, non-performing loans do not exceed 4.0 per cent. of the total loan portfolio (or 2.5 per cent. when excluding the loan portfolio of the absorbed ETBA Bank).

#### Market Share of the Five Largest Banks

	<u>Assets</u>	<u>Lending</u> (per cent.)	<u>Deposits</u>
1998 .. .. .	63.9	62.0	68.4
1999 .. .. .	73.1	73.1	80.2
2000 .. .. .	77.9	76.9	85.8
2001 .. .. .	79.8	76.9	84.1
2002 .. .. .	81.3	78.0	82.6
2003 .. .. .	79.2	77.7	80.8

Source: Published financial statements of each bank

#### Market Share of the Principal Commercial Banks in Greece at 31st December, 2003

	<u>Assets</u>	<u>Lending</u> (per cent.)	<u>Deposits</u>
National Bank of Greece .. .. .	28.7	20.6	29.3
Alpha Bank .. .. .	17.3	18.6	16.7
EFG Eurobank .. .. .	15.3	15.9	15.1
Emporiki Bank .. .. .	9.7	12.3	11.4
Piraeus Bank .. .. .	8.2	10.3	8.3
Other .. .. .	20.8	22.3	19.2

## Consolidated Capitalisation and Indebtedness of the Group

The following table sets out the capitalisation and indebtedness of the Group as at 30th June, 2004. The information in the table has been extracted from the consolidated audited financial statements of the Group as at 31st December, 2003 which were prepared in accordance with Greek GAAP and the reviewed consolidated financial statements as at 30th June, 2004 prepared in accordance with Greek GAAP. There has been no material change in the capitalisation and indebtedness of the Group since 30th June, 2004.

	<i>30th June, 2004</i>	<i>31st December, 2003<sup>(*)</sup></i>	<i>31st December, 2002</i>
	<i>(Euro thousands)</i>		
<b>Shareholders' Equity</b>			
Share capital <sup>(1)</sup> .. .. .	819,949.1	819,949.1	548,276.6
Share premium account .. .. .	355,531.4	355,531.4	323,098.5
Other reserves .. .. .	43,492.8	18,602.3	(18,070.6)
Goodwill — Amounts written off .. .. .	(278,808.1)	(221,984.7)	(137,422.5)
Retained Earnings and restatements .. .. .	60,082.5	63,589.9	(44,443.8)
Treasury shares .. .. .	(22,887.1)	(19,767.0)	(62,788.7)
<b>Total Shareholders' equity (A)</b> .. .. .	<b>977,360.7</b>	<b>1,015,921.0</b>	<b>608,649.5</b>
<b>Profit for H1 2004 (B)</b> .. .. .	<b>123,676.4</b>	<b>—</b>	<b>—</b>
<b>Minority Interest (C)</b> .. .. .	<b>268,178.1</b>	<b>326,277.8</b>	<b>726,297.5</b>
<b>Subordinated debt due in one year (D)</b> .. .. .	<b>4,113.5</b>	<b>3,958.8</b>	<b>4,767.8</b>
<b>Total Capitalisation (A+B+C+D)</b> .. .. .	<b>1,373,328.7</b>	<b>1,346,157.6</b>	<b>1,339,714.8</b>
<b>Indebtedness</b>			
Deposits from Credit Institutions .. .. .	2,127,671.6	2,283,202.8	2,403,136.9
Customer Deposits .. .. .	9,993,098.8	8,679,746.1	7,612,209.2
Customer Repos .. .. .	769,947.1	1,248,906.0	2,462,598.9
Bank issued bonds <sup>(2)</sup> .. .. .	412,925.0	465,095.6	261,009.4
Commercial Paper .. .. .	594,313.6	223,281.7	0.0
Other Liabilities .. .. .	298,250.0	326,434.2	502,813.5
Deferred Income and Accrued Expenses .. .. .	106,436.3	97,536.8	107,003.2
Other provisions .. .. .	70,901.4	64,177.0	36,363.8
<b>Total Indebtedness</b> .. .. .	<b>14,373,543.7</b>	<b>13,388,380.2</b>	<b>13,385,134.9</b>

(\*) During 2003, the merger with ETBA Bank was completed.

(1) The authorised share capital of the Bank comprises 197,578,101 ordinary shares all of which are issued and fully paid.

(2) This does not include indebtedness in respect of:

- €350,000,000 3 month EURIBOR plus 0.30% Notes due 2007 issued on 2nd July, 2004.
- €400,000,000 3 month EURIBOR plus 0.60% subordinated Notes, with a step-up to 1.90% after the interest payment date in 2009, due 2014 issued on 29th September, 2004.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

In accordance with Greek law, the Bank currently prepares consolidated and non-consolidated audited annual and reviewed semi-annual financial statements, in accordance with Greek GAAP. The Bank also prepares unaudited non-consolidated quarterly financial statements in accordance with Greek GAAP which are not reviewed by its auditors.

### Summary Consolidated Balance Sheet for Piraeus Bank Group (in accordance with Greek GAAP)

	30th June, 2004	31st December, 2003 <sup>(*)</sup>	31st December, 2002
	(Euro thousands)		
<b>ASSETS</b>			
Cash in hand and balances with the Central Bank .. .. .	1,063,124.5	785,912.4	592,754.1
Treasury bills and other eligible bills .. .. .	148,663.1	117,705.7	90,775.3
Loans and Advances to Credit Institutions .. .. .	265,521.0	219,946.8	253,238.2
Net Loans and Advances to Customers .. .. .	11,455,399.0	10,278,343.6	8,758,418.6
Bonds and other fixed-income securities .. .. .	1,369,616.0	1,857,004.8	3,517,391.1
Shares (closed end fund) .. .. .	269,234.8	307,804.5	214,848.7
Shares .. .. .	164,207.2	225,333.6	239,955.9
Equity participations.. .. .	468,395.0	464,432.0	340,440.4
Intangible Assets .. .. .	39,844.4	43,245.5	56,238.3
Tangible Assets .. .. .	150,035.5	150,328.7	207,289.0
Land-buildings from Industrial Estates .. .. .	0.0	0.0	115,834.4
Other Assets .. .. .	254,243.5	204,911.2	238,181.3
Prepaid expenses and accrued income .. .. .	98,588.4	79,569.3	99,484.6
<b>Total Assets .. .. .</b>	<b>15,746,872.4</b>	<b>14,734,537.9</b>	<b>14,724,849.7</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from Credit Institutions .. .. .	2,127,671.6	2,283,202.8	2,403,136.9
Customer Deposits .. .. .	9,993,098.8	8,679,746.1	7,612,209.2
Customer Repos .. .. .	769,947.1	1,248,906.0	2,462,598.9
Bank issued bonds .. .. .	412,925.0	465,095.6	261,009.4
Commercial Paper .. .. .	594,313.6	223,281.7	0.0
Other liabilities .. .. .	298,250.0	326,434.2	502,813.5
Deferred income and accrued expenses .. .. .	106,436.3	97,536.8	107,003.2
Other Provisions .. .. .	70,901.4	64,177.0	36,363.8
Subordinated Debt .. .. .	4,113.5	3,958.8	4,767.8
Share Capital and Reserves .. .. .	1,279,055.9	1,257,672.7	808,860.8
Treasury shares .. .. .	(22,887.1)	(19,767.0)	(62,788.7)
Goodwill — Amounts written off .. .. .	(278,808.1)	(221,984.7)	(137,422.5)
Minority interests in equity .. .. .	268,178.1	326,277.8	726,297.5
Profit for H1 2004 .. .. .	123,676.4	—	—
<b>Total Liabilities and Equity .. .. .</b>	<b>15,746,872.4</b>	<b>14,734,537.9</b>	<b>14,724,849.7</b>

Notes:

(\*) Due to the merger of ETBA Bank S.A. with Piraeus Bank S.A., the Share Capital has increased by €270,372,801.00 resulting from the Share Capital of the merged Bank and by €1,299,770.63 from the capitalization of part of the Share Premium Account. In addition, due to this merger, all the resulting goodwill which amounted to €144,706,691.83 was offset against the Share Premium Account. Certain Footnotes to the Consolidated Balance Sheet as at 30th June, 2004:

- The Bank and certain consolidated subsidiaries valued certain securities portfolios according to the requirements of Law 2992/2002. The resulting gain from the valuation of these portfolios, amounting to €1.8 million was recorded directly to Reserves. The portfolios of "Other Shares" and "Investments in Non-Consolidated Companies", amounting to €544.5 million, were valued at cost. The corresponding value of these securities, as calculated according to the requirements of Law 2190/1920

(i.e. the proportional book value of the companies' net assets) as at 30th June, 2004, amounted to approximately €360 million. In the view of the expected implementation of IFRS, and in accordance with article 15 of the Law 3229/2004, the Group's Management has assigned independent valuers, to determine the fair value of property for the companies that the Bank participates in and relate to the above. In addition, Management assigned the determination of the fair value of the Available for Sale portfolio, which is not expected to differ from its cost. Taking into account the above-mentioned valuations it is expected that the total fair value of the portfolios of "Other Shares" and "Investments in non-Consolidated Companies" (to which the Bank will adjust their carrying amounts upon adoption of International Financial Reporting Standards), is expected to be higher than their respective cost.

2. For the consolidated companies PIRAEUS LEASING S.A. and PIRAEUS LEASING ROMANIA SRL fixed assets employed for leasing activities are presented as receivables from customers, according to International Financial Reporting Standards. The relevant balances have been reclassified, with no effect on the Group's Profit before Tax.
3. With regard to retirement benefits, the Bank and its most significant subsidiaries apply the 205/1988 Interpretation of the Legal Advisory Committee to the Government, and article 10 of Law 2065/1992, on a consistent basis. The total amount of retirement benefit provision created as at 30th June, 2004 amounts to €11.5 million. Had the Bank and these subsidiaries created a retirement benefit provision for all serving employees, the total amount required as at the 30th June, 2004, in accordance with local practice, would amount to €29.3 million, of which €2.2 million relate to the first half of 2004.
4. The "Income from Securities" for the six-month periods to 30th June, 2004, represents the total receivable dividend income, for dividends that have been approved by the General Shareholders' Meetings of the respective companies until the 30th June.
5. Piraeus Bank S.A. and the merged ETBA Bank S.A. have not been audited by the Tax Authorities for the years 1998-2003 and 1999-2002 respectively.

### Summary Consolidated Profit and Loss Account for Piraeus Bank Group (in accordance with Greek GAAP)

	<i>H1</i> <u>2004</u>	<u>2003<sup>(*)</sup></u>	<u>2002</u>
	<i>(Euro thousands)</i>		
Interest income .. .. .	378,119.6	757,191.4	777,351.2
Less: Interest expense .. .. .	(160,715.9)	(365,997.1)	(422,257.2)
<b>Net Interest Income</b> .. .. .	<b>217,403.7</b>	<b>391,194.3</b>	<b>355,094.0</b>
Plus: Dividend income from securities .. .. .	17,473.8	19,793.4	18,746.4
Plus: Net Commission Income .. .. .	66,417.6	110,061.0	88,943.2
Plus: Net profit from financial transactions .. .. .	39,870.3	57,647.3	32,238.0
Plus: Other operating income .. .. .	5,881.9	16,508.6	11,666.1
Plus: Income from operation of Industrial Estates .. .. .	0.0	0.0	10,108.9
<b>Gross Operating Results</b> .. .. .	<b>347,047.3</b>	<b>595,204.6</b>	<b>516,796.7</b>
Less: Staff expenses .. .. .	89,854.8	173,531.2	168,045.7
Less: Other administrative expenses .. .. .	75,030.2	147,900.4	129,602.6
Less: Other operating expenses .. .. .	2,596.8	4,142.0	5,267.8
Less: Depreciation of fixed assets.. .. .	24,214.6	50,040.0	55,949.2
<b>Operating Expenses</b> .. .. .	<b>191,696.3</b>	<b>375,613.6</b>	<b>358,865.3</b>
Less: Provisions for Bad Debt and Doubtful debts .. .. .	45,540.7	68,507.9	72,549.1
<b>Total Operating Results</b> .. .. .	<b>109,810.3</b>	<b>151,083.1</b>	<b>85,382.3</b>
Plus : Extraordinary results .. .. .	13,866.2	13,958.3	29,712.9
<b>Profit before tax</b> .. .. .	<b>123,676.4</b>	<b>165,041.4</b>	<b>115,095.2</b>
<i>Share of minority in profit before tax</i> .. .. .	22,566.0	27,254.2	24,801.1
Profit of Piraeus Bank Shareholders before tax .. .. .	101,110.4	137,787.2	90,294.0
Less: Tax .. .. .	24,489.0	41,319.2	34,254.1
Net Profit .. .. .	99,187.4	123,722.2	80,841.1
<i>Share of minority in profit after tax</i> .. .. .	20,064.6	22,241.0	14,641.3
<b>Net Profit of Piraeus Bank Shareholders</b> .. .. .	<b>79,122.9</b>	<b>101,481.3</b>	<b>66,199.8</b>

(\*) During 2003, the Merger with ETBA Bank was completed

## TAXATION

### General

The summaries below are of a general nature based on current law and practice in each jurisdiction referred to. They relate only to the position of persons who are the owners of their Preferred Securities and may not apply to certain classes of persons such as dealers. These summaries do not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Any Holders who are in doubt as to their personal tax position should consult their professional advisers.

### Greek Tax

Under Greek tax laws as of the date hereof, no Greek withholding tax shall be imposed on payments of the par value or Preferred Dividends from the Issuer in respect of the Preferred Securities, should the holder of such Preferred Securities not be a resident of Greece for tax purposes.

Given that the Preferred Securities constitute hybrid innovative securities, under Greek tax laws as at the date hereof and to the extent that the Preferred Securities shall be considered to constitute equity instruments, then:

- (i) a withholding tax of 20 per cent., which does not exhaust the tax liability of the holder but can be set-off, as the case may be, against any further income tax liability of the holder, shall be imposed on holders (a) who are tax resident in Greece or (b) who maintain, for tax purposes, a permanent establishment in Greece; and
- (ii) a withholding tax of 35 per cent., which exhausts the tax liability of a holder, shall be imposed on holders who are companies or legal entities and who are not resident in Greece and do not maintain a permanent establishment in Greece,

in relation to payments made to such holders by a Paying and Transfer Agent of the Issuer, located in Greece, or by the Bank under the Guarantee, which payments represent Preferred Dividends, deriving from the Preferred Securities.

Should, however, the Preferred Securities be considered to constitute debt instruments, then:

- (i) a withholding tax of 20 per cent., which does not exhaust the tax liability of the holder but can be set-off, as the case may be, against any further income tax liability of the holder, might be imposed on holders (a) who are tax resident in Greece or (b) who maintain, for tax purposes, a permanent establishment in Greece; and
- (ii) a withholding tax of 35 per cent., which exhausts the tax liability of a holder, might be imposed on holders who are companies or legal entities and who are not resident in Greece and do not maintain a permanent establishment in Greece,

in relation to payments made to such holders by the Bank under the Guarantee, which payments represent Preferred Dividends, deriving from the Preferred Securities. No Greek withholding tax shall be imposed on payments of the par value of the Preferred Securities by the Bank under the Guarantee.

Notwithstanding the above, payments of Preferred Dividends effected outside Greece shall not be subject to any Greek withholding tax.

However, if a holder is a resident of a country with which Greece has executed a bilateral treaty for the avoidance of double taxation, then the provisions of such bilateral treaty shall prevail over the provisions of internal Greek tax laws and shall apply, provided that such holder presents a duly signed and stamped "claim" for the application of the relevant treaty supported by a "tax residence certificate" issued at a date not later than one year before such certificate is presented.

### Jersey Tax

The Issuer shall have "exempt company" status within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ended 31st December, 2004. The Issuer will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent



calendar year during which it wishes to continue to have “exempt company” status. The retention of “exempt company” status is conditional upon and subject to the Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by the Comptroller of Income Tax.

As an “exempt company”, the Issuer will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts). For so long as the Issuer is an “exempt company”, payments in respect of the Preferred Securities will not be subject to any taxation in Jersey (unless the Holder of Preferred Securities is resident in Jersey) and no withholding in respect of taxation will be required on such payments to any Holder of Preferred Securities.

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue or transfer of Preferred Securities. In the event of the death of an individual sole Holder of Preferred Securities, duty at rates of up to 0.75 per cent. of the value of the Preferred Securities held may be payable on the registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with Preferred Securities held by the deceased individual sole Holder of Preferred Securities.

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st 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, Belgium, Luxembourg and Austria will instead be 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).

Jersey is not a member of the European Union (“EU”) and therefore is not required to implement the EU Savings Tax Directive. However, the Policy and Resources Committee of the State of Jersey has announced that, in keeping with Jersey’s policy of constructive international engagement, Jersey in line with steps proposed by other relevant third countries proposes to introduce a withholding tax system in respect of payments of interest (or other similar income) made to an individual beneficial owner resident in an EU Member State by a paying agent situation in Jersey (the terms “beneficial owner” and “paying agent” for this purpose are as defined in the EU Savings Tax Directive). The withholding tax system would apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

Under the current proposals in respect of the implementation of such a withholding tax system the Issuer would not be obliged to levy withholding tax in respect of interest payments made by it to a paying agent.

The States of Jersey has not yet adopted measures to implement these proposals but is expected to adopt such measures on the same timetable as Member States and other relevant third countries.

#### *European Union Code of Conduct on Business Taxation — Jersey*

On 3rd June, 2003, the European Union Council of Economics and Finance Ministers reached political agreement on certain issues relating to its Code of Conduct on Business Taxation (the “Code”). Jersey is not a member of the EU and is not subject to EU fiscal legislation but is a dependent territory of the United Kingdom. The Policy and Resources Committee of the States of Jersey has announced that, in keeping with Jersey’s policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax.

## SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., Alpha Bank A.E. and Morgan Stanley & Co. International Limited (the “Joint-Lead Managers”), Emporiki Bank of Greece S.A., Greek Postal Savings Bank SA and National Bank of Greece SA (the “Co-Lead Managers”) and, together with the Joint-Lead Managers, the “Managers”) have, pursuant to a Subscription Agreement (the “Subscription Agreement”) dated 25th October, 2004, jointly and severally agreed to subscribe or procure subscribers for the Preferred Securities at the issue price of 100.00 per cent. of the principal amount of Preferred Securities, less a combined selling concession and management and underwriting commission of 0.624 per cent. of the principal amount of the Preferred Securities. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Preferred Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Preferred Securities have not been and will not be registered under the Securities Act of 1933, as amended (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 (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Bank, would not, if it was not an authorised person, apply to the Issuer or the Bank; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

### Greece

Each Manager has represented and agreed that it has not publicly offered or sold and will not publicly offer or sell any Preferred Securities, in, or to persons in, the Hellenic Republic, or engage in advertisements,

notices, statements or other actions in the Hellenic Republic, with a view to attracting resident investors in the Hellenic Republic to acquire Preferred Securities. All applicable provisions of law 876/1979 and Presidential Decree 52/1992, as now in force, must be complied with in respect of anything done with regard to the public offering of Preferred Securities in, from or otherwise involving the Hellenic Republic.

The reference in the preceding clause to the prohibition on, and the related formalities of, public sales and offers of securities in the Hellenic Republic do not apply where the purchasers or offerees are persons dealing in securities in the ordinary course of their business.

### **Jersey**

Each Manager has agreed that the Preferred Securities may not be (a) offered to, sold to, purchased or held by, or for the account of persons (other than financial institutions in the ordinary course of business) resident for income tax purposes in Jersey; or (b) transferred to a person resident for income tax purposes in Jersey (other than financial institutions in the ordinary course of business) unless the Registrar is satisfied that the beneficial owner thereof is not resident in Jersey for income tax purposes.

### **The Netherlands**

Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Preferred Securities other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

### **Italy**

The offering of the Preferred Securities has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to the Italian securities legislation and, accordingly, no Preferred Securities may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Preferred Securities be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the “Financial Services Act”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Preferred Securities or distribution of copies of the Offering Circular or any other document relating to the Preferred Securities in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in compliance with any other applicable laws and regulations.

### **General**

No action has been taken by the Issuer, the Bank or any of the Managers that would, or is intended to, permit a public offer of the Preferred Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Preferred Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances

that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Preferred Securities by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Preferred Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 22nd October, 2004 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Bank dated 6th September, 2004.

### Listing

2. Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange. A legal notice relating to the issue of the Preferred Securities and the constitutional documents of the Issuer and the Guarantor are being lodged with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) where such documents may be examined and copies obtained.

### Clearing Systems

3. The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0204397425 and the Common Code is 020439742.

### No significant change

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 30th June, 2004 and there has been no material adverse change in the financial position or prospects of the Group since 31st December, 2003.

### Litigation

5. Neither the Issuer nor the Bank is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer or the Bank.

### Accounts

6. The auditors of the Issuer are PricewaterhouseCoopers, Twenty Two Colomberie, St. Helier, Jersey JE1 4XA.

The auditors of the Bank are PricewaterhouseCoopers — Athens and Sol AE, Athens.

The Greek GAAP financial statements of the Group as of 31st December, 2002 and 2003 and for each of the two years in the period ended 31st December, 2003 have been jointly audited according to Greek auditing standards by PricewaterhouseCoopers — Athens and Sol AE.

The joint auditors' report on the 31st December, 2003 and 31st December, 2002 year-end financial statements, as well as their review report on the 30th June, 2004 interim financial statements, included certain qualifications.

The Issuer was incorporated on 15th October, 2004 and has not yet published any accounts. It is currently intended that the Issuer will prepare audited non-consolidated accounts on an annual basis and will not prepare any interim accounts.

On an annual basis, the Bank currently prepares audited consolidated and non-consolidated financial statements in accordance with Greek GAAP. On a semi-annual basis, the Bank currently prepares reviewed consolidated financial statements in accordance with Greek GAAP. On a quarterly basis, the Bank currently prepares unaudited consolidated and non-consolidated financial statements in accordance with Greek GAAP.

## **Documents**

7. Copies of the following documents will be available free of charge from the specified office of the Paying and Transfer Agent for the time being in Luxembourg so long as any of the Preferred Securities remains outstanding:

- (a) the Articles of Association of the Issuer and the constitutional documents (with an English translation thereof) of the Bank;
- (b) the Greek GAAP audited consolidated and non-consolidated financial statements of the Bank, each in respect of the financial years ended 31st December, 2002 and 31st December, 2003 and the review report on the 30th June, 2004 interim financial statements (with an English translation thereof);
- (c) the most recently published audited annual financial statements of the Issuer and the Bank (when available) and the most recently published unaudited interim financial statements (if any) of the Issuer and the Bank (with an English translation thereof); and
- (d) the Subscription Agreement, the Agency Agreement and the Guarantee.

**THE ISSUER**

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