

## Board of Directors' Report

**on a Share Capital Increase of PIRAEUS BANK SA in cash, via the offering of pre-emptive rights to existing shareholders and issue of new ordinary registered shares, under article 9, paragraphs 1 and 2, of Law 3016/2002, and paragraphs 4.1.4.1.1 and 4.1.4.1.2 of the Regulation of the Athens Stock Exchange.**

**To the Extraordinary General Meetings of shareholders on 23/11/2010, or any iterative General Meeting following adjournment or suspension thereof**

Dear Shareholders,

### **1. Share Capital Increase – Terms and Conditions**

In accordance with its resolution dated 28.10.2010, the Board of Directors of Piraeus Bank SA (hereinafter "the Bank") is proposing to the General Meeting of shareholders an increase of the Bank's share capital by up to €800,000,000 in cash, via the offering of pre-emptive rights to existing ordinary shareholders, at a price to be determined by a further resolution of the Board of Directors. The purpose of this increase is to boost the Bank's equity capital by €800,000,000.

The Bank has received underwriting commitments, subject to customary conditions, with respect to the full amount of the rights issue from international financial organizations that will act as Joint Global Coordinators of the issue. The subscription price will be determined prior to the launch of the rights issue (expected to take place in January 2011).

In detail, the following is suggested regarding the offer of new shares:

- (a) The following will have pre-emptive right to the share capital increase:
  - (i) all holders of existing ordinary shares of the Bank, registered in the Bank's Shareholders' Register kept by Hellenic Exchanges SA (hereinafter "HELEX") on the second business day following the cut-off date of the pre-emptive right, as this will be determined and announced by Board of Directors, and
  - (ii) anyone who will acquire pre-emptive rights during their trading on the Athens Stock Exchange (ASE)
- (b) According to Article 13, para. 7, of codified Law 2190/1920 and article 6, para. 2, of the Bank's Articles of Association, as a preferred shareholder subsequent to the Bank's inclusion under Law 3723/2008, the Greek Government is entitled to exercise its pre-emptive right for the acquisition of new shares at the subscription price, should ordinary shareholders fail to exercise their pre-emptive right, and provided that there are new unsubscribed shares.
- (c) If after the exercise of the pre-emptive rights under (a) and (b) there are still new unsubscribed shares, they shall be offered by the Board of Directors according to article 13, para. 8, indent 6, of codified Law 2190/1920. The Bank has received underwriting commitments in respect of the full amount of the rights issue from international investment banks.

There are no shareholders who directly or indirectly hold at least 5% in the Bank's share capital.

The Subscription Price may not be higher than the stock market price of existing Bank shares at the rights cut-off date.

Moreover, for the purposes of this Report, it is pointed out that by virtue of the above resolution, the Bank's Board of Directors also is proposing an issue of a convertible bond loan up to the nominal amount of €250,000,000 with a waiver of pre-emption rights. The convertible bonds will be offered via private placement on the Greek and international markets within a period of no more than three years.

It should be noted that the Bank has reached an agreement with the joint Arrangers and underwriters of the share capital increase, that it shall not issue any new capital instruments

before the lapse of 180 days from completion of the proposed share capital increase (lock-up period), without their consent. This restriction also applies to the issue of convertible bonds.

## **2. Purpose of the funds to be raised**

The funds expected to be raised under point 1 above are intended to boost the Bank's Core Tier I Capital, which specifically will enable the Bank:

- to enhance its capital adequacy ratios in light of the stricter supervisory framework, and respond to the higher expectations of the investment community;
- to strengthen its position, within the framework of macroeconomic conditions in Greece, and
- to benefit from attractive organic growth opportunities in the wider region.

It is estimated that the share capital increase of €800,000,000 will enhance the Bank's capital adequacy, with the Equity Tier I ratio reaching 9.5% and the Tier I ratio reaching 10.8% (+200 b.p.) pro forma, according to data as of 30 June 2010. The total capital adequacy ratio will reach 11.6%.

## **3. Report on the application of funds raised during the previous increase**

The previous share capital increase of Bank, which raised €369,999,999.18, took place subsequent to a resolution of the Extraordinary General Meeting on 23.1.2009; it was covered by the Greek State through its contribution of bonds of equal value and the issue of preferred shares, in accordance with article 1 of Law 3723/2008 regarding "Enhancing liquidity in the economy to counter the effects of the global financial crisis" (Government Gazette 2471/B/4.12.2008) and the ministerial decisions authorised by such law. The funds raised were applied solely to enhance the Bank's capital adequacy.