

**REPORT**  
**ADDRESSED TO THE GENERAL MEETING OF PIRAEUS BANK'S SHAREHOLDERS**  
**ACCORDING TO ART. 289 OF A.S.E. REGULATION AND ART. 13, PARA. 6, C.L.**  
**2190/1920**

**Introduction**

The Board of Directors of Piraeus Bank resolved during its meeting of 20.01.2007 to propose to the General Meeting of its shareholders the increase of its share capital, in the context of the Public Offer made on 15.01.2007 to the shareholders of the company under the name "Marfin Popular Bank Public Co Ltd", for the acquisition of a minimum stake of 40% and up to a maximum of 100% of the latter's share capital. The increase to the Bank's share capital will take place through the contribution of a minimum of 308,872,139 and up to a maximum of 772,180,348 shares of "Marfin Popular Bank Public Co Ltd" and the waiver of the pre-emptive rights of the existing shareholders in favour of those shareholders of "Marfin Popular Bank Public Co Ltd", who will accept the Public Offer and who will receive one (1) new share of Piraeus Bank for every five and seven tenths (5.70) shares of Marfin Popular Bank Public Co Ltd. The Board of Directors believes that the Public Offer for the acquisition of a minimum stake of 40% and up to maximum of 100% of the share capital of "Marfin Popular Bank Public Co Ltd", and the consequent proposed increase to the share capital, is to the benefit of the Bank and its shareholders, as explained below.

**1. Piraeus Bank's Investment Plan**

The success of this business decision enhances Piraeus Bank's presence in Cyprus as well as in other countries, reinforces its position in the Greek market while creating a larger and stronger Financial Group in terms of capital.

The basic target of the new Group, which will emerge following the successful completion of the Public Offer, will be to constitute a powerful Financial Organization which will play an important role in the broader South Eastern Europe and Eastern Mediterranean basin, will satisfy its customers' needs while employing devoted and efficient staff and offering high returns to its shareholders.

More specifically, the new Group's strategic goals will be:

- To establish itself as one of the largest financial groups in Greece and Cyprus, with a strong presence in the area of small-medium sized enterprises and individuals,
- To establish a significant presence in the banking market of South Eastern Europe and the Eastern Mediterranean basin and to have a presence in the most important financial centres of Europe and America,
- To fully satisfy its customers' needs and requirements with respect to the variety, adequacy and quality of the products and services provided, the trust in, effectiveness, flexibility of service, as well as the security of their transactions.
- To effectively provide all contemporary banking products and services to its customers (universal banking) by using the most sophisticated methods and channels of service,
- To constitute an Organization in which its employees will feel satisfied and proud to be employed thereby,
- To satisfy its shareholders by providing stable and satisfactory return which will exceed the average return of the banking market.

The creation of a large Greek-Cypriot Group will add value to the shareholders and clients of both Groups (Piraeus and Marfin Popular Bank Public Co Ltd). This value will derive from:

- The dynamic of a larger and more powerful Group in the broader area,

- The enhancement of the new Group's competitive position in Greece and Cyprus, as well as in countries having strong Cypriot-Greek communities and business presences,
- The immediate expansion of the new Group's presence abroad, where the current presence of the Piraeus Group and of the Marfin Popular Bank Public Co Ltd Group is complementary,
- The creation of economies of scale,
- The creation of synergies and
- The reduction of the funding cost.

Based on the financial statements as of the end of September 2006, the new Group which will be formed following the successful completion of the Public Offer, will possess total assets of €50 bn, €32 bn of gross loans, €32 bn in deposits and retail bonds, and a total capital in the amount of €3.4 bn (excluding goodwill), while the consolidated capital adequacy ratio will be 13%. The new Group will have a total branch network of 820 branches (data as of year-end 2006), 450 of which will be situated in Greece, 114 in Cyprus and 256 abroad.

Economies of scale will be created with the merging of similar activities in the countries where both the Groups are currently present. In particular:

- In Greece, Piraeus Bank will pursue the absorption of the current banking activities of "Marfin Popular Bank Public Co Ltd Group" ("Egnatia Bank S.A.", "Laiki Bank (Greece) S.A." and "Marfin Bank S.A."). Furthermore, the merger of the new Group's subsidiary companies active in the same line of business, will also be pursued,
- In Serbia, "Laiki Bank AD" will be absorbed by "Piraeus Bank Beograd A.D.",
- In Romania "Egnatia Bank Romania" will be absorbed by "Piraeus Bank Romania S.A.".

In the remaining geographical regions where there is no common presence of the two Groups, the companies will continue their operations. In particular:

- In Cyprus, "Marfin Popular Bank Public Co Ltd" will constitute a subsidiary company of Piraeus Bank Group, as will the remaining companies (subsidiaries of "Marfin Popular Bank Public Co Ltd") operating today.
- In the United Kingdom, the branches of "Marfin Popular Bank Public Co Ltd" and "Laiki Bank (Guernsey)" will continue to operate along with Piraeus Bank's branch,
- In Australia, "Laiki Bank (Australia) Ltd" will continue to operate,
- In the United States of America "Marathon Bank" will continue to operate,
- In Albania "Tirana Bank IBC" and the other subsidiaries of the Group will continue to operate,
- In Bulgaria "Piraeus Bank Bulgaria AD" and the other subsidiary companies of the Group will continue to operate,
- In Egypt "Piraeus Bank Egypt SAE" and the other subsidiary companies of the Group will continue to operate,
- The representative offices of Marfin Popular Bank Public Co Ltd Group will continue to operate.

## **2. Objective of the Share Capital Increase – Reasons for the waiver of the existing shareholders' pre-emption right**

Piraeus Bank has submitted a Public Offer to the shareholders of "Marfin Popular Bank Public Co Ltd" for the acquisition of a minimum stake of 40% and up to a maximum of 100% of the latter's share capital, following the respective resolution of the Board of Directors dated 11.01.2007. The proposed consideration offered to "Marfin Popular Bank Public Co Ltd" shareholders consists of one (1) Piraeus Bank share for every 5 and 7 tenths (5.70) of "Marfin Popular Bank Public Co Ltd" shares, as such is substantiated by the fair and reasonable value ratio of the two companies. Piraeus Bank shares, which will constitute the consideration of the Public Offer in accordance with the above, will derive from the increase of the share capital of the Bank through the contribution of at least 308,872,139 and up to 772,180,348 shares of "Marfin Popular Bank Public Co Ltd", from the consenting shareholders of the latter.

**In the event of the successful outcome of the Public Offer, and for the achievement of the aforementioned, the waiver of the existing shareholders' pre-emption rights is mandatory, such that the new shares resulting from the said share capital increase may be offered to the shareholders of "Marfin Popular Bank Public Co Ltd" who will have accepted the Public Offer.**

In the event that Piraeus Bank's Public Offer is accepted by all the shareholders of Marfin Popular Bank Public Co Ltd, the composition of the new shareholders' structure will be as follows:

- Piraeus Bank's existing shareholders 66.6% and
- Marfin Popular Bank's Public Co Ltd existing shareholders 33.4%

The total cost for the issuance of the new Piraeus Bank's shares (ATHEX and C.S.D. rights, Hellenic Capital Market Commission tax, advertisements, Prospectus' printing and distribution, Press Releases, auditors' and advisors' compensation and expenses) is estimated at approximately €11 mn.

## **3. The company to be acquired (source: "Marfin Popular Bank Public Co Ltd")**

"Marfin Popular Bank Public Co Ltd" is a public limited liability company registered in Cyprus in 1924 with registration number 1, based on the Company Law Chap. 113. The company's activities commenced in 1901 with the establishment of "Popular Savings Bank of Limassol". The Savings Bank developed into a full Banking Institution and was registered as a public company in 1924, with registration number "1", whence it was renamed "The Popular Bank of Limassol Ltd". In 1967 the company was renamed "Cyprus Popular Bank Limited" and since 1969 its activities have developed throughout Cyprus. On the 26<sup>th</sup> of May, 2004, it was again renamed "Cyprus Popular Bank Public Co Ltd" in accordance with the new provisions of the Cypriot Company Law Chap. 113.. On 20.09.2006 the company submitted a Voluntary Tender Offer for the acquisition of: i) 100% of the shares of "Marfin Financial Group Holdings S.A." and ii) 100% of the common and preferred shares of "Egnatia Bank S.A.", including convertible bonds, while at the same time it submitted a Private Offer for the acquisition of the total shares of its subsidiary "Laiki Bank (Greece) S.A". The Tender Offers offered: i) shares corresponding to 95.3% of the share capital of "Marfin Financial Group Holdings S.A.", ii) shares corresponding to 86.44% of the voting rights of "Egnatia Bank S.A." and of 86.25% of the share capital of "Egnatia Bank S.A.". Finally, on October 31<sup>st</sup> 2006, the Extraordinary General Meeting of its shareholders approved the renaming of the company to "Marfin Popular Bank Public Co Limited".

The total shares of "Marfin Popular Bank Public Co Limited" amount to 772,180,348 common shares having a nominal value of €0.87 (£0.50), which are listed for trading on the Cyprus Stock Exchange and the Athens Stock Exchange.

## Corporate Activity

The main targets of Marfin Popular Bank include, among others, the establishment and execution of banking, stock exchange and commercial activities of a broad spectrum, as well as the establishment, operation and management of branches and agencies in Cyprus and abroad. The Group of "Marfin Popular Bank Public Co Limited" operates in Cyprus (113 branches), Greece (56 branches), the United Kingdom (5 branches), Australia (9 branches), Guernsey (1 branch) and Serbia (27 branches and 3 business units), while it has representative offices in 4 other countries. The Group is based in Cyprus where it has a market share of 24.3% in terms of deposits and 22.9% in terms of loans (data as of December 2005). Moreover, a part of the Group's operations is carried out in the Greek market, where the Group operates since 1992 and holds a market share of 1.7% in terms of deposits and 1.6% in terms of loans (data as of December 2005). The Group employed 3,886 persons on 30 September 2006.

The issuance of a three-year bond of a total amount of €300 mn was completed on 12 June 2004, whereas on 22 May 2006 the Group announced the issuance of secondary capital and more precisely of a ten-year bond of a total amount of €450 mn, in the context of the European Medium Term Note Programme (EMTN Programme) of a total amount of €1 bn.

The "Marfin Popular Bank Public Co Limited" Group's operations extend internationally:

- Ø in 1974 the first London branch was established,
- Ø in 1986 the Group established representative offices in Australia and during the next years in South Africa (Johannesburg), Canada (Toronto and Montreal), Serbia (Belgrade), Russia (Moscow) and the USA (New York),
- Ø In 1992 it commenced its operations in Greece through its subsidiary "European Laiki Bank", which was later renamed "Laiki Bank (Greece) S.A.",
- Ø In April 2001 it proceeded to the creation of a subsidiary in Australia under the name "Laiki Bank (Australia) Ltd.",
- Ø In March 2005 the Group obtained a license from Guernsey's Supervisory Authorities and proceeded to the establishment and operation of a Bank under the name "Laiki Bank (Guernsey) Limited".
- Ø In January 2006 the Group acquired "Centrobanka A.D." in Serbia which was renamed "Laiki Bank A.D."

Below are the subsidiaries and associated companies of Marfin Popular Bank Public Co Ltd. Group. The Group's operations in the United Kingdom are performed through branches that belong to the mother Company.

Company Name	Activities	Country	% Group*
<b>Subsidiary Companies in Cyprus</b>			
Laiki Cyprialife Ltd.	Life Insurance	Cyprus	100%
Laiki Insurance Ltd.	General Insurance	Cyprus	100%
Laiki Brokers Ltd.	Insurance Agents	Cyprus	100%
Laiki Insurance Agencies Ltd.	Insurance Agents	Cyprus	100%
Filiki Insurance Company Ltd.	Investment Company	Cyprus	100%
PanEuropean Insurance Company Ltd.	Investment Company	Cyprus	100%
Cyprialife Ltd.	Investment Company	Cyprus	100%
Laiki Cyprian Bank Ltd.	Financing	Cyprus	100%
Laiki Factors	Factoring	Cyprus	100%
Laiki Investments	Banking Investments	Cyprus	57%
Laiki Securities	Stock Exchange	Cyprus	57%
Laiki Mutual Funds Management Company & Asset Management Ltd.	Asset Management	Cyprus	57%
Laiki Leukothea Centre Ltd.	Real Estate	Cyprus	100%
Labancor Ltd.	Real Estate	Cyprus	100%
LCL Cavendish Place Properties Ltd.	Real Estate	Cyprus	100%
Auction Yard Ltd.	Auctions	Cyprus	100%

Laiki Bank (Nominees) Ltd.	<b>Funds Management</b>	Cyprus	100%
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#### Subsidiary Companies outside Cyprus

Laiki Bank (Greece) S.A.	Banking	Greece	80%
Laiki Leasing S.A.	Leasing	Greece	80%
Laiki Factoring S.A.	Factoring	Greece	80%
Laiki Mutual Funds Management Company	Mutual Funds Management Company	Greece	78%
Laiki ATTALOS	Stock Exchange	Greece	77%
Laiki Life S.A.	Life Insurance	Greece	80%
Laiki Insurance Agency	Insurance Agents	Greece	80%
Laiki Bank (Australia) Ltd.	Banking	Australia	100%
Laiki Bank (Guernsey) Ltd.	Banking	Guernsey	100%
Laiki Bank A.D.	Banking	Serbia	95%

#### Affiliated Companies

JCC Payments systems Ltd.	Credit Cards	Serbia	30%
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\* amount of effective direct and indirect participation (effective interest) rounded to the nearest unit.

#### Shareholders' Structure

The shareholder structure of "Marfin Popular Bank Public Co Ltd." on 08.01.07 was:

Dubai Financial Limited Liability Company	16,9%
Other Shareholders	<u>83,1%</u>
Total	100,0%

#### Brief Financials

The financial statements of "Marfin Popular Bank Public Co Ltd" for the nine months of 2006 - from 1.1.2006 up to 30.9.2006 - are extracted from the pro-forma financial statements that were published in its Information Memorandum in the context of its Tender Offer for the acquisition of a stake of "Marfin Financial Group S.A. Holdings", of "Egnatia Bank S.A." and of "Laiki Bank (Greece) S.A.".

The remaining data for the nine month period from 1.1.2006 to 30.9.2006, the nine month period from 1.1.2005 to 30.9.2006, the financial year from 1.1.2005 to 31.12.2005 and the financial year from 1.1.2004 to 31.12.2004 are based on the consolidated financial statements of "Cyprus Popular Bank Public Company Ltd.".

amounts in €mn.	Pro-forma Data Marfin Popular Bank Public Co Ltd.	Cyprus Popular Bank Public Company Ltd.			
	30/9/2006	30/9/2006	30/9/2005	31/12/2005	31/12/2004
Total Assets	21,982	14,657	11,362	12,344	10,142
Loans, net	11,321	7,874	7,478	6,929	6,022
Deposits	15,261	11,319	10,347	9,930	8,000
Share Capital	1,706 (*)	807	581	601	527
Profit after tax attributable to shareholders	194	109	53	75	36

\* net of goodwill

Credit Rating	Moody's	Fitch
Marfin Popular Bank Public Co Ltd.	Baa1	BBB+

#### 4. Valuation of the Company in the acquisition process

During the valuation of the Bank and of Marfin Popular Bank Public Co Ltd., the Board of Directors took the following into consideration:

- Ø The financial data of the two Groups as of 30.09.06 (the published pro-forma financial statements of Marfin Popular Bank Public Co. Ltd Group were taken into consideration),
- Ø The profits of the two Groups for the 9 months of 2006 (the published pro-forma financial statements of Marfin Popular Bank Public Co. Ltd Group were taken into consideration)
- Ø The Stock price of the shares of each company during the last 12 months,
- Ø The dynamic of each Group in the Commercial Banking sector,
- Ø The structure of the commercial activities of the two Groups (business mix). Piraeus Bank Group focuses on Commercial Banking, whereas a greater percentage of the profits of Marfin Popular Bank Public Co Ltd. Group comes from investment operations and financial transactions,
- Ø The lack of historical and audited financial statements for Marfin Popular Bank Public Co. Ltd Group, given that it is a new financial Group and that its operational consolidation process has just started.

The estimation of the value ratio of the two Groups (Piraeus Bank and Marfin Popular Bank Public Co Ltd.) has been conducted according to the following internationally accepted valuation methodologies:

- Ø Dividend Discount Model
- Ø Comparable Company Trading Multiples
- Ø Historical Stock Price Trading

The estimation of the value ratio of the two Groups (Piraeus Bank and Marfin Popular Bank Public Co Ltd.) is also based on the respective report of "UBS Limited" dated 19.1.2007, which contains a statement on the appropriateness of the valuation methodologies that have been used, as well as an **opinion on the fairness, from a financial point of view, to Piraeus Bank, of the proposed exchange ratio for the transaction, to the shareholders of Marfin Popular Bank Public Co.** UBS's report is attached to our report as Appendix A.

**Taking into consideration all the issues mentioned above, the Board of Directors believes that the proposed consideration of the Public Offer, which is one (1) share of Piraeus Bank for every five and seven tenths (5,70) shares of Marfin Popular Bank Public Co Ltd, and which reflects the value ratio of 33.4% (Marfin Popular Bank) and 66.6% (Piraeus Bank), is fair and reasonable.**

**Athens, 20 January 2007**  
**The Board of Directors of Piraeus Bank**