

**REPORT OF THE BOARD OF DIRECTORS
OF "Eurobank Ergasias S.A."**

**TO SHAREHOLDERS
pursuant to article 61 L. 4601/2019**

**on the demerger through the hive down of the banking activity
of "Eurobank Ergasias S.A."**

Dear Shareholders,

The management of "Eurobank Ergasias SA" (herein referred as the "Bank" or "The Demerged Entity") decided to proceed with the initiation of the process for the hive down of the banking sector Bank with the establishment of a new company.

The Bank announced its intention to proceed with this demerger on June 28, 2019. The decision of the management to proceed with this demerger lies within the context of the Acceleration Plan, as announced on 26-11-2018 and targets to the optimisation of the organisational and capital structure of the Group. In this regard, the completion of the demerger will allow the Beneficiary to focus on its core activities related to the financing of the financial development in the countries where it is strategically present, taking advantage of the future prospects of its credit function in Greece and abroad.

In particular, as regards the Draft Demerger Deed we underline the following;

The Demerger shall be conducted by hive-down with the incorporation of a new company, with a combined application of Article 16 of L. 2515/1997, and of Articles 57 (3) and 59-74 of L. 4601/2019, as currently in force.

Specifically, the Demerger will involve the hive-down of the banking business sector of the Bank to the Beneficiary. The latter includes:

(a) all deposits,

(b) all loans,

(c) all liabilities of the Demerged Entity arising from bond loans issued by the Demerged Entity or its subsidiaries, in its capacity as the issuer or the guarantor, as the case may be, with the exception of the following instruments:

(A) instruments issued by its subsidiary ERB Hellas Funding Limited and more specifically (i) Series A CMS-Linked Non-cumulative Guaranteed Non-Voting Preferred Securities (DE000A0DZVJ6), (ii) Series B Fixed to Floating Rate Non-cumulative Guaranteed Non-Voting Preferred Securities (XS0232848399), (iii) Series C Fixed Rate Non-cumulative Guaranteed Non-Voting Preferred Securities (XS0234821345) (iv) Series D 8.25 per cent. Non-cumulative Guaranteed Non-Voting Exchangeable Preferred Securities (XS0440371903);

(B) Notes issued by the Demerged Entity and more specifically (i) CMS-Linked Subordinated Callable Instruments due 2035, (ii) Fixed to Floating Rate Subordinated Callable Instruments (FU0232848399), (iii) Fixed Rate Subordinated Callable Instruments due 2036 (FU0234821345) (iv) Convertible Bonds due 29 July 2100 (FU0440371903),

(d) the total of bond notes held by the Bank, including the senior notes and 5% of the mezzanine and junior notes, issued by the Special Purpose Legal Entities, under the corporate name PILLAR FINANCE DAC, CAIRO No. 1 FINANCE DAC, CAIRO No. 2 FINANCE DAC, CAIRO No. 3 FINANCE DAC, with the exception of 95% of the mezzanine and junior notes, issued by the following SPVs: PILLAR FINANCE DAC, CAIRO No. 1 FINANCE DAC, CAIRO No. 2 FINANCE DAC, CAIRO No. 3 FINANCE DAC;

(e) all participations of the Bank, in domestic and foreign companies, including participations in subsidiaries, with the exception of the shareholdings of the Demerged Entity in the following companies: (i) BE BUSINESS EXCHANGES SA; (ii) CAIRO REAL ESTATE I SINGLE-MEMBER SA, (iii) CAIRO REAL ESTATE II SINGLE-MEMBER SA, (iv) CAIRO REAL ESTATE III SINGLE-MEMBER SA, (ve) PILLAR REAL ESTATE SINGLE-MEMBER SA,

(f) all the properties belonging to the Bank,

(g) the debit balances arising for the Bank pursuant to the provisions of Article 27 (paragraphs 2 and 3) of Law 4172/2013,

(h) the right to all deferred tax claims, including those determined in accordance with Article 27A of L. 4172/2013,

(i) tax claims and liabilities related to the banking sector created and assessed up to the date of the transformation balance sheet, in particular the right to set off the credit balances of withholding taxes on credit institutions as stipulated in article 93 of L. 4605/2019,

(j) any remaining assets and liabilities included in the transformation balance sheet.

It is noted that following the date of the demerger balance sheet of Annex I and before the date of this Draft Demerger Deed, the instruments under c) (A) (iii) and the notes under c) (B) (iii) above have been repaid.

The Bank will maintain activities and assets and liabilities that are not related to the main banking activities but are mainly related to the strategic planning of the management of non-performing loans and the provision of services to the companies of the group and third parties.

In particular, the Bank will provide, directly or indirectly, to third parties, to the Beneficiary and to other companies of the Group e-supply and e-tender services as well as e-invoicing services. At the same time, the Bank will maintain the supervisory and monitoring consulting unit of non-performing loans by providing relevant services to the Beneficiary and the group companies, while providing IT services to Group companies. Additionally, as a listed company in the Athens Stock Exchange, it will retain the investor relation services, services relating to maintenance of the shareholders' registry as well as the internal audit units provided for by applicable regulation. Furthermore, the Bank will retain:

(a) the liabilities arising from the following instruments: (A) instruments issued by its subsidiary ERB Hellas Funding Limited and more specifically (i) Series A CMS-Linked Non-cumulative Guaranteed Non-Voting Preferred Securities (DE000A0DZVJ6), (ii) Series B Fixed to Floating Rate Non-cumulative Guaranteed Non-Voting Preferred Securities (XS0232848399), (iii) Series C Fixed Rate Non-cumulative Guaranteed Non-Voting Preferred Securities (XS0234821345) (iv) Series D 8.25 per cent. Non-cumulative Guaranteed Non-Voting Exchangeable Preferred Securities (XS0440371903); (B) notes issued by the Bank and more specifically (i) CMS-Linked Subordinated Callable Instruments due 2035, (ii) Fixed to Floating Rate Subordinated Callable Instruments

(FU0232848399), (iii) Fixed Rate Subordinated Callable Instruments due 2036 (FU0234821345) (iv) Convertible Bonds due 29 July 2100 (FU0440371903),

(b) 95% of the mezzanine and junior notes, issued by the following SPVs: PILLAR FINANCE DAC, CAIRO No. 1 FINANCE DAC, CAIRO No. 2 FINANCE DAC, CAIRO No. 3 FINANCE DAC, and

(c) its participations in the following companies: (i) BE BUSINESS EXCHANGES SA (ii) CAIRO REAL ESTATE I SINGLE-MEMBER SA (iii) CAIRO REAL ESTATE II SINGLE-MEMBER SA (iv) CAIRO REAL ESTATE III SINGLE-MEMBER SA, (v) PILLAR REAL ESTATE SINGLE-MEMBER SA.

It is noted that following the date of the demerger balance sheet of Annex I and before the date of this Draft Demerger Deed, the instruments under c) (A) (iii) and the notes under c) (B) (iii) above have been repaid.

All actions of the Bank from July 1st 2019 to the Demerger Date, which relate to the hived-down sector, shall be considered as conducted on behalf of the Beneficiary, as provided in articles 59 par. 2e, and 70 of L. 4601/2019, in conjunction with article 16 of L. 2515/1997, and the relevant amounts shall be transferred to the books of the latter by virtue of one entry on the Demerger Date.

On the date of registration with the General Commercial Registry of the resolutions of the General Meeting of Shareholders of the Bank regarding the approval of the Demerger, which shall occur pursuant to article 66 of L. 4601/2019, as well as the entry into the final demerger deed, which shall be drawn by means of a notarial deed, and all other documents provided by law, along with the relevant decision of approval of the competent authority ("Date of Demerger"), the Demerger proceedings shall be concluded, with the following consequences for the Bank and the Beneficiary, respectively:

- i. The Beneficiary will be established by the articles of association approved by the General Meeting of the Shareholders of the Bank and will be included in the final Demerger Deed which shall be drawn by means of a notarial instrument.
- ii. The Beneficiary substitutes the Bank, by way of universal succession, to the all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector and formed up to the Demerger Date. In the context of the universal succession, the Beneficiary acquires all rights, obligations and generally legal relations of the hived down sector or relevant to this sector, including the administrative licenses issued to the latter in respect of the banking sector. In particular, as regards the credit institution authorization, the Bank is substituted by the Beneficiary, in accordance with the provisions of article 16 par. 18 (στ) L. 2515/1997, as in force.

Any other right, intangible asset, claim, or generally any other asset or liability relating to the sector being hived down will be transferred to the Beneficiary, in the context of the hive down, without the need for any specific reference in the Draft Demerger act or in the Final Demerger Deed which shall be drawn by means of a notarial instrument. Any assets, authorizations of all kinds, rights or legal relationships of the Bank not specifically mentioned in the balance sheet of the sector being hived down are transferred to the Beneficiary.

It is clarified that, in the case of assets and liabilities, rights and obligations and, in general any other entries of the asset or liability column of the balance sheet, or legal relations of the hived down sector or related to it governed by a foreign law, which does not recognize the universal succession under Greek law in case of a hive down, the following shall apply:

the Demerged Entity and the Beneficiary shall ensure that they will proceed with any action required to complete the transfer of such assets and liabilities, rights, obligations and legal relations to the Beneficiary in accordance with the applicable law.

To the extent that it is not possible to transfer the above to the Beneficiary in the above circumstances, in the case of non-transferred obligations, the Beneficiary hereby expressly and irrevocably undertakes vis-a-vis Bank to perform all these obligation, to remit any amount charged to the latter, without undue delay and to indemnify the Bank against all costs and losses that may arise as a result of breach of such obligations, while in the case of rights, the Bank hereby expressly and irrevocably undertakes to collect or liquidate them in accordance with the Beneficiary's instructions, without the right to re-invest the above amounts and then deliver the product to the Beneficiary without undue delay, while there is no obligation to remit any amount to the Beneficiary prior to receiving it. Moreover, the Bank is not allowed to dispose of such assets and liabilities in any way, other than in order to secure the remittance to the Beneficiary and on condition of receipt of the prior written consent of the latter.

- iii. Any pending lawsuits of the Bank, related to the hived down sector, will continue ipso jure by the Beneficiary or against it, without any specific reference needed on the part of the Beneficiary for the continuation of the proceedings and no legal interruption of the trial will take place, as a result of the Demerger. With respect to any lawsuits of the Bank pending abroad, relating to the hived-down sector, the Bank and the Beneficiary will proceed with any necessary actions, as per the applicable procedural law, for the continuation of the proceedings by the Beneficiary and in the case where it may be required pursuant to the applicable foreign procedural law, the trial will continue with both the Beneficiary and the Bank as litigants. To the extent that in the abovementioned cases it is not possible for the Beneficiary to continue the proceedings, the Demerged Entity will ensure their continuation and the provisions referred to in (ii) above will apply accordingly.

The Financial Stability Fund (hereinafter referred to as the "FSF") holds 52,080,673 shares of the Demerged Entity, representing approximately 1.40% of the share capital of the Demerged Entity.

All the rights and obligations between the FSF and the Demerged Entity will also apply to the Beneficiary.

The Bank shall receive all of the Beneficiary's shares at the Demerger Date.

As apparent from the transformation balance sheet of the hived-down sector, the share capital of the Beneficiary is to be formed as follows: €4.051.569.313,00 divided into 3.683.244.830 shares each with a nominal value of €1,10.

Given that, in return for the contribution of the sector being hived down, the Bank will receive the total of shares of the Beneficiary and, therefore, the Bank will remain indirectly the holder of the assets of the hived-down sector, the terms of exchange of the demerger may only be considered reasonable and fair.

For the confirmation of the above, the Bank assigned to the auditor Mr. Dimitrios Katsibokis (Ref. No. S.O.E.L. 34671) of the auditing company Deloitte Business Solutions S.A to provide an opinion, which, in relation to the exchange ratio, includes the following statement: "As per para. 3 of Article 57 of L. 4601/2019 it appears that" The demerger through hive down with establishment of a new company or new companies is the act by which a company (demerged entity) without being dissolved, transfers to one or more companies that are simultaneously being incorporated

(beneficiaries) the sector or sectors defined in the draft demerger deed with the acquisition by the [demerged entity] of the shares of the beneficiary ... " it is self-evident that there is no share exchange ratio and therefore there is no need to provide information on valuation methods for the determination of a proposed share exchange ratio. This demerger is fair and reasonable because the Demerged Entity will acquire all the Beneficiary's shares in exchange for the contributed assets and liabilities."

The shares of the Beneficiary which will be acquired by the Bank shall give it the right to dividend in relation to each dividend distribution from the Demerger Date onwards.

No particular advantages are attributed to the experts, the directors, or the internal auditors of the Bank, including the hived down sector.

On the basis of the above, we propose to the shareholders of the Bank to approve the demerger through hive down with the incorporation of a new company and the respective demerger deed and all relevant acts, notices and documents for this purpose.

Athens, 31 July 2019

FOR THE BOARD OF DIRECTORS OF EURO BANK

Stavros E. Ioannou

Theodoros A. Kalantonis