

Communication Elements

- Piraeus Bank SA was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and Bank of Greece.
- Piraeus Bank acknowledges the outcomes of the EU-wide stress tests.
- This stress test complements the risk management procedures and regular stress testing programmes set up in Piraeus Bank under the Pillar 2 framework of the Basel II and CRD¹ requirements Bank of Greece Directives 2577/2006 and 2595/2007 and Greek 3601/2007.
- The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website²). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to 10.9% in 2011 compared to 9.1% as of end of 2009. An additional sovereign risk scenario would have a further impact of 4.9 percentage point on the estimated Tier 1 capital ratio, bringing it to 6.0% at the end of 2011, compared with the regulatory minimum of 4%.
- The results of the stress suggest no shortfall of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for Piraeus Bank agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.
- **Bank of Greece** has held rigorous discussions of the results of the stress test with Piraeus Bank.
- Given that the stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet) the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.

¹ Directive EC/2006/48 – Capital Requirements Directive (CRD)

² See: <http://www.c-eps.org/EU-wide-stress-testing.aspx>

- In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different stresses may produce different outcomes depending on the circumstances of each institution.