

EXPLANATORY REPORT ACCORDING TO ARTICLE 69 PARAGRAPH 4  
OF CODIFIED LAW 2190/1920

BY THE BOARD OF DIRECTORS OF THE COMPANY NAMED

"PROTON INVESTMENT BANK S.A."

ADDRESSED TO THE GENERAL MEETING OF ITS SHAREHOLDERS

WITH RESPECT TO THE DRAFT MERGER CONTRACT PERTAINING TO THE  
MERGER OF THE BANKING CORPORATION NAMED "PROTON INVESTMENT BANK  
S.A." THROUGH ABSORPTION OF THE CORPORATIONS NAMED "OMEGA BANK  
S.A." AND "PROTON SECURITIES S.A."

Dear Shareholders,

The Boards of Directors of "PROTON INVESTMENT BANK S.A.", "OMEGA BANK S.A." and "PROTON SECURITIES S.A." at their meetings dated 26 January 2006, respectively, decided to commence the proceedings for the merger of our company named "PROTON INVESTMENT BANK S.A." (the **"Absorbing Company"** or the **"Bank"**), on the one hand, with the corporations named :

(i) "OMEGA BANK S.A." (the **"First Company being Absorbed"**) or **"OMEGA"** and collectively with the Absorbing Company hereinafter called the **"Banks"**) and

(ii) "PROTON SECURITIES AND INVESTMENT SERVICES S.A." (the **"Second Company being Absorbed"** or **"PROTON SSA"**, collectively hereinafter called with the First Company being Absorbed the **"Companies Being Absorbed"** and the Companies being Absorbed together with the Absorbing Company collectively hereinafter called the **"Merging Companies"**), and, on the other hand, through absorption of the Companies being Absorbed, jointly and in parallel, by the Absorbing Company by virtue of the following provisions:

(i) in regard to the couple consisting of the Absorbing Company and the First Company being Absorbed by virtue of the provisions of Articles 68 et seq. of Codified Law 2190/1920 in conjunction with the provisions of Article 16 of Law 2515/1997 and Articles 1-5 of Law 2166/1993, as they are currently in force, and

(ii) in regard to the couple consisting of the Absorbing Company and the Second Company being Absorbed by virtue of the provisions of Articles 68 et seq. and 78 of Codified Law

2190/1920 in conjunction with the provisions of Article 16 of Law 2515/1997 and Articles 1-5 of Law 2166/1993, as they are currently in force.

The merger of the Companies being Absorbed (hereinafter called the **"Merger"**) takes place according to the aforesaid provisions and, in particular, through the consolidation of the assets and liabilities of the Companies being Absorbed, as such assets and liabilities are depicted in the respective transformation balance sheets envisaged by the law and drawn up on 31 March 2006. In particular, the assets and liabilities of each of the Companies being Absorbed will be transferred as they are, as of the date of the respective transformation balance sheets, in conformity with the provisions of Articles 16 paragraph 5 of Law 2525/1997 and 2 paragraph 6 of Law 2166/1993, as items of the Absorbing Company's balance sheet. After the completion of the Merger process, the Companies being Absorbed will be resolved without the process of liquidation, their shares will be cancelled and the whole property of each of them (assets and liabilities) will be transferred to the Absorbing Company, which will from then onwards be subject, by way of quasi universal succession, to all the rights, claims and obligations of the Companies being Absorbed. Whenever according to the law, particular formalities are required for the transfer to the Absorbing Company of the assets and liabilities of the Companies being Absorbed, the Merging Companies hereby assume to faithfully comply with them.

The final resolution for the Merger will be passed by the General Meetings of Shareholders of the Companies being Absorbed, with the increased quorum and majority envisaged in Article 72 of Codified Law 2190/1920.

For the purpose of the Merger a Draft Merger Contract was prepared in writing, in conformity with the provisions of the law, and was approved by our Company's Board of Directors at its meeting dated 22.06.2006 and, likewise, by the Boards of Directors of the Companies being Absorbed, as of the same date, and it has already been signed by the representatives of the

Merging Companies on 22.06.2006 (hereinafter called the **"Draft Merger Contract"**).

According to the provisions of Article 69 paragraph 4 of Codified Law 2190/1920 the Board of Directors of each of the Merging Companies is obliged to prepare and submit to the General Meeting a detailed report in which it will explain and justify from a legal and financial viewpoint the Draft Merger Contract and, in particular, the share exchange ratio of the Merging Companies, referring to any relative difficulties which have appeared during the valuation procedure.

In light of this lawful obligation, the Bank's Board of Directors observes and points out the following to the shareholders with respect to :

- 1) the advantages of the Merger,
- 2) the selection of the procedure to be followed and
- 3) the exchange ratio :

#### **I. Advantages of the Merger**

The Merger of the Bank with OMEGA S.A. and PROTON SECURITIES S.A. will result to the expansion of the Bank's activities over new sectors in which the Bank has had a minor presence so far. Such presence will cover from now on, at the level of the Bank, important sectors of commercial banking in addition to those of investment banking in which the Bank has already been actively involved.

The Bank will have a strong capital base by which it will be reinforced in its activities both in the field of investment banking and in the field of commercial banking.

The expansion of the existing activities as well as the unhindered development of commercial banking are expected to beneficially affect the Bank's financial figures.

Further, the new potentials of the Bank will support it in its dealing with the increased domestic and foreign competition.

As it also transpires from the more detailed enumeration of the consequences of the proposed Merger, the latter will also operate beneficially at the operational and organisational level by improving both productivity and the effectiveness of its new organisation structure.

It is estimated that the proposed Merger will benefit the shareholders of all of the companies involved. In particular, the proposed Merger presents a number of advantages of strategic importance for the Bank, since :

(a) it will decisively contribute to the expansion of the Bank's activity in the sector of commercial banking also through the seventeen (17) branches of OMEGA and, therefore, to the development of its business both with respect to the existing products and with respect to new products,

(b) it will reinforce the Bank's presence in the sector of investment banking,

(c) it will strengthen the Bank's position vis-à-vis competition,

(d) it will ensure the better utilisation of the available human resources,

(e) it will optimise the management and development of the Banks' assets, and

(f) the new structure that will arise from the Merger, will be capable of capitalising more efficiently and flexibly on any business opportunities and it will achieve better terms of co-operation.

In particular, the Banks appear with an intrinsic complementarity, which is a factor that played a decisive part in the approach of the two Boards of Directors. Such complementarity

appears almost in all of the Banks' activation sectors.

The direct acquisition of the network of OMEGA's seventeen (17) branches materially accelerates the implementation of the current business plan of development of the Bank which provides for the establishment of eighteen (18) branches until the end of 2008. Therefore, the implementation of the business plan is accelerated by at least two (2) years, while the further increase in the branches to at least seventy-five (75) until 2010 will create the suitable conditions for the considerable reinforcement of the whole of the "new Bank's" business. In that manner, the local presence at points with considerable financial activity will permit the approach to small and medium-size enterprises and professionals, as, besides, it is also provided for in the Bank's current business plan, having as target the provision to this group of clients of all of the services provided by the Bank, especially at the level of provision of services of investment banking. At the same time, the Bank will have the possibility to considerably support its lending portfolio connected with the aforesaid group of clients, an activity which will also be supported by the recent reinforcement of the Bank's own funds (shareholders' equity) subsequent to the absorption of the portfolio investment companies named Arrow, Exelixi and Eurodynamiki. Thus, after the Merger, the anticipated development of the lending portfolio will produce considerable - reiterating - interest income.

Further, efficient complementarity is observed in the sector of stock exchange transactions by reason, on the one hand, of the existence of a dynamic management for stock exchange transactions at OMEGA, and by reason, on the other hand, of the very broad activities of PROTON SECURITIES S.A. in the same sector. The well-known specialisation of PROTON in the attraction of and rendering services to high-standing institutional investors, situated both in Greece and abroad, will complement the broad private client list of OMEGA. With this conjuncture and on the basis of the annual financial data concerning 2005, the new structure is anticipated to rank 8th in the ranking order based

on the volume of stock exchange transactions, with a market share being more than 3.5% of the total volume of transactions in the Athens Stock Exchange. Further, the private client list of OMEGA will reinforce the private asset management activities, while this client list will be capable of benefiting from the long-standing and successful activation of PROTON in the sector of portfolio management. It is also natural that after the Merger the activities pertaining to the management of liquid assets, equity and shareholding of the Banks will be effectively rationalised to the benefit of the shareholders.

For these reasons, the Merger appears to be particularly beneficial for the Bank and the Bank's shareholders, whereas the overall synergies stemming from the client and shareholder base, broadened by reason of the Merger, are anticipated to boost considerably and immediately the Bank's business, the result of which will become apparent immediately as from the following financial year.

## **II. The selection of the procedure to be followed.**

The submission of the present Merger to the provisions of Article 16 of Law 2515/1997, as it is currently in force, in conjunction with the provisions of Articles 1-5 of Law 2166/1993 was deemed advisable because, in comparison with the procedure provided for by Codified Law 2190/1920, it is better in terms of simplicity and economy of time, it successfully utilises the incentives provided for by the legal framework and, in particular, it gives the following basic advantages :

(1) **Accounting Advantages**, such as the valuation of property by consolidating the assets and liabilities of the merging companies, the ascertainment of the book value of property of the companies participating in the merger through an audit being carried out by chartered accountants/auditors, the transfer of the operations implemented by the merging companies from the date of the transformation balance sheets to the date of completion of the merger to the books of the absorbing company through a

collective entry made in its books.

(2) **Tax Advantages**, because the contribution and the transfer of property of the company being absorbed, in the name of the absorbing company, the merger contract, the shares to be issued as well as the shares in every company being absorbed, any act or agreement pertaining to the contribution of the transfer of the assets or liabilities or other rights and obligations and every real or personal right as well as any other agreement or act being required for the merger will be exempted from and will not be subject to any tax or stamp duty, contribution or any other dues or fees in favour of the State or in favour of any third party, which would make them inexpedient, including also the paid-up capital tax, given that no unearned increment transpires upon the exchange of the shares, since a book consolidation is effected of the assets and liabilities of the companies being transformed.

(3) **Legal advantages**, given that it is regarded that the absorbing company through the completion of the merger will be subrogated to the rights and obligations of each Company being Absorbed, as a universal successor, without any need of separate transfer of every right or obligation from the company being absorbed to the absorbing company, or the need of description of the individual items of property of the companies being absorbed in the contract or in the memorandum of incorporation.

### **III. The exchange ratio**

In order to define the share exchange ratio, the Board of Directors took firstly into account that, according to the provisions of Article 16 paragraph 5 of Law 2515/1997 on merger of credit institutions, as it is currently in force, in regard to the duty of auditors of expressing an opinion on the fairness and reasonableness of the exchange ratio as well as in regard to the reference to the methods adopted in that respect, it is required that the exchange ratio, according also to the wording of Article 10 paragraph 2 of the Third Council Directive

(78/855/EEC), should be fair and reasonable, in the sense that it is mainly based on the comparison of the merging companies' financial position and the anticipated reasonable equivalence of participation of the contracting companies' shareholders in the single company.

2. For the determination of the exchange ratio between the shares in the Merging Companies and the newly-issued shares by the Bank, the Bank's Board of Directors was based on the Banks' comparative valuation report dated 25.05.2006 (hereinafter called the **"Valuation Report"**). The valuation was carried out by auditing firm "SOL S.A. Chartered Accountants/Auditors", by virtue of a resolution dated 26.01.2006 and passed by the Bank's Board of Directors. For the determination of the exchange ratio of the shares in the Banks "SOL S.A. Chartered Accountants/Auditors" proceeded with the estimation of the value of PROTON and audited the estimation of the value of OMEGA which had been carried out by Auditing Firm "KPMG Kyriakou Chartered Accountants/Auditors S.A." that had been appointed by OMEGA. It is noted that the Bank had conducted a financial and legal due diligence on OMEGA, the findings of which were communicated to and taken into account by Auditing Firms "SOL S.A. Chartered Accountants/Auditors" and "KPMG Kyriakou Chartered Accountants/Auditors S.A." during the audit and valuation carried out by them.

The valuations of the Banks were based on a common framework of rules and principles, which was jointly defined by the aforesaid two auditing firms, and were carried out in conformity with the accepted principles and methods being followed world-wide. The final result was formed after having taken into account the degree of suitability of each method. Both the suitability of the methods that were adopted in this particular instance and the gravity that was attributed to each one of them are, in the opinion of the Bank's Board of Directors, the appropriate and reasonable ones for this particular instance.

It should be noted that the Second Company being Absorbed is associated by 100% with the Bank and for this reason no separate



valuation thereof was carried out and no share exchange ratio appears in the Merger.

In particular, the valuation of the Banks was carried out by applying the following methodologies:

- (i) Future Free Cash Flow Discount (Discounted Cash Flow / DCF),
  - (ii) Ratios between Comparable Companies,
  - (iii) Ratios between Comparable Transactions,
  - (iv) Valuation on the basis of the Average Market Capitalization,
- with respect to which it is clarified that it was applied only in regard to the case of the Absorbing Company.

According to the Valuation Report, the method of future free cash flow discount depicts with satisfactory precision the opportunities and the challenges encountered by a company and prescribes future action plans which are included in such company's business plans. The method of Comparable Transactions defines the value of a company, by comparing it with similar companies that constituted the objects of recent sale and purchase transactions. The Comparable Companies method is based on the admission that a company's value shall have to be equal to the amount that investors being well-informed of the company's share capital and acting in a rationalised manner would be prepared to pay.

According to the results produced by the application of the aforesaid methodologies and the weighting factors attributed to each methodology and referred to in the Valuation Report :

- (i) The value ratio between PROTON and OMEGA ranges from 2.221 : 1 to 2.995 : 1
- (ii) The value ratio between the shares in OMEGA and the shares in PROTON ranges from 0.773 : 1 to 1.043 : 1.

The value ratio between PROTON (Absorbing Company) and OMEGA (First Company being Absorbed) was fixed under the Merger Draft Contract at 2.57214907969202 : 1.

Therefore, on the basis of the aforesaid value ratio, the

percentage of participation in the Bank's share capital, following the completion of the Merger process, on the part of the shareholders of the Absorbing Company is proposed to be fixed at 72.01% with respect to the shareholders of the Absorbing Company and at 27.99% for the shareholders of the First Company being Absorbed. Thus, after the completion of the Merger process out of a total of sixty-two million six hundred and eighty-three thousand eight hundred and twenty-two (62,683,822) shares in the Absorbing Company the Absorbing Company's shareholders will participate by forty-five million one hundred and thirty-five thousand eight hundred and ninety-two (45,135,892) ordinary registered voting shares and the shareholders of the First Company being Absorbed will participate by seventeen million five hundred and forty-seven thousand nine hundred and thirty (17,547,930) ordinary registered voting shares.

The following numerical ratio, which falls within the share value ratio range, (hereinafter called the **"Exchange Ratio"**) was considered by the Boards of Directors of the Merging Companies to be a fair and reasonable share exchange ratio :

With respect to the shareholders of the First Company being Absorbed (OMEGA):

17,547,930 / 19,497,700 or 0.90 / 1, to wit each shareholder of the First Company being Absorbed will exchange one ordinary registered voting share of a par value of four Euro and four cents (EUR 4.04) held by him in the First Company being Absorbed for 0.90 new ordinary registered voting shares in the Absorbing Company of a par value of four Euro and forty-nine cents (EUR 4.49) each, to wit, a total of  $19,497,700 \times 0.90 = 17,547,930$  new shares will be issued of a par value of four Euro and forty-nine cents (EUR 4.49) each, which will be received by the shareholders of the First Company being Absorbed.

With respect to the shareholders of the Absorbing Company (PROTON):

The shareholders of the Absorbing Company will retain the same, as it was prior to the Merger, number of ordinary registered

voting shares, to wit forty-five million one hundred and thirty-five thousand eight hundred and ninety-two (45,135,892) shares, of the same par value of four Euro and forty-nine cents (EUR 4.49) each.

Any fractional rights that are going to arise will not provide a right to receive a fraction of a share but it will be possible for them to be settled, as it is going to be decided in particular, by the Board of Directors of the Absorbing Company upon authority granted by the General Meeting.

4. Chartered Accountant/Auditor Vassilios Emm. Pateromichelakis of auditing firm "SOL S.A. Chartered Accountants/Auditors", who was appointed by virtue of a resolution dated 26.01.2006 and passed by our Company's Board of Directors under the audit report dated 19.05.2006 ascertained the book value of the Bank's assets and liabilities. From the audit carried out by him it transpires that the Bank has got the prerequisites on the basis of the provisions of Laws 2515/1997 and 2166/1993 to merge with companies OMEGA and PROTON SECURITIES S.A. through absorption of these two companies by PROTON, since : (i) it keeps C' (third) Class books of account according to the Tax Records Codes (Presidential Decree 186/1992),  
(ii) it has prepared a Balance Sheet with respect to at least one accounting period and  
(iii) its Transformation Balance Sheet as of 31.03.2006, which is in agreement with the Bank's Books, has been entered in the Inventories and Balance Sheets Book of the Bank.

5. The share capital of the Absorbing Company, which, by reason of the Merger, at the same time and in parallel :

(i) increases by the amount of the contributed share capital of the First Company being Absorbed of seventy-eight million seven hundred and seventy thousand seven hundred and eight Euro (EUR 78,770,708),  
(ii) it further increases, for the purpose of maintaining the aforesaid selected share exchange ratio and for the purpose of

rounding the par value of each share in the Absorbing Company, by the amount of ninety-nine thousand four hundred and ninety-seven Euro and seventy cents (EUR 19,497.70) through capitalisation of a relevant amount from the item entitled "balance of profit carried forward",

will amount to the total sum of EUR 281,450,360.78 being divided into 62,683,822 ordinary registered voting shares of a par value of four Euro and forty-nine cents (EUR 4.49) each. After the completion of the Merger process new shares will be issued by the Absorbing Company which will be exchanged for the shares held by the shareholders of the First Company being Absorbed, according to the Exchange Ratio. With respect to the Absorption of the Second Company being Absorbed by the Absorbing Company, the Absorbing Company, given that it holds the whole of the shares in the Second Absorbing Company and in compliance with Article 78 of Codified Law 2190/1920, will not issue new shares by reason of extinction of the relevant demand due to merger and it will not increase its share capital by the amount of the share capital of the Second Company being Absorbed.

#### **IV. Final Remarks**

As it also transpires from the Valuation Report, no inconveniences or difficulties arose during the valuation of the Absorbing Company and the First Company being Absorbed and during the determination and estimation of the value and exchange ratios.

Further, given that:

(a) the valuations of the Banks were carried out according to the widely accepted professional methods prevailing on mergers,

(b) the interests of the shareholders of the Companies being Absorbed are secured,

(c) benefits will arise from the Merger for all the shareholders

of the Companies being Absorbed,

(d) the resolutions required for the Merger were passed and the preparation and approval of the Draft Merger Contract were made in conformity with the applicable provisions, as appropriate, of Codified Law 2190/1920, Law 2515/1997 and Law 2166/1993, as they are currently in force, and

(e) the Merger is deemed advisable and beneficial for the Companies being Absorbed and for their shareholders, while the proposed exchange ratio is entirely reasonable, fair and logical.

The Bank's Board of Directors believing that it took at the given point in time the best possible business decision, it is now submitting to the Bank's General Meeting of Shareholders the present explanatory report and proposes the passing of the relevant resolution for the merger, on the one hand, of the Bank with the companies named (i) OMEGA and (ii) PROTON SECURITIES S.A., and, on the other hand, by absorption, jointly and in parallel, of OMEGA and PROTON SECURITIES S.A. by the Bank, by virtue of the provisions : (i) with respect to PROTON and OMEGA couple, of Articles 68 et seq. of Codified Law 2190/1920, in conjunction with the provisions of Article 16 of Law 2515/1997 and Articles 1-5 of Law 2166/1993, as they are currently in force, through consolidation of the Banks' assets and liabilities and (ii) with respect to PROTON and PROTON SECURITIES S.A. couple, (by virtue of the provisions) of Articles 68 et seq. and 78 of Codified Law 2190/1920 in conjunction with the provisions of Article 16 of Law 2515/1997 and Articles 1-5 of Law 2166/1993, as they are currently in force, through consolidation of the assets and liabilities of PROTON and PROTON SECURITIES S.A.

For all the aforesaid financial and legal reasons, dear Shareholders, we believe that the Merger is absolutely justified and necessary and you are invited to approve the Draft Merger Contract which was prepared by us in our capacity as the Bank's Board of Directors.

Athens, 22.06.2006

The Board of Directors.