



**BOARD OF DIRECTORS' REPORT FOR PROTON BANK S.A.
FOR THE YEAR ENDED AT 31 DECEMBER 2007**

Dear Shareholders,

Year 2007 proved rather difficult for the international economy and capital markets. The rate of world GDP growth approached 4.5%, driven by the emerging economies of Asia and to a lesser extent by the emerging economies of Eastern Europe. However, the key characteristic of the global economy during 2007 was the crisis in the US sub-prime mortgage market, which began last July. The US sub-prime mortgage market crisis not only caused turmoil in international capital markets, but also resulted in a serious liquidity crisis in the international financial system, even threatening the US economy with a recession.

The Greek economy on the other hand, continued at a strong pace, with a 4% GDP growth rate, remaining one of the fastest growing economies in the EU. At the same time, the decrease in unemployment and progress on the structural reform front continue steadily but slowly, with most important development the effort to reform the social security system.

For PROTON, 2007 proved to be a very productive year. Apart from the reorganization and restructuring of the Bank and its adjustment to the new circumstances, following the merger with OMEGA, which was completed only in September 2006, the Bank succeeded to expand significantly its activities, both in terms of core earnings and in terms of branch network.

This expansion is outlined by the developments in the Group's organic profitability: net interest income reached at €43.26m in 2007 and net fee and commission income reached €35.61m. Deposits from customers reached €1.45bn at end-2007, growing by 45.3% y-o-y, whereas loans reached €1.37bn, increasing by 45.3% y-o-y. At the same period the Group's total assets climbed to €2.37bn, growing by 49.1% on an annual basis.

A key aspect for the development of the Group in 2007 was the expansion of its branch network, in line with the Bank's business plan. More specifically, the Bank opened ten new branches during the course of the year. As a result, the Bank's network at 31/12/2007 amounted to 28 branches, whereas the beginning of April is expected to see the operation of the 29th. In other words, 30% of the Bank's network begun operating in 2007. This fact led to a significant increase in depreciation expenses, especially during the last quarter of the year. Including the goodwill from the absorption of OMEGA, depreciation reached €7.23m at the end of 2007.

The quality of the Bank's loan portfolio improved considerably in 2007. The NPL ratio – including loans with over 90 days delay- decreased significantly, reaching 5.06% at end-2007, versus 7.93% at end-2006. In addition, there has been a considerable improvement in the collection of arrears of non-performing loans, reaching €19m at the end of 2007, versus €10,51m at end-2006, as result of the reorganisation and the greater efficiency of the Bank. Moreover, as a better safety net against older non-performing loans, the Group undertook during the last quarter of the year, €5,04m new provisions. As a result, total new provisions for 2007 reached €6.98m.

Part of the process of rationalisation of the Bank's activities was the decision to disinvest from the insurance sector, with the sale of the subsidiary PROTON Insurance to Commercial Value, expected to be completed within the first half of the year. Part of the reorganisation of the Group was the triple merger of its subsidiaries PROTON Mutual Funds Management Co, PROTON Asset Management and OMEGA Mutual Funds Management Co, by absorption of the last two by the first, which was completed during the last quarter of the year. Moreover, PROTON Finance, a 100% subsidiary of the Bank, was absorbed by the Bank.

It is noted that the Group was very successful during the past year in implementing its business plan, especially during the first three quarters. Increased depreciation from the new branches and increased new provisions during the last quarter of the year, together with a negative market conjecture, resulting on the one hand to an increase in the Bank's

cost of funding and on the other hand to delays in the completion of certain investment banking projects, as well as increased tax obligations for the Financial Year, impacted on Group earnings. Group after tax profits at the end of 2007 reached €20,76m.

Taking into account the profitability of the Bank, the Board of Directors decided to propose to the Annual General Assembly of the Shareholders a €0.20 dividend per share, so that total dividend for FY2007 amounts to €12.38m.

It should also be noted that in accordance to the respective decision of the Extraordinary General Assembly of the Bank's shareholders of 24 November 2006, concerning share buyback, until 31 December 2007 the Bank had bought 760.483 shares with total value € 7.67m, corresponding to 1.2% of the Bank's total shares. As far as these shares are concerned, the Bank will proceed in accordance to the provisions and requirements of c.l.2190/1920.

Dear shareholders,

At the beginning of 2008 the international economy and the international financial system faces many uncertainties. The deceleration of the developed economies, with increased possibility of a recession in the USA, inflationary pressures in the global economy together with very strong oil prices, the general weakness of the dollar and the unprecedented liquidity crisis in the international interbank market, with global banking leaders such as Bear Sterns having difficulties in meeting their obligations, imply a difficult year ahead.

Despite the problems and difficulties of the international environment, PROTON continues unhindered with the implementation of its business plan. In 2008 we expect to complete the restructuring of the capital base of the Bank, in accordance to the requirements of Basel II, to continue the network expansion with the opening of 12 new branches, to further improve the quality of the Bank's loan portfolio and we have every reason to believe that the expansion of the Bank's organic activities will continue at the same strong pace.

Our vision is to create a dynamic banking institution, characterised by credibility, consistency. An institution which aims high and offers high quality services to its clients. An institution which creates real value for its shareholders. We are turning this vision into reality, by implementing a policy of dynamic but balanced growth.

Athens, March 20, 2008

The Executive Vice-Chairman of the Board of Directors

Anthony I. Athanassoglou

**EXPLANATORY REPORT
TO THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF
PROTON BANK S.A.
(ACCORDING TO ARTICLE 11A L. 3371/2005)**

The present explanatory report of the Board of Directors to the Ordinary General Meeting of the Shareholders of "PROTON BANK S.A." contains detailed information in relation to the issues of paragraph 1 of the article 11a of L. 3371/2005:

(a) Structure of the share capital of the Bank.

The share capital of the Bank amounts today to two hundred and eighty one million four hundred fifty thousand three hundred and sixty euro and seventy eight cents (€ 281,450,360.78) and is divided into sixty two million six hundred eighty three thousand and eight hundred twenty two (62,683,822) common registered by vote shares, of a nominal value of four euro and forty nine cents (€ 4.49) each.

The shares of the Bank are obligatorily registered shares, according to article 11a par. 2 of Codified Law 2190/1920, as in force. The shares are listed for trading at the Main Market of the Athens Stock Exchange and are maintained in electronic form in the files of the company "EXAE AE (ex Central Securities Depository S.A.)".

The rights of the Bank's Shareholders which derive from its share are equivalent to the percentage of the capital, to which the paid value of the share corresponds to. Each share provides all the rights that are predicted by the law and the articles of association of the company, and specifically:

- Each Shareholder, who is registered with the Registry of Shareholders of the Bank, at the date that defines the beneficiaries of dividends, has a right to the dividend from the annual profits or under liquidation profits of the Bank.

According to the provisions of articles 44a, 45 and 46a of Codified Law 2190/1920, as in force and the provisions of article 3 of the Compulsory Law 148/1967, as amended by article 1 of the Law 876/1979 and as in force, a percentage of 35% of the net profits following a deduction only of the ordinary reserves. The granting of an additional dividend is decided by the General Meeting of the Shareholders.

Following a decision of the General Meeting of the Shareholders, which takes place according to the provisions of article 22 of the Bank's Articles of Association the rest of the net profits, after the formation of the ordinary reserve and the distribution of the first dividends, can be used, as a whole or part, for the increase of the share capital with the issuance of new shares, which are provided to the shareholders without any payment in cash, instead of an additional dividend, according to the article 3a par. 3 of Codified Law 2190/1920, as in force.

In case of any distributed provisional dividends or percentage can not exceed the half (50%) of the each financial year's net profits.

The payment of the dividends takes place within two (2) months following the decision of the Ordinary General Meeting of the Shareholders, which approved the

annual financial statements and at a date which is set by the Ordinary General Meeting, or by the Board of Directors, if there is an authorization in the decision of the General Meeting of the Shareholders. Shareholders that have not collected in due time their dividends do not have any right in interest. Any claim regarding the dividends which have not be paid to the shareholders, lapsed after five (5) years from the date that became due and payable and the relevant amount comes to the Hellenic Public.

- The withdraw right of the contribution at the expiration of the time set or the liquidation or respectively at the amortization of the share capital which corresponds to the share, if this has been decided by the General Meeting of the Shareholders.
- The pre-emption right in any case of an increase of the Bank's share capital, which is not realized with contribution in kind, or issuance of bonds with the transformation right to shares and the undertaking of the new shares or bonds.
- The right to participate in the General Meeting may be specified in the following rights: authorization, presence, participation in the meetings, submission of proposals to the items of the agenda, registration of the proposal in the minutes and right to vote.

The liability of the shareholders of the Bank is up to the amount of the nominal value of the share.

(b) Restrictions in the transfer of the Bank's shares.

The transfer of the Bank's shares takes place according to the provisions of the article 8b of Codified Law 2190/1920 as in force and there is no restriction to their transfer in its Articles of Association.

It should be also noted that the Bank's shares have been entered in the Athens Stock Exchange Market.

(c) Important direct or indirect participants with the meaning of the provisions of the P.D. 51/1992.

The following table refers to individual shareholders (natural persons or legal entities) who own directly or indirectly percentage over 5% of the total number of the Bank's shares on 31st December 2007:

Shareholder's name	Number of shares	% of the total number of shares
IRF European Finance Investments Ltd	12,911,941	20.5985%
Drawbridge Global Macro Fund	4,510,000	7.1948%
Morgan Stanley and CO International PLC	4,376,896	6.9824%
Athanassoglou Antonios	3,413,035	5.4448%

(d) Shares that provide special control rights.

There are no shares of the Bank which provide to beneficiaries special control rights.

(e) Restrictions in the right of vote.

Each share gives the right of one vote in the General Meeting of the Shareholders. There are no provisions in the Articles of Association of the Bank for restrictions in the right of the vote which derives from its shares. In case of co-ownership of one or more shares, the rights of the co-owners will be exercised by a common representative and in case of its absence, the exercise will be hold.

(f) Agreements between the Shareholders of the Bank.

The Bank is not aware of any agreements between its shareholders, which means restrictions in the transfer of its shares or in the exercise of the rights of vote which derives from its shares, with the exception of the agreement dated 31.05.2006 executed between the shareholders of the Bank the foreign company «IRF EUROPEAN FINANCE INVESTMENTS LTD.», Antonis Athanassoglou and Ilias Lianos. This agreement contains limitations as to the transfer of shares, including the special agreement concerning the right of first refusal in the event of share transfer and agreements as to the exercise of voting rights with regard to the election or/and the replacement of BoD members and of the Bank's management.

(g) Regulations for the appointment and replacement of the Members of the Board of Directors, as well as for the amendment of the Articles of Association

The regulations of the Articles of Association of the Bank for the appointment and the replacement of the members of the Board of Directors and for the amendment of the provisions of the Articles of Association are not different from Codified Law 2190/1920. With regard to special agreements between the Shareholders concerning the appointment of BoD members of the Bank see paragraph (f) above.

(h) Power of the Board of Directors or of certain Members of the Board of Directors for the issuance of new shares or for the purchase of own shares according to article 16 of the CL 2190/1920.

- According to the provisions of article 6 of the Bank's Articles of Association, during the first five (5) years from the establishment of the Bank, the Board of Directors may by its decision, which is taken by the majority of two- third (2/3) at least of the total of its members a) Increase the share capital in whole or in part with the issuance of new shares, for amount that will not exceed the initial share capital and b) to issue a bond loan with the issuance of bonds convertible to shares, for amount that can not exceed the half of the paid share capital. The above powers can be assigned to the Board of Directors also with a decision of the General Meeting, which is under the provisions of publicity of the article 7b CL 2190/1920, as in force. In that case, the share capital can be increased up to the amount of the paid capital at the same date that the Board of Directors was authorized with that power while the amount of the bond loan cannot exceed the half of the paid share capital at the same date. The

above powers of the Board of Directors can be renewed by the General Meeting for a period that can not exceed the five years for each renewal and their validity will start after the expiration of each five year period. This decision of the General Meeting is under the provisions of publicity of article 7b of Codified Law 2190/1920, as in force.

The power of the Board of Directors to increase the share capital of the Bank, according to paragraph 1, can be also exercised in parallel to this of the General Meeting of the Shareholders according to paragraph 2 of article 6 of the Bank's Articles of Association. According to paragraph 6 of article 6 of the Bank's Articles of Association, in each case of increase of the share capital, which is not made in kind, the right of pre-emption is provided for the whole new share capital, in favor of all the Shareholders at the time of the issuance, respectively to their participation in the existing share capital. After the expiration of the deadline, which was define by the corporate body of the Bank which decided the increase for the exercise of the pre-emption right, which in no case can not be less than one (1) month period, the shares which have not be taken, in accordance with the above, will be free for disposal by the Bank's Board of Directors. Additionally, in case that the corporate body which has decided the increase of the share capital, failed to set a deadline for the exercise of the pre-emption right, this deadline or its extension will be defined by a decision of the Board of Directors as it is provided for in article 11 of Codified Law 2190/1920 as in force.

The Extraordinary General Meeting of the Bank's shareholders, during its session dated 23.09.2005, decided the renewal and the assignment of the powers of article 6 of the Articles of Association of the Bank to its Board of Directors pertaining to (a) the share capital increase in part or in whole through the issuance of new shares, for an amount which can not exceed the share capital paid up until 23.09.2005 and (b) the issuance of a bond loan with convertible shares which are issued in the context of the share capital increase for an amount which can not exceed the half of the Company's paid-up share capital, for another five-year period. The force of the above power was set to commence as of 18.09.2006 and expires on 17.09.2011. It is noted that at the time when the said decision of the General Meeting was taken, i.e. on 23.09.2005, the Bank's share capital amounted to thirty five million (35,000,000) Euros.

It is noted that until today the Board of Directors of the Bank has not exercised its right based on the above power granted to it by virtue of the decision of the Extraordinary General Meeting dated 23.09.2005 concerning the share capital increase or/and the issuance of a convertible bond loan.

- According to the provisions of article 13 par. 9 of Codified Law 2190/1920, a stock option plan to the members of the Board of Directors and the personnel can be set up following a decision of the General Meeting of the Shareholders with the form of pre-emption rights for the purchase of shares according to the specific terms of this decision. The Bank's Extraordinary General Meeting of the Shareholders, dated 24.11.2006, decided a stock option plan to the members of the Board of Directors and the Bank's personnel as well as of its affiliates, with the form of pre-emption rights for the purchase of shares (stock option plan), according to article 13 par. 9 of

Codified Law 2190/1920. In particular, the General Meeting approved the regulation for the disposal of pre-emption rights for the purchase of Bank's shares for the executive and non-executive members of the Board of Directors, the executive managers and the Bank's personnel and of its affiliates, by which the terms of operation of the above stock-option plan (the "Program") are defined as follows:

(1) The duration of the Program was set up for 6 years beginning with the approval of the General Meeting and ending December 2012.

(2) The executive and non-executive members of the Board of Directors, the managers and the rest of the Bank's personnel and of its affiliates, can participate in the Program.

(3) In the context of the Program, in case that equivalent right are exercised, common nominal shares may be issued, partially, up to 6,268,382 in favor of the beneficiaries of the Program. The disposal price of the shares will be 10.46 euro per share, while the deadline for exercising the pre-emption rights will be up to three (3) years.

(4) The pre-emption rights are granted in favor to the beneficiaries following an ad hoc decision of the Board of Directors within the duration of the Program following a proposal of the Management and Fee Commission.

In case that not all of the rights for the purchase of shares have been exercised by the beneficiaries, during the program and the cover of the increase amount of the share capital is not fully covered, the share capital is increased up to the covered amount according to the provisions of article 13a par. 1 of Codified Law 2190/1920.

(5) The pre-emption rights are exercised under the terms of the program and the decisions of the Board of Directors, by 1/3 of the total number of the rights annually under the sole discretion of the beneficiaries according to the provisions of the relevant Regulation. Specifically, the rights which have not been exercised by a beneficiary will be transferred to the next period of rights' exercising.

(6) The beneficiary has the right to exercise the total of its non-exercised rights of the whole period of the program in case of change of the share participation of the Bank that has as a result in the change of its control within the meaning of the terms of article 42e of Codified Law 2190/1920 etc., with the exception of the occasion that the change of control occurs in the today's biggest shareholder of the Bank, which is IRF European Finance Investments LTD (i.e. if IRF LTD assumes control according to the meaning of article 42e of Codified Law 2190/1920), according to which the whole exercise of the non-exercised rights will not stand. In the event of change in the shareholders' interest, if all his rights are not exercised, the non-exercised rights are transferred to the next year until the end of the Program.

Any other terms are included in the Regulation in force, as included in the minutes of the Extraordinary General Meeting dated 24.11.2006, registered in the Registry of Societe Anonymes dated 22.12.2006.

The Board of Directors of the Bank during its meeting dated 16.04.2007 resolved to grant a total number of 4,943,815 Option Rights (hereinafter the "**Rights**") to 553

individuals in total with an exercise deadline of three-years. The exercise of the Rights, after the date of their maturity, was resolved to be conducted as follows:

1. Up to 1/3, to the maximum, of all Rights are exercised during the time period as of November 1, 2007 until November 30, 2007 by simultaneously paying the corresponding amount to the Bank (first strike period).
2. Cumulatively up to 2/3, to the maximum, of all Rights are exercised during the time period as of November 1, 2008 until November 30, 2008 by simultaneously paying the corresponding amount to the Bank (second strike period).
3. Cumulatively and up to 100%, to the maximum, of all Rights are exercised during the time period as of November 1, 2009 until November 30, 2009 by simultaneously paying the corresponding amount to the Bank (third strike period).

It is noted that during the first exercise time period, 1st to 30th November, no option rights were exercised and no amount was paid for the share capital increase. Consequently, the share capital of the Bank was not amended and amounts to the sum mentioned in paragraph (a) above.

- According to the provisions of paragraphs 5 to 13 of article 16 of Codified Law 2190/1920, the Board of Directors of the Bank, as a company listed at the Athens Stock Exchange, has the right, following a relevant decision by the General Meeting of the Shareholders, to proceed to the purchase of own shares through the Athens Stock Exchange up to percentage of 10% of the total of the shares with the special terms and procedures of the above paragraphs. The Extraordinary General Meeting of the Shareholders of the Bank dated 24.11.2006 decided the purchase of own shares, according to article 16 par. 5 of Codified Law 2190/1920, with the following main terms, i.e.:

- 1) The maximum number of shares to be purchased was set up to 10% of the total of the shares of the Company, i.e. up to 6,268,382 shares.
- 2) The maximum and the minimum price (range of price) at which the purchases would be permitted to take place was set between five (5) Euro and fifteen (15) Euro.
- 3) The time period during which the purchases could take place was set to twelve (12) months as of the date the decision was taken, i.e. until 24.11.2007.

In implementing the above decision of the General Meeting of the Bank's shareholders the Board of Directors, by virtue of its decision dated 08.05.2007, resolved to purchase own shares. During the time period as of 24.05.2007 until 23.11.2007, 760,483 own shares in total were purchased, i.e. 1.2132% of the total amount of its shares, of contractual value equal to 7,667,744.46 Euros, with an average acquisition price of 10.083 Euros per share. Consequently, the Bank possesses today 760,483 own shares in total, i.e. a percentage of 1.2132% of the total of its shares.

i) Important agreements that the Bank has concluded.

There are no important agreements that the Bank has concluded, that are in force, amend or expire in case of a change in its control following a public proposal.

j) Agreements that the Bank has concluded with Members of its Board of Directors or with its personnel.

There are no agreements of the Bank with members of its Board of Directors or its personnel that allow compensation to be paid, especially in case of resignation or dismissal without an important reason or expiration of their term or their exit due to the drafting of a public offer. The formed provisions for compensation due to retirement, consequence of the implementation of the provisions of L. 3371/2005, amounted at 31st of December 2007 to the amount of 1,079 thousand Euros. There are not any formed provisions for compensations due to retirement for the members of the Board of Directors of the Bank exempt the General Manager, who is also a member of the Board of Directors. The formed provisions referring to individuals who have the capacity of General Managers amounts to 115 thousand Euros.

Athens, March 20, 2008

The Executive Vice-Chairman of the Board of Directors

Anthony I. Athanassoglou