

**Board of Directors' Report pursuant to article 13, paragraph 10, of codified Law  
2190/1920**

**to the Extraordinary General Meeting of ordinary shareholders on 23.11.2010**

**and the Extraordinary General Meeting of the sole Preferred Shareholder**

**or any iterative General Meeting following adjournment or suspension thereof**

Dear Shareholders,

The Bank's Board of Directors is proposing to this Extraordinary General Meeting of shareholders an issue of a convertible bond loan (CBL) up to the amount of €250,000,000 with a waiver of existing shareholders' pre-emption rights, so that the bonds are offered via private placement on the Greek and international markets within a period of no more than three years. The waiver of existing Bank shareholders' pre-emption rights during this period is suggested for the following reasons:

The Bank will benefit from the offer of the bond loan to third-party investors because:

- the Bank's credit rating will improve, facilitating the raising of capital in the international markets, which will in turn enhance the Bank's ability to finance its customers and the Greek economy in general;
- once the bank of Greece recognises that it meets required characteristics, the CBL may be calculated in the regulatory capital even before its conversion into shares.

In the current economic climate, a bond issue with the proposed characteristics and private placement is considered advisable for the following reasons:

- It achieves a considerably lower interest rate on the instruments, thus reducing the Bank's cost for liquidity. A core feature of the current economic crisis is the tendency of a specific group of investors to opt for lower risk placements. The convertibility into ordinary registered shares enables holders to liquidate their investment readily. In making the CBL more attractive, the Bank aspires to offer it at lower annual cost compared to other fund-raising financial instruments.
- It facilitates the success of the issue, because the offering via private placement simplifies the issuing procedure and provides the necessary flexibility for completion of the procedure in a short period, enabling the Bank's Board of Directors to seek out and select the most appropriate investors under the circumstances. Moreover, in the event of conversion, it paves the way for enlarging the Bank's shareholding base with shareholders who will evidently be able and willing to invest in the Greek market and especially in the Bank.

A waiver of pre-emption rights therefore is an appropriate, necessary and relatively expedient measure, in order to achieve the above benefits for the Bank, since:

- Existing shareholders are either way able to participate in the share capital increase, which is more than three times the size of the CBL;
- The bond conversion price will be equal to or higher than the prevailing share price at the time of issue, which protects the asset value of existing shareholders;
- The new additional capital to derive from third-party investors, coupled with the proposed share capital increase in favour of existing shareholders, will generate multiplying benefits and value to all shareholders (existing and new), by providing additional opportunities to capitalise on the developmental prospects of South-Eastern European and Eastern Mediterranean countries, in which Piraeus Bank Group is operating, as well as in Greece, when economic conditions will allow it.

Regarding the issue price range of the new ordinary registered shares that will arise as a result of exercising the bond conversion right, namely the price at which such new shares will be acquired, the Board of Director suggests the following:

The issue price of the new ordinary registered shares should not be lower (i.e. it should be equal to or higher) than the average closing share price during the month preceding the Board of Directors' resolution to issue convertible bonds. In no case should such a price be lower than the face value of the share.

According to article 3<sup>a</sup>, paragraph 2, of codified Law 2190/1920, at the time of the issue, the Board of Directors will decide on the final price or conversion ratio prior to the issue of the convertible bond loan, which in any case shall be within the aforementioned range which shall be defined by the resolution of the General Meeting.

Taking into consideration all of the above, the Board of Directors believes that the benefit to the Bank and its shareholders from offering the convertible bond loan to third-party investors via private placement justifies the waiver of pre-emption rights of existing Bank shareholders and therefore it proposes issuing such a convertible bond loan as above.

Athens, 28 October 2010

THE BOARD OF DIRECTORS