

**CYPRUS POPULAR BANK PUBLIC CO LTD GROUP  
SUMMARY EXPLANATORY NOTE FOR FINANCIAL RESULTS  
FOR THE THREE MONTHS ENDED 31.03.2012**

**Net profit of € 54,8 m in first quarter 2012**

***Summary of results***

In an especially adverse economic and business environment, Laiki Bank Group for the quarter ended 31 March, 2012 announces:

- Operating profit before provisions of €96<sup>(1)</sup> m in first quarter 2012 versus € 21 m in fourth quarter 2011 and € 107<sup>(2)</sup> m in first quarter 2011, adjusted for the profit on disposal of subsidiary companies.
- Total operating income of € 247 m, up by 25% compared to the last quarter of 2011.
- Total operating expenses of € 148 m, down by 16% compared to the last quarter of 2011 and 6% on a yearly basis.
- Total Group provisions of € 119 m compared with € 78 m in the respective period of 2011.
- Total net loans of € 24 bn, 2% lower compared with 31 December, 2011.
- Total deposits of € 20 bn, at the same level as 31 December, 2011.
- Total net profit of € 54,8 m, which includes a € 84,7 m, deferred tax benefit.

***Capital plan developments***

In late February 2012, the Laiki Bank Group announced a comprehensive capital enhancement plan which is currently in progress. More specifically:

- The prospectus for the € 1,8 bn rights issue has been approved and it states that the issue is fully underwritten by the Republic of Cyprus.
- The proposal regarding the voluntary exchange with European Banking Authority (EBA) eligible core tier I capital of the existing capital securities of € 738 m, which is included in the prospectus for the share capital increase and the € 415 m tier II capital, which is currently in the period of expression of interest from investors.
- The management of the Group's loan portfolio has already led to a 9% annual decrease of the Group's risk weighted assets.

The successful completion of the entire capital plan is expected to drive total proforma regulatory capital to € 2,6 bn at 31 March, 2012. The proforma EBA eligible core tier I ratio is expected to reach 9,2%, while tier I ratio is expected to reach 10,2% and total capital adequacy ratio 10,3%, rendering the Group's capital position fully compliant with EBA regulatory requirements.

<sup>(1)</sup> Adjusted for the profit on the sale of subsidiary Marfin Pank Eesti AS amounting to € 2,9 m.

<sup>(2)</sup> Adjusted for the profit on the sale of subsidiary Laiki Bank (Australia) Ltd amounting to € 53,4 m.

### **Revenues & operating expenses**

First quarter 2012 total operating revenues stood at € 247 m versus € 198 m in the fourth quarter 2011, 25% higher on a quarterly basis. On a yearly basis total operating revenues adjusted for the profit from the disposal of subsidiary companies were 7,5% lower.

Net interest income (NII) decreased by 2% on a yearly basis and by 14% on a quarterly basis to € 177 m in first quarter 2012, reflecting the deleveraging of the loan portfolio in all geographic areas where the Group has a presence, and also the deterioration of the deposit spread in Greece and Cyprus. Net interest margin (NIM) rose to 2,38%, up 46 basis points on a yearly basis, mainly due to the successful asset repricing efforts across all geographic areas in which the Group has a presence.

Fee and commission income amounted to € 40 m for the first quarter of 2012, 13% lower on a yearly basis and 9% lower on a quarterly basis compared with fourth quarter 2011. Subdued activity in the capital markets and banking arena are the main reasons for the decline in income from fees and commissions.

The cost containment programme that the Group is currently implementing has started to deliver significant results. Total operating expenses for the first quarter 2012 stood at € 148 m, 6% lower on a yearly basis and 16% lower on a quarterly basis. Staff costs at Group level amounted to € 89 m in first quarter 2012, compared to € 97 m in first quarter 2011 and € 103 m in fourth quarter 2011. The effective containment of staff costs translates into an 8% decrease on an annual basis and 13% on a quarterly basis.

The aforementioned actions resulted in a decrease of cost-to-income ratio on a quarterly basis from 89,4% in fourth quarter 2011 to 60% in first quarter 2012. Attempts to reduce costs and extensive cost control is a priority of Group Management and is expected to bring improved results in the coming quarters.

### **Operating profit**

At the end of first quarter 2012 profit before provisions stood at € 96<sup>(1)</sup> m versus € 21 m in fourth quarter 2011 and € 107<sup>(2)</sup> m in first quarter 2011 adjusted for the profit on disposal of subsidiary companies. Net profit of the Group, including an additional deferred tax asset € 84,7 m relating to the tax benefit to arise from the tax deductibility of impairment of Greek Government Bonds in the future, amounted to € 55 m in first quarter 2012, 23% lower compared with € 71 m in first quarter 2011.

### **Loans and Deposits**

The Group's net loan portfolio decreased by 5% on an annual basis and by 2% on a quarterly basis and amounted to € 24,3 bn on 31 March, 2012.

The Cypriot net loan book stood at € 10,6 bn in first quarter 2012, 3% higher on a yearly basis mainly driven by a 5% rise in business loans. On a quarterly basis the loan book remained unchanged.

<sup>(1)</sup> Adjusted for the profit on the sale of subsidiary Marfin Pank Eesti AS amounting to € 2,9 m.

<sup>(2)</sup> Adjusted for the profit on the sale of subsidiary Laiki Bank (Australia) Ltd amounting to € 53,4 m.

The Greek net loan book decreased by 13% on a yearly basis and 3% on a quarterly basis and stood at € 11,5 bn in first quarter 2012.

On 31 March, 2012, the Group net loan portfolio consisted of 70% business loans and 30% loans to households. Mortgages accounted for 18% of total loan book and consumer loans for 12% in the first quarter 2012.

Deposits remained unchanged on a quarterly basis and amounted to € 20 bn in first quarter 2012, despite the adverse macroeconomic environment that prevailed in general and especially in Greece. On a yearly basis deposits decreased by 16%, mainly due to the reduction in deposits in the Greek market.

### ***Asset Quality***

First quarter 2012, the NPL ratio increased to 16% compared with 13,9% on 31 December 2011.

Cypriot non-performing loans increased by € 141 m in first quarter 2012, driving the NPL ratio to 9,4%, 130 basis points higher compared to fourth quarter 2011.

In Greece due to the ongoing worsening crisis, the NPL ratio rose to 22,8% in first quarter 2012, 330 basis points higher versus fourth quarter 2011.

With regards to Group international operations, non-performing loans fell by € 23 m in first quarter 2012, resulting in a decrease of the NPL ratio by 50 basis points on a quarterly basis and by 140 basis points on a yearly basis to 10,3%.

In light of the ongoing adverse financial environment, which has a direct impact on the quality of our portfolio, Group's provisions increased by 51% compared to first quarter 2011. The coverage ratio of the Group stood at 48,3% in 31 March, 2012, one of the highest among Greek and Cypriot peers.

// Consolidated Income Statement (€m)	1Q12	1Q11	1Q12/ 1Q11 (%)
<b>Net interest income (NII)</b>	<b>177,3</b>	<b>181,5</b>	<b>(2,3)%</b>
Net fee & commission income	40,3	46,4	(13,2)%
Financial & other income	26,6	36,0	(26,1)%
Profit on disposal of subsidiary companies	2,9	53,4	-
<b>Total operating income</b>	<b>247,1</b>	<b>317,3</b>	<b>(22,1)%</b>
Staff costs	(89,1)	(96,9)	(8,1)%
Other operating expenses	(45,6)	(46,4)	(1,5)%
Depreciation & amortization	(13,5)	(14,0)	(3,2)%
<b>Operating expenses</b>	<b>(148,2)</b>	<b>(157,3)</b>	<b>(5,7)%</b>
<b>Profit before provisions</b>	<b>98,9</b>	<b>160,0</b>	<b>(38,3)%</b>
Provision for impairment of advances	(118,7)	(78,4)	51,4%
Share of profit from associates	3,2	3,3	-
Tax	79,4	(8,3)	-
Non-controlling interests	(0,6)	(2,4)	-
<b>Profit before impairment</b>	<b>62,2</b>	<b>74,2</b>	<b>(16,1)%</b>
Impairment of debt and equity holdings	(7,4)	(3,2)	-
<b>Profit attributable to owners of the Bank</b>	<b>54,8</b>	<b>71,0</b>	<b>(22,8)%</b>

// Key balance sheet items (€m)	1Q12	1Q11	1Q12/ 1Q11 (%)
Total assets	31.870	40.471	(21,2)%
Advances to customers (net)	24.254	25.618	(5,3)%
Customer deposits	20.032	23.978	(16,5)%
Total equity	609	4.089	(85,1)%

// Key ratios	1Q12	1Q11
Cost/income <sup>(1)</sup>	60,0%	50,1%
NIM	2,38%	1,92%
Loans/Deposits	121%	107%
NPLs	16,0%	8,0%
Cost of credit (Provisioning)	179 bps	116 bps

<sup>(1)</sup> The cost/income ratio adjusted for the profit from disposal of subsidiary companies for the first quarter 2012 reach 60,8% and for the first quarter 2011 59,6%.