

# MARFIN POPULAR BANK PUBLIC CO LTD

## INFORMATION MEMORANDUM

regarding the special resolutions that the shareholders of Marfin Popular Bank Public Co Ltd are invited to approve at the Extraordinary General Meeting to be held on the 2<sup>nd</sup> of April 2012

**March 19, 2012**

Lead Manager for Drawing up the Information Memorandum



**MARFIN CLR (FINANCIAL SERVICES)**

**MARFIN CLR (FINANCIAL SERVICES) LTD**

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## **GLOSSARY OF TERMS**

The following definitions apply to the entirety of this Information Memorandum, except where the text requires otherwise:

<b>«Bank», «Company»:</b>	Means Marfin Popular Bank Public Co Ltd
<b>«BoD» or «Board of Directors»:</b>	Means the Board of Directors of the Bank
<b>«Directors»:</b>	Means the members of the Board of Directors of the Bank
<b>«ECS» or «Enhanced Capital Securities» :</b>	Means the Enhanced Capital Securities that will constitute Tier I Capital as per the regulations of the Central Bank of Cyprus and will be compatible with Basel III and the Capital Requirements Directive (CRD IV)
<b>«Existing Capital Securities»:</b>	Means the Capital Securities of the Bank (i) 2008 issue CPBCS (200.000 capital securities of nominal value €1.000 each), (ii) 2009 issue CPBCB (242.229 capital securities of nominal value €1.000 each) and (iii) 2010 issue CPBCC (295.524 capital securities of nominal value of €1.000 each)
<b>«Group» or «Marfin Popular Bank Group»:</b>	Means the Bank and its subsidiaries
<b>«Information Memorandum»:</b>	Means this Information Memorandum which was prepared with the aim to inform the shareholders of the Bank in accordance with the provisions of the Article 15(1)(e) of the Law.
<b>«Law»:</b>	Means the Public Takeover Bid Law L. 41 (I)/2007
<b>«Prospectus»:</b>	Means the Prospectus that will be issued in accordance with the Prospectus Law L. 114(I)/2005 and the EU Commission Regulation 809/2004 regarding (1) the voluntary offer for the exchange of Existing Capital Securities for ECS and/or new shares (2) the Rights issue and (3) the issue of SWs
<b>«Rights»:</b>	Means the rights that will be issued
<b>«Shares»:</b>	Means the 1.611.110.558 issued shares of the Bank, of nominal value €0,85 each
<b>«Special Resolutions»:</b>	Means the eight (8) special resolutions that will be submitted for approval at the Extraordinary General Meeting of the shareholders of the Bank, which will be held on the 2 <sup>nd</sup> of April 2012
<b>«SW»:</b>	Means the Share Warrants that will be issued
<b>«C.S.E.»:</b>	Means the Cyprus Stock Exchange
<b>«€»:</b>	Means Euro

## **INFORMATION MEMORANDUM OBJECTIVES**

This document aims to inform the shareholders of the Bank in relation to the content of the resolutions that they are requested to approve at the Extraordinary General Meeting of the Bank to be held on the 2nd of April 2012 in relation to the issue of new share capital and for the waiving of their pre-emption rights.

It does not constitute and should not be considered as an offer or/ encouragement to invest in securities of the Bank. The terms of the offers which will be addressed to the shareholders and the capital securities holders of the Bank will be included in the Prospectus which will be submitted for approval to the Cyprus Securities and Exchange Commission. The decision on whether to invest (1) in the Rights and the shares that will result from the exercise of the Rights, or (2) in new shares and in Enhanced Capital Securities that may be issued from the exchange of the Existing Capital Securities, should be based on all information to be included in the relevant prospectus.

This Information Memorandum is addressed solely to the shareholders of the Bank and it was prepared with the intention to present the information required by article 15(1)(3) of the Law. None of the interested persons has the right or is authorized to use or reproduce, in any manner, the Information Memorandum or to provide it to any other person. No person is authorized to provide information or present data that is not included in the Information Memorandum and any data or information that are given and not included in the Information Memorandum should not be construed that were authorized by the Bank or its Directors or its employees or the Bank's professional advisors or any other person referred above.

**The Information Memorandum should not be construed, under any circumstances, as a specialised legal, financial, tax or investment advice. It is expected that the Bank's shareholders will proceed with their own assessment regarding the approval of the Special Resolutions.**

## **Confirmation from the Board of Directors**

The Directors assume collectively and individually the responsibility for the information and data contained in this Information Memorandum as at its date of issue.

## **Lead Manager for the drawing up of the Information Memorandum**

Marfin CLR (Financial Services) Ltd is acting as the Lead Manager for the drawing up of the Information Memorandum and does not assume any legal responsibility towards the shareholders of the Bank to whom the Information Memorandum is addressed to.

## **Independent Opinion**

Deloitte Limited has prepared an independent report in relation to the Special Resolutions, which was prepared for complying with the provisions of Article 15(1)(e) of the Law. Deloitte Limited's report is attached.

## **A. BACKGROUND AND IMPORTANT INFORMATION REGARDING THE INFORMATION MEMORANDUM**

This information memorandum has been prepared with the aim to inform the shareholders of the Bank regarding the special resolutions they are invited to approve at the Extraordinary General Meeting to be held on the 2<sup>nd</sup> of April 2012, as well as to comply with the provisions of the article 15(1)(e) of the Law.

The Law is applicable, inter alia, to “every takeover bid for the securities of a company registered in the Republic and the total or part of those securities are admitted to trading on a regulated market in the Republic”. The provisions of the Law are activated in the case where the acquisition of shares will result to a percentage holding equal or greater than 30% of the voting rights, or in the case of acquisition of shares when 30% or higher of the voting shares is already held. Persons who carry out acquisitions under the Law are required to make a public offer to purchase all the shares of the issuer, unless exception is granted after submitting a request to the Cyprus Securities and Exchange Commission. The purchase of shares either via the exercise of Rights or through participation in a private placement, actions that are included in the capital plan and proposed in the Special Resolutions the shareholders of the Bank are requested to approve, are considered to be acquisitions as per the Law. In this context, the following were taken into account:

- A. **Size of New Issue:** Due to the large number of new shares that may be issued, as well as due to the big value of the proposed issue, it is likely that a strategic investor will participate in the share capital of the Bank with a significant participation percentage. It is mentioned, for indicative purposes, that the capitalization of the Bank based on the share price of 16<sup>th</sup> March 2012 (€0,283) was €461 m., whereas, as per the proposed special resolutions shares worth up to €1.800.000.000 may be issued either through the issue and exercise of Rights and/or through the private placement. It is noted that the Existing Capital Securities of nominal value up to €369 m. may be exchanged into new shares at their nominal value at a price equal to the Rights exercise price.

In case that existing shareholders fail to exercise such a number of Rights so that a 70% of the Bank's share capital, as it will be probably formed upon completion of the capital actions, is held by them, then a strategic investor's stake may exceed 30% in the Bank's share capital and therefore the provisions of the Law for a mandatory take over bid will be triggered.

- B. **Conditions for obtaining an exemption:** The Cyprus Securities and Exchange Commission may grant, at its absolute discretion, the exemption from the mandatory bid obligation in a number of cases, including the provisions of the article 15(1)(e), where the acquisition relates to the issue of new securities and,
- i. the shareholders have waived their preemption rights
  - ii. the issue and allotment has been approved by the general meeting of the shareholders, with a majority independent from the parties to the transaction, and
  - iii. prior to the general meeting of the shareholders, all the shareholders have been notified with a memorandum about the details of the suggestions they are called to adopt, in

which an independent advice regarding the suggestions is included, the new share structure of the company and the suggested issue price are explained.

**As mentioned above, in addition to the satisfaction of the above provisions of the law, this Information Memorandum aims to further explain the Special Resolutions.**

In the Information Memorandum, information addressed to the shareholders of the Bank is included in relation to:

1. *The content of the resolutions that the Bank's shareholders are requested to approve at the Extraordinary General Meeting to be held on the 2<sup>nd</sup> of April 2012 for the facilitation of implementation of the proposed recapitalization plan of the Bank and the issue of new share capital. The full text of the Special Resolutions as included in the Notice of the Extraordinary General Meeting is provided in Appendix 2 of the present document.*

- **Special Resolution 1:** Change in the nominal value of the Bank's share from €0,85 to €0,10 with the reduction of the issued share capital for writing off losses and losses of capital, issues arising because of the exposure of the Company in the Greek market and mainly because of the impairment of the Greek government bonds.
- **Special Resolution 2:** Utilization of part of the amount available in the Share Premium Account for an amount of up to €1.900.000.000 to facilitate the implementation of the proposed recapitalization plan of the Bank.
- **Special Resolution 3:** Authorization and granting the discretion to the Board of Directors to raise new share capital of up to €1.800.000.000 as follows:
  - *Special Resolution 3(A):* Up to 50% i.e. €900.000.000 through the issue of shares to investors of the choice of the Board of Directors. The minimum issue price of the private placement will be €0,30 per new share.
  - *Special Resolution 3(B):* Up to €1.800.000.000 (i.e. an amount up to 100% of the €1.800.000.000) via a Rights Issue to be offered pro-rata to existing shareholders with an exercise price lower than €0,30 per share. The full terms of the Rights Issue will be determined by the Board of Directors and will be included in the Prospectus. The Board of Directors is authorised to decide and take all actions for the allotment, including the allotment to third parties, of any Rights offered to the shareholders and not taken up. It is clarified that the shares resulting from the Rights which will not be exercised by the initial beneficiaries of the Rights, will be issued at the same exercise price.
- **Special Resolution 4:** Voluntary exchange offer to the holders of Existing Capital Securities of a total nominal value up to €737.753.000 with Enhanced Capital Securities. All Existing Capital Securities may be exchanged with ECS of the same nominal value. The full terms of the ECS will be determined by the Board of Directors and will be included in the Prospectus.
- **Special Resolution 5:** Voluntary exchange offer to holders of Existing Capital Securities with new ordinary shares of the Bank. The offer includes the exchange of the Existing Capital Securities at their nominal value, with new ordinary shares of the Bank, which will be issued at the price to be determined for the Rights Issue, in accordance with Special Resolution 3.

The maximum amount of Existing Capital Securities that could be exchanged with shares will not exceed 50% of their total nominal value, while in the case of oversubscription, the allotment will be made pro rata.

- **Special Resolution 6:** With the approval of Special Resolutions 4 and 5, the provisions of Special Resolution 1 as approved at the Extraordinary General Meeting of 28 September 2011 become redundant and its cancellation is therefore proposed. The cancellation is subject to the approval of Special Resolutions 4 and 5.
- **Special Resolution 7:** Free Issue of SWs to the acquirers of new shares to be issued under Special Resolutions 3(B) and (5). Also, the Board of Directors is authorised to issue SWs at its absolute discretion to the acquirers of new shares to be issued under Special Resolution 3(A). The issue of SWs will be in the ratio of one (1) SW for every five (5) new shares and with the exercise of one (1) SW, one (1) new share will be allotted. The terms of the SWs issue will be determined by the Board of Directors and will be included in the Prospectus.
- **Special Resolution 8:** The change of the name of the Bank from Marfin Popular Bank Public Co Ltd to Cyprus Popular Bank Public Co Limited.

It is clarified that the holders of the Existing Capital Securities will have the option of exchanging their securities with new shares and/or ECS.

2. The pricing of the new issues, namely:

- The price of the new shares to be offered to investors of the choice of the Board of Directors as per Special Resolution 3(A). The issue price will not be less than €0,30 per new share.
- The price of the new shares to be offered pro-rata to existing shareholders as per Special Resolution 3(B). The issue price will be less than €0,30 per new share but higher than €0,10 per share.
- The price of the new shares to be issued from the offer to the holders of Existing Capital Securities who will choose to exchange them with new ordinary shares of the Bank. The price of the issue will be the same as the Rights Issue price in accordance with Special Resolution 3(B).

3. The new Shareholder's structure that may occur after the issue and allotment of the new shares.

It is noted that it may occur in the future the issue of new shares from a mandatory conversion of (a) ECS that will be issued as per special resolution 4 and (b) the already issued Convertible Enhanced Capital Securities issued in 2011 (CPBCD) of total nominal value €65,4 m.

**In relation to the compliance with the provisions of article 15(1)(e) of the Law:**

- i. The shareholders of the Bank are invited to waive their preemption rights under Special Resolution 3(A) in relation to the potential issue of a large number of shares to investors selected by the Board of Directors. Also, the shareholders of the Bank are invited to waive their preemption rights under Special Resolution 3(B) in relation to the potential issue of a large number of shares to 3<sup>rd</sup> party investors selected by the Board of Directors for the Rights not taken up by the shareholders. Additionally, the shareholders of the Bank are invited to waive their preemption rights under Special Resolution 5 in relation to the potential issue of a number of new shares towards 3<sup>rd</sup> parties due to the exchange of the Existing Capital Securities into ordinary shares of the Bank.

- ii. Before the Extraordinary General Meeting that will be held on the 2<sup>nd</sup> of April 2012, the shareholders of the Bank through the present Information Memorandum are informed of the details of the special resolutions that they are invited to adopt. In Section F of the Information Memorandum, the new shareholders' structure is explained and the new issue prices are justified.
- iii. An independent opinion from Deloitte Limited regarding the resolutions has been prepared.

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## B. PRELIMINARY FINANCIAL RESULTS 2011

MPB registered pre-provision profit of € 388 m for the twelve months to 31 December, 2011, increased by 3,2% year on year. Net interest income reached € 799 m, increased by 12,6% year on year. Total operating income reached € 1.037 m registering a net increase of just 1,5% due to one-off losses in investment positions. Operating expenses, including staff costs, remained flat year on year. Pre-provision profit from Cypriot operations reached € 312m, increased by 55,3% and representing 80,4% of the total.

### B.1. CONSOLIDATED INCOME STATEMENT

The following table presents a summary of the consolidated income statement of the Bank for the years ending 31<sup>st</sup> December 2010 and 2011.

	PRELIMINARY 2011 € million	AUDITED 2010 € million.	(%)
<b>Net interest income</b>	<b>798,7</b>	<b>709,5</b>	<b>12,6%</b>
Net fee & commission income	179,7	200,5	(10,4)%
Financial & other income	58,9	111,7	(47,3)%
<b>Total operating income</b>	<b>1037,3</b>	<b>1021,7</b>	<b>1,5%</b>
Staff costs	(390,7)	(386,2)	1,2%
Other operating expenses	(202,3)	(203,4)	(0,6)%
Depreciation & amortisation	(56,2)	(56,2)	0,0%
<b>Operating expenses</b>	<b>(649,2)</b>	<b>(645,8)</b>	<b>0,5%</b>
<b>Profit before impairments</b>	<b>388,1</b>	<b>375,9</b>	<b>3,2%</b>
Provision for impairment of advances	(1.151,1)	(266,1)	332,5%
Impairment of debt & equity holdings	(2.165,8)	(9,3)	-
Share of profit from associates	9,7	14,2	(31,1)%
Tax	408,8	(25,5)	-
Non-controlling interests	(4,1)	(2,1)	-
<b>(Loss)/profit before goodwill impairment</b>	<b>(2.514,4)</b>	<b>87,1</b>	<b>-</b>
Impairment of goodwill	(820,5)	(0)	-
<b>(Loss)/profit attributable to owners of the Bank</b>	<b>(3.334,9)</b>	<b>87,1</b>	<b>-</b>

### B.2. KEY BALANCE SHEET ITEMS

The following table presents a summary of the key balance sheet items of the Bank for the years ending 31<sup>st</sup> December 2010 and 2011.

	PRELIMINARY 31.12.2011 € million	AUDITED 31.12.2010 € million	(%)
Total assets	34.077	42.580	(20,0)%
Advances to customers (net)	24.779	26.417	(6,2)%
Customer deposits	20.161	25.508	(21,0)%
Total equity	810	3.536	(77,1)%

### B.3. KEY RATIOS

The following table presents a summary of the key ratios of the Bank for the years ending 31<sup>st</sup> December 2010 and 2011.

	PRELIMINARY 31.12.2011 € million	AUDITED 31.12.2010 € million
Cost/income	62,6%	63,2%
NIM	2,27%	1,82%
Loans/Deposits	123%	104%
NPLs	13,9%	7,3%
Cost of credit (Provisioning)	425 bp	100 bp

### B.4. EFFECTS OF THE PROLONGED GREEK ECONOMIC CRISIS

The prolonged and escalating sovereign debt crisis in Greece severely affected the Group's financial performance in 2011. The transparent and comprehensive reflection of the impact of Greek related risk at all levels had as a result the following:

- Greek Government Bonds (GGBs): Full year results include € 1.969 m impairment against the Group's GGBs holding. The Group holds GGBs with a nominal value of € 3.052 m. Following the preliminary 2011 impairment provision of GGBs as a result of the private sector involvement programme (PSI+), the GGBs carrying value has been impaired by 62% and now stands at 38% of their initial book value.
- Loan portfolio provisions: The Group initiated an independent diagnostic review of its loan portfolio undertaken by two specialised external renowned consultants, targeting the timely diagnosis and preservation of its portfolio quality as well as the determinant management of risk and the decisive confrontation of potential impairments. This review formed the basis for strengthening the cumulative provisions and the current position reflects a scenario of a continuation of the negative environment. Loan loss provisions amounted to € 868 m in 4Q 2011 reaching € 1.151 m for the full year 2011, compared to € 266 m in 2010. Accumulated provisions reached € 1.930 m representing 52% coverage of non-performing loans, compared to 46% in 3Q 2011.

The above have resulted in Group losses of € 2.514 m after tax.

- Impairment related to Greek operations Goodwill: As a result of the ongoing difficult macroeconomic conditions in Greece, the Group, following the appointment of an external specialised consultant, has reviewed the carrying value of goodwill related to Greek operations, which had been created from the triple merger of Egnatia Bank, Marfin Bank and Laiki Bank, back in 2006. As a result, an impairment charge of € 796 m has been recognised in the last quarter of 2011. It is noted that the goodwill impairment charge does not affect the Group's regulatory capital position according to the regulations of the Central Bank of Cyprus.

Taking into account the goodwill impairment related to Greek operations, total losses after tax for 2011 reached € 3.335 m.

## C. REFOCUSED STRATEGIC DIRECTION

The Bank is repositioning itself strategically on its Cyprus home base which will constitute the growth and development platform of the Group across geographical areas.

The Bank's refocused strategic direction encompasses controlled risk exposures, resilient returns from key business sectors focusing on the financing of the core of the economy, businesses and households, and also further growth based on the successful developed model of Group operations in international business banking and international operations. The recalibration of the Greek operations aims to improve performance and reduce exposures ultimately positioning the Group to benefit from a future recovery of the Greek economy.

An integrated organisational model with well experienced executives heading the geographical areas and enhanced local and group control functions has been already put in place since December 2011 to deliver the Group's new strategic direction.

A thorough set of operating initiatives has been further applied to improve the Group's risk profile and operating performance. These initiatives include:

- **Asset & Liability Management:** Ongoing portfolio rebalancing away from non-core exposures, including large wholesale loan exposures, and active yield management of assets and deposits to support net interest income.
- **Cost control:** Extensive cost control initiatives including branch network rationalisation, adjusting costs for current activity levels, costs reductions, and processes reengineering aiming at sustained productivity gains.

Over a 3 to 5 year horizon the Group is aiming at a net interest margin in excess of 2.75%, cost income ratio below 50%, and return on tangible equity around 15% provided the economic conditions do not deteriorate.

Underlining the Group's new strategic direction the Board of Directors has decided to change the Group's trading name in Cyprus to Laiki Bank and suggest to the Shareholders Extraordinary General Meeting the change of the Group's Legal (Registered) name to Cyprus Popular Bank Public Co Ltd.

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## **D. COMPREHENSIVE CAPITAL PLAN**

The new capital required to comply with the required Core Tier I capital ratio of 9% required by the European Banking Authority (EBA) stands at € 1,35 bln, according to the capital plan submitted to the Central Bank of Cyprus which has been agreed with the appropriate regulatory authorities and shall be monitored for implementation.

The Capital Plan includes a diverse set of targeted initiatives including exchanging of existing capital securities, asset optimisation and active management of portfolio exposures and raising of new equity. More specifically, the plan provides for the following:

- The raising of approximately € 1,35 bln via new ordinary equity from shareholders through a rights issue and/or private placement.
- Around € 600 m to be raised through exchanging into Core Tier I capital, of part of the Group's outstanding capital securities and subordinated debt (Tier II capital) totalling € 1,15 bln.
- Approximately € 400 m through the management of the Group's risk weighted assets including divestment of non-core positions.

### **Capital Adequacy Regulations**

The capital adequacy of the Bank is monitored based on the Directive for the Computation of Capital Requirements and Large Exposures ("Directive") issued by the Central Bank of Cyprus in December 2006. With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union.

In December 2010, the Basel Committee on Banking Supervision published the Basel III framework, which presents the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. Basel III is in the process of being adopted by the EU and it will then be transposed into national legislation in Cyprus.

The Central Bank of Cyprus supervises the Group on a consolidated and standalone basis. In addition, the overseas subsidiaries are supervised by the local regulators.

In July 2011, the Central Bank of Cyprus amended its Directive, introducing a new ratio for core tier I capital. The minimum level of the new ratio was set at 8% plus an increment based on the ratio of the Group's assets to the Republic of Cyprus' gross domestic product. The increment was set at zero until 30 December 2012. The Directive provides for a transitional period up to 2014 for the steady increase of core tier I. The minimum levels of the tier I and total capital ratios were set at 9,5% and 11,5% respectively, plus the increment required for core tier I. The Central Bank of Cyprus may also impose additional capital requirements for risks not covered by Pillar I.

The Bank's total regulatory capital is divided into core tier I, tier I and tier II:

- Core tier I capital mostly comprises of share capital (net of the book value of any treasury shares), share premium, retained earnings net of foreseeable dividends and non-controlling interests. The book value of goodwill and other intangibles is deducted in arriving at core tier I capital;
- Tier I mostly comprises of the core tier I and any perpetual loan capital which cannot be included as part of core tier I capital;
- Tier II capital mostly comprises qualifying subordinated loan capital and unrealised gains arising on the fair valuation of property and available-for-sale financial assets.

Investments in companies in the financial sector that exceed 10% of their capital are equally deducted from core tier I and tier II capital. Investments in insurance undertakings and investments in non-banking subsidiary companies are deducted from tier I and tier II capital to arrive at the regulatory capital.

Risk-weighted assets for credit and market risk are calculated using the standardised approach. For operational risk the capital requirements are calculated in accordance with the basic indicator approach.

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## E. COMMENTS ON THE SPECIAL RESOLUTIONS

The following resolutions will be proposed for approval during the Extraordinary General Meeting of the shareholders of the Bank which will be held on the 2<sup>nd</sup> of April 2012 at 4:00 p.m. The full text of the Special Resolutions is listed in Appendix 2.

### E.1. SPECIAL RESOLUTION 1

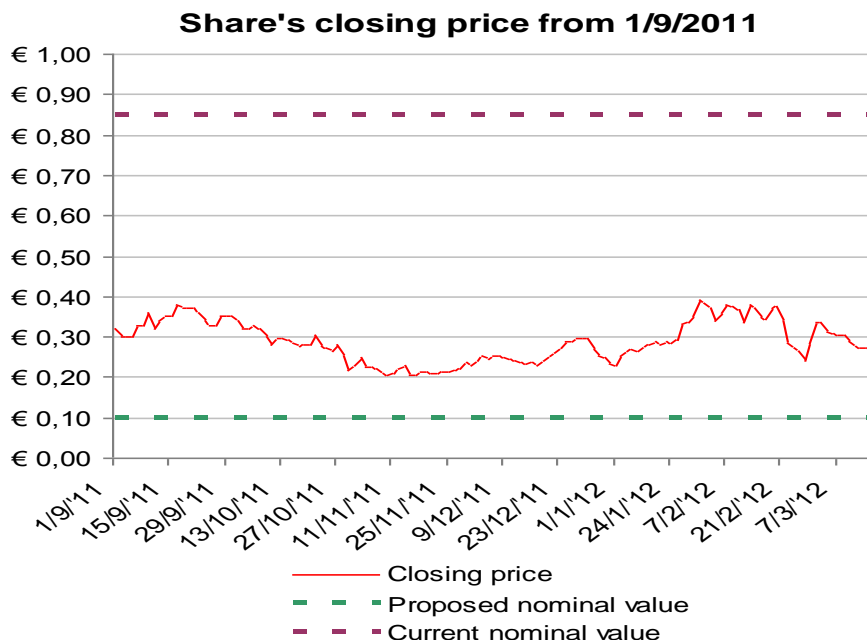
The Special Resolution 1 proposes the reduction of the Bank's share nominal value from €0,85 to €0,10.

The Special Resolution 1 proposes the reduction of the Bank's nominal value per share from €0,85 to €0,10, with the view:

- To create a better representation of the reserves of the Bank on a consolidated and standalone basis, via the capitalisation of losses appearing in the Revenue Reserves of the Bank on a standalone basis as at 31<sup>st</sup> December 2011. It is noted that while the Bank maintains negative reserves is unable to pay dividends.
- It is reminded that, in accordance with the law, the issue price cannot be less than the nominal value while the current nominal value of €0,85 is much higher than the recent share price. The determination of the nominal value at €0,10, is in order to provide greater flexibility when issuing shares, while there is no restriction on the maximum issue price, which may be set from time to time, apart from the nominal value.

It is listed below the evolution of the Bank's share price during the last seven (7) months:

**Graph 1**



The Special Resolution 1 is subject to ratification by the Nicosia District Court.

## E.2. SPECIAL RESOLUTION 2

The Special Resolution 2 proposes the utilisation of the Share Premium Account (up to €1.900.000) for the purpose of writing off losses and losses of capital, issues arising because of the exposure of the Company in the Greek market and mainly because of the impairment of the Greek government bonds.

It is clarified that the reduction of capital is done on a standalone basis and not on a consolidated basis.

The Special Resolution 2 is subject to the approval of Special Resolution 1 and also subject to ratification by the Nicosia District Court.

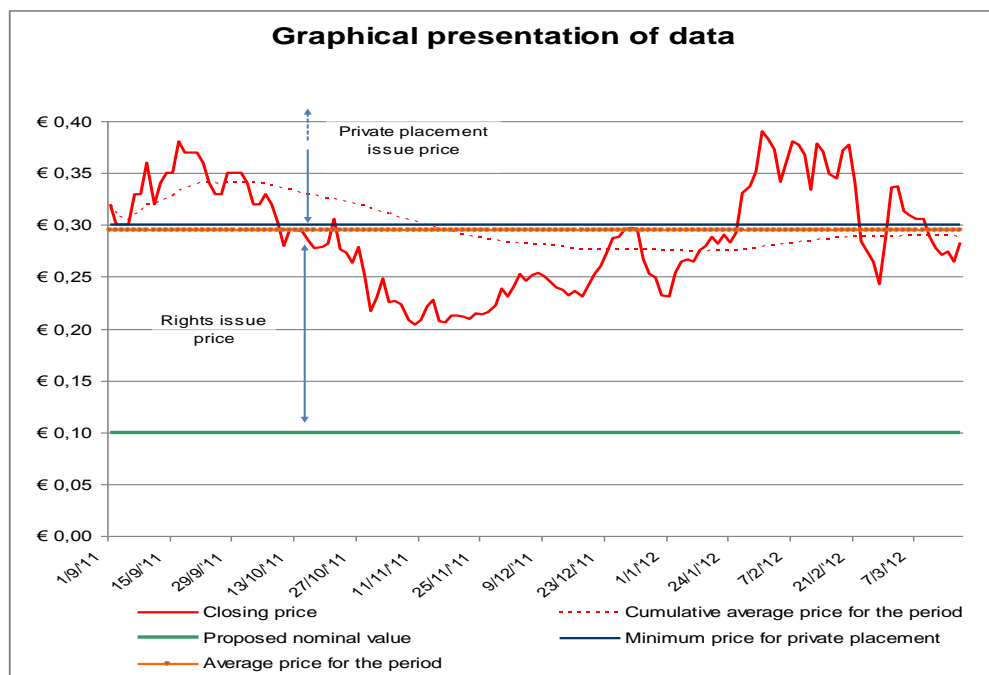
## E.3. SPECIAL RESOLUTION 3

The Special Resolution 3 provides the authorisation to the Board of Directors to raise share capital of up to €1.800.000.000 as follows:

(1) **Special Resolution 3(A):** Amount up to 50% i.e. € 900.000.000 to be offered to investors selected by the Board of Directors. The minimum issue price of the private placement will be €0,30 per share.

In relation to the issue price regarding the Special Resolution 3(A), i.e. at least €0,30, it seems that this compares favourably to the recent trend of the listed share price.

**Graph 2**



It appears from the above graph, that the Bank's share price during the last months has moved close to the levels of around €0,30 per share.

<b>Period 1/9/2011 - 16/3/2012</b> (Traded prices on the C.S.E, rounded to 3 decimal places)	
<b>Average closing price</b>	<b>€ 0,289</b>
<b>Average price for the period (Total value of transactions / total number of shares)</b>	<b>€ 0,295</b>

It should be noted that the Bank's share price will be diluted from the Rights issue, at an exercise price that will not exceed €0,30 per new share. In addition, the exchange offer to the holders of Existing Capital Securities will be at the same price, whereas, the private placement will be carried out at an exercise price of at least €0,30.

● <b>Share Price on the 16<sup>th</sup> of March 2012</b>	<b>€ 0,283</b>
● Number of shares (m.)	1.611
● Market Capitalisation (€ m.)	€ 461

Indicative data are presented in the table below:

**Table 1**

**Scenarios involving the *Adjusted\* ex-rights price (theoretical) after the Rights Issue and the exchange of the Existing Capital Securities with shares\*\****

		<b>Raising of capital through the Rights Issue and the exchange of the Existing Capital Securities with shares</b>						
		400	600	800	1.000	1.200	1.400	1.600
		€ m.	€ m.	€ m.	€ m.	€ m.	€ m.	€ m.
Rights Issue Price	€ 0,10	€ 0,136	€ 0,129	€ 0,124	€ 0,121	€ 0,118	€ 0,116	€ 0,115
	€ 0,15	€ 0,186	€ 0,179	€ 0,175	€ 0,171	€ 0,169	€ 0,167	€ 0,165
	€ 0,20	€ 0,227	€ 0,223	€ 0,219	€ 0,217	€ 0,215	€ 0,214	€ 0,212
	€ 0,25	€ 0,263	€ 0,261	€ 0,259	€ 0,258	€ 0,257	€ 0,256	€ 0,256
	€ 0,30	€ 0,293	€ 0,294	€ 0,295	€ 0,295	€ 0,296	€ 0,296	€ 0,296

\* The dilution will depend on the conditions of the stock market including the price of the Bank's share, and the terms of the Rights Issue (Right Issue price, size of issue).

\*\* Assumption that an amount of €258 m. Existing Capital Securities will be converted in shares (exchange rate of 70% of the total amount that can be converted into shares)

On the basis of the above information, it is obvious that the private placement at a price of at least €0,30 compares favourably to the adjusted share price.

The above statement also holds true for the Net Book Value per share, since the Net Book Value per share will be significantly diluted from the Rights Issue that will be offered to existing shareholders

● Net Book Value 31/12/2011* (€ m.)	700
● Number of shares (m.)	1.611
● Net Book Value 31/12/2011* per share	€ 0,434

\* Based on more recent information, it has been considered appropriate to adjust the Net Book Value of the Bank included in the Preliminary Financial Results of 2011, after the finalisation of the accounting treatment regarding the restructuring of the Greek Public Debt (PSI+) by an amount of €110 m. The Net Book Value as at 31/12/2011 prior to the adjustment was €810m. The final accounting treatment of the restructuring of the Greek Public debt (PSI+) may differ in the final financial statements.

Indicative data are presented in the table below:

**Table 2**

**Scenarios involving the Adjusted Net Book Value 31/12/2011\* per share after the Rights Issue and the exchange of the Existing Capital Securities with shares\*\***

		Raising of capital through the Rights Issue and the exchange of the Existing Capital Securities with shares						
		400	600	800	1.000	1.200	1.400	1.600
		€ m.	€ m.	€ m.	€ m.	€ m.	€ m.	€ m.
Rights Issue Price	€ 0,10	€ 0,166	€ 0,153	€ 0,144	€ 0,138	€ 0,133	€ 0,130	€ 0,127
	€ 0,15	€ 0,226	€ 0,213	€ 0,203	€ 0,196	€ 0,190	€ 0,186	€ 0,183
	€ 0,20	€ 0,277	€ 0,264	€ 0,255	€ 0,248	€ 0,242	€ 0,238	€ 0,235
	€ 0,25	€ 0,320	€ 0,309	€ 0,301	€ 0,295	€ 0,290	€ 0,286	€ 0,283
	€ 0,30	€ 0,357	€ 0,348	€ 0,342	€ 0,337	€ 0,333	€ 0,330	€ 0,328

\* Based on more recent information, it has been considered appropriate to adjust the Net Book Value of the Bank included in the Preliminary Financial Results of 2011, after the finalisation of the accounting treatment regarding the restructuring of the Greek Public Debt (PSI+) by an amount of €110 m. The Net Book Value as at 31/12/2011 prior to the adjustment was €810m. The final accounting treatment of the restructuring of the Greek Public debt (PSI+) may differ in the final financial statements.

\*\* Assumption that an amount of €258 m. Existing Capital Securities will be converted in shares (exchange rate of 70% of the total amount that can be converted into shares)

It is noted that usually the Rights exercise price is set at a discount compared to the theoretical ex-rights share price, so as to provide an incentive to the shareholders during the exercise period. Additionally, under such a case, the calculation of the theoretical share price will consider the proposal to exchange Existing Capital Securities for shares as well.

**The assumptions used for the preparation of the above scenarios are indicative only and can be used for purposes of this exercise only and do not in any way bind the BoD of the Bank regarding its final decisions, nor can be considered as an indication of the final BoD decisions.**

In relation to the amount up to €900 m. which will be offered to investors selected by the Board of Directors via a private placement by waiving the preemption rights of the shareholders, it seems that it is justified for the following reasons:

- The big amount of capital needed to be raised, which amounts to around €1,35 bln., as per the Bank's capital enhancement plan. The amount may be increased depending on the capital needs of the Bank and its success and scope of the other actions aimed at strengthening the capital ratios of the Bank, both for purposes of complying with the capital exercise conducted by EBA as well as complying with the required Capital Adequacy Ratios set by the Central Bank of Cyprus.
- The reduced possibilities of raising capital from the investing public in Cyprus and Greece due to the financial and investment uncertainties as well as the lack of liquidity.

It is also be taken into consideration (a) the method of private placement which provides significant time and procedural flexibility and (b) in any case, the shareholders of the bank will have the opportunity of preferential acquisition of new shares via the Rights Issue which is mentioned in Special Resolution 3 (B) below.

It is clarified that the flexibility given to Board of Directors regarding the form of the issue up until €900.000.000 (either in the form of shares or a mandatorily convertible bond) is given for purposes of timing and procedural flexibility. It is noted that the mandatorily convertible bonds will not carry any voting rights up until their conversion into shares.

(2) **Special Resolution 3(B)**: an amount up to €1.800.000.000 to be issued via a Rights Issue to be offered pro-rata to existing shareholders with an exercise price lower than €0,30 per share. The full terms of the Rights Issue will be determined by the Board of Directors and will be included in the Prospectus. The Board of Directors will be authorised to decide and take action for the allotment, including the allotment to third parties, of any Rights offered to the shareholders and not taken up. It is clarified that the shares that will be issued from the Rights offered to the shareholders of the Bank and not taken up will be issued at the same price.

As mentioned above, the Special Resolution 3 (B) provides the authorisation to the Board of Directors to raise share capital of up to €1.800.000.000 via a Rights Issue. As per the Special Resolution 3(B), the price of the Rights Issue, proportional to shareholders, will not exceed €0,30 per share, while the minimum price is the nominal value (proposed by Special Resolution 1 to be €0,10).

Theoretically, the determination of the exercise price shall not be considered as the most important parameter in cases where the issue is offered on a pro-rata basis to the existing shareholders, since any loss from the adjustment of the share price will be fully compensated from the profit resulting from the difference between the adjusted ex-rights price and the exercise price.

In more real terms of course, factors such as the real share price adjustment (which will be determined by the demand and supply of the shares of the Bank on the traded stock markets) and the correlation between the various prices (share price, private placement share price, Rights Issue price, adjusted share price for the issues) will be such to derive to logical correlations for the investing public.

In this case, the price at which the Board of Directors will be given authorisation to proceed with the issue of new shares will be considered reasonable since:

- It may be set as low as €0,10, which includes a significant discount to the current share price of €0,286 (on 16<sup>th</sup> of March 2012) but also the recent trend of the share price (close to €0,30).
- It will definitely be equal or lower to the price that the share capital from the private placement will be issued, since the Rights Issue price will be lower than €0,30 while the issue price from the private placement cannot be lower than €0,30. It is recalled that the minimum exercise price via Rights according to the Companies Law Section 113 is the nominal value per share, which after the approval of Special Resolution 1 will be reduced to €0,10.

It is clarified that as per the relevant regulatory framework and the Bank's memorandum, one (1) Right will be issued for every one (1) share held on the record date. Then, based on the issue terms which will be included in the Prospectus, the proportion of Rights that will need to be exercised to obtain a specific number of shares (or one share) will be determined from the exercise price.

The Special Resolution 3 is subject to the approval of Special Resolution 1.

#### **E.4. SPECIAL RESOLUTION 4**

Special Resolution 4 proposes the voluntary exchange offer to the holders of Existing Capital Securities, of a total nominal value up to €737.753.000 with Enhanced Capital Securities. All Existing Capital Securities may be exchanged at their nominal value with ECS. It is clarified that the offer does not include the 2011 Convertible Enhanced Capital Securities issue (CPBCD).

The Special Resolution 4 is subject to the approval of Special Resolution 1.

The terms of the ECS will be decided by the Board of Directors and will be included in the Prospectus while the issue is carried out to strengthen the Tier I capital of the bank. It is important to note that:

- The ECS can be classified as Capital acceptable for purposes of the EBA capital exercise.
- The Existing Capital Securities, since they are not in compliance with the provisions of Basel III and CRD IV will not be included as part of the Bank's regulatory capital and will need to be amortised at 10% per year beginning from 2013.

The above means that the ECS are a significantly better form of capital than the Existing Capital Securities and they will provide a significant support to the Bank's Capital Base.

The exchange of the Existing Capital Securities at their nominal value with ECS of the same nominal value was considered necessary due to the importance of the new funds for the Bank, their better quality as well as the increased risk that the investors are called to accept from the voluntary exchange offer. It is noted that the ECS can be mandatorily converted into shares under certain conditions as well as it includes conditions for the cancellation of interest.

Special Resolution 4 is part of the Bank's capital enhancement plan that has been submitted to the Central Bank of Cyprus and has been agreed with the appropriate regulatory authorities which will monitor its implementation.

#### **E.5. SPECIAL RESOLUTION 5**

Special Resolution 5 proposes the voluntary exchange offer to the holders of Existing Capital Securities with new ordinary shares of the Bank. The offer includes the exchange of the Existing Capital Securities at their nominal value, with new ordinary shares of the Company at a conversion price to be determined during the Rights Issue in accordance with Special Resolution 3. The maximum amount of Existing Capital Securities that could be exchanged with shares will not exceed 50% of their total nominal value (i.e. up to an amount of €369 m.), while in the case of oversubscription of the available amount, the allotment will be made pro rata. It is clarified that the offer does not include the 2011 Convertible Enhanced Capital Securities issue (CPBCD).

The Special Resolution 5 is subject to the approval of Special Resolution 1.

The exchange of the Existing Capital Securities at their nominal value with new shares at the issue price as per the Rights Issue (special Resolution 3(B)) was considered necessary since:

- The share capital is the best quality supervisory capital and therefore provides an important support to the Bank's supervisory capital plans.
- The share capital is not vulnerable to any future changes to the supervisory framework and/or amendments regarding its interpretations.
- The exchange offer of the Existing Capital Securities with ordinary new shares of the Bank is part of the Bank's capital enhancement plan that has been submitted to the Central Bank of Cyprus and has been agreed with the appropriate regulatory authorities which will monitor its implementation.
- It ensures symmetry with respect to the price exchange and the Rights Issue price.

#### **E.6. SPECIAL RESOLUTION 6**

Special Resolution 6 proposes the cancellation of the provisions of special resolution 1 as approved at the Extraordinary General Meeting of 28 September 2011 since its provisions will be covered by the approval of Special Resolutions 4 and 5.

Special Resolution 6 is subject to the approval of Special Resolutions 4 and 5.

#### **E.7. SPECIAL RESOLUTION 7**

Special Resolution 7 proposes the issue of SWs for free to the acquirers of new shares to be issued by the Bank under Special Resolutions 3 (B) and (5). Also, the Board of Directors will be authorised to issue SWs at its absolute discretion to the acquirers of new shares to be issued by the Company under Special Resolution 3(A). The issue of SWs will be in the ratio of one (1) SW for every five (5) new shares to be acquired and with the exercise of one (1) SW, one (1) new share will be allotted. The full terms of the

SWs will be determined by the Board of Directors and will be included in the Prospectus. Special Resolution 7 is subject to the approval of Special Resolutions 1.

It is noted that there will be no dilution to the investors that will acquire new shares either via the Rights issue or through the exchange of the Existing Capital Securities from the issue of the SWs, since they will be granted to all free of charge.

Additionally:

- The exercise of SWs will constitute an important source of share capital at a later stage for the further enhancement of the Bank's future Capital Base.
- The opportunity is offered for those that will choose to strengthen the Bank at this stage to participate in a future improvement of the conditions and the stock value, either through the sale or the exercise of their SWs.

#### **E.8. SPECIAL RESOLUTION 8**

Special Resolution 8 proposes the change of the name of the Bank from Marfin Popular Bank Public Co Ltd to Cyprus Popular Bank Public Co Limited.

The suggested change of the name is considered to fit the character of the Bank as a Cypriot entity.

## F. EVOLUTION OF SHARE CAPITAL

Assuming that the Special Resolutions will be approved from the Extraordinary General Meeting of the shareholders, the new capital structure of the Bank will change significantly in view of the large number of new shares that will potentially be issued as well as their big value when compared to the current capital structure.

The main elements of all Special Resolutions are set out in Appendix 1, whereas the Notice of Extraordinary General Meeting, sent to the Bank's shareholders is shown in Appendix 2.

### A. Capital Structure as at the date of issue of the current document:

(i) Authorised Share Capital:

€2.465.000.000,00 divided into 2.900.000.000 shares of nominal value €0,85 each.

(ii) Issued Share Capital:

€1.369.443.974,30 divided into 1.611.110.558 fully paid up shares of nominal value €0,85 each.

### B. Maximum Possible Capital Structure after the implementation of actions as may be approved under Special Resolutions 1, 3 and 5 (i.e. maximum coverage by issuing equity of €1.800.000.000):

(i) Authorised Share Capital (provided Special Resolution 1 is approved):

€2.465.000.000,00 divided into 24.650.000.000 shares of nominal value €0,10 each.

(ii) Issued Share Capital:

€1.961.111.055,80 divided into 19.611.110.558 ordinary shares of nominal value €0,10 each.

### **It is obvious that there is a wide range of possible scenarios in relation to the formation of the capital base of the bank after the completion of the various issues and offers:**

- Number of shares to be offered via the Rights Issue.
  - Number of Rights exercised by beneficiaries.
  - Number of Rights that will be exercised from the investors who will acquire them via the stock market
  - Number of Rights that will be exercised from the allotment to third parties of Rights not exercised by shareholders.
- Number of shares issued from the private placement
- Number of shares issued from the exchange of Existing Capital Securities.

It is noted that the above will be affected by the price of each issue / exchange. In summary:

Special Resolutions 3(A) & (B)	<ul style="list-style-type: none"> <li>● Maximum amount of capital €1.800.000.000.</li> <li>● Amount and price set by the BoD: <ul style="list-style-type: none"> <li>▫ Private placement as per Special Resolution 3(A) – up to €900.000.000. (up to 50%)</li> <li>▫ Rights Issue to existing shareholders – up to €1.800.000.000 (up to 100%)</li> </ul> </li> </ul>
Special Resolution 3(A)	<ul style="list-style-type: none"> <li>● The exact number of shares will be determined from the number of shares issued and the price per share <ul style="list-style-type: none"> <li>▫ Amount of issue will be determined by the BoD – maximum amount €900.000.000</li> <li>▫ Issue price cannot be less than €0,30</li> </ul> </li> <li>● Maximum number of shares to be issued is 3bln and is calculated assuming <ul style="list-style-type: none"> <li>▫ Issue amount of €900.000.000 (maximum)*</li> <li>▫ Issue price at €0,30 (minimum)</li> </ul> </li> </ul> <p style="text-align: center;">* in such a case the amount of Special Resolution 3(A) will be €900.000.000</p>
Special Resolution 3(B)	<ul style="list-style-type: none"> <li>● The exact number of shares will be determined from the number of shares issued and the price per share <ul style="list-style-type: none"> <li>▫ Amount of issue will be determined by the BoD – maximum amount €1.800.000.000</li> <li>▫ Issue price will be lower than €0,30</li> </ul> </li> <li>● Maximum number of shares to be issued is 18bln and is calculated assuming <ul style="list-style-type: none"> <li>▫ Issue amount of €1.800.000.000 (maximum)**</li> <li>▫ Issue Price at €0,10 (minimum, i.e. proposed nominal value)</li> </ul> </li> </ul> <p style="text-align: center;">** in such a case the amount of Special Resolution 3(A) will be zero</p>
Special Resolution 5	<ul style="list-style-type: none"> <li>● Voluntary exchange offer to the holders of Existing Capital Securities of up to €369m. with new shares</li> <li>● Existing Capital Securities will be replaced at the nominal value</li> <li>● Issue price of new share will be equal to the Rights Issue price</li> <li>● Maximum number of share to be issued is 3,689bln and is calculated assuming <ul style="list-style-type: none"> <li>▫ Issue amount €369m. (maximum)</li> <li>▫ Issue Price at €0,10 (minimum, i.e. proposed nominal value)</li> </ul> </li> </ul>

**C. Possible Capital Structure after the implementation of Special Resolutions 7 or/and activation of mandatory conversion of ECS or/and other issues of securities of the Bank:**

Regarding the future structure of the Bank's share capital it should further be noted that:

- If Special Resolution 7 is approved, SWs will be given for free to investors acquiring new shares of the Bank through the exercise of Rights and the exchange of the Existing Capital Securities with shares. Also, the Board of Directors will be authorised to issue SWs for free to the acquirers of new shares to be issued by the Company via the private placement. The issue of SWs will be in the ratio of one (1) SW for every five (5) new shares to be acquired and with the exercise of one (1) SW, one (1) new share will be allotted.
- In relation to the Special Resolution 4, it may occur in the future the issue of new shares from the mandatory conversion of ECS with shares. Through the exchange offer ECS of total nominal

value of €737.753.000 may be issued. The minimum conversion price of the ECS with shares will be the current nominal value, which in the case of approving Special Resolution 1 will be €0,10. As a result, under a scenario of exchanging all Existing Capital Securities with ECS and conversion of all ECS with shares a total amount of 7.377.530.000 new shares of the Bank may be issued.

- The Bank has already in issue 2011 Convertible Enhanced Capital Securities (CPBCD) of a total nominal value of €65.439.624. As a result, under a scenario of a mandatory conversion into shares a total amount of 654.396.240 new shares may be issued.
- The Bank has in issue a Share Option Scheme for a total issue of 80.000.000 shares with an exercise price of €1,80 per share. The scheme expires in 2013.

It should be noted that the total amount of ECS and the new shares that may be issued from the exchange of the Existing Capital Securities is €737.753.000 i.e. the total nominal value of the Existing Capital Securities.

As per the provisions of article 17(1) of the Banking Law of 2007 until 2011 (N66(I)/1997 as it has been amended), it is prohibited for anyone even with a partner or partners to gain control of a bank that was established in the Republic of Cyprus or its mother company, unless he has obtained before a written approval from the Central Bank of Cyprus (control means (i) ownership of 10% or more of the voting rights at any general meeting or its mother company, or (ii) the ability of that person to elect in any way the majority of the directors of the company or its mother company).

## G. OTHER INFORMATION

### G.1. SUMMARY INFORMATION FOR THE GROUP

Marfin Popular Bank Co. Ltd is a limited public company, registered in Cyprus since 1924 under number “1”, pursuant to Chapter 113 of the Cyprus Company Law. The principal activities of the Group are the provision of banking and financial services. The Group also offers insurance services, through its associate. It operates in Cyprus, Greece, the UK, Guernsey, Serbia, Romania, Ukraine, Malta and Russia.

The Group is primarily based in Cyprus, where it holds a 16,85% market share in deposits and a 16,25% market share in loans (Source: Group Data, Central Bank of Cyprus (December 2011, including cooperative banking institutions and International Business Units (IBUs)).

On 31 December 2011, the Group employed 9,148 persons in total.

### G.2. BOARD OF DIRECTORS

On the date of this Information Memorandum, the composition of the Bank's Board of Directors is as follows:

- Michalis Sarris Chairman, Independent Non Executive Member (appointed as a member of the Board on 12.12.2011 and Chairman on 01.01.2012)
- Neoclis Lysandrou Vice Chairman, Not Independent Non Executive Member
- Constantinos Mylonas Vice Chairman, Independent Non Executive Member
- Christos Stylianides Group Chief Executive Officer, Executive Member (appointed as Group Chief Executive on 06.12.2011)
- Panayiotis Kounnis Deputy Group Chief Executive Officer, Executive Member
- Vasilios Theocharakis Not Independent Non Executive Member
- Platon Lanitis Not Independent Non Executive Member
- Chris Pavlou Independent Non Executive Member (appointed on 12.12.2011)
- Stelios Stylianou Not Independent Non Executive Member
- Markos Foros Not Independent Non Executive Member
- Fadel Al Ali Not Independent Non Executive Member
- Hesham Al Qassim Independent Non Executive Member
- Peter Baltussen Not Independent Non Executive Member (appointed on the 4.11.2011)

### G.3. MAJOR SHAREHOLDERS

As at the date of this Information Memorandum, the shareholders owning, directly or indirectly, more than 5% of the issued share capital of the Bank, are the following:

Shareholders	Direct Participation	Indirect Participation	Total Participation
Dubai Financial Limited Liability Company	18,69%	-	18,69%
Marfin Investment Group S.A.	9,49%	-	9,49%
<b>Total (of 1.611.110.558 shares)</b>			<b>28,18%</b>

#### **G.4. SECRETARY AND ADVISORS**

Secretary:	Stelios Hadjiosif	
Auditors:	PricewaterhouseCoopers Limited Julia House 3, Themistokli Dervi Street 1066 Nicosia	Grant Thornton (Cyprus) Limited Nimeli Court, Block C 41-49, Agiou Nikolaou Street 2408 Nicosia
Prospectus drawing up Lead Manager:	Marfin CLR (Financial Services) Ltd Marfin CLR House, 26 Byron Avenue, 1096 Nicosia	
Compilation of Independent Opinion:	Deloitte Limited, Maximos Plaza, Tower 1, 3rd Floor, 213 Arch. Makariou III Avenue, 3030 Limassol, Cyprus	

#### **G.5. REGISTERED OFFICE**

The registered office is 154 Limassol Avenue, 2025 Nicosia, PO Box 22032, 1598 Nicosia.

#### **G.6. REFERENCES AND DOCUMENTS AVAILABLE FOR REVIEW**

The full text of the Special Resolutions will be available on the bank's website ([www.marfinbank.com](http://www.marfinbank.com)) and copies may be obtained from the registered office of the Bank (154 Limassol Avenue, 2025 Nicosia) without any charge.

Copies of the following documents of the Bank will be available for inspection during normal working days, between the hours of 8:30 a.m. to 1:30 p.m., at the registered office of the Bank until the 2<sup>nd</sup> of April 2012 (the date of the Extraordinary General Meeting):

- The Memorandum and the Bank's Articles of Association
- The preliminary results of the Group for the year ended 31<sup>st</sup> December 2011
- The Notice of the Extraordinary General Meeting that will be held on the 2<sup>nd</sup> of April 2012.

It is noted that the preliminary results of the Group as well as the relevant presentation are also available on the bank's website ([www.marfinbank.com](http://www.marfinbank.com)).

#### **G.7. RIGHT FOR PARTICIPATION AND VOTE AT THE EXTRAORDINARY GENERAL MEETING**

##### **1. RECORD DATE**

The record date for participation at the Extraordinary General Meeting of April 2, 2012 is set to be Wednesday, 28th March 2012 ("Record Date").

Only Members registered at the record date in the Central Depository / Registry of the Cyprus Stock Exchange and the Dematerialised Securities System of "Hellenic Exchanges S.A." may exercise the right to participate and vote at the Extraordinary General Meeting and any change in the recording in the register after the record date will not be counted in determining the right of any person to attend and vote at the Extraordinary General Meeting. The Member's right to participate in the Extraordinary General Meeting and vote for the shares held is not subject to the condition that the shares are deposited with, or transferred to, another person or registered in the name of another person before

the Extraordinary General Meeting. The Member is free to sell or otherwise transfer shares of the Company at any time between the record date and the date of the Extraordinary General Meeting to which it applies.

At the Extraordinary General Meeting, evidence of the shareholder's status may be established with the presentation of the Identity Card or other certificate of recognition, based on which the Company can make possible the identification with the Shareholders Registry.

## **2. MEMBERS' RIGHTS**

### **(a) Right of placement of proposed resolution**

Member or Members have the right until Thursday, 29th March 2012, to submit a proposed resolution as a subject of the Agenda of the Extraordinary General Meeting, (1) through electronic means (at the electronic address [kliakou@marfinbank.com](mailto:kliakou@marfinbank.com)), (2) by sending fax to +357 22811491, or (3) by postal means at the registered address of the Company 154 Limassol Ave., P.S. 2025, Nicosia, provided that they own at least 5% of the issued share capital which represents at least 5% of the total voting rights of all the members which have the right to vote at the general meeting to which the application for the inclusion of the subject relates.

### **(b) Right of submission of questions**

Subject to any measures the Company may take in order to safeguard the identity of the Member and in accordance with the provisions of article 128C(2) of the Companies Law Cap. 113 (the "Law"), any Member has the right to submit questions relating to the subjects of the agenda of the general meeting, during the discussion at the general meeting of the item, which the questions relate and obtain answers to these questions. The Company may provide a general answer to questions with the same content.

### **(c) Right of voting**

A Member which attends either in person or through a proxy and has the right of more than one vote does not need, if he does vote, to use all the votes or cast all the votes he will use in the same way.

## **3. RIGHT TO APPOINT PROXY**

Any Member entitled to attend, speak, ask questions and vote at a general meeting is entitled to appoint another person, either a Member, or not, as his proxy, or where permitted by the Law, one or more proxies to attend, speak, ask questions and vote in his place.

The appointed proxy may be an individual or legal person and will act according to the instructions given by the Member appointing him.

For the purpose of the Extraordinary General Meeting of April 2, 2012, the Company has made available on its website, [www.marfinbank.com](http://www.marfinbank.com) (Latest News / Extraordinary General Meeting 2 April 2012), instrument of proxy. The proxy is appointed by a relevant instrument of proxy which has to be

submitted &/or notified to the Company at least 48 hours before the date of the meeting by one of the following ways:

- By post to the Company's registered address 154 Limassol Avenue, P.S. 2025 Nicosia
- Through electronic means by sending to fax: +357 22811491
- By electronic transmission (e-mail) to the e-mail address [kliakou@marfinbank.com](mailto:kliakou@marfinbank.com)

The Member is requested to ensure the confirmation of a successful transmission of the instrument of proxy and its receipt by the Company by calling the phone number: +357 22811044.

#### **4. AVAILABLE DOCUMENTS AND INFORMATION**

The full and complete text of the proposed resolutions and any documents referred to article 127A(4) of the Law will be available on the Company's website [www.marfinbank.com](http://www.marfinbank.com), and copies of the said documents may be received from the registered office of the Company (154 Limassol Ave., P.S. 2025, Nicosia) without any charge in accordance with the current legislation.

## APPENDIX 1 – Major Points of the Special Resolutions

Special Resolution 1	Reduction of Nominal value to €0,10	<ul style="list-style-type: none"> <li>To align the issue prices to the current trend of the share price of the Bank and to provide to the BoD the necessary flexibility</li> <li>From €0,85 to €0,10 via the capitalisation of losses for an amount of €1.208m.</li> </ul>	
Special Resolution 2	Capitalisation of the Share Premium	<ul style="list-style-type: none"> <li>Constitutes part of the plan to reduce the nominal value per share from €0,85 to €0,10</li> <li>An amount up to €1.900.000.000 will need to be utilised to write off losses from the available Share Premium</li> </ul>	
Special Resolution 3	Share Capital of €1,8bln. (total Special Resolutions 3(A) και 3(B))	Special Resolution 3(A)	<ul style="list-style-type: none"> <li>Amount up to € 900.000.000 to be offered to investors selected by the BoD of the Bank via a private placement</li> <li>Minimum issue price of the private placement will be €0,30 per share.</li> <li>Maximum number of shares to be issued is 3bln. assuming maximum amount is issued (€900.000.000) at the lowest value (€0,30).</li> </ul>
		Special Resolution 3(B)	<ul style="list-style-type: none"> <li>Amount of up to €1.800.000.000 of Rights to be offered pro-rata to shareholders</li> <li>Issue price to be less than €0,30 per share</li> <li>For the maximum amount of €1.800.000.000, 6,02bln. shares (issue price of €0,299) and 18bln shares (issue price €0,10 i.e. suggested new nominal value) may be issued</li> <li>Maximum number of shares to be issued is 18bln. assuming maximum amount is issued (€1.800.000.000) at the lowest value (€0,10 i.e. suggested new nominal value).</li> <li>The BoD will be authorised to decide and take action for the allotment, of any Rights offered to the shareholders and not taken up. It is possible that a large number of shares may potentially be taken by third parties due to the big amounts required and the potential low demand of the shareholders</li> </ul>
Special Resolution 4*	Exchange offer to Capital Securities of €738m with Enhanced Capital Securities (ECS)	<ul style="list-style-type: none"> <li>Voluntary exchange offer to the holders of Existing Capital Securities issued of up to €737.753.000 with ECS.</li> <li>Exchange at the nominal value of the Existing Capital Securities and the ECS</li> <li>ECS can be mandatorily converted into shares under certain conditions</li> <li>Under a scenario of exchanging all Existing Capital Securities with ECS and conversion of all ECS with shares a total amount of 7.378m. new shares may be issued (assuming issue price is at the suggested new nominal value of €0,10)</li> </ul>	
Special Resolution 5*	Exchange offer to Capital Securities of €369m. with new shares	<ul style="list-style-type: none"> <li>Voluntary exchange offer to the holders of Existing Capital Securities issued of up to €369m. with new shares</li> <li>Exchange at the nominal value of the Existing Capital Securities</li> <li>Issue price of new shares will be the same as the Rights Issue price</li> <li>Under the scenario of the maximum amount of exchange with shares €369m. 1.234m shares (issue price of €0,299) and 3.689m shares (issue price of €0,10) may be issued</li> </ul>	
Special Resolution 6	Cancellation of Special Resolution dated 28/9/2011	<ul style="list-style-type: none"> <li>Cancellation of the provisions of Special Resolution 1 as approved at the Extraordinary General Meeting of 28 September 2011 since its provisions will be covered by the approval of Special Resolutions 4 and 5</li> </ul>	
Special Resolution 7	Issue of Share Warrants (SW)	<ul style="list-style-type: none"> <li>Free issue of SWs to the acquirers of new shares to be issued by the Company under Special Resolutions 3 (B) and (5)</li> <li>Also, the Board of Directors will be authorised to issue SWs at its absolute discretion to the acquirers of new shares to be issued by the Company under Special Resolution 3(A)</li> <li>The issue of SWs will be in the ratio of 1 SW for every 5 new shares to be acquired and with the exercise of 1 SW, 1 new share will be allotted.</li> </ul>	
Special Resolution 8	Change of Name	<ul style="list-style-type: none"> <li>Change of the name of the company from Marfin Popular Bank Public Co Ltd to Cyprus Popular Bank Public Co Limited. The suggested change of the name is considered to fit the character of the Bank as a Cypriot entity.</li> </ul>	

\* The holders of Existing Capital Securities will have both options. It should be noted that the total amount of Existing Capital Securities that may be exchanged into ECS or/and new shares is the total nominal value i.e. €737.753.000.

## **APPENDIX 2 – Special Resolutions for the Extraordinary General Meeting**

The following resolutions will be proposed for approval during the Extraordinary General Meeting of the shareholders of the Bank which will be held on the 2<sup>nd</sup> of April 2012 at 4:00 p.m.

### **SPECIAL RESOLUTION 1:**

“That, the authorised share capital of the Company which is Euro 2.465.000.000 divided into 2.900.000.000 ordinary shares of nominal value Euro 0,85 each, as well as the issued share capital of the Company which is Euro 1.369.443.974,30 divided into 1.611.110.558 ordinary fully paid shares of Euro 0,85 each, are reduced, the authorised share capital into Euro 290.000.000 divided into 2.900.000.000 ordinary shares of nominal value Euro 0,10 each and the issued share capital into Euro 161.111.055,80 divided into 1.611.110.558 ordinary fully paid shares of Euro 0,10 each, and that this reduction is carried out with the reduction of the nominal value of each ordinary share from Euro 0,85 each to Euro 0,10 each, for the purpose of writing off losses and/or losses of capital, and immediately after the above reduction the authorised share capital of the Company is re-increased to the amount of Euro 2.465.000.000,00 which will be divided into 24.650.000.000 ordinary shares of Euro 0,10 each.”

### **Explanation:**

Special Resolution 1 is proposed for the reduction of the nominal value of the Company's share in order to facilitate the implementation of the proposed recapitalisation plan of the Company and the issue of new shares and capital securities, as specified in Special Resolutions 3 to 7. Special Resolution 1 is subject to ratification by the Nicosia District Court. The reduction of the issued share capital is proposed for writing off losses and losses of capital, issues arising because of the exposure of the Company in the Greek market and mainly because of the impairment of the Greek government bonds. The nominal value of the share has been set at Euro 0,10 to provide the maximum possible flexibility for the issue of shares, while there is no restriction on the maximum issue price, which may be set from time to time, further to the nominal value.

### **SPECIAL RESOLUTION 2:**

“That, the share premium balance which is maintained under article 55 of the Companies Law, CAP 113, amounting to Euro 1.900.000.000 is utilised for writing off losses of the Company.”

### **Explanation:**

Special Resolution 2 is proposed in order to facilitate the implementation of the proposed recapitalisation plan of the Company, as explained for Special Resolution 1. Special Resolution 2 is subject to ratification by the Nicosia District Court.

### **SPECIAL RESOLUTION 3:**

“That, under the condition that Special Resolution 1 for the reduction of the issued and authorised share capital and the re-increase of the authorised share capital is approved, the Board of Directors of the Company be authorised and is hereby authorised to issue and allot such number of shares for raising share capital of up to Euro 1.800.000.000 as follows:

(A) to investors of its choice as follows:

(i) up to 50% of the amount of Euro 1.800.000.000 at an issue price which will not be lower than Euro 0,30 per share, without these shares being firstly offered to the shareholders of the Company,

or

(ii) up to 50% of the amount of Euro 1.800.000.000 with the issue and allotment by the Board of Directors at par of a Mandatory Convertible Bond (“MCB”) into shares, at a conversion price not less than Euro 0,30 and any other additional conditions to be determined by the Board of Directors and will be issued and converted into shares at their nominal value before the 31st December 2012, without the MCB and the shares that will result from the mandatory conversion to be offered to the existing shareholders of the Company,

and/or

(B) a Rights Issue up to the amount of Euro 1.800.000.000 to be offered pro-rata to existing shareholders with an exercise price lower than Euro 0,30 per share and with any other conditions to be determined by the Board of Directors and be included in a Prospectus.

That the Board of Directors be authorised and is hereby authorised to decide and take action for the allotment, including the allotment to third parties, of any Rights offered to the shareholders and not taken up.”

**Explanation:**

Special Resolution 3 is proposed to facilitate the actions for the recapitalisation of the Company. It enables the issue up to 50% of the capital to be issued of Euro 1.800.000.000 to investors selected by the Board of Directors, either with the issue of shares at a price not less than Euro 0,30 per share, or with the Mandatory Convertible Bond with a conversion price into shares also at not less than Euro 0,30 per share, without the shares issued in any of the above mentioned methods being offered to the shareholders of the Company.

Additionally or alternatively the Board of Directors will be able to issue Rights to the shareholders up to the same amount of share capital of Euro 1.800.000.000 at an exercise price less than Euro 0,30, which is the lowest price at which it might be possible to issue new shares to third party investors according to Part A of this Special Resolution and the Rights not taken up by the shareholders may be offered to third parties at the same exercise price.

**SPECIAL RESOLUTION 4:**

“That, under the condition that Special Resolution 1 for the reduction of the issued and the authorised Share Capital and the re-increase of the authorised share capital is approved, the Board of Directors of the Company be authorised and is hereby authorised to proceed with the issue of Enhanced Capital Securities (“ECS”) of a total nominal value of Euro 737.753.000 which will be issued to the holders of the capital securities (i) issued in 2008 CPBCS (200.000 capital securities of nominal value Euro 1.000 each), (ii) issued in 2009 CPBCB (242.229 capital securities of nominal value Euro 1.000 each) and (iii) issued in 2010 CPBCC (295.524 capital securities of nominal value Euro 1.000 each), referred to as “Capital Securities Under Exchange”, who will accept the offer of the Company for the voluntary exchange of the Capital Securities Under Exchange with ECS at their nominal value.

That the Board of Directors be authorised and is hereby authorised to proceed with the issue and allotment of the required number of shares, in the framework of the ECS conversion into ordinary shares of the Company which is activated under certain conditions to be determined in the issue terms of the ECS, as these will be defined by the Board of Directors and be included in a Prospectus, without these shares being firstly offered to the shareholders of the company but be allotted to the holders of the ECS.”

**Explanation:**

Special Resolution 4 enables the Board of Directors to issue Enhanced Capital Securities (“ECS”) of a total nominal value up to Euro 737.753.000 to the holders of capital securities issued in 2008, 2009 and 2010 for voluntary exchange of their capital securities. The ECS will constitute Tier I capital compatible with Basel III. The conversion of ECS into shares of the Company will be activated under certain conditions and in accordance with the terms that will be decided by the Board of Directors and will be included in a Prospectus, without the shares being firstly offered to the shareholders.

The purpose of Special Resolution 4 is to facilitate the recapitalisation of the Company.

**SPECIAL RESOLUTION 5:**

“That, under the condition that Special Resolution 1 for the reduction of the issued and the authorised Share Capital and the re-increase of the authorised share capital is approved, the Board of Directors of the Company be authorised and is hereby authorised to proceed with the issue and allotment of new ordinary shares to the holders of capital securities (i) issued in 2008 CPBCS (200.000 capital securities of nominal value Euro 1.000 each), (ii) issued in 2009 CPBCB (242.229 capital securities of nominal value Euro 1.000 each) and (iii) issued in 2010 CPBCC (295.524 capital securities of nominal value Euro 1.000 each), referred to as “Capital Securities Under Exchange”, who will accept the offer of the Company, under such terms that will be determined by the Board of Directors and will be included in the Prospectus, for the voluntary exchange of Capital Securities Under Exchange they hold, at their nominal value, with ordinary shares of the Company at a conversion price to be determined during the Rights Issue in accordance with Special Resolution 3 (B). The maximum amount of Capital Securities Under Exchange that could be exchanged with shares will not exceed 50% of the total nominal value of Euro 737.753.000, while in case of oversubscription of the available amount, the allotment will be made pro rata. The shares that might be issued and allotted in the framework of such an offer for a voluntary exchange of the Capital Securities Under Exchange, will not be firstly offered to the existing shareholders of the Company.”

**Explanation:**

Special Resolution 5 enables the Board of Directors to issue new shares of total nominal value that will not exceed 50% of the total nominal value of Euro 737.753.000 to the holders of capital securities issued in 2008, 2009 and 2010 for the voluntary exchange of their securities. The exchange of the said capital securities and the conversion into shares of the Company will be made under the terms that will be decided by the Board of Directors at the Rights Issue, without the shares being firstly offered to the shareholders.

The purpose of Special Resolution 5 is to facilitate the recapitalisation of the Company. The holders of capital securities issued in 2008, 2009 and 2010 will be able to choose if they so wish, and in accordance with the terms to be determined, to voluntarily exchange their capital securities in accordance with Special Resolution 4 and/or Special Resolution 5.

**SPECIAL RESOLUTION 6:**

“That, under the condition that Special Resolutions 4 and 5 are approved, Special Resolution 1 as approved by the Extraordinary General Meeting dated 28 September 2011, be cancelled and is hereby cancelled.”

**Explanation:**

With the approval of Special Resolutions 4 and 5, the provisions of Special Resolution 1 as approved at the Extraordinary General Meeting of 28 September 2011 become redundant and its cancellation is therefore proposed.

**SPECIAL RESOLUTION 7:**

“That, under the condition that Special Resolution A for the reduction of the issued and authorised share capital and the re-increase of the authorised share capital is approved, the Board of Directors of the Company be authorised and is hereby authorised to issue Share Warrants to (i) the acquirers of new shares to be issued by the Company under Special Resolutions 3(B) and/or 5 and (ii) at its absolute discretion to the acquirers of new shares to be issued by the Company under Special Resolution 3(A), in the ratio of one (1) Share Warrant for every five (5) new shares to be acquired and with the exercise of one (1) Share Warrant one (1) new share will be allotted and with any other terms to be decided by the Board of Directors as included in a Prospectus. The above mentioned Share Warrants and the new shares resulting from the exercise of the Share Warrants will be issued to the beneficiaries without being firstly offered to the existing shareholders of the Company.”

**Explanation:**

Special Resolution 7 enables the Board of Directors (i) to issue Share Warrants to persons who will acquire new shares under the provisions of Special Resolutions 3(B) and/or 5 and (ii) at its absolute discretion to issue Share Warrants to the acquirers of new shares under Special Resolution 3(A), i.e. to investors of its choice. The provision of the authority to issue Share Warrants, as the proposed resolution, aims to facilitate the recapitalisation of the Company.

**SPECIAL RESOLUTION 8:**

“That the name of the company be changed and is hereby changed to Cyprus Popular Bank Public Co Ltd.”

**Explanation:**

The proposed changed name of the Company is considered more appropriate to the nature of the Company as a Cypriot entity.

Independent opinion with regards to the proposals and explanations, contained  
in the Information Memorandum with reference to Special Resolutions 1-8,  
which are proposed for adoption by the shareholders of  
**Marfin Popular Bank Public Co Limited**  
at the Extraordinary General Meeting  
on 2<sup>nd</sup> April 2012

**Deloitte Limited**

**19 March 2012**

19 March 2012

Board of Directors  
Marfin Popular Bank Public Co Ltd  
154 Limassol Avenue,  
CY-2025 Nicosia,  
Cyprus

Dear Sirs,

## Independent Expert's Report

According to the instructions that you have provided to us and further to our appointment by you as reliable advisors/experts, we present here below our independent opinion, with regards to the proposals and explanations contained in the Information Memorandum addressed to the Shareholders of Marfin Popular Bank Public Co Ltd ("the Bank"), with reference to Special Resolutions 1-8, which are proposed by the Board of Directors of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012. Our independent opinion is required for the purpose of complying with the provisions of Article 15 (1) (e) of the Public Takeover Bids Law 41 (I) of 2007 which permit under certain conditions the granting by the Securities and Exchange Commission of an exemption from the obligation to make a public offer.

Our report presents our opinion in relation to the following:

- i. The Special Resolutions 1-8 proposed by the Board of Directors ("BoD") of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012,
- ii. The new shareholding structure of the Bank that may possibly result from the issue of new securities on the basis of Special Resolutions 1-8, and
- iii. The range of prices at which securities can be issued as proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> of April 2012, with Special Resolutions 1-8.

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Yiannos Ioannou, Paul Mallis, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Michael Christoforou (Chairman Emeritus).

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Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). **Offices:** Nicosia, Limassol, Larnaca.

Member of Deloitte Touche Tohmatsu Limited

In preparing our report we have relied on the following:

- On information and data contained in the Information Memorandum dated 19 March 2012, that relate to the Special Resolutions 1-8 which the shareholders of Marfin Popular Bank Public Co Ltd are called upon to approve at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012,
- On the explanatory statement issued by the BoD on the Preliminary Financial Results for the year ended 31 December 2011,
- On the announcement dated 2 March 2012 for an invitation to the Extraordinary General Meeting of the 2<sup>nd</sup> April 2012,
- On the announcement dated 18 August 2011 which contains the invitation to the Extraordinary General Meeting of the 28<sup>th</sup> of September 2011,
- On information, financial data and explanations which have been provided to us by the Board of Directors and the management of Marfin Popular Bank Public Co Limited, and
- On other information and data that we derived from the market and from reliable external sources that were deemed necessary for conducting our work.

It is noted that, any other important data and information that may not have been provided or disclosed to us, may have an impact on the conclusions of our report.

Our work was conducted between 7 March - 16 March 2012. We are not responsible for the consequences arising from any events that have occurred or were disclosed after the completion of our work, that may be significant in relation to the information based on which we have expressed our the opinion.

We also clarify that we have not performed any audit procedures aiming at confirming the accuracy of the information and data provided to us and we emphasize that our work cannot be considered to represent in any way a valuation of the shares of Marfin Popular Bank Public Co Limited nor an independent financial audit of the consolidated and/or separate financial statements of the Bank. Any significant change in the data and information provided to us may potentially change the conclusions of our report. It is further emphasized that this report does not constitute an investment advice of any kind to current or prospective investors. Furthermore the shareholders of the Bank should obtain their own professional advice in relation to the proposals under consideration and Deloitte Limited accepts no responsibility for their final decision.

We are at your disposal for any additional information you may require.

Yours sincerely,

**Deloitte Limited**

## Terminology/ Glossary of Terms

The following terms, which are used in this report, have the following interpretation:

“ECS”:	Enhanced Capital Securities as referred to in Special Resolution 4 which will be compatible with the provisions of Basel III and CRD IV and acceptable by the Central Bank of Cyprus in relation to their classification as Tier 1 Capital.
“SW”:	Share Warrants.
“Rights”:	Share Purchase Rights.
“Directors”:	The members of the Board of Directors of the Bank.
“BoD”:	The Board of Directors of the company Marfin Popular Bank Public Co Ltd.
“Special Resolutions”:	Means the eight (8) Special Resolutions to be submitted for approval at the Extraordinary General Meeting of the shareholders of the Bank on 2 <sup>nd</sup> April 2012.
“Mln. ”:	Millions.
“Shares”:	1.611.110.558 issued shares of the Bank, with a nominal value of €0,85 each.
“Law”:	The Public Takeover Bids Law 41(I) 2007
“Group” or “Marfin Popular Bank Group”:	Marfin Popular Bank Public Co Ltd and its subsidiary companies.
“Information Memorandum”, “IM”:	The Information Memorandum dated 19 March 2012, prepared by Marfin CLR (Financial Services) Ltd for the purpose of informing the shareholders of the Bank as well as for the compliance with paragraph (e) of subsection (1) of Article 15 of the Public Takeover Bids Law 41 (I) 2007.
“Bank”, “Company”:	Marfin Popular Bank Public Co Ltd.
“Existing Securities”:	The capital securities of the Bank (i) 2008 CPBCS issue (200.000 securities with nominal value of Euro 1.000 each), (ii) 2009 CPBCB issue (242.229 securities with nominal value Euro 1.000 each) and (iii) 2010 CPBCC issue (295.524 securities with nominal value Euro 1.000 each).
“CSE”:	The Cyprus Stock Exchange
“€”:	Euro.

## *Terms of Reference,*

The BoD of the company Marfin Popular Bank Public Co Limited has assigned to us the preparation of an independent expert's opinion with regards to the proposals and explanations contained in the Information Memorandum with reference to Special Resolutions 1-8 that are proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012, the new shareholding structure of the Company that may result, as well as the range of prices at which new securities may potentially be issued. Our independent opinion is required for the purpose of complying with the provisions of Article 15(1)(e) of the Public Takeover Bids Law 41(I) of 2007, which permit under certain conditions the granting by the Securities and Exchange Commission of an exemption from the obligation to make a public offer.

The purpose of our report is to express an opinion in relation to:

- i) the Special Resolutions 1-8 that are proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012,
- ii) the new shareholding structure of the Bank that may result from the issue of new securities in accordance with the Special Resolutions 1-8, and
- iii) the range of prices at which new securities may potentially be issued, as proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012.

It is noted that some of the figures presented in the tables of this report have been rounded up or down accordingly for presentation purposes. As a result, differences may occur in the calculations of the numbers presented. These differences affect only the presentation and not the accuracy of the calculations.

## *History of the Group*

Marfin Popular Bank Public Co Ltd is a public limited company, registered in Cyprus since 1924 with registration number 1, under the Cyprus Companies Law, Cap. 113. The registered office of the Bank is located at 154 Limassol Avenue, CY-2025 Nicosia, PO Box 22032, 1598 Nicosia.

The Bank provides a full range of banking and financial related services. The Group also offers insurance services through a related company. The Group operates in Cyprus which is its main base, in Greece, United Kingdom, Guernsey, Serbia, Romania, Ukraine, Malta and Russia.

According to the Information Memorandum, for the year ended 31 December 2011, the Group had the following results:

- Net interest income €799 mln,
- Total operating income €1.037 mln,
- Profits before impairment €388 mln,
- Provision for impairment of advances €1.151 mln,
- Impairment of investments in shares and bonds €2.166 mln,
- Impairment of goodwill €821 mln, and
- Total losses attributable to the shareholders €3.335 mln.

In the Information Memorandum dated 19 March 2012, it is stated that the Management of the Bank deems appropriate to assume an additional adjustment of €110 mln to Shareholders' Interest to what was originally included in the Preliminary Consolidated Results of 2011, following the final determination of the accounting presentation of the restructuring scheme of the Greek public debt (PSI+). The Shareholders' Interest before the adjustment on 31 December 2011 was €810 mln, whereas after the adjustment it was €700 mln. According to the IM, the aforementioned final accounting presentation of the participation in the restructuring scheme of the Greek public debt (PSI+) may differ from that calculated above in the final financial results.

According to the BoD of the Bank, an increase in capital is required in order for the Group to comply with the target ratio of Core Tier 1 Capital of 9% which is provided by the application set by the European Banking Authority (EBA). Towards this purpose, the BoD of the Bank proceeded with the compilation of a recapitalization plan for the Bank, which is analyzed in the Information Memorandum.

## *Analysis of Special Resolutions*

### *Introduction*

The Special Resolutions which will be submitted for approval at the Extraordinary General Meeting of the shareholders of the Bank to be held on 2 April 2012, relate to the recapitalization plan, as well as to the change of the name of the Bank to Cyprus Popular Bank Public Co Limited in order to reflect the new strategic direction of the Group as a Cypriot entity.

Specifically, Special Resolutions 1 to 7 relate to the recapitalization plan and in particular to the issue of ordinary shares and the exchange of capital securities for shares and/or ECS.

In relation to the compliance of the Group with the target ratio of Core Tier 1 Capital of 9% which is provided by the application set by the European Banking Authority, a new issue of capital is required, in accordance with the capital plan submitted to the Central Bank of Cyprus, and which has already been agreed with the competent supervisory authorities which will oversee its implementation.

According to the Information Memorandum the plan of the BoD of the Bank provides for the following:

- €1,35 bln with the issue of ordinary shares through a Rights issue and/or through private placement,
- €600 mln approximately from the exchange to Core Tier 1 Capital, part of the outstanding capital securities and subordinated debt (Tier 2 capital), amounting to €1,15 bln, and
- €400 mln approximately, through the management of risk weighted assets of the Group, including the divestment from non-core activities/ investments.

It is noted that any acquisition of more than 10% of the share capital of the Bank that may result from the implementation of Special Resolutions 1-8, is conditional upon securing approval from the Central Bank of Cyprus.

Additionally, Special Resolution 8 relates to the change of the name of the Bank.

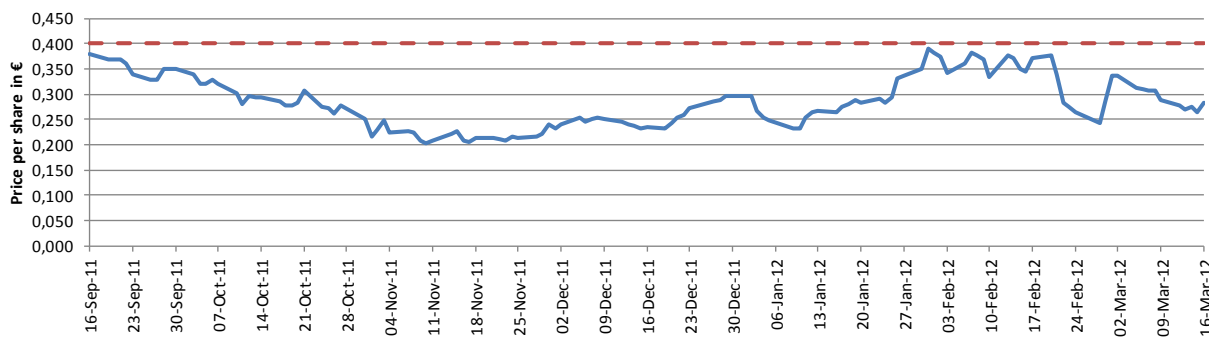
### *Special Resolutions 1 and 2*

In Special Resolution 1, the BoD of the Bank proposes the change in the nominal value of the ordinary shares of the Bank from €0,85 to €0,10.

According to the legislation and the Companies Law Cap. 113, the issue price of a share may not be lower than the nominal value at the time, while the current nominal value of € 0,85 per share of the Bank is significantly higher than the recent market price of the share. It is noted that the current market price (16 March 2012) is €0,283 per share.

It is also noted that the recent market price of the shares ranged below € 0,40 during the last 6 months (see Diagram 1), and as a result any issue of shares or Rights at a price equal to or greater than the current nominal value of €0,85 per share would not result to a successful outcome since it would not be considered competitive and/or beneficial.

**Diagram 1: Historical closing price of shares CPB**



It is noted that the nominal value of the shares of the Bank simply represents their accounting value for presentation purposes, which remains stable and does not fluctuate. As a result, it is not indicative of the real/current value of the share at any time.

Moreover, through Special Resolution 1 as well as Special Resolution 2, the BoD of the Bank proposes the write off of the losses that have accumulated in the Retained Earnings of the Bank on a stand alone basis as at 31 December 2011, in order to better present the reserves and consequently the equity of the Bank and the Group, both on a consolidated and a stand alone basis. Furthermore, pursuant to the provisions of the Companies Law Cap 113, a public company cannot make dividend payments while it has accumulated losses.

Special Resolution 1 is subject to ratification by the Nicosia District Court.

Based on Special Resolution 2, the amount out of the Share Premium Reserve which is proposed to be made available for the write off of losses is € 1.900.000.000.

The total amount of losses that may potentially be written off according to Special Resolutions 1 and 2 is as follows:

**Table 1: Breakdown of losses proposed to be written off according to Special Resolutions 1 and 2**

	€ mln
From the reduction of the issued share capital as a result of reducing the nominal value of shares (€0,75 x 1.611 mln shares)	1.208
From the reduction of the Share Premium Reserve an amount up to	1.900
<b>Maximum amount of losses that may potentially be written off</b>	<b>3.108</b>

Based on the above, the composition of the equity of the Bank is expected to evolve as shown below:

**Table 2: Evolution of equity according to Special Resolutions 1 and 2**

	31 December 2011*		
	Before the reduction of the issued share capital and Share Premium Reserve € mln	After the reduction of the issued share capital but before the decrease of Share Premium Reserve € mln	After the reduction of the issued share capital and Share Premium Reserve € mln
Ordinary Shares	1.369	161	161
Share Premium Reserve	2.335	2.335	435
Retained Earnings and Other Reserves**	(3.004)	(1.796)	104
<b>Total equity</b>	<b>700</b>	<b>700</b>	<b>700</b>

\* Based on the Preliminary Consolidated Results of the Bank for the year ended 31 December 2011 and the additional estimated adjustment in Shareholders' equity of € 110 mln that is referred to in the Information Memorandum dated 19 March 2012.

\*\* Please note that the write off of losses amounting to € 3.108 mln from the Retained earnings and Other Reserves represents the maximum amount that may be written off in accordance with the provisions of Special Resolutions 1 and 2 and is shown in this table for presentation purposes only.

It is noted that the provisions of Special Resolutions 1 and 2 do not affect the total equity of the Bank, but only its composition, as shown in Table 2 above. As a result, the Shareholders' Interest per share as well as the current value of the Share Capital and Reserves of the Bank are not affected in any way.

It is clarified that the capital reduction is based on the separate financial statements of the Bank (stand-alone basis) and not on the basis of the consolidated financial statements. It is also noted that Special Resolution 2 is conditional upon the approval of Special Resolution 1, while it is subject to ratification by the District Court of Nicosia.

### *Special Resolution 3*

In Special Resolution 3, the BoD of the Bank proposes the authorization of the BoD of the Bank to issue shares up to €1.800.000.000 as follows:

- Special Resolution 3(A): Issue of share capital up to 50% of the amount of € 1.800.000.000 (i.e. € 900.000.000) to investors selected by the BoD of the Bank (Private Placement) at a price not lower than €0,30 per share.

The issue of shares by Private Placement can be done through the issue of shares or by issuing Mandatorily Convertible Bonds ("MCB") until 31 December 2012.

- Special Resolution 3(B): Issue of share capital of up to €1.800.000.000 through a Rights issue at an exercise price per share lower than € 0,30 with a minimum price equal to the nominal value of €0,10 per share.

Special Resolution 3 does not specify the order in which the above issues will take place but allows this to be determined by the BoD, thereby giving rise to the following potential scenarios:

1. The issue of share capital through a Private Placement to occur prior to the issue of Rights. Under this scenario there is a possibility to reduce (dilute) the percentage holding of existing shareholders in the share capital of the Bank, prior to offering them the opportunity to participate in the increase of share capital, that is required to strengthen the Bank's capital base, in order to maintain their percentage holding in the capital of the Bank.

However, due to the need for capital inflows to the Bank particularly in the event that a strategic investor is identified, then this scenario is likely to contribute positively to the share price, i.e. existing shareholders might be positively affected, besides the dilution that they will suffer in their percentage holding on the share capital of the Company. However, if the issue of share capital through the Rights issue occurs subsequently, then an opportunity will be provided to those who will exercise such Rights to limit the reduction (dilution) in their percentage holding of the share capital of the Bank held prior to the Private Placement.

2. The issue of Rights to occur prior to the issue of share capital through the Private Placement. Under this scenario, the following possibilities exist:
  - i. Although the existing shareholders have the opportunity to participate in the recapitalisation of the Bank, there is a possibility that the response will not be satisfactory if the existence of one or more potential strategic investors interested to invest in the Bank through the Private Placement does not become known.

- ii. The announcement of the existence of one or more strategic investors might lead to a significantly increased raising of funds through the exercise of Rights, an outcome which may not provide an adequate opportunity to the strategic investor to participate in the Bank's share capital through the Private Placement.
3. The issue of Rights and the Private Placement to occur simultaneously. In case the funds to be raised by both issues exceed the threshold of €1,8 billion specified in Special Resolution 3, then the BoD of the Bank should consider a pro-rata allocation of the funds to be raised from the exercise of Rights and the Private Placement.

## Special Resolution 3(A)

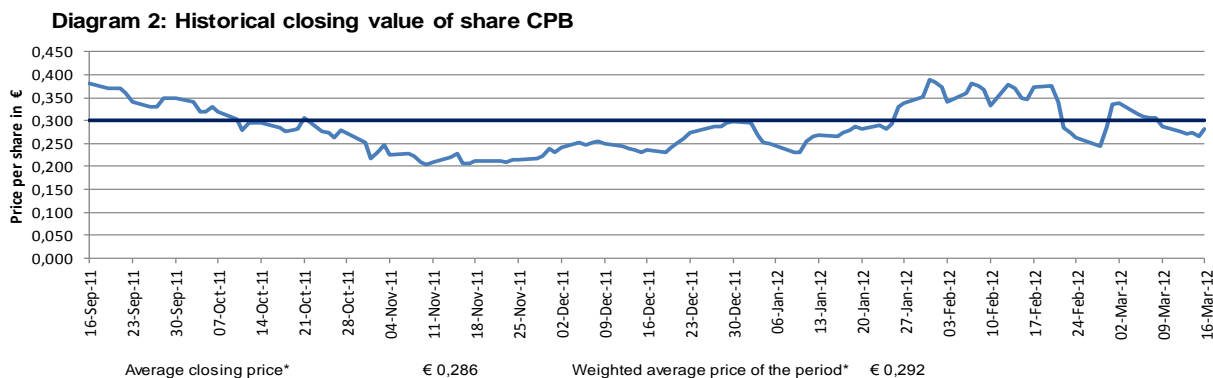
In Special Resolution 3(A), the BoD of the Bank proposes the authorization of the BoD of the Bank to issue share capital up to 50% of the amount of € 1.800.000.000 (i.e. € 900.000.000) through an issue to investors selected by the BoD of the Bank (Private Placement).

Special Resolution 3 (A) alternatively provides authorisation to the BoD to issue Mandatorily Convertible Bonds ("MCB") convertible into shares, at a conversion price higher than €0,30, which will be issued and converted into shares at the par value of the MCB until 31 December 2012. Due to the mandatory conversion of MCB into shares until 31 December 2012, they are considered to have substantially the same effect on the shareholding structure of the Bank as the direct issue of shares through Private Placement.

Based on Special Resolution 3 (A), the issue price of shares through Private Placement will not be lower than €0,30 per new share.

The shares that will be offered through Private Placement as well as the MCB and shares that will result from their mandatory conversion will not be offered preferentially to the current shareholders of the Bank.

With regards to setting the minimum price for the Private Placement, this price has been set higher than the average closing price as well as the weighted average price for the period beginning 16 September 2011 and ending 16 March 2012 (see Diagram 2)



\*Period from 16 September 2011 up to 16 March 2012

Appendix 1 illustrates certain scenarios regarding the theoretically adjusted share price, after the exercise of the Rights and the voluntary exchange of the Existing Securities with new shares, but before selling any potentially undistributed Rights to Third Parties and before the Private Placement.

As shown in Appendix 1, the minimum issue price of the Private Placement is expected to be at higher levels than the theoretically adjusted share price after the exercise of the Rights as well as after the voluntary exchange of Existing Securities with new shares. It is noted that the current share price on 16 March 2012 was €0,283.

It is noted that Appendix 1 includes an estimate by the BoD of the Bank for the conversion of Existing Securities of a total nominal value of €258 mln in shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued, as specified by the BoD in the Information Memorandum, at a price equal to the exercise price of the Rights.

It is further noted that the prices presented in Appendix 1 do not take into consideration any other factors beyond the size and the exercise price of the Rights, as well as the size and the conversion price of Existing Securities into new shares.

Appendices 3-5 present the evolution of the shareholding structure of the Bank based on various scenarios for the percentage of Rights to be exercised (Special Resolution 3 (B)), the percentage of Existing Securities to be converted into new shares (Special Resolution 5), the percentage of Rights that have not been exercised and which may be disposed of/sold to third parties which will be exercised (Special Resolution 3 (B)) as well as the funds to be raised through the Private Placement (Special resolution 3 (A)). Appendices 3, 4 and 5 present the change in the shareholding structure calculated on the basis of the percentage of capital raised through Private Placement set at 100%, 50% and 0% respectively.

It is noted that, for the purpose of calculating the evolution of the shareholding structure of the Bank, the following assumptions have been made:

- 1) Any Rights below 50% of the total issue of €1,8 billion that will not be exercised by the existing shareholders of the Bank will be disposed of/sold by the BoD of the Bank to third parties at a price that will correspond to the minimum issue price of the Private Placement (i.e. €0,30) even though they will be exercised at the exercise price of the Rights (i.e. €0,25), and
- 2) The capital to be raised by issuing shares through Private Placement may reach up to a maximum of €900 mln at the minimum issue price of the Private Placement pursuant to Special Resolution 3 (A) (i.e. €0,30), with the exception of instances where funds to be raised from the exercise of Rights exceed 50% of the total of €1,8 billion, in which case the funds drawn through Private Placement and through the Rights issue are estimated to be allocated proportionately (pro-rata) to the existing and new shareholders.

Based on the above, in case that

- the funds raised from the exercise of Rights under Special Resolution 3(B) reach only 50% of the total (i.e. €900 mln.) and the Rights are exercised at a price of €0,25 per share,

- Existing Securities of total nominal value of €258 mln are converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price of €0,25 per share, and
- funds raised from the Private Placement pursuant to Special Resolution 3(A) reach 50% of the total (i.e. €450 mln),

then the total participation of existing shareholders of the Bank will be reduced to 55%, as shown in Appendix 4.

### *Special Resolution 3(B)*

In Special Resolution 3(B), the BoD of the Bank proposes the authorization of the BoD of the Bank to issue shares up to €1.800.000.000 through a Rights issue.

Based on the Information Memorandum and Special Resolution 3 (B) the exercise price of the Rights, which will be issued pro-rata to existing shareholders, will be lower than €0,30 per new share. At the same time, the minimum exercise price will be the nominal value of €0,10 per share (as it is proposed in Special Resolution 1).

It is noted that the minimum exercise price of the Rights, which is set at the nominal value of the shares (€0,10 per share), is in agreement with the provisions of the Companies Law Cap 113.

Regarding the maximum exercise price of the Rights, the BoD of the Bank must take into consideration that in order for the price to be attractive and beneficial to the shareholders:

- 1) it should provide a discount to existing shareholders of the Bank and to holders of the Rights in relation to
  - i. the current stock market price of the shares,
  - ii. the theoretically adjusted stock market price of the shares after the exercise of the Rights, as well as after the voluntary exchange of Existing Securities with new shares,
  - iii. the proposed minimum issue price of the Private Placement, which is placed at €0,30 per share, based on Special Resolution 3 (A), and
- 2) it should be set at such levels that will enable the proposed minimum issue price of the Private Placement to be at similar levels to the Shareholders' interest per share (net book value per share), as this will be adjusted after the anticipated exercise of Rights as well as after the anticipated voluntary exchange of Existing Securities with new shares (Special Resolution 5). However, the relationship between the net book value per share and the issue price of the Private Placement should not be the sole and decisive factor in determining the final issue price. It should be noted that the issue of shares through Private Placement at prices that may end up being lower than the net book value per share, might be considered justified, after taking into consideration the current economic conditions and the need for capital inflows to the Bank.

Appendix 2 for presentation purposes only, presents certain scenarios with regards to the adjusted Shareholders' Interest per share after the exercise of Rights as well as after the voluntary exchange of Existing Securities with new shares, but before the sale of any potentially undistributed Rights to Third Parties and before the Private Placement.

Based on the results presented in Appendix 2, the adjusted Shareholders' Interest per share is expected to range between €0,124 and €0,388 per share, depending on the exercise price of the Rights and the size of the funds to be raised from the aforesaid exercise of the Rights.

It is noted that Appendix 2 incorporates an estimate of the BoD of the Bank for the conversion of Existing Securities of a total nominal value of €258 mln to shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

Based on the above information, for presentation purposes only, in case that

1. the funds to be raised from the exercise of Rights represent 50% of the total issue of €1,8 bln, and
2. provided that the Existing Securities of total nominal value of €258 mln are converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights,

in order to maintain the adjusted Shareholders' Interest per share at a level lower than the recommended price of €0,30, as a minimum issue price for the Private Placement, the BoD of the Bank is encouraged to consider placing the exercise price of the Rights in a range of prices, the maximum of which should not exceed €0,25 per share. However, taking into consideration the general negative market climate and the difficulty in raising capital, the price should ultimately be determined at the point where the investors (existing shareholders) would show interest in exercising the Rights.

Based on Special Resolution 3 (B), any Rights that will not be exercised by the existing shareholders will be disposed of to Third parties, at an exercise price equal to the exercise price of the rest of the Rights.

The BoD of the Bank is encouraged to provide pre-subscription rights to the existing shareholders of the Bank.

It is further noted that, regardless of the exercise price of the Rights, the BoD of the Bank is encouraged to consider the event of disposing of any rights that remain unexercised at a price which will take into account

- i. the price at which the Rights will be traded in the Stock Market during the period between the date of issue and the date of disposal to Third parties,
- ii. the control that may be attained by the new investor acquirer of the Rights, and
- iii. the issue price of shares in the event of Private Placement.

## *Special Resolution 4*

In Special Resolution 4, the BoD of the Bank proposes the voluntary exchange of Capital Securities issued in 2008, 2009 and 2010 ("Existing Securities") with a total nominal value of €737.753.000, to Enhanced Capital Securities ("ECS") of the same nominal value.

It is noted that Special Resolution 4 is subject to the approval of Special Resolution 1 which provides for the reduction of the nominal value from €0,85 to €0,10.

The ECS to be issued will be compatible with the provisions of Basel III and CRD IV and acceptable by the Central Bank of Cyprus as Tier 1 Capital, unlike the Existing Securities.

According to the BoD of the Bank, as a result of the above ECS are of a better quality as Capital compared to the Existing Securities and will provide significant support to the Bank's capital base.

It should be noted that the terms of issue of ECS create new potential developments for the potential investor/acquirer of ECS, since ECS include inter alia a mechanism for mandatory conversion into shares in case one of a number of predefined events included in the mechanism occurs, as well as extended conditions for cancellation of the payment of interest.

As a result, the potential mandatory conversion of ECS into shares could further reduce the percentage holding of the current ordinary shareholders at a later stage.

It is noted that Special Resolution 4 is conditional upon approval of Special Resolution 1 which provides for the reduction of the nominal value of existing shares from €0,85 to €0,10 per share.

## *Special Resolution 5*

In Special Resolution 5, the BoD of the Bank proposes to the shareholders the approval of the proposal for a voluntary exchange of Existing Securities with new shares. The proposal involves an exchange of Existing Securities at their nominal value with new shares, which according to the Information Memorandum will be issued at the price to be set for the exercise of Rights as stated in Special Resolution 3 (B).

Based on Special Resolution 5, Existing Securities amounting up to 50% of the total nominal value (i.e. up to EUR €368.876.500) can be exchanged and in the event of oversubscription a pro-rata allocation will take place.

It is noted that Special Resolution 5 is subject to the approval of Special Resolution 1 which provides for the reduction of the nominal value of each share from €0,85 to €0,10.

According to Special Resolution 5, the issue price of new shares to be exchanged in accordance with the clarifications of the BoD contained in the Information Memorandum will be equal to the issue price of the Rights, i.e. lower than €0.30 per ordinary share and at a minimum price equal to the nominal value of €0,10 per share.

Under the scenario of the exchange of the maximum amount of Existing Securities €368.876.500 with shares at the minimum issue price which is equal to the nominal value of €0,10, up to 3.688.765.000 shares may result. This is the maximum number of potential new shares that may result from the voluntary exchange of Existing Securities.

Finally, it is noted that the BoD of the Bank should consider the possibility of setting the issue price of new shares resulting from the exchange of Existing Securities at a level not lower than the exercise price of Rights, which may be in the best interest of the existing shareholders since it would decrease the dilution of their shareholdings.

At the same time, the BoD of the Bank should take into consideration the need to provide sufficient incentive to holders of Existing Securities to convert their securities into shares. To achieve this, the issue price of new shares resulting from the exchange of Existing Securities should potentially not exceed the issue price of the Private Placement.

### *Special Resolution 6*

In Special Resolution 6, the BoD of the Bank proposes the cancellation of Special Resolution 1 which was approved at the Extraordinary General Meeting on September 28, 2011.

Special Resolution 6 is subject to the approval of Special Resolutions 4 and 5.

Special Resolution 1, which was approved at the Extraordinary General Meeting on 28 September 2011, provides for the following:

“That the Board of Directors be authorized and is hereby authorized to proceed with the issue and allotment of new Capital Securities up to the amount of €738.000.000,00 in replacement of previous issues of Capital Securities of the Company issued in 2008, 2009 and 2010, with a minimum conversion price equal to the nominal value of each share and with any other issue terms it may decide, which will not be initially offered to the shareholders of the Company but to be provided to the holders of existing Capital Securities issued by the Company.

That the Board of Directors be authorized and is hereby authorized to proceed with the issue and allotment of the required number of shares in the framework of the mandatory conversion of the new Capital Securities into ordinary shares of the Company which is activated under certain conditions which will be defined in the issue terms of the new Capital Securities, without these shares be initially offered to the shareholders of the Company in accordance with the Articles of Association of the Company and the relevant legislation, but to be provided to the holders of these Capital Securities.”

It is noted that the effect of the above resolution to the number of shares, the shareholding structure and the Shareholders' interest per share is similar to the effect of Special Resolution 4.

Specifically if during the compulsory conversion of ECS that would result from replacing all Existing Securities of nominal value €738 mln (according to Special Resolution 1 which was approved at the Extraordinary General Meeting on 28 September 2011), the minimum issue price was again equal to the nominal value of €0,10 (which will result from voting in favor of Special Resolution 1 of the IM), then the maximum number of potential new shares that would result would be 7.380 mln.

In case of approval of Special Resolutions 4 and 5, the provisions of Special Resolution 1, which was approved at the Extraordinary General Meeting on 28 September 2011, are overridden and replaced and as a result the validity of this resolution is no longer considered necessary by the BoD of the Bank.

## *Special Resolution 7*

In Special Resolution 7, the BoD of the Bank proposes to allocate free Share Warrants ("SW") to all persons who acquire new shares to be issued by the Bank under Special Resolutions 3 (B) and (5).

It also proposes the authorization of the BoD of the Bank, to issue at its absolute discretion SW to those who acquire new shares under Special Resolution 3 (A).

The issue of Share Warrants will be at a ratio of 1 SW for every 5 new shares and on exercise of one SW, 1 new share will be issued. The terms of issue of SW will be decided by the BoD of the Bank at a later stage and will be included in a Prospectus.

With regards to the effect of SW on the Bank's shareholding structure, this may reduce the shareholding percentage of existing shareholders of the Bank, since the provisions of Special Resolution 7 do not provide for the issue of SW in accordance to the total shares held by existing shareholders of the Bank.

As a result, in the event that the BoD of the Bank decides to issue SW to those who acquire new shares under the provisions of Special Resolution 3 (A) (Private Placement), the existing shareholders of the Bank will undergo a further reduction (dilution) in their percentage holding after the exercise of the SW (Appendix 6).

Specifically, in case that

- the funds to be raised from the exercise of Rights under Special Resolution 3 (B) reach only 50% of the total (i.e. €900 million) and the Rights are exercised at a price of €0,25 per share,
- Existing Securities of total nominal value of €258 mln are converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price of €0,25 per share, and
- the funds to be raised from the Private Placement pursuant to Special Resolution 3 (A) reach 50% of the total (i.e. €450 mln),

then the total percentage holding of existing shareholders of the Bank will be reduced to 53%, as shown in Appendix 6, based on the assumptions described in the analysis of Special Resolution 3 (A) above.

We are of the opinion that the BoD of the Bank, in exercising the discretion conferred to them by Special Resolution 7 for the issue of free Share Warrants to those who will acquire new shares to be issued by the Bank through Private Placement, should take into consideration what will have been granted to existing shareholders until the issue date of the SW.

## *Special Resolution 8*

In Special Resolution 8, the BoD of the Bank proposes that the Company's name should change to Cyprus Popular Bank Public Co Ltd.

This resolution does not affect the ownership structure or the interests of shareholders but according to Management this is done to reflect the new strategic direction of the Group as a Cypriot entity.

## *Opinion*

Based on what is mentioned above in our report and after taking into consideration the comments and explanations contained in the Information Memorandum dated 19 March 2012, we consider that Special Resolutions 1-8 and the range of prices for the issue of new shares included in these Resolutions, as proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012, are fair and reasonable. It is noted that the BoD of the Bank is encouraged to take into consideration the suggestions and comments contained in our report with reference to certain of the Special Resolutions.

It is noted that our independent opinion has been prepared, following instructions by the BoD of Marfin Popular Bank Public Co Ltd, for the purpose of complying with the provisions of Article 15 (1) (e) of Law 41 (I) of 2007 (the Takeover Bids Law) which allow under certain circumstances an exemption from the obligation to make a public offer, with regards to the Special Resolutions proposed by the BoD of the Bank for approval by the shareholders at the Extraordinary General Meeting on 2<sup>nd</sup> April 2012, the new shareholding structure of the Company that may potentially arise and the range of values proposed for the new issue of securities. This opinion cannot be considered to represent in any way a valuation of the shares of Marfin Popular Bank Public Co Ltd, nor does it constitute investment advice of any form to current or prospective investors. The shareholders of Marfin Popular Bank Public Co Ltd are encouraged to take their own professional advice before deciding on the acceptance or not of these proposals and Deloitte Limited accepts no responsibility for their final decision.

## Appendix 1

Appendix 1: Different scenarios on the theoretical adjusted market value of the share\* after the exercise of Rights and the voluntary exchange of Existing Securities with new shares \*\*

Exercise price of Rights	Funds raised from issue of Rights (in mln Euros)									
	-	€ 225	€ 450	€ 675	€ 900	€ 1.125	€ 1.350	€ 1.575	€ 1.800	
€ 0,10	0,170	0,146	0,134	0,127	0,122	0,119	0,117	0,115	0,113	
€ 0,11	0,180	0,156	0,145	0,138	0,133	0,130	0,127	0,125	0,124	
€ 0,12	0,190	0,167	0,155	0,148	0,143	0,140	0,137	0,136	0,134	
€ 0,13	0,199	0,176	0,165	0,158	0,153	0,150	0,148	0,146	0,144	
€ 0,14	0,207	0,186	0,175	0,168	0,163	0,160	0,158	0,156	0,154	
€ 0,15	0,214	0,194	0,184	0,177	0,173	0,170	0,167	0,165	0,164	
€ 0,16	0,221	0,203	0,193	0,187	0,182	0,179	0,177	0,175	0,174	
€ 0,17	0,228	0,211	0,202	0,196	0,192	0,189	0,186	0,185	0,183	
€ 0,18	0,234	0,219	0,210	0,204	0,201	0,198	0,196	0,194	0,193	
€ 0,19	0,240	0,226	0,218	0,213	0,209	0,207	0,205	0,203	0,202	
€ 0,20	0,246	0,233	0,226	0,221	0,218	0,216	0,214	0,212	0,211	
€ 0,21	0,251	0,240	0,234	0,229	0,227	0,224	0,223	0,221	0,220	
€ 0,22	0,256	0,247	0,241	0,237	0,235	0,233	0,231	0,230	0,229	
€ 0,23	0,261	0,253	0,248	0,245	0,243	0,241	0,240	0,239	0,238	
€ 0,24	0,266	0,259	0,255	0,253	0,251	0,249	0,248	0,247	0,247	
€ 0,25	0,270	0,265	0,262	0,260	0,259	0,257	0,257	0,256	0,255	
€ 0,26	0,274	0,271	0,269	0,267	0,266	0,265	0,265	0,264	0,264	
€ 0,27	0,278	0,276	0,275	0,274	0,274	0,273	0,273	0,272	0,272	
€ 0,28	0,282	0,281	0,281	0,281	0,281	0,281	0,281	0,281	0,281	
€ 0,29	0,285	0,287	0,287	0,288	0,288	0,288	0,288	0,289	0,289	
€ 0,30	0,289	0,291	0,293	0,294	0,295	0,296	0,296	0,296	0,297	
Percentage of exercise of Rights	0,0%	12,5%	25,0%	37,5%	50,0%	62,5%	75,0%	87,5%	100,0%	

\* Based on the closing price of the share of the Bank on 16 March 2012 (i.e. €0,283)

\*\* An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

## Appendix 2

**Appendix 2:** Different scenarios regarding the adjusted **Shareholder's Interest** \* per share after the exercise of Rights and the voluntary exchange of Existing Securities with new shares\*\*

	Raise of funds from issue of Rights (in mln Euros)								
	-	€ 225	€ 450	€ 675	€ 900	€ 1.125	€ 1.350	€ 1.575	€ 1.800
€ 0,10	0,229	0,184	0,162	0,149	0,141	0,135	0,130	0,127	0,124
€ 0,11	0,242	0,197	0,175	0,162	0,153	0,147	0,142	0,139	0,136
€ 0,12	0,255	0,210	0,187	0,174	0,165	0,159	0,154	0,150	0,147
€ 0,13	0,266	0,222	0,199	0,186	0,177	0,170	0,165	0,161	0,158
€ 0,14	0,277	0,234	0,211	0,197	0,188	0,181	0,176	0,172	0,169
€ 0,15	0,288	0,245	0,222	0,209	0,199	0,192	0,187	0,183	0,180
€ 0,16	0,297	0,255	0,233	0,219	0,210	0,203	0,198	0,194	0,191
€ 0,17	0,306	0,266	0,244	0,230	0,221	0,214	0,208	0,204	0,201
€ 0,18	0,315	0,275	0,254	0,240	0,231	0,224	0,219	0,215	0,211
€ 0,19	0,323	0,285	0,264	0,250	0,241	0,234	0,229	0,225	0,222
€ 0,20	0,330	0,294	0,273	0,260	0,251	0,244	0,239	0,235	0,232
€ 0,21	0,337	0,302	0,283	0,270	0,261	0,254	0,249	0,245	0,242
€ 0,22	0,344	0,311	0,292	0,279	0,270	0,264	0,259	0,255	0,252
€ 0,23	0,351	0,319	0,300	0,288	0,280	0,273	0,268	0,264	0,261
€ 0,24	0,357	0,326	0,309	0,297	0,289	0,282	0,278	0,274	0,271
€ 0,25	0,362	0,334	0,317	0,306	0,298	0,292	0,287	0,283	0,280
€ 0,26	0,368	0,341	0,325	0,314	0,306	0,301	0,296	0,292	0,290
€ 0,27	0,373	0,348	0,333	0,322	0,315	0,309	0,305	0,302	0,299
€ 0,28	0,378	0,355	0,340	0,330	0,323	0,318	0,314	0,311	0,308
€ 0,29	0,383	0,361	0,347	0,338	0,332	0,326	0,323	0,319	0,317
€ 0,30	0,388	0,367	0,355	0,346	0,340	0,335	0,331	0,328	0,326
Percentage of exercise of Rights	0,0%	12,5%	25,0%	37,5%	50,0%	62,5%	75,0%	87,5%	100,0%

\* Based on the Preliminary Consolidated Results 2011 of the Bank and the additional estimated adjustment in Shareholders' equity of € 110 million referred to in the Information Memorandum dated March 16, 2012.

\*\* An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

### Appendix 3

**Appendix 3: Changes in the shareholding structure of the Bank based on the percentage of Rights exercised, the percentage of conversion of Existing Securities into new shares\* and the percentage of participation in Private Placement being equal to 100%**

	Percentage of exercise of Rights				
	0%	25%	50%	75%	100%
<u>Funds raised</u>					
Existing shareholders	-	450.000.000	900.000.000	1.080.000.000	1.200.000.000
Existing Security holders	258.213.550	258.213.550	258.213.550	258.213.550	258.213.550
Issue of Rights to Third Parties**	900.000.000	450.000.000	-	-	-
Private Placement	900.000.000	900.000.000	900.000.000	720.000.000	600.000.000
<b>Total</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>
<u>Number of shares</u>					
Existing shareholders	1.611.110.558	3.411.110.558	5.211.110.558	5.931.110.558	6.411.110.558
Existing Security holders	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200
Issue of Rights to Third Parties**	3.600.000.000	1.800.000.000	-	-	-
Private Placement	3.000.000.000	3.000.000.000	3.000.000.000	2.400.000.000	2.000.000.000
<b>Total</b>	<b>9.243.964.758</b>	<b>9.243.964.758</b>	<b>9.243.964.758</b>	<b>9.363.964.758</b>	<b>9.443.964.758</b>
<u>Shareholder Structure</u>					
Existing shareholders	18%	37%	56%	63%	68%
Existing Security holders	11%	11%	11%	11%	11%
Issue of Rights to Third Parties**	39%	20%	0%	0%	0%
Private Placement	33%	33%	33%	26%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

\*\* The issue of Rights to Third Parties has been accounted for so that the funds raised from Special Resolutions 3 (A) and 3 (B) amount to € 1,8 billion.

## Appendix 4

**Appendix 4: Changes in the shareholding structure of the Bank based on the percentage of Rights exercised, the percentage of conversion of Existing Securities into new shares\* and the percentage of participation in Private Placement being equal to 50%**

	Percentage of exercise of Rights				
	0%	25%	50%	75%	100%
<u>Funds raised</u>					
Existing shareholders	-	450.000.000	900.000.000	1.350.000.000	1.440.000.000
Existing Security holders	258.213.550	258.213.550	258.213.550	258.213.550	258.213.550
Issue of Rights to Third Parties**	1.350.000.000	900.000.000	450.000.000	-	-
Private Placement	450.000.000	450.000.000	450.000.000	450.000.000	360.000.000
<b>Total</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>
<u>Number of shares</u>					
Existing shareholders	1.611.110.558	3.411.110.558	5.211.110.558	7.011.110.558	7.371.110.558
Existing Security holders	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200
Issue of Rights to Third Parties**	5.400.000.000	3.600.000.000	1.800.000.000	-	-
Private Placement	1.500.000.000	1.500.000.000	1.500.000.000	1.500.000.000	1.200.000.000
<b>Total</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.603.964.758</b>
<u>Shareholder Structure</u>					
Existing shareholders	17%	36%	55%	74%	77%
Existing Security holders	11%	11%	11%	11%	11%
Issue of Rights to Third Parties**	57%	38%	19%	0%	0%
Private Placement	16%	16%	16%	16%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

\*\* The issue of Rights to Third Parties has been accounted for so that the funds raised from Special Resolutions 3 (A) and 3 (B) amount to € 1,8 billion.

## Appendix 5

**Appendix 5: Changes in the shareholding structure of the Bank based on the percentage of Rights exercised, the percentage of conversion of Existing Securities into new shares\* and the percentage of participation in Private Placement being equal to 0%**

	Percentage of exercise of Rights				
	0%	25%	50%	75%	100%
<u>Funds raised</u>					
Existing shareholders	-	450.000.000	900.000.000	1.350.000.000	1.800.000.000
Existing Security holders	258.213.550	258.213.550	258.213.550	258.213.550	258.213.550
Issue of Rights to Third Parties**	1.800.000.000	1.350.000.000	900.000.000	450.000.000	-
Private Placement	-	-	-	-	-
<b>Total</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>	<b>2.058.213.550</b>
<u>Number of shares</u>					
Existing shareholders	1.611.110.558	3.411.110.558	5.211.110.558	7.011.110.558	8.811.110.558
Existing Security holders	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200
Issue of Rights to Third Parties**	7.200.000.000	5.400.000.000	3.600.000.000	1.800.000.000	-
Private Placement	-	-	-	-	-
<b>Total</b>	<b>9.843.964.758</b>	<b>9.843.964.758</b>	<b>9.843.964.758</b>	<b>9.843.964.758</b>	<b>9.843.964.758</b>
<u>Shareholder Structure</u>					
Existing shareholders	16%	35%	53%	71%	90%
Existing Security holders	11%	11%	11%	11%	11%
Issue of Rights to Third Parties**	73%	55%	37%	18%	0%
Private Placement	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to the exercise price of the Rights.

\*\* The issue of Rights to Third Parties has been accounted for so that the funds raised from Special Resolutions 3 (A) and 3 (B) to amount to € 1,8 billion.

## Appendix 6

**Appendix 6: Changes in the shareholding structure of the Bank after the issue of Share Warrants based on the percentage of Rights exercised and the rate of conversion of Existing Securities in new shares\*.**

	Percentage of exercise of Rights				
	0%	25%	50%	75%	100%
<u>Number of Shares after the implementation of Special Resolutions1-5.</u>					
Existing shareholders	1.611.110.558	3.411.110.558	5.211.110.558	7.011.110.558	7.371.110.558
Existing Security holders	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200	1.032.854.200
Issue of Rights to Third Parties	5.400.000.000	3.600.000.000	1.800.000.000	-	-
Private Placement	1.500.000.000	1.500.000.000	1.500.000.000	1.500.000.000	1.200.000.000
<b>Total</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.543.964.758</b>	<b>9.603.964.758</b>
<u>Number of Share Warrants to be issued</u>					
Existing shareholders	-	360.000.000	720.000.000	1.080.000.000	1.152.000.000
Existing Security holders	206.570.840	206.570.840	206.570.840	206.570.840	206.570.840
Issue of Rights to Third Parties	1.080.000.000	720.000.000	360.000.000	-	-
Private Placement	300.000.000	300.000.000	300.000.000	300.000.000	240.000.000
<b>Total</b>	<b>1.586.570.840</b>	<b>1.586.570.840</b>	<b>1.586.570.840</b>	<b>1.586.570.840</b>	<b>1.598.570.840</b>
<u>Number of shares after the exercise of Share Warrants</u>					
Existing shareholders	1.611.110.558	3.771.110.558	5.931.110.558	8.091.110.558	8.523.110.558
Existing Security holders	1.239.425.040	1.239.425.040	1.239.425.040	1.239.425.040	1.239.425.040
Issue of Rights to Third Parties	6.480.000.000	4.320.000.000	2.160.000.000	-	-
Private Placement	1.800.000.000	1.800.000.000	1.800.000.000	1.800.000.000	1.440.000.000
<b>Total</b>	<b>11.130.535.598</b>	<b>11.130.535.598</b>	<b>11.130.535.598</b>	<b>11.130.535.598</b>	<b>11.202.535.598</b>
<u>Shareholder Structure after the exercise of Share Warrants</u>					
Existing shareholders	15%	34%	53%	73%	76%
Existing Security holders	11%	11%	11%	11%	11%
Issue of Rights to Third Parties	58%	39%	20%	0%	0%
Private Placement	16%	16%	16%	16%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*An estimate of the BoD of the Bank is incorporated that Existing Securities of total nominal value of € 258 mln are to be converted into shares (i.e. a rate of conversion of 70% of the maximum amount of Existing Securities that can be potentially exchanged to shares) which will be issued at a price equal to €0,25 per share.