



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**31 MARCH 2011**

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2011**

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**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**  
**for the three months ended 31 March 2011**

	Note	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
Net interest income		<b>181.466</b>	176.429
Net fee and commission income		<b>46.374</b>	53.223
Profit on disposal and revaluation of securities	6	<b>70.436</b>	26.109
Foreign exchange and other income		<b>15.787</b>	16.600
<b>Operating income</b>		<b>314.063</b>	272.361
Staff costs		<b>(96.937)</b>	(95.528)
Depreciation and amortisation		<b>(13.972)</b>	(14.398)
Administrative expenses		<b>(46.348)</b>	(44.800)
Profit before provision for impairment of advances		<b>156.806</b>	117.635
Provision for impairment of advances	9	<b>(78.361)</b>	(71.140)
Profit before share of profit from associates		<b>78.445</b>	46.495
Share of profit from associates		<b>3.287</b>	3.619
<b>Profit before tax</b>		<b>81.732</b>	50.114
Tax		<b>(8.267)</b>	(7.687)
<b>Profit for the period</b>		<b>73.465</b>	42.427
<b>Attributable to:</b>			
Owners of the Bank		<b>71.017</b>	41.722
Non-controlling interests		<b>2.448</b>	705
		<b>73.465</b>	42.427
<b>Earnings per share – for profit attributable to the owners of the Bank</b>			
Earnings per share - cent	4	<b>5,71</b>	4,83

The notes on pages 6 to 23 are an integral part of these condensed interim consolidated financial statements.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the three months ended 31 March 2011**

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
<b>Profit for the period</b>	<b>73.465</b>	42.427
<b>Other comprehensive income</b>		
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	<b>15.178</b>	(25.099)
Deferred tax on revaluation of available-for-sale financial assets	<b>(1.926)</b>	2.100
	<b>13.252</b>	(22.999)
Amortisation of loss on available-for-sale financial assets reclassified	<b>2.445</b>	2.057
Cash flow hedges, net of tax	<b>135</b>	223
Deferred tax on revaluation of property	<b>-</b>	(64)
Share of other comprehensive (loss)/income of associates	<b>(521)</b>	43
Exchange differences arising in the period	<b>(10.391)</b>	16.814
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>4.920</b>	(3.926)
<b>Total comprehensive income for the period</b>	<b>78.385</b>	38.501
<b>Attributable to:</b>		
Owners of the Bank	<b>75.341</b>	36.274
Non-controlling interests	<b>3.044</b>	2.227
	<b>78.385</b>	38.501

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**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**  
**31 March 2011**

	Note	31.03.2011 € '000	31.12.2010 € '000
<b>Assets</b>			
Cash and balances with Central Banks		572.973	713.579
Due from other banks		3.896.748	4.696.112
Financial assets at fair value through profit or loss	7	264.110	229.336
Advances to customers	8	25.618.436	26.417.333
Debt securities lending		3.777.135	3.960.788
Available-for-sale financial assets		2.276.860	2.278.411
Held-to-maturity financial assets		1.200.807	1.480.046
Other assets	7	834.281	765.345
Investments in associates		116.164	113.600
Intangible assets		1.628.220	1.634.734
Property and equipment	10	285.014	291.202
<b>Total assets</b>		<b>40.470.748</b>	<b>42.580.486</b>
<b>Liabilities</b>			
Due to other banks		9.646.319	10.649.850
Customer deposits		23.977.907	25.508.361
Senior debt	11	442.377	477.637
Loan capital	12	1.264.673	1.267.931
Other liabilities	7	941.338	1.035.333
<b>Total liabilities</b>		<b>36.272.614</b>	<b>38.939.112</b>
<b>Share capital and reserves attributable to the owners of the Bank</b>			
Share capital	13	1.249.741	834.799
Share premium	13	2.316.252	2.252.897
Reserves	14	523.437	447.815
		<b>4.089.430</b>	<b>3.535.511</b>
<b>Non-controlling interests</b>		<b>108.704</b>	<b>105.863</b>
<b>Total equity</b>		<b>4.198.134</b>	<b>3.641.374</b>
<b>Total equity and liabilities</b>		<b>40.470.748</b>	<b>42.580.486</b>

The notes on pages 6 to 23 are an integral part of these condensed interim consolidated financial statements.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the three months ended 31 March 2011**

	Note	Attributable to the owners of the Bank				Non- controlling interests	Total
		Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	€ '000	€ '000
<b>Three months ended 31 March 2011</b>							
<b>Balance 1 January 2011</b>		<b>834.799</b>	<b>2.252.897</b>	<b>(340.786)</b>	<b>788.601</b>	<b>105.863</b>	<b>3.641.374</b>
Shares issued through exercise of rights	13	414.942	73.226	-	-	-	488.168
Share issue costs	13	-	(9.871)	-	-	-	(9.871)
Cost of share-based payments to employees	14	-	-	-	342	2	344
Dividend paid by subsidiary companies		-	-	-	-	(403)	(403)
Effect of change in non-controlling interests from changes in shareholdings in subsidiaries	14	-	-	-	9	198	207
Other movements	14	-	-	-	(70)	-	(70)
		<b>1.249.741</b>	<b>2.316.252</b>	<b>(340.786)</b>	<b>788.882</b>	<b>105.660</b>	<b>4.119.749</b>
Profit for the period		-	-	-	71.017	2.448	73.465
Other comprehensive income for the period, net of tax		-	-	4.324	-	596	4.920
<b>Total comprehensive income for the period</b>		-	-	<b>4.324</b>	<b>71.017</b>	<b>3.044</b>	<b>78.385</b>
<b>Balance 31 March 2011</b>		<b>1.249.741</b>	<b>2.316.252</b>	<b>(336.462)</b>	<b>859.899</b>	<b>108.704</b>	<b>4.198.134</b>
<b>Three months ended 31 March 2010</b>							
<b>Balance 1 January 2010</b>		720.930	2.179.146	(212.160)	948.006	123.321	3.759.243
Defence tax on deemed distribution	14	-	-	-	85	71	156
Effect of change in non-controlling interests from changes in shareholdings in subsidiaries	14	-	-	-	951	(4.726)	(3.775)
Cost of share-based payments to employees	14	-	-	-	834	4	838
Dividend paid by subsidiary companies		-	-	-	-	(405)	(405)
Other movements	14	-	-	-	(110)	-	(110)
		720.930	2.179.146	(212.160)	949.766	118.265	3.755.947
Profit for the period		-	-	-	41.722	705	42.427
Other comprehensive (loss)/income for the period, net of tax		-	-	(5.448)	-	1.522	(3.926)
<b>Total comprehensive (loss)/income for the period</b>		-	-	<b>(5.448)</b>	<b>41.722</b>	<b>2.227</b>	<b>38.501</b>
<b>Balance 31 March 2010</b>		<b>720.930</b>	<b>2.179.146</b>	<b>(217.608)</b>	<b>991.488</b>	<b>120.492</b>	<b>3.794.448</b>

The notes on pages 6 to 23 are an integral part of these condensed interim consolidated financial statements.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three months ended 31 March 2011**

		<b>3 months ended 31.03.2011</b>	3 months ended 31.03.2010
	Note	€ '000	€ '000
<b>Cash used in operations</b>		<b>(1.737.404)</b>	(491.235)
Tax paid		(15.292)	(26.928)
<b>Net cash used in operating activities</b>		<b>(1.752.696)</b>	(518.163)
<b>Cash flows from investing activities</b>			
Purchases less proceeds from disposal of property and equipment		(4.737)	(4.933)
Purchases less proceeds from disposal of computer software		(2.586)	(854)
Purchases less proceeds from disposal of investment property		(3.751)	(824)
Proceeds from redemption and sale of available-for-sale financial assets and redemption of held-to-maturity financial assets less additions		166.432	644.690
Income received from financial assets		58.247	25.585
Business disposal net of cash and cash equivalents		36.772	-
Changes in shareholding in subsidiary companies		-	(3.893)
<b>Net cash from investing activities</b>		<b>250.377</b>	659.771
<b>Cash flows from financing activities</b>			
Proceeds from exercise of rights	13	488.168	-
Share issue costs	13	(9.871)	-
Proceeds from the issue of senior debt and loan capital		2.486	5.149
Repayment of senior debt and loan capital		(55.662)	(15.699)
Interest paid on senior debt and loan capital		(14.844)	(16.982)
Dividend paid by subsidiary companies to holders of non-controlling interests		(403)	(405)
<b>Net cash from/(used in) financing activities</b>		<b>409.874</b>	(27.937)
Effects of exchange rate changes on cash and cash equivalents		(2.925)	9.427
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1.095.370)</b>	123.098
<b>Cash and cash equivalents at beginning of period</b>		<b>4.127.458</b>	4.270.313
<b>Cash and cash equivalents at end of period</b>		<b>3.032.088</b>	4.393.411

The notes on pages 6 to 23 are an integral part of these condensed interim consolidated financial statements.

# MARFIN POPULAR BANK PUBLIC CO LTD GROUP

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The condensed interim consolidated financial statements consolidate the financial statements of Marfin Popular Bank Public Co Ltd (the “Bank”) and its subsidiaries (the “Group”), for the three months ended 31 March, 2011.

The principal activities of the Group, which were unchanged from last year, are the provision of banking and financial services. The Group also offers insurance services through its associate Marfin Insurance Holdings Ltd.

The Bank was established in Cyprus in 1901 under the name “Popular Savings Bank of Limassol”. In 1924 it was registered as the first public company in Cyprus under the name “The Popular Bank of Limassol Ltd”. In 1967 the Bank changed its name to “Cyprus Popular Bank Ltd” and on 26 May, 2004 it was renamed to “Cyprus Popular Bank Public Company Ltd”. An Extraordinary General Meeting held on 31 October, 2006 unanimously approved the change of its name to “Marfin Popular Bank Public Co Ltd”. The Bank’s shares are listed on the Cyprus Stock Exchange and Athens Exchange. The Bank’s registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements for the three months ended 31 March, 2011 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board and adopted by the European Union.

The condensed interim consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Bank. All amounts are rounded to the nearest thousand, unless where reported otherwise.

The condensed interim consolidated financial statements do not include all the information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December, 2010.

The condensed interim consolidated financial statements for the three months ended 31 March, 2011 have not been audited or reviewed by the Group’s external independent auditors.

The same accounting policies as for the annual consolidated financial statements for the year 2010 have been adopted in the preparation of the condensed interim consolidated financial statements except for the adoption by the Group of all applicable new and revised International Financial Reporting Standards (IFRSs), all revised International Accounting Standards (IASs) and all revised and new interpretations, which are relevant to its operations and are applicable for accounting periods beginning on 1 January, 2011 as stated below:

#### (a) IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.



**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(b) Amendments to IAS 32, Classification of Rights Issues**

The amendments state that if rights issues offered for a fixed amount of foreign currency are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity, not as derivative liabilities, regardless of the currency in which the exercise price is denominated.

**(c) Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement**

The amendment applies to entities which are subject to minimum funding requirements and make an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

**(d) Revised IAS 24, Related Party Disclosures**

The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities.

**(e) Improvements to IFRSs**

Additional "Improvements to IFRSs" were issued in May 2010. They contain amendments to six standards and one interpretation specifically IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.

**3. COMPARATIVES**

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current period.

**4. EARNINGS PER SHARE**

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
Profit attributable to the owners of the Bank	<b>71.017</b>	41.722
	<b>'000</b>	'000
Weighted average number of ordinary shares in issue during the period	<b>1.243.077</b>	863.697
Earnings per share (basic and diluted) – cent	<b>5,71</b>	4,83

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**4. EARNINGS PER SHARE** (continued)

The weighted average number of shares for the period ended 31 March, 2010 has been adjusted to reflect the issue of shares through the exercise of rights completed in February 2011.

The Share Options Scheme does not have an impact on the diluted earnings per share, as the exercise price of the Share Options was higher than the average market price of Marfin Popular Bank Public Co Ltd shares at the Cyprus Stock Exchange and Athens Exchange during the period ended 31 March, 2011 and 31 March, 2010.

**5. SEGMENTAL ANALYSIS**

Under IFRS 8, reported segment results are based on internal management reporting information that is regularly reviewed by management, and is reconciled to the Group's profit. The Group has six main business segments on a worldwide basis:

- (a) Corporate and investment banking, which includes all commercial and investment banking business derived from corporate clients.
- (b) Retail banking, which includes all commercial banking business from retail clients.
- (c) Wealth management, which includes all business from high net worth individuals (banking and asset management business).
- (d) International business banking, which includes all business from services offered to international business banking customers.
- (e) Treasury and capital markets, which includes all treasury and capital market activity.
- (f) Participations, investments and other segment which includes the various participations and investments of the Group and all other business not falling into any of the other segments, none of which constitutes a separately reportable segment.

The Group's management reporting is based on a measure of profit before tax and before share of profit from associates comprising of net interest income, net fee and commission income, financial and other income, less operating expenses and provision for impairment of advances. This measurement basis excludes the effects of non-recurring expenditure of the operating segments such as goodwill impairments when the impairment is the result of an isolated, non-recurring event as well as amortisation of intangible assets.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**5. SEGMENTAL ANALYSIS (continued)**

	Corporate and investment banking € '000	Retail banking € '000	Wealth management € '000	International business banking € '000	Treasury and capital markets € '000	Participations, investments and other € '000	Total € '000
<b>Three months ended</b>							
<b>31 March 2011</b>							
Operating income from external customers	75.253	101.544	7.756	27.243	38.141	65.546	315.483
Segment result	44.510	(52.457)	(6.817)	11.211	33.729	53.904	84.080
<b>As at 31 March 2011</b>							
Advances to customers	10.427.863	11.873.608	1.407.187	1.909.778	-	-	25.618.436
Customer deposits	5.071.765	11.981.937	1.335.211	5.588.994	-	-	23.977.907
<b>Three months ended</b>							
<b>31 March 2010</b>							
Operating income from external customers	94.032	96.433	11.233	21.640	43.619	6.741	273.698
Segment result	60.296	(48.594)	966	10.678	37.520	(8.749)	52.117
<b>As at 31 March 2010</b>							
Advances to customers	11.759.011	11.410.924	1.423.783	1.446.784	-	-	26.040.502
Customer deposits	5.143.846	13.268.979	1.583.149	4.795.197	-	-	24.791.171

Operating income from external customers is reconciled to the Group's operating income for the period as follows:

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
Operating income from external customers	<b>315.483</b>	273.698
Consolidation and adjustments	<b>(1.420)</b>	(1.337)
<b>Group operating income for the period</b>	<b>314.063</b>	272.361

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**5. SEGMENTAL ANALYSIS (continued)**

**Reconciliation of segment results to profit for the period**

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
Segment result	<b>84.080</b>	52.117
Amortisation of intangible assets	<b>(5.635)</b>	(5.622)
Share of profit from associates	<b>3.287</b>	3.619
Tax	<b>(8.267)</b>	(7.687)
<b>Profit for the period</b>	<b>73.465</b>	42.427

**6. PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES**

Included within profit on disposal and revaluation of securities for the three months ended 31 March, 2011 is an amount of € 53,4 m which relates to the profit from the sale of 85% of Laiki Bank (Australia) Ltd.

**7. DERIVATIVE FINANCIAL INSTRUMENTS**

Included within financial assets at fair value through profit or loss is an amount of € 101,2 m (31 December, 2010: € 94,6 m) which relates to the positive fair value of derivative financial instruments and within other assets an amount of € 17,3 m (31 December, 2010: € 12,4 m), which relates to the positive fair value of derivative financial instruments, for which hedge accounting is applied. Included within other liabilities is an amount of € 185,9 m (31 December, 2010: € 280,5 m), which relates to the negative fair value of derivative financial instruments.

**8. ADVANCES TO CUSTOMERS**

	<b>31.03.2011 € '000</b>	31.12.2010 € '000
Advances to customers	<b>25.618.299</b>	26.364.483
Instalment finance and leasing	<b>1.012.104</b>	1.067.327
<b>Provision for impairment of advances (Note 9)</b>	<b>(1.011.967)</b>	27.431.810 (1.014.477)
	<b>25.618.436</b>	26.417.333

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**9. PROVISION FOR IMPAIRMENT OF ADVANCES**

Movement in the three months ended 31 March, 2011 and 31 March, 2010:

	Individual impairment € '000	Collective impairment € '000	Total € '000
<b>2011</b>			
Balance 1 January	673.937	340.540	1.014.477
Provision for impairment of advances for the period	47.090	100.361	147.451
Release of provision and recoveries	(67.578)	(1.512)	(69.090)
Advances written-off	(65.839)	(13.955)	(79.794)
Provision for impairment of advances from business disposal	(34)	(114)	(148)
Exchange differences	(693)	(236)	(929)
<b>Balance 31 March</b>	<b>586.883</b>	<b>425.084</b>	<b>1.011.967</b>
<b>2010</b>			
Balance 1 January	561.984	249.645	811.629
Provision for impairment of advances for the period	73.844	35.965	109.809
Release of provision and recoveries	(37.780)	(889)	(38.669)
Advances written-off	(9.675)	-	(9.675)
Exchange differences	3.762	(62)	3.700
<b>Balance 31 March</b>	<b>592.135</b>	<b>284.659</b>	<b>876.794</b>

**10. PROPERTY AND EQUIPMENT**

Movement in the three months ended 31 March, 2011 and 31 March, 2010:

	2011 € '000	2010 € '000
Net book value at 1 January	291.202	294.455
Property and equipment from business disposal	(2.264)	-
Transfer to the category "Intangible assets"	(1.749)	-
Additions less disposals of property and equipment	4.685	4.812
Depreciation	(6.206)	(6.545)
Exchange differences	(654)	1.348
<b>Net book value at 31 March</b>	<b>285.014</b>	<b>294.070</b>

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**11. SENIOR DEBT**

	<b>31.03.2011</b>	31.12.2010
	<b>€ '000</b>	€ '000
Debentures Marfin Popular Bank Public Co Ltd (2009/2012)	<b>392.996</b>	376.953
Debentures Marfin Popular Bank Public Co Ltd (2009/2014)	<b>23.107</b>	22.813
Debentures Egnatia Finance Plc (2009/2013)	<b>19.121</b>	17.756
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)	-	50.220
Promissory Notes Rossiysky Promyishlenny Bank Company Ltd	<b>7.153</b>	9.895
	<b>442.377</b>	477.637

**Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)**

In March 2008, Marfin Egnatia Bank S.A. issued € 50 m three year bond loan (Schuldschein) due in 2011. In March 2011 the debentures matured in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders.

**12. LOAN CAPITAL**

	<b>31.03.2011</b>	31.12.2010
	<b>€ '000</b>	€ '000
Debentures Egnatia Finance Plc (2009/2019)	<b>103.593</b>	106.308
Eurobonds Marfin Popular Bank Public Co Ltd due 2016	<b>414.741</b>	414.793
Capital securities Marfin Popular Bank Public Co Ltd	<b>737.871</b>	737.870
Subordinated debt Rossiysky Promyishlenny Bank Company Ltd (2004/2014)	<b>8.468</b>	8.960
	<b>1.264.673</b>	1.267.931

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**13. SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
<b>Three months ended 31 March 2011</b>				
Balance 1 January	982.116	834.799	2.252.897	3.087.696
Shares issued through exercise of rights (a)	488.168	414.942	73.226	488.168
Share issue costs	-	-	(9.871)	(9.871)
<hr/>				
Balance 31 March 2011	<b>1.470.284</b>	<b>1.249.741</b>	<b>2.316.252</b>	<b>3.565.993</b>
<hr/>				
<b>Three months ended 31 March 2010</b>				
Balance 1 January, 31 March	830.126	705.607	2.144.141	2.849.748

- (a) On 14 February, 2011 the € 488,2 m increase of share capital through the payment in cash and nil paid rights in favour of existing shareholders was completed. The rights issue was oversubscribed by 111%. The rights have been allotted in the ratio of one nil-paid right for each ordinary share of the Bank and for every two rights exercised, at an exercise price of € 1, one fully paid new share resulted. The period of exercise of rights was from 24 January, 2011 until 11 February, 2011 while the period of the trading of the rights was between 24 January, 2011 and 4 February, 2011. The exercise of the rights had as a result the issue of 488.168.000 new ordinary shares, the trading of which commenced on 23 February, 2011.

As at 31 March, 2011 the Bank's authorised nominal share capital was € 1.776.500.000 (31 December, 2010: € 1.776.500.000) divided into 2.090.000.000 (31 December, 2010: 2.090.000.000) ordinary shares of nominal value € 0,85 each (31 December, 2010: € 0,85).

All issued ordinary shares are fully paid and carry the same rights.

The share premium is not available for distribution to equity holders.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**13. SHARE CAPITAL AND SHARE PREMIUM (continued)**

**Share Options**

In April 2007, the Extraordinary General Meeting of the shareholders of the Bank approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. The shares to be issued with the application of this Scheme will have the same nominal value as the existing issued shares, that is, € 0,85 each. The exercise price of each share option (the "Option") was set at € 10.

Following the aforementioned approval and the ensuing decision of the Bank's Board of Directors on 9 May, 2007, 70.305.000 Options were granted with an expiration date on 15 December, 2011. The Options could be exercised by the beneficiaries during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Remuneration Committee, based on the holders' performance being up to the Bank's expectations.

The fair value of the Options granted was measured initially on grant date using the Black and Scholes model. The model's pricing inputs were: share price of € 8,48 at the grant date, the Euro swap rate curve as the discount rate for the duration of the Scheme 4,15% (average), implied share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%.

On 23 December, 2009 the Extraordinary General Meeting of the shareholders of the Bank approved the amendment of the terms of the Scheme originally approved by the Extraordinary General Meeting held in April 2007. In particular, it approved the amendment of the exercise price from € 10 to € 4,50 and the extension of the Scheme by two years with 2013 as the last exercise period instead of 2011. The incremental fair value arising from the modification of the terms of the Scheme was calculated based on the following: share price as at 23 December, 2009 of € 2,32, the Euro swap rate curve as the discount rate for the duration of the Scheme 1,9% (average), implied share price volatility of 27,3% and dividend yield 3,45%. This incremental fair value is recognised over the period from the modification date until the date when the Options vest.

The total expense recognised in the condensed interim consolidated income statement for the three months ended 31 March, 2011 for Options granted amounts to € 344.000 (31 March, 2010: € 838.000). During the years 2007, 2008, 2009, 2010 and the first three months of 2011 no Options were exercised and as at 31 March, 2011 the number of Options outstanding was 70.305.000.



**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**14. RESERVES**

Movement in the three months ended 31 March, 2011 and 31 March, 2010:

	<b>2011</b>	2010
	<b>€ '000</b>	€ '000
<b>Revenue reserves</b>		
Balance 1 January	<b>788.601</b>	948.006
Profit for the period attributable to the owners of the Bank	<b>71.017</b>	41.722
Cost of share-based payments to employees	<b>342</b>	834
Defence tax on deemed distribution	-	85
Effect of change in non-controlling interests from changes in shareholdings in subsidiaries	<b>9</b>	951
Other movements	<b>(70)</b>	(110)
<b>Balance 31 March</b>	<b>859.899</b>	991.488
<b>Property fair value reserves</b>		
Balance 1 January	<b>47.681</b>	49.759
Deferred tax on revaluation	-	(64)
<b>Balance 31 March</b>	<b>47.681</b>	49.695
<b>Available-for-sale financial assets fair value reserves</b>		
Balance 1 January	<b>(326.187)</b>	(189.460)
Revaluation for the period and transfer to results on disposal of available-for-sale financial assets	<b>13.796</b>	(24.977)
Deferred tax on revaluation	<b>(1.903)</b>	2.138
Transfer to results due to impairment	<b>1.050</b>	-
Amortisation of loss on available-for-sale financial assets reclassified	<b>2.445</b>	2.057
Share of fair value reserves of associates	<b>(521)</b>	43
Transfer to results due to business disposal	<b>(13)</b>	-
<b>Balance 31 March</b>	<b>(311.333)</b>	(210.199)
<b>Currency translation reserves</b>		
Balance 1 January	<b>(65.571)</b>	(76.130)
Exchange differences arising in the period	<b>(5.039)</b>	15.132
Transfer to results due to business disposal	<b>(5.626)</b>	-
<b>Balance 31 March</b>	<b>(76.236)</b>	(60.998)
<b>Cash flow hedges reserve</b>		
Balance 1 January	<b>(135)</b>	245
(Losses)/gains from changes in fair value recognised directly in equity	<b>(148)</b>	319
Deferred tax	<b>44</b>	(96)
Transfer to results due to business disposal	<b>239</b>	-
<b>Balance 31 March</b>	<b>-</b>	468
<b>Difference from conversion of share capital into Euro reserve</b>		
Balance 1 January / 31 March	<b>3.426</b>	3.426
	<b>523.437</b>	773.880

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**15. DIVIDEND**

The Annual General Meeting of the shareholders of the Bank, held on 18 May, 2011, approved the payment of a dividend of € 0,10 per share in the form of shares to be issued by the Bank at an issue price of € 1 per share in accordance with the decision of the Board of Directors held on 29 March, 2011. The 25 May, 2011 was set as the ex-dividend date and beneficiaries of the dividend will be the registered shareholders on 27 May, 2011 (record date). The dividend will be paid on 17 June, 2011 and, provided that the approval of the Cyprus Stock Exchange is obtained, the trading of the new shares will begin on 27 June, 2011.

**16. CONTINGENCIES AND COMMITMENTS**

Commitments for capital expenditure of the Group at 31 March, 2011 amounted to € 7,4 m (31 December, 2010: € 6,4 m).

As at 31 March, 2011 there were pending litigations against the Group in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Group will suffer any significant damage. Therefore, no provision has been recognised in the condensed interim consolidated financial statements regarding these cases.

On 4 March, 2009 the co-Trustees of the AremisSoft Corporation Liquidation Trust (the "Trustees"), filed a civil action against the Bank in the United States for an amount of up to USD 80 m (€ 56,3 m). The Trustees alleged that the Bank, in breach of its obligations to AremisSoft permitted the principal of AremisSoft to execute transactions resulting to the appropriation by him of significant amounts which belonged to AremisSoft. On 1 June, 2009, the Bank filed a motion to dismiss, which was granted by the District Court on 1 March, 2010 and was unanimously upheld by the United States Court of Appeals for the Third Circuit, on 10 March, 2010, dismissing the Trustees' appeal. The only remaining path available to the Trustees with respect to this action was a request for permission to appeal to the United States Supreme Court (a writ of certiorari). The deadline for filing a petition for writ of certiorari expired on 7 April, 2011 with no petition filed on behalf of the Trustees.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**17. INVESTMENTS IN SUBSIDIARY COMPANIES**

The main subsidiary companies of the Group, as at 31 March, 2011 were as follows:

<b>Company name</b>	<b>Effective shareholding<sup>(1)</sup></b>	<b>Country of incorporation</b>	<b>Activity sector</b>
Investment Bank of Greece S.A.	96%	Greece	Investment banking
Marfin Global Asset Management Mutual Funds Management S.A.	99%	Greece	Portfolio management, investment and brokerage services
Marfin CLR Public Co Ltd	63%	Cyprus	Portfolio management, investment and brokerage services
Marfin Bank JSC Belgrade	99%	Serbia	Banking
Marfin Bank (Romania) S.A.	99%	Romania	Banking
Public Joint-Stock Company Marfin Bank (a)	100%	Ukraine	Banking
Rossiysky Promyishlenny Bank Company Ltd	50%	Russia	Banking
Marfin Pank Eesti AS	63%	Estonia	Banking
Lombard Bank Malta Plc	48,9%	Malta	Banking
Laiki Bank (Guernsey) Ltd	100%	Guernsey	Banking
Marfin Leasing S.A.	100%	Greece	Leasing
Marfin Factors & Forfaiters S.A.	100%	Greece	Factoring, invoice discounting
Laiki Factors Ltd	100%	Cyprus	Factoring, invoice discounting
Closed Joint-Stock Company RPB Holding	50%	Russia	Investment company
Pan-European Insurance Co Ltd	100%	Cyprus	Investment company
Philiki Insurance Co Ltd	100%	Cyprus	Investment company
Cyprialife Ltd	100%	Cyprus	Investment company
IBG Investments S.A.	96%	British Virgin Islands	Investment services
Marfin Capital Partners Ltd	70%	United Kingdom	Investment management
Synergatis Plc	-	United Kingdom	Special purpose entity

(1) The effective shareholding includes the direct holding of Marfin Popular Bank Public Co Ltd and the indirect holding through its subsidiary companies.

Marfin Popular Bank Public Co Ltd is registered in Cyprus and operates in Cyprus and through branches in the United Kingdom and Greece. Following the decision of the Nicosia District Court in accordance to articles 201(xvii) and 201(xix) of the Cyprus Companies Law, 31 March, 2011 time 12:00 p.m. (i.e. 1 April, 2011) had been set as the date of conclusion of the cross-border merger. As of 1 April, 2011 Marfin Egnatia Bank S.A. ceased to exist and was deleted from the Registry of Societes Anonymes of the Ministry of Economy, Competitiveness and Mercantile Marine of Greece.

The full consolidation method is applied to all subsidiary companies of the Group.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**17. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)**

**(a) Increase of share capital of Public Joint-Stock Company Marfin Bank**

In March 2011, an increase of the share capital of Public Joint-Stock Company Marfin Bank in Ukraine was made for the amount of € 9,8 m, which was fully covered by the Bank. As a result the Bank's holding increased from 99,88% to 99,91%.

**(b) Disposal of shareholding in Laiki Bank (Australia) Ltd**

On 28 February, 2011 the Bank completed its agreement with the Bank of Beirut s.a.l. concerning the sale of 85% of its shareholding in Laiki Bank (Australia) Ltd. The Bank will remain as a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From that date onwards, the Bank will have the option to sell its remaining stake to the Bank of Beirut s.a.l. The total cash consideration of the transaction reached AU\$ 142,9 m, while the profit from the sale reached € 53,4 m.

**18. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

	<b>31.03.2011</b>	31.12.2010
	<b>€ '000</b>	€ '000
Advances to Directors and their connected persons	<b>359.462</b>	336.331
Advances to other key management personnel and their connected persons	<b>14.287</b>	12.653
<b>Total advances</b>	<b>373.749</b>	348.984
Commitments for guarantees and letters of credit:		
Guarantees to Directors and their connected persons	<b>38.337</b>	39.421
Letters of credit to Directors and their connected persons	<b>9</b>	2.898
	<b>38.346</b>	42.319
<b>Total advances and commitments</b>	<b>412.095</b>	391.303
<b>Tangible securities</b>	<b>465.806</b>	426.975
<b>Deposits</b>	<b>27.746</b>	33.559

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. RELATED PARTY TRANSACTIONS** (continued)

**Transactions with key management personnel** (continued)

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
Interest income	<b>4.063</b>	3.298
Interest expense	<b>183</b>	378

There were no commitments relating to other key management personnel of the Group.

The amount of tangible securities is presented aggregately in the preceding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that are unsecured at 31 March, 2011 amounts to € 59.615.000 (31 December, 2010: € 67.979.000).

Connected persons include the spouse, minor children and companies in which key management personnel hold, directly or indirectly, at least 20% of the voting rights in a general meeting or act as directors or exercise control of the entities in any way.

**Other transactions with key management personnel**

During the three months ended 31 March, 2011 the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to € 5.000 (31 March, 2010: € 87.000) and purchased goods and received services amounting to € 49.000 (31 March, 2010: € 48.000) from companies connected to Lanitis group. In addition the Group received services amounting to € 104.000 from a law firm connected to Mr. Andreas Vgenopoulos.

The above transactions are carried out as part of the normal activities of the Group, on commercial terms.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel**

	<b>3 months ended 31.03.2011 € '000</b>	3 months ended 31.03.2010 € '000
<b>Fees paid to Directors as members of the Board</b>	<b>73</b>	43
<b>Remuneration of Directors under executive role</b>		
Salaries and other short-term benefits	354	381
Employer's social insurance contributions	31	42
Retirement benefits scheme expense	29	27
	<b>414</b>	450
<b>Remuneration of Directors under non executive role</b>		
Salaries and other short-term benefits	17	16
Employer's social insurance contributions	5	4
Retirement benefits scheme expense	4	4
	<b>26</b>	24
<b>Consultancy services fees of Directors under non executive role</b>	<b>50</b>	51
<b>Compensation of other key management personnel</b>		
Salaries and other short-term benefits	443	441
Employer's social insurance contributions	20	23
Retirement benefits scheme expense	9	8
	<b>472</b>	472
<b>Share options scheme expense</b>	<b>127</b>	284
	<b>1.162</b>	1.324

Key management personnel for the three months ended 31 March, 2011 include the 14 members (31 March, 2010: 14 members) of the Board of Directors, 4 (31 March, 2010: 4) of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. RELATED PARTY TRANSACTIONS (continued)**

**Transactions with other related parties**

At 31 March, 2011 the balances with other related parties were as follows:

	<b>31.03.2011</b>		<b>31.12.2010</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
<b>Consolidated balance sheet</b>				
Marfin Insurance Holdings Ltd group (associate)	<b>3.405</b>	<b>233.220</b>	7.412	227.922
JCC Payment Systems Ltd (associate)	<b>1.085</b>	<b>8.399</b>	60	9.117
Provident Funds of the employees of the Group in Cyprus	<b>5</b>	<b>17.644</b>	5	28.788
	<b>4.495</b>	<b>259.263</b>	<b>7.477</b>	<b>265.827</b>

Additionally, Marfin Insurance Holdings Ltd group held at 31 March, 2011 senior debt and loan capital of the Group of nominal value of € 39,9 m (31 December, 2010: € 39,9 m).

During the period ended 31 March, 2011 and 31 March, 2010 the following transactions were realised with other related parties:

	<b>2011</b>		<b>2010</b>	
	<b>Income</b>	<b>Expense</b>	<b>Income</b>	<b>Expense</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
<b>Consolidated income statement</b>				
Marfin Insurance Holdings Ltd group (associate)	<b>759</b>	<b>2.810</b>	270	2.496
JCC Payment Systems Ltd (associate)	<b>2</b>	<b>72</b>	-	250
Provident Funds of the employees of the Group in Cyprus	<b>1</b>	<b>168</b>	7	295
	<b>762</b>	<b>3.050</b>	<b>277</b>	<b>3.041</b>

**19. POST BALANCE SHEET EVENTS**

On 31 March, 2011 the Bank announced that it has entered into an agreement for the acquisition of the remaining 49,96% in its Russian subsidiary CJSC RPB-Holding, the parent company of OOO Rossiysky Promyshlenny Bank and OOO RPB-Leasing, for a consideration of € 51,6 m. Completion of the transaction is expected to take place during the second half of 2011, subject to obtaining all regulatory approvals from relevant authorities in Cyprus and the Russian Federation.

**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
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**19. POST BALANCE SHEET EVENTS** (continued)

On 14 April, 2011 the Board of Directors has approved the issue of Convertible Enhanced Capital Securities (CECS) of up to € 294 million. This issue is part of the € 660 million Convertible Security Issue that was approved by the Bank's Board of Directors on 11 November, 2010. The CECS will be offered to all existing shareholders through pre-emption rights in exchange for a cash consideration of € 1 per CECS and at an exchange of one (1) CECS for five (5) rights. The CECS will qualify as Tier I Capital and will offer a coupon of 7%. The conversion price has been set at € 1,80.

On 3 May, 2011 the Bank announced that the Extraordinary General Meeting of the shareholders of the Bank that will be held on 31 May, 2011 will approve the following:

- (a) Increase of the authorised share capital of the Bank from € 1.776,5 m to € 1.870 m by the creation of 110 m additional shares of nominal value € 0,85 each.
- (b) The amendment of the exercise price from € 4,50 to € 1,80 of the Share Options Scheme originally approved by the Extraordinary General Meeting held in April 2007.

The Annual General Meeting held on 18 May, 2011 approved the election of a new Board of Directors which was then constituted as follows: Andreas Vgenopoulos – Chairman, Non Executive Member, Neoclis Lysandrou – Vice Chairman, Non Executive Member, Vasilios Theocharakis – Vice Chairman, Non Executive Member, Efthimios Bouloutas – Group Chief Executive Officer, Executive Member, Christos Stylianides – Deputy Chief Executive Officer, Executive Member, Panayiotis Kounnis – Deputy Chief Executive Officer, Executive Member, Eleftherios Hiliadakis – Executive Member, Platon Lanitis – Non Executive Member, Stelios Stylianou – Non Executive Member, Fadel Al Ali – Non Executive Member, Abdulrazaq Al Jassim – Non Executive Member, Hesham Abdulla Al Qassim – Independent Non Executive Member, Constantinos Mylonas – Independent Non Executive Member, Markos Foros – Independent Non Executive Member.

The Board of Directors after its constitution elected Mr. Constantinos Mylonas as Senior Independent Non Executive Director.

At the Annual General Meeting of the shareholders of the Bank held on 18 May, 2011, approval was granted for the restricted Stock Scheme for the Members of the Board of Directors and key management personnel of the Group. The Scheme provides for the purchase of Bank's shares in the name of the Group management personnel and these shares cannot be sold for a period of 3 years. The shares will be released gradually based on performance between 2011 – 2013.

On 19 May, 2011 the Bank announced that the Cyprus Securities and Exchange Commission approved the Prospectus which has been prepared in accordance with the Public Offer and Prospectus Law of 2005 and which concerns the public offer and listing for trading of CECS of up to € 294.056.786 on the Cyprus Stock Exchange and the Athens Exchange. The application period will be from 10 June, 2011 to 1 July, 2011.

On 24 May, 2011 the Bank completed the issuance of the first series € 1 billion Covered Bonds, with a maturity of two years, an extension period of one year, an annual interest rate of 3M Euribor plus 2% and in accordance with the rest of the terms of the programme ("the Covered Bonds"). The Covered Bonds have been rated Baa1 by the international rating agency Moody's Investors Services.



**MARFIN POPULAR BANK PUBLIC CO LTD GROUP**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**19. POST BALANCE SHEET EVENTS** (continued)

This is the first issue of Covered Bonds in Cyprus and it has been completed under the € 5 billion Covered Bond programme, in accordance with the Covered Bond Law of 2010 (130(I)/2010) (the “Law”), which came into force on 23 December, 2010, and the Central Bank of Cyprus Directive (526/2010) which was issued under the provisions of the above Law.

The issue was completed following the approval of the Central Bank of Cyprus. The “cover” of the Covered Bonds, in the context of article 2 of the Law, is composed of residential loans, all of which are compliant with the terms and conditions of the legal framework in force. The Covered Bonds have been admitted for listing and trading on the Irish Stock Exchange.

**20. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.**

As at 31 March, 2011 the Group had receivables from Marfin Investment Group Holdings S.A. group of € 752 m (31 December, 2010: € 838 m) and payables of € 632 m (31 December, 2010: € 711 m). Additionally, the income and expenses recognised by the Group for the three month period to 31 March, 2011 amounted to € 11 m and € 6 m respectively (31 March, 2010: € 6,9 m and € 3,6 m respectively).

**21. APPROVAL OF FINANCIAL STATEMENTS**

The condensed interim consolidated financial statements were approved by the Board of Directors on 26 May, 2011.