



**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED**

**30 SEPTEMBER 2008**

**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**for the nine months ended 30 September 2008**

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**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM INCOME STATEMENT**  
**for the nine months ended 30 September 2008**

		<b>9 months ended 30.09.2008 € '000</b>	9 months ended 30.09.2007 € '000
	Note		
Net interest income		<b>286.322</b>	246.379
Net fee and commission income		<b>85.696</b>	71.046
Profit on disposal and revaluation of securities	6	<b>48.519</b>	66.575
Foreign exchange and other income		<b>50.342</b>	118.376
<b>Operating income</b>		<b>470.879</b>	502.376
Staff costs		<b>(104.485)</b>	(101.188)
Depreciation and amortisation		<b>(6.997)</b>	(6.345)
Administrative expenses		<b>(33.452)</b>	(32.908)
Profit before provision for impairment of advances		<b>325.945</b>	361.935
Provision for impairment of advances	10	<b>(16.407)</b>	(23.064)
<b>Profit before tax</b>		<b>309.538</b>	338.871
Tax		<b>(26.915)</b>	(21.671)
<b>Profit for the period</b>		<b>282.623</b>	317.200
<b>Earnings per share – cent</b>	4	<b>34,8</b>	40,3

The notes on pages 6 to 20 are an integral part of these condensed interim financial statements.

**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM INCOME STATEMENT**  
**for the three months ended 30 September 2008**

		<b>3 months ended 30.09.2008 € '000</b>	3 months ended 30.09.2007 € '000
	Note		
Net interest income		<b>98.272</b>	79.903
Net fee and commission income		<b>28.431</b>	24.887
(Loss)/profit on disposal and revaluation of securities		<b>(13.299)</b>	19.676
Foreign exchange and other income		<b>20.711</b>	8.156
<b>Operating income</b>		<b>134.115</b>	132.622
Staff costs		<b>(37.044)</b>	(35.254)
Depreciation and amortisation		<b>(2.522)</b>	(2.288)
Administrative expenses		<b>(11.021)</b>	(11.414)
Profit before provision for impairment of advances		<b>83.528</b>	83.666
Provision for impairment of advances		<b>-</b>	(7.178)
<b>Profit before tax</b>		<b>83.528</b>	76.488
Tax		<b>(10.165)</b>	(7.204)
<b>Profit for the period</b>		<b>73.363</b>	69.284
<b>Earnings per share – cent</b>	4	<b>8,8</b>	8,7

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**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM BALANCE SHEET**  
**30 September 2008**

	Note	30.09.2008 €'000	31.12.2007 €'000
<b>Assets</b>			
Cash and balances with the Central Bank		<b>326.962</b>	656.950
Due from other banks		<b>3.273.561</b>	3.155.418
Financial assets at fair value through profit or loss	8	<b>102.044</b>	107.573
Advances to customers	9	<b>8.855.941</b>	6.829.822
Debt securities lending	7	<b>301.737</b>	-
Balances with subsidiary companies		<b>1.007.294</b>	1.036.747
Available-for-sale financial assets		<b>2.085.125</b>	2.065.745
Held-to-maturity financial assets		<b>506.910</b>	283.973
Other assets		<b>126.897</b>	96.997
Investments in subsidiary companies	11	<b>2.685.825</b>	2.550.443
Investments in associates		<b>14.543</b>	12.799
Intangible assets		<b>4.947</b>	5.314
Property and equipment	12	<b>151.111</b>	144.676
<b>Total assets</b>		<b>19.442.897</b>	16.946.457
<b>Liabilities</b>			
Due to other banks		<b>1.575.392</b>	638.627
Customer deposits		<b>11.926.427</b>	10.699.132
Senior debt	13	<b>724.050</b>	723.104
Loan capital	14	<b>638.831</b>	523.693
Balances with subsidiary companies		<b>622.501</b>	577.762
Other liabilities	8	<b>503.801</b>	421.854
<b>Total liabilities</b>		<b>15.991.002</b>	13.584.172
<b>Share capital and reserves</b>			
Share capital	15	<b>705.607</b>	680.613
Share premium	15	<b>2.054.004</b>	1.927.571
Reserves	16	<b>692.284</b>	754.101
<b>Total equity</b>		<b>3.451.895</b>	3.362.285
<b>Total equity and liabilities</b>		<b>19.442.897</b>	16.946.457

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**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**for the nine months ended 30 September 2008**

	Note	Share capital €'000	Share premium €'000	Other reserves €'000	Revenue reserves €'000	Total €'000
<b>Nine months ended 30 September 2008</b>						
<b>Balance 1 January 2008</b>		<b>680.613</b>	<b>1.927.571</b>	<b>249.172</b>	<b>504.929</b>	<b>3.362.285</b>
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets, investments in subsidiary companies and associates	16	-	-	(72.989)	-	(72.989)
Exchange differences arising in the period	16	-	-	2.542	-	2.542
Loss recognised directly in equity		-	-	(70.447)	-	(70.447)
Profit for the period		-	-	-	282.623	282.623
Total recognised profit for the period		-	-	(70.447)	282.623	212.176
Dividend	16,17	-	-	-	(278.842)	(278.842)
Dividend reinvestment	15	28.420	126.717	-	-	155.137
Share issue costs		-	(284)	-	-	(284)
Difference from conversion of share capital into Euro	15,16	(3.426)	-	3.426	-	-
Cost of share-based payments to employees	16	-	-	-	1.423	1.423
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	16	-	-	(44.178)	44.178	-
		<b>24.994</b>	<b>126.433</b>	<b>(40.752)</b>	<b>(233.241)</b>	<b>(122.566)</b>
<b>Balance 30 September 2008</b>		<b>705.607</b>	<b>2.054.004</b>	<b>137.973</b>	<b>554.311</b>	<b>3.451.895</b>
<b>Nine months ended 30 September 2007</b>						
<b>Balance 1 January 2007</b>		<b>675.169</b>	<b>1.901.767</b>	<b>232.679</b>	<b>326.902</b>	<b>3.136.517</b>
Revaluation and transfer to results on disposal of available-for-sale financial assets, investments in subsidiary companies and associates	16	-	-	114.328	-	114.328
Exchange differences arising in the period	16	-	-	(1.624)	-	(1.624)
Profit recognised directly in equity		-	-	112.704	-	112.704
Profit for the period		-	-	-	317.200	317.200
Total recognised profit for the period		-	-	112.704	317.200	429.904
Dividend	16,17	-	-	-	(245.018)	(245.018)
Shares issued	15	5.437	27.186	-	-	32.623
Share issue costs	15	-	(1.468)	-	-	(1.468)
Cost of share-based payments to employees	16	-	-	-	2.893	2.893
		<b>5.437</b>	<b>25.718</b>	<b>-</b>	<b>(242.125)</b>	<b>(210.970)</b>
<b>Balance 30 September 2007</b>		<b>680.606</b>	<b>1.927.485</b>	<b>345.383</b>	<b>401.977</b>	<b>3.355.451</b>

The notes on pages 6 to 20 are an integral part of these condensed interim financial statements.

**MARFIN POPULAR BANK PUBLIC CO LTD**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**for the nine months ended 30 September 2008**

		<b>9 months ended 30.09.2008 € '000</b>	9 months ended 30.09.2007 € '000
	Note		
<b>Cash generated from operations</b>		<b>711.903</b>	571.544
Tax paid		<b>(15.011)</b>	(17.865)
<b>Net cash from operating activities</b>		<b>696.892</b>	553.679
<b>Cash flows from investing activities</b>			
Purchase less proceeds from disposal of property and equipment		<b>(11.189)</b>	(5.593)
Purchase of computer software		<b>(1.878)</b>	(2.128)
Additions less proceeds from redemption and disposal of debt securities lending, available-for-sale and held-to-maturity financial assets		<b>(577.360)</b>	(646.679)
Income from debt securities lending, available-for-sale and held-to-maturity financial assets		<b>98.958</b>	71.149
Dividend received from subsidiary companies and associates		-	326.513
Changes in shareholdings and capital of subsidiary companies		<b>(23.234)</b>	(162.214)
Payment for the acquisition of subsidiary companies	11	<b>(136.700)</b>	-
<b>Net cash used in investing activities</b>		<b>(651.403)</b>	(418.952)
<b>Cash flows from financing activities</b>			
Dividend paid		<b>(123.705)</b>	(245.018)
Interest paid on senior debt and loan capital		<b>(54.347)</b>	(37.921)
Share issue costs		<b>(284)</b>	(1.468)
Proceeds from the issue of senior debt and loan capital	14	<b>200.000</b>	727.234
Repayment of loan capital	14	<b>(85.430)</b>	(288.361)
<b>Net cash (used in)/from financing activities</b>		<b>(63.766)</b>	154.466
Effects of exchange rate changes		<b>(3.605)</b>	(761)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(21.882)</b>	288.432
<b>Cash and cash equivalents at beginning of period</b>		<b>3.006.627</b>	3.023.428
<b>Cash and cash equivalents at end of period</b>		<b>2.984.745</b>	3.311.860

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

**1. GENERAL INFORMATION**

The condensed interim financial statements present the financial statements of Marfin Popular Bank Public Co Ltd (the "Bank") for the nine months ended 30 September, 2008.

The principal activity of the Bank, which was unchanged from last year, is the provision of banking services.

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 the Athens Exchange. The Bank's registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed interim financial statements for the nine months ended 30 September, 2008 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.

With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank has changed from Cyprus pounds to Euro. As a result, the financial position of the Bank at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate € 1 = C£ 0,585274.

The condensed interim financial statements are presented in Euro, which is the functional and presentation currency of the Bank as from 1 January, 2008. All amounts are rounded to the nearest thousand, unless where reported otherwise.

The same accounting policies as for the annual financial statements for the year 2007 have been adopted in the preparation of the condensed interim financial statements except for the adoption by the Bank of the amendments of International Accounting Standard 39 and International Financial Reporting Standard 7 "Reclassification of Financial Assets" issued in October 2008 with effect from 1 July, 2008.

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December, 2007. The Bank also prepares consolidated condensed interim financial statements.

The condensed interim financial statements for the nine months ended 30 September, 2008 have not been audited or reviewed by the Bank's external independent auditors.

The Bank has adopted all applicable new and revised International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), which are relevant to its operations and are applicable for accounting periods beginning on 1 January, 2008 as stated below.

**Amendments of IAS 39 and IFRS 7 – Reclassification of Financial Assets**

The amendments of IAS 39 allow, under certain circumstances, the reclassification of non-derivative financial assets from the held-for-trading category to other categories as well as the reclassification of financial assets from available-for-sale investments to loans and receivables. The amendments of IFRS 7 require additional disclosures in the financial statements of entities, which adopt the above amendments of IAS 39.



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

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

**IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is subject to endorsement by the European Union. The Bank will apply IFRIC 14 upon its endorsement by the European Union.

**3. COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank has changed from Cyprus pounds to Euro. As a result, the financial position of the Bank at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate € 1 = C£ 0,585274. All comparatives have been converted into Euro with the above exchange rate.

**4. EARNINGS PER SHARE**

	<b>9 months ended 30.09.2008 €'000</b>	9 months ended 30.09.2007 €'000	<b>3 months ended 30.09.2008 €'000</b>	3 months ended 30.09.2007 €'000
Profit for the period	<b>282.623</b>	317.200	<b>73.363</b>	69.284
	<b>'000</b>	'000	<b>'000</b>	'000
Weighted average number of shares in issue during the period	<b>811.550</b>	787.245	<b>830.126</b>	796.683
Earnings per share – cent	<b>34,8</b>	40,3	<b>8,8</b>	8,7

Diluted earnings per share in relation to the Share Options is not disclosed, 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 the Athens Exchange during the period ended 30 September, 2008.

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

**5. SEGMENTAL ANALYSIS**

By geographical region – primary segment

	Cyprus €'000	United Kingdom €'000	Eliminations €'000	Total €'000
<b>Nine months ended 30 September 2008</b>				
<b>Total revenues</b>	<b>818.381</b>	<b>121.334</b>	<b>(30.358)</b>	<b>909.357</b>
Profit before tax	<u>295.407</u>	<u>14.131</u>		309.538
Tax				<u>(26.915)</u>
<b>Profit for the period</b>				<b><u>282.623</u></b>
<b>Nine months ended 30 September 2007</b>				
Total revenues	803.308	100.806	(35.975)	868.139
Profit before tax	<u>324.855</u>	<u>14.016</u>		338.871
Tax				<u>(21.671)</u>
Profit for the period				<u>317.200</u>

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

Included within profit on disposal and revaluation of securities is an amount of €65 m which relates to the profit from the sale of 6,45% of the Bank's investment in Marfin Investment Group Holdings S.A. (30 September, 2007: €57,5 m from the disposal of the Bank's investment in Universal Life Insurance Public Co Ltd, Hellenic Bank Public Company Ltd and Bank of Cyprus Public Company Ltd).

**7. RECLASSIFICATION OF FINANCIAL ASSETS**

The Bank adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Bank identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date. The book and fair value of the reclassified bonds is presented below:

	1 July 2008 Book and fair value €'000	30 September 2008	
		Book value €'000	Fair value €'000
Available-for-sale financial assets reclassified to debt securities lending	173.608	174.138	147.061
Held-for-trading financial assets reclassified to debt securities lending	34.177	<u>34.195</u>	<u>29.164</u>
Total financial assets reclassified to debt securities lending		<u>208.333</u>	<u>176.225</u>

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

**7. RECLASSIFICATION OF FINANCIAL ASSETS** (continued)

Had the Bank not reclassified the bonds on 1 July, 2008 the income statement for the third quarter 2008 would have included additional unrealised fair value losses for the three months July to September 2008 on the reclassified held-for-trading financial assets of € 5 m.

If the reclassification had not been made the fair value reserve would have included € 26,8 m of additional unrealised fair value losses for the three months July to September 2008 as a result of the change in the fair value of the reclassified available-for-sale financial assets.

**8. DERIVATIVE FINANCIAL INSTRUMENTS**

Included within financial assets at fair value through profit or loss is an amount of € 49 m (31 December, 2007: € 17,6 m), which relates to the positive fair value of derivative financial instruments. Included within other liabilities is an amount of € 53,3 m (31 December, 2007: € 17,4 m), which relates to the negative fair value of derivative financial instruments.

**9. ADVANCES TO CUSTOMERS**

	<b>30.09.2008</b> <b>€'000</b>	31.12.2007 €'000
Advances to customers	<b>8.806.436</b>	7.155.064
Instalment finance and leasing	<b>437.401</b>	-
	<b>9.243.837</b>	7.155.064
Provision for impairment of advances (Note 10)	<b>(387.896)</b>	(325.242)
	<b>8.855.941</b>	6.829.822

The amount of income suspended is included in provision for impairment of advances.

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

**10. PROVISION FOR IMPAIRMENT OF ADVANCES**

Movement in the nine months ended 30 September, 2008 and 30 September, 2007:

	<b>Provision €'000</b>	<b>Suspension of income €'000</b>	<b>Total €'000</b>
<b>2008</b>			
Balance 1 January	<b>230.034</b>	<b>95.208</b>	<b>325.242</b>
Provision for impairment of advances and suspension of income of Cyprus Popular Bank (Finance) Ltd merged with the Bank	<b>82.642</b>	<b>4.624</b>	<b>87.266</b>
Provision for impairment of advances for the period	<b>61.800</b>	<b>-</b>	<b>61.800</b>
Release of provision and recoveries	<b>(45.393)</b>	<b>(13.432)</b>	<b>(58.825)</b>
Advances written-off	<b>(28.662)</b>	<b>(24.634)</b>	<b>(53.296)</b>
Exchange differences	<b>(200)</b>	<b>-</b>	<b>(200)</b>
Suspension of income for the period	<b>-</b>	<b>25.909</b>	<b>25.909</b>
Balance 30 September	<b>300.221</b>	<b>87.675</b>	<b>387.896</b>
<b>2007</b>			
Balance 1 January	223.598	111.469	335.067
Provision for impairment of advances for the period	69.633	-	69.633
Release of provision and recoveries	(46.569)	(34.953)	(81.522)
Advances written-off	(10.135)	(5.566)	(15.701)
Exchange differences	(101)	-	(101)
Suspension of income for the period	-	24.202	24.202
Balance 30 September	236.426	95.152	331.578

**11. INVESTMENTS IN SUBSIDIARY COMPANIES**

Movement in the nine months ended 30 September, 2008 and 30 September, 2007:

	<b>2008 €'000</b>	<b>2007 €'000</b>
Balance 1 January	<b>2.550.443</b>	2.884.710
Increase of shareholding in Laiki Investments E.P.E.Y. Public Company Ltd and Egnatia Financial Services (Cyprus) Ltd	-	9.308
Increase of share capital and shareholding in Marfin Bank JSC Belgrade	-	30.167
Dividend from Marfin Investment Group Holdings S.A.	-	(235.752)
Acquisition of Marine Transport Bank, Investment Lease Company Renta, Premier Capital and Sintez Autoservice	<b>1.641</b>	101.231
Transfer of Marfin Investment Group Holdings S.A. to available- for-sale financial assets due to reduction in participation	-	(528.071)
Acquisition of Lombard Bank Malta Plc	<b>50.087</b>	-
Acquisition of Rossiysky Promyishlenny Bank Company Ltd	<b>84.972</b>	-
Reinvestment of dividend from Lombard Bank Malta Plc	<b>962</b>	-
Restructuring and merger with the Cyprus Popular Bank (Finance) Ltd	<b>(53.251)</b>	-
Disposal of Egnatia Financial Services (Cyprus) Ltd	<b>(5.181)</b>	-
Transfer of Marfin Pank Eesti AS	-	6.440
Changes in shareholding in subsidiary companies	<b>29.555</b>	59.531
Revaluation for the period	<b>26.597</b>	283.927
Balance 30 September	<b>2.685.825</b>	2.611.491

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

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

The main subsidiary companies of the Bank as at 30 September, 2008 were as follows:

(1)			
<b>Company name</b>	<b>Effective shareholding</b>	<b>Country of incorporation</b>	<b>Activity sector</b>
Marfin Egnatia Bank S.A. (d)	97%	Greece	Banking
Investment Bank of Greece S.A.	89%	Greece	Investment banking
Laiki Investments E.P.E.Y. Public Company Ltd (e)	71%	Cyprus	Investment and brokerage services and investments
Laiki Bank (Australia) Ltd	100%	Australia	Banking
Marfin Leasing S.A.	97%	Greece	Leasing
Marfin Bank (Romania) S.A. (j)	96%	Romania	Banking
Rossiysky Promyshlenny Bank Company Ltd (b)	50%	Russia	Banking
Closed Joint-Stock Company RPB Holding (b)	50%	Russia	Holding company
Marfin Bank JSC Belgrade	97%	Serbia	Banking
Pan-European Insurance Co Ltd	100%	Cyprus	Investment company
Laiki Insurance Ltd	100%	Cyprus	General insurance
Marfin Pank Eesti AS	50%	Estonia	Banking
Marfin Factors & Forfaiters S.A.	97%	Greece	Factoring, invoice discounting
Laiki Cyprialife Ltd	100%	Cyprus	Life insurance
Open Joint-Stock Company Marine Transport Bank (c)	99%	Ukraine	Banking
Philiki Insurance Co Ltd	100%	Cyprus	Investment company
Lombard Bank Malta Plc (a)	43%	Malta	Banking
Cyprialife Ltd	100%	Cyprus	Investment company
Marfin Global Asset Management Mutual Funds Management S.A. (h)	96%	Greece	Mutual funds and private portfolio management
Laiki Bank (Guernsey) Ltd	100%	Guernsey	Banking
Laiki Factors Ltd	100%	Cyprus	Factoring, invoice discounting
IBG Investments S.A. (i)	89%	British Virgin Islands	Investment services
MFG Capital Partners Ltd	68%	United Kingdom	Investment management

(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 the United Kingdom.

**(a) Acquisition of Lombard Bank Malta Plc**

On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 49,7 m. During the nine months ended 30 September 2008, Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was reinvested, was € 962.000. This reinvestment brings the Bank's holding to 43,08%.

The Bank exercises control over Lombard Bank Malta Plc through the power to appoint the majority of members of the Board of Directors and therefore Lombard Bank Malta Plc is accounted for as a subsidiary.

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

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

**(a) Acquisition of Lombard Bank Malta Plc (continued)**

Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of six branches. Lombard Bank Malta Plc will also offer services via MaltaPost, in which it is a major shareholder.

**(b) Acquisition of Rossiysky Promyishlenny Bank (Rosprombank)**

On 4 September, 2008 the Bank finalised the acquisition of the Russian Commercial Bank Rossiysky Promyishlenny Bank (Rosprombank), after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of €83,6 m.

Rosprombank was established in 1997 and has a dynamic presence in Russia via a network of 32 branches and selling points covering the big cities of the Russian Federation.

**(c) Acquisition of Marine Transport Bank**

On 18 September, 2007, following the obtaining of the necessary approvals by the competent authorities of Cyprus and Ukraine, the Bank completed the acquisition of 99,21% of the share capital of Marine Transport Bank (MTB) in Ukraine for €100,7 m.

MTB is a bank organised as an Open Joint-Stock Company under the laws of Ukraine. It is a universal bank having licenses for a full range of banking operations.

**(d) Increase in shareholding in Marfin Egnatia Bank S.A.**

During the nine months ended 30 September, 2008 5.438.000 shares of Marfin Egnatia Bank S.A. were acquired and the convertible bonds held by the Bank were converted into 206.000 shares. These acquisitions bring the Bank's holding to 97%.

**(e) Increase in shareholding in Laiki Investments E.P.E.Y. Public Company Ltd**

In March 2008 the Bank acquired 3,6 m shares of Laiki Investments E.P.E.Y. Public Company Ltd for €1,4 m. This acquisition brings the Bank's holding to 71,4%.

**(f) Merger of the Cyprus Popular Bank (Finance) Ltd with the Bank**

Effective from 1 January, 2008 the Cyprus Popular Bank (Finance) Ltd, a 100% subsidiary of the Bank specialising in hire purchase and leasing, was merged with the Bank and the Bank has undertaken its operations, assets and liabilities, rights and obligations and will offer from now on the respective services. The Bank and the Cyprus Popular Bank (Finance) Ltd, the General Meeting of the Cyprus Popular Bank (Finance) Ltd's creditors and the Court of Law, based on the relevant Cyprus legislation, approved the Restructuring and Merger.

**(g) Transfer of Egnatia Financial Services (Cyprus) Ltd**

In January 2008 the Bank sold 100% of the share capital of Egnatia Financial Services (Cyprus) Ltd to Laiki Investments E.P.E.Y. Public Company Ltd. This transaction reduces the effective holding of the Bank in Egnatia Financial Services (Cyprus) Ltd to 71,4%.

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

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

**(h) Decrease of share capital of Marfin Global Asset Management Mutual Funds Management S.A.**

The decrease of the share capital of Marfin Global Asset Management Mutual Funds Management S.A. was approved during February and March 2008 by the decisions of the Executive Committee of the Capital Market Commission and the Ministry of Development. The decrease of the share capital for the amount of € 4 m was made by a respective decrease of the nominal value of each share for the amount of € 14, in order to return the amount to the shareholders.

**(i) Increase of share capital of IBG Investments S.A.**

During the nine months ended 30 September, 2008 an increase of the share capital of IBG Investments S.A. was made for the amount of € 236.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%), pro rata, based on the respective shareholdings.

**(j) Increase of share capital of Marfin Bank (Romania) S.A.**

In June 2008 an increase of the share capital of Marfin Bank (Romania) S.A. was made for the amount of € 20 m, which was covered by Marfin Egnatia Bank S.A. (98,98%), pro rata, based on the respective shareholdings.

**12. PROPERTY AND EQUIPMENT**

Movement in the nine months ended 30 September, 2008 and 30 September, 2007:

	<b>2008</b>	<b>2007</b>
	<b>€'000</b>	<b>€'000</b>
Net book value at 1 January	<b>144.676</b>	111.831
Net book value of property and equipment of Cyprus Popular Bank (Finance) Ltd merged with the Bank	<b>241</b>	-
Additions less disposals of property and equipment	<b>11.145</b>	5.577
Depreciation	<b>(4.364)</b>	(3.872)
Exchange differences	<b>(587)</b>	(213)
Net book value at 30 September	<b>151.111</b>	113.323

**13. SENIOR DEBT**

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2007, the Bank issued € 750 m of senior debt due in 2010. The bonds are repayable within three years from their issue (2007/2010) and pay interest every three months. The interest rate is set at the three-monthly rate of Euro (Euribor) plus 0,29%.

The bonds are listed on the Luxembourg Stock Exchange and their market value at 30 September, 2008 was € 703,7 m (31 December, 2007: € 718,9 m).

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

**14. LOAN CAPITAL**

	<b>30.09.2008</b>	31.12.2007
	<b>€'000</b>	€'000
Eurobonds due 2016	<b>438.831</b>	438.263
Capital securities	<b>200.000</b>	85.430
	<b>638.831</b>	523.693

**Eurobonds due 2016**

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2006, the Bank issued € 450 m of subordinated debt (Tier II capital). The issue was in the form of subordinated bonds, maturing in 10 years. The Bank has the right to call in the bonds after five years from the issue date. Interest rate is set at the three-monthly rate of Euro (Euribor) plus 0,75%, increased by 1% if the bonds are not called in.

The bonds constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The bonds are listed on the Luxembourg Stock Exchange and their market value at 30 September, 2008 was € 411,1 m (31 December, 2007: € 430,5 m).

**Capital securities**

The capital securities of the June 2003 issue, amounting to € 85 m (C£ 50 m) were repaid in full in accordance with their terms of issue on 27 June, 2008 and an amount equal to the nominal value plus accrued interest was paid to the holders. For the period 31.03.2008 – 26.06.2008 these securities carried interest at the rate of 5,20%.

On 17 March, 2008 the Board of Directors of the Bank approved the issue of new capital securities up to the amount of € 200 m which would be included in its Hybrid Tier I Capital. Capital securities of € 116 m (1<sup>st</sup> Tranche) that were offered to a limited group of individuals, professional investors and individuals who each invested at least € 50,000, were issued on 14 April, 2008 at a nominal value of € 1.000 each. During the second phase (2<sup>nd</sup> Tranche), capital securities of € 84 m that were offered to the general public through a Public Offer, were issued on 30 June, 2008, at a nominal value of € 1.000 each.

The capital securities do not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities of the 1<sup>st</sup> Tranche pay 6,50% fixed interest rate for the first four quarters and the capital securities of the 2<sup>nd</sup> Tranche pay 6,50% fixed interest rate for the first three quarters, and subsequently a floating rate, which is reviewed on a quarterly basis. The interest rate is equal to the three-monthly rate of Euro (Euribor) at the beginning of each quarter plus 1,50% and interest is payable every three months, at 31 March, 30 June, 30 September and 31 December.

The capital securities constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The capital securities of the 1<sup>st</sup> Tranche were listed on the Cyprus Stock Exchange on 24 July, 2008 and of the 2<sup>nd</sup> Tranche on 6 November, 2008.



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

**15. SHARE CAPITAL AND SHARE PREMIUM**

	Number of shares '000	Share capital €'000	Share premium €'000	Total €'000
<b>Nine months ended 30 September 2008</b>				
Balance 1 January	796.691	680.613	1.927.571	2.608.184
Difference from conversion of share capital into Euro (a)	-	(3.426)	-	(3.426)
Dividend reinvestment (b)	33.435	28.420	126.717	155.137
Share issue costs	-	-	(284)	(284)
	<b>830.126</b>	<b>705.607</b>	<b>2.054.004</b>	<b>2.759.611</b>
<b>Nine months ended 30 September 2007</b>				
Balance 1 January	790.319	675.169	1.901.767	2.576.936
Shares issued (c)	6.364	5.437	27.186	32.623
Share issue costs	-	-	(1.468)	(1.468)
	<b>796.683</b>	<b>680.606</b>	<b>1.927.485</b>	<b>2.608.091</b>

- (a) On 15 May, 2008, the Extraordinary General Meeting following the recommendation of the Registrar of Companies approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion of Cyprus Pounds to Euro totalling € 3.426.000 is recorded into a special reserve account which is called "Difference from the conversion of share capital into Euro" (Note 16) for future capitalisation or other legal use.
- (b) In June 2008 the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the reinvestment of the dividend for the year 2007, in accordance with the Dividend Reinvestment Plan. Based on the Plan the Bank's shareholders had the option of part or full reinvestment of the net 2007 dividend that was paid, into additional shares, of the Bank. The exercise price of the reinvestment right of the 2007 dividend was set at € 4,64 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008. After the issue of 33.435.000 new ordinary shares, the share capital of the Bank amounts to € 705.607.000, divided into 830.126.000 ordinary shares, of nominal value € 0,85 each.
- (c) The shares issued during the nine month period ended 30 September, 2007 relate to shares, which were allocated to the shareholders of Marfin Investment Group Holdings S.A. who exercised their right to exit. These shares were issued on 17 April, 2007 and were listed on the Cyprus Stock Exchange and the Athens Exchange on 23 April, 2007.

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**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**Share Options**

In April 2007, the Extraordinary General Meeting of the shareholders 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, but it is subject to adjustments following corporate actions and it currently stands at € 9,02.

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 exercise price of € 10 and maturity date 15 December, 2011. The Options can be exercised by the holders 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 using the Black and Scholes model. The significant inputs into the model were: share price of € 8,48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4,15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%. The weighted average fair value of Options granted during the period was € 0,19 per Option. The total expense recognised in the condensed interim income statement for the nine months ended 30 September, 2008 for Options granted amounts to € 1.423.000.

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

**16. RESERVES**

Movement in the nine months ended 30 September, 2008 and 30 September, 2007:

	<b>2008</b>	2007
	<b>€ '000</b>	€ '000
<b>Revenue reserves</b>		
Balance 1 January	<b>504.929</b>	326.902
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	<b>44.178</b>	-
Profit for the period	<b>282.623</b>	317.200
Dividend (Note 17)	<b>(278.842)</b>	(245.018)
Cost of share-based payments to employees	<b>1.423</b>	2.893
	<hr/>	<hr/>
Balance 30 September	<b>554.311</b>	401.977
<b>Property fair value reserves</b>		
Balance 1 January and 30 September	<b>44.953</b>	19.292
	<hr/>	<hr/>
<b>Available-for-sale financial assets and investments in subsidiary companies and associates fair value reserves</b>		
Balance 1 January	<b>203.923</b>	212.654
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	<b>(44.178)</b>	-
Revaluation for the period and transfer to results on disposal of available-for-sale financial assets, investments in subsidiary companies and associates	<b>(83.289)</b>	114.328
Transfer to results due to impairment	<b>10.300</b>	-
	<hr/>	<hr/>
Balance 30 September	<b>86.756</b>	326.982
<b>Currency translation reserves</b>		
Balance 1 January	<b>296</b>	733
Exchange differences arising in the period	<b>2.542</b>	(1.624)
	<hr/>	<hr/>
Balance 30 September	<b>2.838</b>	(891)
<b>Difference from conversion of share capital into Euro reserve</b>		
Balance 1 January	-	-
Difference arising on conversion of share capital into Euro	<b>3.426</b>	-
	<hr/>	<hr/>
Balance 30 September	<b>3.426</b>	-
	<hr/>	<hr/>
<b>Total reserves 30 September</b>	<b>692.284</b>	747.360

**17. DIVIDEND**

The Annual General Meeting of the Bank, held on 15 May, 2008, approved the payment of a dividend of € 0,35 per share of nominal value € 0,85, of a total amount of € 278.842.000 (30 September, 2007: € 245.018.000, € 0,31 per share). The dividend was paid to the shareholders on 2 June, 2008.

The Annual General Meeting also approved the Dividend Reinvestment Plan proposed by the Board of Directors (Note 15(b)).

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

**18. CONTINGENCIES AND COMMITMENTS**

Commitments for capital expenditure of the Bank at 30 September, 2008 amounted to € 5 m (31 December, 2007: €16 m).

As at 30 September, 2008 there were pending litigations against the Bank 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 Bank will suffer any significant loss. Therefore, no provision has been recognised in the condensed interim financial statements regarding these cases.

**19. RELATED PARTY TRANSACTIONS**

	<b>30.09.2008</b> <b>€'000</b>	<b>31.12.2007</b> <b>€'000</b>
Advances to Directors and their connected persons	<b>188.097</b>	95.772
Advances to other key management personnel and their connected persons	<b>367</b>	449
Total advances	<b>188.464</b>	96.221
Commitments for guarantees and letters of credit:		
Guarantees to Directors and their connected persons	<b>22.373</b>	21.345
Letters of credit to Directors and their connected persons	<b>7.235</b>	16.276
	<b>29.608</b>	37.621
Total advances and commitments	<b>218.072</b>	133.842
Tangible securities	<b>356.587</b>	187.120
Deposits	<b>30.899</b>	11.383
	<b>9 months ended</b> <b>30.09.2008</b> <b>€'000</b>	<b>9 months ended</b> <b>30.09.2007</b> <b>€'000</b>
Interest income	<b>5.720</b>	2.489
Interest expense	<b>494</b>	96

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

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 30 September, 2008 amounts to € 1,9 m (31 December, 2007: € 2,6 m).

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.

The deposits by JCC Payment Systems Ltd, associate of the Bank, at 30 September, 2008 were € 23,8 m (31 December, 2007: € 22 m), and the interest on these deposits during the nine months ended 30 September, 2008 was € 616.000 (30 September, 2007: € 580.000). In addition, during the nine months ended 30 September, 2007 the Bank received dividend from its associate amounting to € 849.000. The deposits of the provident funds of the employees of the Group in Cyprus at 30 September, 2008, which are also regarded as related parties, were € 15,7 m (31 December, 2007: € 26 m) and the interest on these deposits during the nine months ended 30 September, 2008 was € 278.000 (30 September, 2007: € 561.000).

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

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

**Other transactions with related parties**

During the nine months ended 30 September, 2008 the Bank purchased goods and received services amounting to € 145.000 from companies connected to Lanitis group.

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

**Key management personnel compensation**

	<b>9 months ended 30.09.2008 €'000</b>	<b>9 months ended 30.09.2007 €'000</b>
<b>Fees paid to Directors as members of the Board</b>	<b>143</b>	<b>94</b>
<b>Remuneration of Directors under executive role:</b>		
Salaries and other short-term benefits	<b>271</b>	164
Employer's social insurance contributions	<b>58</b>	34
Retirement benefits scheme expense	<b>61</b>	50
	<b>390</b>	248
<b>Consultancy services fees of Directors under non executive role</b>	<b>241</b>	246
<b>Compensation of other key management personnel:</b>		
Salaries and other short-term benefits	<b>76</b>	357
Employer's social insurance contributions	<b>16</b>	65
Retirement benefits scheme expense	<b>17</b>	103
	<b>109</b>	525
<b>Share-based payment compensation</b>	<b>829</b>	-
	<b>1.712</b>	1.113

In addition to the above, the members of the Board of Directors who retired received:

	<b>9 months ended 30.09.2008 €'000</b>	<b>9 months ended 30.09.2007 €'000</b>
<b>Fees paid to Directors as members of the Board</b>	<b>-</b>	<b>3</b>
<b>Remuneration of Directors under executive role:</b>		
Salaries and other short-term benefits	-	65
Employer's social insurance contributions	-	5
Retirement benefits scheme expense	-	19
	-	89
	-	92

During the nine months ended 30 September, 2008, key management personnel received a total bonus of € 485.000 based on the results of 2007.

Key management personnel for the nine months ended 30 September, 2008 include fourteen Directors, five of which had executive duties and the members of the executive management.

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

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

**Transactions with subsidiary companies**

**(a) Income and expenses from transactions with subsidiary companies**

	<b>9 months ended 30.09.2008 € '000</b>	<b>9 months ended 30.09.2007 € '000</b>
Interest income	<b>34.501</b>	18.004
Interest expense	<b>15.820</b>	14.161
Dividend income	<b>962</b>	89.910
Other income	<b>1.010</b>	870
Other expenses	<b>2.442</b>	2.143

**(b) Balances with subsidiary companies**

	<b>30.09.2008 € '000</b>	<b>31.12.2007 € '000</b>
Placements	<b>1.007.294</b>	1.036.747
Deposits	<b>622.501</b>	577.762

**20. POST BALANCE SHEET EVENTS**

On 11 November, 2008 the Bank announced that, having obtained the required by law relevant approvals by the regulatory authorities in Cyprus, increased its percentage participation in the share capital of the Estonian bank Marfin Pank Eesti AS (ex AS SBM Pank) by 2,71% by purchasing 544.000 shares. Consequently, the total percentage of its participation in the share capital of Marfin Pank Eesti AS increased to 52,84%.

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

As at 30 September, 2008 the Bank's total exposure regarding facilities granted to Marfin Investment Group Holdings S.A. group amounted to €319 m (31 December, 2007: €259 m) and deposits placed by Marfin Investment Group Holdings S.A. group amounted to €8 m (31 December, 2007: €668.000). Additionally, the total income earned by the Bank during the period amounted to €16 m and the total expenses recognised by the Bank amounted to €166.000.

**22. APPROVAL OF FINANCIAL STATEMENTS**

The condensed interim financial statements of the Bank were approved by the Board of Directors of the Bank on 27 November, 2008.

Andreas Vgenopoulos  
 Executive Vice Chairman  
 Identity Card No. K231260

Efthymios Bouloutas  
 Group Chief Executive Officer  
 Identity Card No. X501092/02

Annita Philippidou  
 Group Chief Financial Officer  
 Identity Card No. 704873