



LAIKI BANK GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2012

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30 September 2012

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CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2012

	Note	9 months ended 30.09.2012			9 months ended 30.09.2011		
		Before restructuring and one-off costs € '000	Restructuring and one-off costs (Note 8) € '000	Total € '000	Before restructuring and one-off costs € '000	Restructuring and one-off costs (Note 8) € '000	Total € '000
Net interest income		469.064	-	469.064	591.908	-	591.908
Net fee and commission income		119.416	-	119.416	135.659	-	135.659
(Loss)/profit on disposal and revaluation of securities	6	(107.962)	-	(107.962)	62.097	-	62.097
Foreign exchange and other income	7	157.599	-	157.599	49.804	-	49.804
Operating income		638.117	-	638.117	839.468	-	839.468
Staff costs		(260.615)	(4.719)	(265.334)	(287.934)	-	(287.934)
Depreciation and amortisation		(36.034)	(2.622)	(38.656)	(41.778)	-	(41.778)
Administrative expenses		(131.178)	(13.908)	(145.086)	(142.629)	-	(142.629)
Profit before impairments		210.290	(21.249)	189.041	367.127	-	367.127
Provision for impairment of advances	14	(1.284.728)	-	(1.284.728)	(282.786)	-	(282.786)
Impairment of debt and equity holdings		(166.189)	-	(166.189)	(426.909)	-	(426.909)
Impairment of goodwill and other intangible assets	10	(580.564)	-	(580.564)	-	-	-
Loss before share of profit from associates		(1.821.191)	(21.249)	(1.842.440)	(342.568)	-	(342.568)
Share of profit from associates		8.955	-	8.955	7.294	-	7.294
Loss before tax		(1.812.236)	(21.249)	(1.833.485)	(335.274)	-	(335.274)
Tax	11	155.963	3.604	159.567	51.137	-	51.137
Loss for the period		(1.656.273)	(17.645)	(1.673.918)	(284.137)	-	(284.137)
Attributable to:							
Owners of the Bank		(1.653.850)	(17.645)	(1.671.495)	(291.493)	-	(291.493)
Non-controlling interests		(2.423)	-	(2.423)	7.356	-	7.356
		(1.656.273)	(17.645)	(1.673.918)	(284.137)	-	(284.137)
Loss per share – for loss attributable to the owners of the Bank							
Loss per share - cent	4			(20,1)			(19,0)

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
for the three months ended 30 September 2012

	3 months ended 30.09.2012			3 months ended 30.09.2011		
	Before restructuring and one-off costs € '000	Restructuring and one-off costs (Note 8) € '000	Total € '000	Before restructuring and one-off costs € '000	Restructuring and one-off costs (Note 8) € '000	Total € '000
Net interest income	149.401	-	149.401	215.148	-	215.148
Net fee and commission income	38.850	-	38.850	44.905	-	44.905
Loss on disposal and revaluation of securities	(11.896)	-	(11.896)	(13.692)	-	(13.692)
Foreign exchange and other income	10.867	-	10.867	16.187	-	16.187
Operating income	187.222	-	187.222	262.548	-	262.548
Staff costs	(83.823)	(4.123)	(87.946)	(95.190)	-	(95.190)
Depreciation and amortisation	(8.782)	(2.622)	(11.404)	(14.010)	-	(14.010)
Administrative expenses	(42.165)	(3.879)	(46.044)	(49.433)	-	(49.433)
Profit before impairments	52.452	(10.624)	41.828	103.915	-	103.915
Provision for impairment of advances	(399.758)	-	(399.758)	(100.001)	-	(100.001)
Impairment of debt and equity holdings	(6.119)	-	(6.119)	(115.380)	-	(115.380)
Impairment of goodwill and other intangible assets	(488)	-	(488)	-	-	-
Loss before share of profit from associates	(353.913)	(10.624)	(364.537)	(111.466)	-	(111.466)
Share of profit from associates	3.060	-	3.060	1.133	-	1.133
Loss before tax	(350.853)	(10.624)	(361.477)	(110.333)	-	(110.333)
Tax	(2.434)	1.618	(816)	23.055	-	23.055
Loss for the period	(353.287)	(9.006)	(362.293)	(87.278)	-	(87.278)
Attributable to:						
Owners of the Bank	(353.701)	(9.006)	(362.707)	(89.115)	-	(89.115)
Non-controlling interests	414	-	414	1.837	-	1.837
	(353.287)	(9.006)	(362.293)	(87.278)	-	(87.278)
Loss per share – for loss attributable to the owners of the Bank						
Loss per share - cent	4		(1,7)			(5,5)

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2012

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Loss for the period	(1.673.918)	(284.137)
Other comprehensive income		
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	126.277	60.662
Deferred tax of available-for-sale financial assets	(22.375)	1.738
	103.902	62.400
Revaluation of property, net of tax	-	398
Amortisation of loss on available-for-sale financial assets reclassified	5.413	7.777
Cash flow hedges, net of tax	-	135
Share of other comprehensive income of associates	2.056	(2.132)
Exchange differences arising in the period	(2.365)	(14.129)
Other comprehensive income for the period, net of tax	109.006	54.449
Total comprehensive loss for the period	(1.564.912)	(229.688)
Total comprehensive (loss)/income attributable to:		
Owners of the Bank	(1.563.725)	(233.588)
Non-controlling interests	(1.187)	3.900
	(1.564.912)	(229.688)

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 30 September 2012

	3 months ended 30.09.2012 € '000	3 months ended 30.09.2011 € '000
Loss for the period	(362.293)	(87.278)
Other comprehensive income		
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	27.537	(103.307)
Deferred tax of available-for-sale financial assets	(4.267)	17.066
	23.270	(86.241)
Revaluation of property, net of tax	-	398
Amortisation of loss on available-for-sale financial assets reclassified	2.133	299
Share of other comprehensive income of associates	964	(873)
Exchange differences arising in the period	(2.546)	139
Other comprehensive income/(loss) for the period, net of tax	23.821	(86.278)
Total comprehensive loss for the period	(338.472)	(173.556)
Total comprehensive (loss)/income attributable to:		
Owners of the Bank	(339.654)	(172.162)
Non-controlling interests	1.182	(1.394)
	(338.472)	(173.556)

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
30 September 2012

	Note	30.09.2012 € '000	31.12.2011 € '000
Assets			
Cash and balances with Central Banks		957.836	1.034.086
Due from other banks		922.946	689.569
Financial assets at fair value through profit or loss	12	142.782	234.505
Advances to customers	13	22.418.223	24.778.623
Debt securities lending		605.986	1.769.185
Available-for-sale financial assets		591.858	1.791.205
Held-to-maturity financial assets	15	2.737.739	889.455
Other assets	12,16	1.391.021	1.370.597
Investments in associates		126.677	115.741
Intangible assets		204.393	797.780
Property and equipment	17	276.231	291.232
Total assets		30.375.692	33.761.978
Liabilities			
Due to Central and other banks		10.158.428	10.301.370
Customer deposits		17.865.004	20.160.804
Senior debt	18	144.195	376.107
Loan capital	19	840.681	1.333.727
Other liabilities	12,20	400.883	989.412
Total liabilities		29.409.191	33.161.420
Share capital and reserves attributable to the owners of the Bank			
Share capital	21	2.137.169	1.369.444
Share premium	21	396.017	2.334.583
Reserves	22	(1.663.841)	(3.209.867)
Non-controlling interests		869.345	494.160
		97.156	106.398
Total equity		966.501	600.558
Total equity and liabilities		30.375.692	33.761.978

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2012

	Note	Attributable to the owners of the Bank			Revenue reserves € '000	Non- controlling interests € '000	Total € '000
		Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000			
Nine months ended 30 September 2012							
Balance 1 January 2012		1.369.444	2.334.583	(202.033)	(3.007.834)	106.398	600.558
Shares issued through exercise of rights	21	1.799.073	-	-	-	-	1.799.073
Losses written off	21,22	(1.208.332)	(1.900.000)	70.060	3.038.272	-	-
Shares issued from the voluntary exchange of capital securities	19,21	176.984	-	-	-	-	176.984
Share issue costs	21	-	(38.566)	-	-	-	(38.566)
Defence tax on deemed distribution	22	-	-	-	21	-	21
Dividend paid by subsidiary companies		-	-	-	-	(1.799)	(1.799)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	22	-	-	-	1.398	(6.256)	(4.858)
		2.137.169	396.017	(131.973)	31.857	98.343	2.531.413
Loss for the period		-	-	-	(1.671.495)	(2.423)	(1.673.918)
Other comprehensive income for the period, net of tax		-	-	107.770	-	1.236	109.006
Total comprehensive income/(loss) for the period		-	-	107.770	(1.671.495)	(1.187)	(1.564.912)
Balance 30 September 2012		2.137.169	396.017	(24.203)	(1.639.638)	97.156	966.501
Nine months ended 30 September 2011							
Balance 1 January 2011		834.799	2.252.897	(340.786)	788.601	105.863	3.641.374
Shares issued through exercise of rights	21	414.942	73.226	-	-	-	488.168
Share issue costs	21	-	(10.127)	-	-	-	(10.127)
Script dividend	21,22	119.703	21.124	-	(147.028)	-	(6.201)
Defence tax on deemed distribution	22	-	-	-	(68)	-	(68)
Cost of share-based payments to employees	22	-	-	-	840	6	846
Dividend paid by subsidiary companies		-	-	-	-	(1.790)	(1.790)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	22	-	-	-	(41)	310	269
Other movements	22	-	-	-	(50)	-	(50)
		1.369.444	2.337.120	(340.786)	642.254	104.389	4.112.421
(Loss)/profit for the period		-	-	-	(291.493)	7.356	(284.137)
Other comprehensive income/(loss) for the period, net of tax		-	-	57.905	-	(3.456)	54.449
Total comprehensive income/(loss) for the period		-	-	57.905	(291.493)	3.900	(229.688)
Balance 30 September 2011		1.369.444	2.337.120	(282.881)	350.761	108.289	3.882.733

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2012

		9 months ended 30.09.2012	9 months ended 30.09.2011
	Note	€ '000	€ '000
Cash used in operations		(81.410)	(2.325.353)
Tax paid		(33.872)	(46.585)
Net cash used in operating activities		(115.282)	(2.371.938)
Cash flows from investing activities			
Purchases less proceeds from disposal of property and equipment		(6.434)	(16.436)
Purchases less proceeds from disposal of computer software		(3.959)	(6.463)
Purchases less proceeds from disposal of investment property		(533)	(18.818)
Proceeds from disposals and redemptions of available-for-sale financial assets less purchases		702.222	167.185
Proceeds from redemptions of held-to-maturity financial assets less purchases		250.638	254.847
Income received from financial assets		147.016	176.074
Business disposals net of cash and cash equivalents		(6.004)	36.772
Changes in shareholdings in subsidiary companies		(4.210)	-
Net cash from investing activities		1.078.736	593.161
Cash flows from financing activities			
Proceeds from the exercise of rights	21	3.014	488.168
Defence tax on dividend paid		-	(6.201)
Share issue costs	21	(38.566)	(10.127)
Proceeds from the issue of senior debt and loan capital		2.147	67.577
Repayment of senior debt and loan capital		(431.953)	(116.650)
Interest paid on senior debt and loan capital		(50.955)	(64.146)
Dividend paid by subsidiary companies to holders of non-controlling interests		(1.799)	(1.790)
Net cash (used in)/from financing activities		(518.112)	356.831
Effects of exchange rate changes on cash and cash equivalents		2.101	(5.219)
Net increase/(decrease) in cash and cash equivalents		447.443	(1.427.165)
Cash and cash equivalents at beginning of period		783.567	4.127.458
Cash and cash equivalents at end of period		1.231.010	2.700.293

The notes on pages 8 to 34 are an integral part of these condensed interim consolidated financial statements.

CYPRUS 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 Cyprus Popular Bank Public Co Ltd (the “Bank”) and its subsidiaries (the “Group”), for the nine months ended 30 September, 2012.

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 CNP Laiki Insurance Holdings Ltd (formerly CNP 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”. An Extraordinary General Meeting held on 2 April, 2012 approved the change of its name to “Cyprus Popular Bank Public Co Ltd”. The Bank’s shares are listed on the Cyprus Stock Exchange (CSE) and Athens Exchange (ATHEX). The Bank’s registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed interim consolidated financial statements for the nine months ended 30 September, 2012 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 (EU).

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, 2011.

The condensed interim consolidated financial statements for the nine months ended 30 September, 2012 have not been audited or reviewed by the Group’s external independent auditors.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Going concern considerations

The condensed interim consolidated financial statements have been prepared on a going concern basis. In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the impact of the following factors.

The continued deterioration of the Greek and Cypriot economies, to which the Group is significantly exposed, has adversely affected the Group's operations and presents significant risks and challenges. Currently, there are a number of material economic, political and market risks and uncertainties that impact the Greek and Cyprus banking system. The main risks stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek and Cypriot economies. The progress made to date could be compromised by external shocks from the global economy as well as implementation risks, reform fatigue and political instability in Greece. The restoration of confidence after the implementation of the Private Sector Involvement (PSI+) programme, the attraction of new investments and the revival of economic growth remain the key challenges of the Greek economy.

In 2011 the Group incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring (PSI+), as well as increased impairment losses on its loans and advances portfolio in Greece. Such losses had a respective impact on the accounting and regulatory capital of the Group as of 31 December, 2011, which fell below the minimum capital requirements (Note 45 of the consolidated financial statements for the year ended 31 December, 2011). As at 30 September, 2012 the Group does not fulfill the minimum capital requirements as explained below. With regards to liquidity, the Group had increased reliance on Eurosystem financing facilities as at 31 December, 2011, which has increased further as at 30 September, 2012.

On 26 October, 2011, a capital exercise proposed by the European Banking Authority (EBA) and approved by the European Council required banks to strengthen their capital positions by building up a temporary capital buffer against sovereign debt exposures to reflect current market prices. Additionally, it required them to establish a buffer such that Core Tier I Capital ratio reaches 9% as at 30 June, 2012.

The Group participated in the capital exercise of the EBA. The amount of the capital shortfall identified was based on 30 September, 2011 figures, with the estimated capital shortfall for the Group calculated at € 1,97 bn. The Group's aim was to adhere to the 9% Core Tier I Capital ratio by the end of June 2012. On 20 January, 2012, the Group, within the framework of the capital exercise, submitted a comprehensive capital plan to the Central Bank of Cyprus with which the Group aimed to increase the Core Tier I Capital ratio to 9%, after including the Greek Government Bond impairments and loan impairments. The capital plan submitted to the Central Bank of Cyprus had been agreed with the appropriate European regulatory authorities that monitored its implementation.

The capital plan submitted on 20 January, 2012, included 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. The Board of Directors received authorisation from the Extraordinary General Meeting that was held on 2 April, 2012, to proceed with the implementation of the capital plan (Note 52 of the consolidated financial statements for the year ended 31 December, 2011).

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Going concern considerations (continued)

In assessing the Group's ability to continue as a going concern, the Board of Directors has in addition taken into consideration, the written letters of commitment of the Republic of Cyprus to provide the necessary support to the Bank to address any liquidity, solvency and capital adequacy issues to enable the Bank to continue in business. Following this and on the basis of the provision of the legislation for the support of the financial system, the House of Representatives by issuing the Decree for the Underwriting of Rights Issue of the Cyprus Popular Bank Public Co Ltd of 2012 (R.A.A. 182/2012) as amended by (1) on 14 June, 2012, the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd (Amending) Decree of 2012 (R.A.A. 213/2012), (2) on 23 July, 2012, the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd (Amending) (No. 2) Decree of 2012 (R.A.A. 274/2012) and (3) on 14 August, 2012 the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd (Amending) (No. 3) Decree of 2012 (R.A.A. 305/2012), together referred to as "Decree", approved the proposal of the Ministry of Finance, based on which the Republic of Cyprus acted as an underwriter of the € 1,8 bn share capital increase through rights issue. On 30 June, 2012 the Republic of Cyprus, taking into consideration the amount of shares taken up by private investors, acquired 17.960.599.000 shares in the Bank and is now the largest shareholder of the Bank with a shareholding of 84%. This acquisition from the Republic of Cyprus has been settled through Cyprus Government Bonds as explained in Note 15. These bonds are eligible for financing from the Central Bank of Cyprus.

In addition, the offer for the voluntary exchange of existing capital securities with ordinary shares resulted in 1.769.840.000 new ordinary shares. In relation to the offer for the exchange of existing capital securities with Enhanced Capital Securities (ECS), the applications could not be satisfied due to the fact that the provisions and terms of issue, as stipulated in the Prospectus dated 22 May, 2012 and its First Supplementary Prospectus dated 19 June, 2012 were not fulfilled.

Due to the limited number of existing capital securities converted into ordinary shares and to the fact that the applications for voluntary exchange with ECS could not be satisfied, the aim of the Group to meet a capital adequacy ratio of 9% in accordance with the requirements of the European Banking Authority (EBA), has not been achieved. However, the EBA has received reassurance that the Group will comply with EBA recommendations, as a result of the decision of the Republic of Cyprus to apply to the European Financial Stability Fund (EFSF) for support. According to an announcement by the EBA it is possible that additional capital needs will be required of the Group after assessment by the relevant European authorities and the International Monetary Fund (IMF) within the framework of the support programme. On 3 October, 2012, the final assessment of the capital exercise of the EBA was published which demonstrated a remaining capital shortfall of € 1.125 m for the Bank as of 30 June, 2012, which is being addressed through the implementation of the corresponding backstops with the explicit support of the Cyprus Government.

In accordance with the requirements of the Decree, a Restructuring Plan has been prepared in co-operation with the appointed consultants (KPMG UK) for this purpose. On 28 August, 2012 the Board of Directors examined the Restructuring Plan and approved its submission to the Central Bank of Cyprus. In accordance with the provisions of the Decree, the Restructuring Plan has been submitted to the Ministry of Finance and will be submitted by the Ministry to the European Commission for approval. Within the framework of the Restructuring Plan, the Group will also redefine its capital needs.

The Directors, having considered the factors set out above, are satisfied that the condensed interim consolidated financial statements can be prepared on a going concern basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRS

The same accounting policies as for the annual consolidated financial statements for the year 2011 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 (IFRS), all revised International Accounting Standards (IAS) and all revised and new interpretations, which are relevant to its operations and are applicable for accounting periods beginning on 1 January, 2012 as stated below:

(a) Amendment to IFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets

The amendment aims to enhance the disclosure requirements relating to transfers of financial assets.

(b) Amendments to IAS 12, Deferred Tax: Recovery of Underlying Assets

The amendments are subject to endorsement by the EU and address the determination of deferred tax on investment property measured at fair value.

Restructuring and one-off costs

Restructuring and one-off costs are those expense items that relate to the restructuring and other one-off costs of the Group and are material either in nature or size and merit separate presentation to aid the user's understanding of the Group's financial performance (Note 8).

3. COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4. LOSS PER SHARE

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000	3 months ended 30.09.2012 € '000	3 months ended 30.09.2011 € '000
Loss attributable to the owners of the Bank	(1.671.495)	(291.493)	(362.707)	(89.115)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue during the period	8.318.167	1.534.509	21.371.685	1.611.111
Loss per share (basic and diluted) – cent	(20,1)	(19,0)	(1,7)	(5,5)

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

5. SEGMENTAL ANALYSIS

Under IFRS 8, reported segment results are based on internal management information and are reconciled to the Group's results. 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 and Asset Optimisation Unit, which includes: (i) all business from services offered to international business banking customers and (ii) as part of its capital enhancement effort and to implement the deleveraging planned in the submitted capital plan, the Group set up the Asset Optimisation Unit in February 2012 in order to coordinate the deleveraging efforts envisaged under the capital plan.
- (e) Treasury and capital markets, which includes all treasury and capital market activity.
- (f) Participations, investments and other segments 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 information 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, impairment of debt and equity holdings and provision for impairment of advances. This measurement basis excludes the non-recurring expenditure of the operating segments such as goodwill impairments when the impairment is the result of an isolated, non-recurring event, the amortisation of intangible assets and the restructuring and one-off costs.

CYPRUS 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 and asset optimisation unit € '000	Treasury and capital markets € '000	Participations, investments and other € '000	Total € '000
Nine months ended 30 September 2012							
Operating income from external customers	238.482	190.106	12.177	124.640	(104.294)	182.466	643.577
Segment result	(546.213)	(352.556)	(120.464)	(57.156)	(236.884)	84.326	(1.228.947)
As at 30 September 2012							
Advances to customers	11.694.512	7.452.620	1.075.150	2.195.941	-	-	22.418.223
Customer deposits	2.719.462	10.084.105	971.195	4.090.242	-	-	17.865.004
Nine months ended 30 September 2011							
Operating income from external customers	272.411	355.175	23.374	96.527	47.799	49.418	844.704
Segment result	140.416	(123.998)	(21.289)	55.795	(279.844)	(96.781)	(325.701)
As at 30 September 2011							
Advances to customers	10.663.965	11.515.175	1.454.283	2.085.750	-	-	25.719.173
Customer deposits	4.090.294	11.215.898	1.196.694	5.127.816	-	-	21.630.702

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

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Operating income from external customers	643.577	844.704
Consolidation and adjustments	(5.460)	(5.236)
Group operating income for the period	638.117	839.468

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

5. SEGMENTAL ANALYSIS (continued)

Reconciliation of segment result to the loss for the period

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Segment result	(1.228.947)	(325.701)
Restructuring and one-off costs (before tax)	(21.249)	-
Amortisation of intangible assets	(11.680)	(16.867)
Impairment of goodwill and other intangible assets	(580.564)	-
Share of profit from associates	8.955	7.294
Tax	159.567	51.137
Loss for the period	(1.673.918)	(284.137)

6. (LOSS)/PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Loss on disposal of financial assets at fair value through profit or loss – held-for-trading	(1.129)	(10.874)
(Loss)/profit on disposal of available-for-sale financial assets	(60.393)	18.771
(Loss)/profit on disposal of debt securities lending	(2.989)	5.348
Loss from derecognition of advances to customers	(5.429)	-
Profit on disposal of subsidiary companies	2.862	53.412
(Loss)/profit on redemption and disposal of held-to-maturity financial assets	(26.889)	53
Profit/(loss) on revaluation of financial assets at fair value through profit or loss:		
Held-for-trading	6.898	(10.276)
Designated at fair value through profit or loss at inception	(1.600)	(3.382)
(Loss)/profit on disposal and revaluation of derivative financial instruments	(19.293)	9.045
	(107.962)	62.097

Profit on disposal of subsidiary companies for the nine months ended 30 September, 2012 represents the profit from the disposal of the Bank's holding in Marfin Pank Eesti AS in Estonia (30 September, 2011: profit from the disposal of Laiki Bank (Australia) Ltd).

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

7. OTHER INCOME

“Other income” includes profit of € 115,6 m which arose from the exchange and tender offer for existing callable step up floating rate subordinated notes (Lower Tier II) due 2016, of nominal value € 450 m (Note 19).

8. RESTRUCTURING AND ONE-OFF COSTS

Restructuring and one-off costs are significant items of a non-recurring nature, are considered material in either nature or size and are disclosed separately to enable a full understanding of the Group’s financial performance. These are shown in a separate column as “Restructuring and one-off costs” on the face of the condensed interim consolidated income statement and relate to staff costs, depreciation and amortisation and administrative expenses, resulting from transactions directly or indirectly related to the restructuring of the Group and other one-off costs.

9. GREEK GOVERNMENT BONDS

On 24 February, 2012 the Hellenic Republic announced the final terms and conditions of the PSI+ offer for the exchange of Greek Government Bonds (GGBs) which included the following instruments: (a) 31,5% of new GGBs split into 20 new bonds carrying a step-up coupon rate and maturing between 2023 and 2042, (b) Gross Domestic Product (GDP)-linked securities paying up to 1% interest per annum contingent on GDP growth of Greece reaching pre-specified levels, (c) 15% European Financial Stability Fund (EFSF) notes equally split in 1 year and 2 year bonds, carrying a fixed coupon rate and (d) accrued interest notes in the form of 6-monthly EFSF zero coupon bonds to cover accrued interest due on bonds up to 24 February, 2012.

The implementation of the PSI+ programme took place in March 2012. The Group recognised an impairment loss of € 2.331 m as explained in Note 45 of the consolidated financial statements for the year ended 31 December, 2011.

Based on the observed prices in the market for the new GGBs which resulted from the exchange, as derived from transactions taking place since the date of the exchange, the Management has decided that the carrying value of the GGBs exchanged through the PSI+ programme should be further impaired in order to reflect the market prices as at the date of the exchange of the GGBs.

Following the above, the Group has recognised an additional impairment loss of € 85 m in the results for the nine months ended 30 September, 2012, thus increasing the aggregate impairment of GGBs due to PSI+ programme to € 2.416 m, representing 79,2% of their nominal value. Part of this impairment relates to the hedging cost of the GGBs up to their impairment date, as well as changes in the fair value of derivatives used to hedge their interest rate risk.

The Management has decided to classify the new GGBs which resulted from the exchange, into the “Held-to-maturity financial assets” category based on IAS 39 requirements, given that the new GGBs were actively traded.

The nominal value of the new GGBs (after the exchange) as at 30 September, 2012 was € 965 m and their carrying amount was € 288 m.

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

9. GREEK GOVERNMENT BONDS (continued)

Included within the “Debt securities lending” and the “Financial assets at fair value through profit or loss” categories are GGBs that did not participate in the exchange. The carrying amount of these GGBs as at 30 September, 2012 was € 852.000 and € 31.000 respectively.

The Management is monitoring the developments in the Greek market and assesses on a regular basis whether any indications of impairment are identified which may affect the carrying amount of the GGBs.

10. IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The continued deterioration of the economic conditions prevailing in Greece and the loss that the Group has suffered as a result of the impairment of GGBs by 79,2% of their nominal value, upon implementation of the PSI+ terms, have resulted in additional goodwill and other intangible assets impairment. The impairment recognised for the nine months ended 30 September, 2012 was € 557,4 m.

The economic conditions prevailing in the Romanian market have caused the sustainable return on equity holders to deteriorate, resulting in a reduction of goodwill to the recoverable amounts of the respective cash-generating unit. The impairment recognised for the nine months ended 30 September, 2012 was € 22,7 m.

In July 2012 Marfin CLR Public Co Ltd was renamed to Laiki Capital Public Co Ltd. The Group recognised € 0,5 m impairment loss for the trade name. These intangible assets had been recognised in relation to the acquisition of CLR Capital Public Ltd in 2009.

11. TAX

During the nine months ended 30 September, 2012 the Group recognised an additional deferred tax asset of € 99,5 m relating to the tax benefit to arise from the tax deductibility of the impairment of GGBs in the future.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Included within the “Financial assets at fair value through profit or loss” is an amount of € 49,6 m (31 December, 2011: € 129,2 m) which relates to trading derivatives with positive fair value and within other assets an amount of € 3,9 m (31 December, 2011: € 7,1 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 € 40,0 m (31 December, 2011: € 133,2 m), which relates to trading derivatives with negative fair value and an amount of € 66,2 m (31 December, 2011: € 179,5 m) which relates to the negative fair value of derivative financial instruments, for which hedge accounting is applied.

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

13. ADVANCES TO CUSTOMERS

	30.09.2012	31.12.2011
	€ '000	€ '000
Advances to customers	24.858.230	25.806.742
Instalment finance and leasing	733.296	901.727
	25.591.526	26.708.469
Provision for impairment of advances (Note 14)	(3.173.303)	(1.929.846)
	22.418.223	24.778.623

14. PROVISION FOR IMPAIRMENT OF ADVANCES

Movement in the nine months ended 30 September, 2012 and 30 September, 2011:

	Individual impairment € '000	Collective impairment € '000	Total € '000
2012			
Balance 1 January	1.312.430	617.416	1.929.846
Provision for impairment of advances for the period	1.066.511	340.950	1.407.461
Release of provision and recoveries	(114.412)	(8.321)	(122.733)
Advances written-off	(29.549)	(557)	(30.106)
Provision for impairment of advances from business disposal	(7.713)	(103)	(7.816)
Exchange differences	(3.377)	28	(3.349)
Balance 30 September	2.223.890	949.413	3.173.303
2011			
Balance 1 January	673.937	340.540	1.014.477
Provision for impairment of advances for the period	171.777	193.013	364.790
Release of provision and recoveries	(61.003)	(21.001)	(82.004)
Advances written-off	(136.904)	(82.322)	(219.226)
Provision for impairment of advances from business disposal	(34)	(114)	(148)
Exchange differences	(549)	(301)	(850)
Balance 30 September	647.224	429.815	1.077.039

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

15. HELD-TO-MATURITY FINANCIAL ASSETS

Included within the “Held-to-maturity financial assets” are the Cyprus Government Bonds of nominal value € 1.888,6 m granted by the Republic of Cyprus for the acquisition of the Bank’s shares according to the Decree (Note 21). On 30 September, 2012 the carrying amount of these bonds was € 1.819,9 m. These bonds have a duration of one year, are renewed automatically upon maturity and have an annual return of 5,16%. The credit rating of the Republic of Cyprus as at 30 September, 2012 was Ba3 (Moody’s).

16. DEFERRED TAX ASSETS

Included within the “Other assets” is an amount of € 662 m relating to deferred tax asset, of which an amount of € 119 m relates to the Cyprus banking operations and € 504 m relates to the Greek banking operations (which includes the deferred tax asset on the PSI+ impairment losses). The amount relating to the Cyprus banking operations is currently assessed as being recoverable. In view of the expected finalisation of the relevant Greek tax legislation, that may have an impact on the recoverability of the deferred tax asset relating to the Greek banking operations, it has been decided to re-examine this issue at the year end and write off any irrecoverable amount, in case it arises, then.

17. PROPERTY AND EQUIPMENT

Movement in the nine months ended 30 September, 2012 and 30 September, 2011:

	2012	2011
	€ ‘000	€ ‘000
Net book value at 1 January	291.232	291.202
Property and equipment from business disposal	(168)	(2.418)
Transfer to the category “Intangible assets”	(10)	(2.054)
Transfer to the category “Investment property”	(887)	-
Additions less disposals of property and equipment	6.235	16.196
Revaluation of property	-	398
Depreciation	(20.050)	(18.299)
Exchange differences	(121)	(587)
Net book value at 30 September	276.231	284.438

18. SENIOR DEBT

	30.09.2012	31.12.2011
	€ ‘000	€ ‘000
Debentures 2009/2012	-	332.194
Debentures 2009/2014	23.516	22.988
Debentures 2009/2013	20.264	20.481
Debentures 2012/2016	98.258	-
Promissory Notes	2.157	444
	144.195	376.107

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

18. SENIOR DEBT (continued)

Debentures 2009/2012

In February 2012, the Bank repurchased and cancelled bonds of nominal value € 116,4 m. All of these bonds were held by Group companies.

In September 2012, 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.

Debentures 2012/2016

In the context of the exchange and tender offer for existing € 450 m callable step up floating rate subordinated notes due 2016 (Note 19), the Bank issued on 12 June, 2012 new debentures of nominal value € 96 m euro-denominated fixed rate senior notes due 2016. The debentures have been issued according to the Euro Medium Term Note Programme of € 3 bn. The rate has been set at 8%.

19. LOAN CAPITAL

	30.09.2012	31.12.2011
	€ '000	€ '000
Debentures 2009/2019	107.163	107.790
Eurobonds due 2016	98.213	413.598
Capital securities	560.769	737.872
Convertible enhanced capital securities	65.226	65.195
Subordinated debt 2004/2014	9.310	9.272
	840.681	1.333.727

Eurobonds due 2016

In January 2012 the Bank repurchased and cancelled bonds of nominal value € 13,7 m. All of these bonds were held by Group companies.

In the context of the actions of the capital enhancement plan submitted to the Central Bank of Cyprus and agreed with the appropriate regulatory authorities, the Bank proceeded to the exchange and tender offer for existing € 450 m callable step up floating rate subordinated notes due 2016 as follows: (a) offer to exchange existing notes for euro-denominated fixed rate senior notes due 2016 with exchange ratio 72,5% and (b) tender existing notes for purchase by the Bank for cash at a tender price of 55%. The aggregate nominal amount of existing notes accepted for exchange, pursuant to the exchange offer, was € 132.456.000. The aggregate nominal amount of existing notes accepted for purchase, pursuant to the tender offer, was € 181.820.000 and the aggregate nominal amount of new notes issued on 12 June, 2012, pursuant to the exchange offer, was € 95.996.000 (Note 18). A profit of € 115,6 m arose from the exchange (Note 7).

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

19. LOAN CAPITAL (continued)

Capital Securities

On 30 June, 2012 the Bank announced that the tender offer for the voluntary exchange of existing capital securities issued in 2008, 2009 and 2010 ("Eligible Capital Securities"), of total value € 737.753.000 with new ordinary shares and/or new Enhanced Capital Securities (ECS) was completed. Holders of Eligible Capital Securities could exchange, at their option, part or all of their capital securities at their nominal value (€ 1.000 each) (i) with ECS of equal nominal value and/or (ii) with new ordinary shares of nominal value of € 0,10 with an issue price of € 0,10 each.

New ordinary shares amounting to € 176.984.000 resulted from the voluntary exchange of Eligible Capital Securities (Note 21). The Bank also received applications for the voluntary exchange of € 147.892.000 Eligible Capital Securities with ECS, which could not be satisfied due to the fact that the provisions and terms of issue, as stipulated in the Prospectus dated 22 May, 2012 and its First Supplementary Prospectus dated 19 June, 2012 were not fulfilled. As a result, Eligible Capital Securities of the above issues of € 560.769.000 are still in issue.

On 14 September, 2012 the Bank announced that in relation to the capital securities issued in 2008 and pursuant to the provisions of the relevant Prospectus dated 6 June, 2008, the payment of interest for the period 30 June to 29 September, 2012 is postponed.

On 14 September, 2012 the Bank announced that in relation to the capital securities issued in 2009 and 2010 and pursuant to the provisions of the relevant Prospectuses dated 3 July, 2009 and 28 May, 2010 respectively, the payment of interest for the period 30 June to 29 September, 2012 has been cancelled. According to their issue terms, the interest payment cancellation is final and no longer payable by the Bank.

Convertible Enhanced Capital Securities

On 14 September, 2012 the Bank announced that in relation to the Convertible Enhanced Capital Securities (CECS) and pursuant to the provisions of the relevant Prospectus dated 19 May, 2011, it proceeded with the compulsory cancellation of interest payment for the period from 30 June to 29 September, 2012. According to their issue terms, the interest payment cancellation is final and no longer payable by the Bank.

20. OTHER LIABILITIES

Following the signing of the collective agreement between the Cyprus Union of Bank Employees and the Cyprus Bankers Employer's Association for the years 2011 – 2013, the existing defined benefit plan was converted into a defined contribution plan as from 1 January, 2012. The Group has transferred the retirement benefit liability into a bank account for the benefit of the Provident Fund on 4 May, 2012.

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

21. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
Nine months ended 30 September 2012				
Balance 1 January	1.611.111	1.369.444	2.334.583	3.704.027
Shares issued through exercise of rights (a)	17.990.734	1.799.073	-	1.799.073
Losses written off (b)	-	(1.208.332)	(1.900.000)	(3.108.332)
Shares issued from the voluntary exchange of capital securities (c)	1.769.840	176.984	-	176.984
Share issue costs (d)	-	-	(38.566)	(38.566)
Balance 30 September	21.371.685	2.137.169	396.017	2.533.186
Nine months ended 30 September 2011				
Balance 1 January	982.116	834.799	2.252.897	3.087.696
Shares issued through exercise of rights	488.168	414.942	73.226	488.168
Script dividend	140.827	119.703	21.124	140.827
Share issue costs	-	-	(10.127)	(10.127)
Balance 30 September	1.611.111	1.369.444	2.337.120	3.706.564

- (a) On 30 June, 2012 the increase of the share capital of the Bank amounting to € 1.799.073.000 was completed through a Rights Issue with the Republic of Cyprus as Underwriter according to the Decree. The Rights were issued to all holders of ordinary shares as at the record date 30 May, 2012, at the ratio of one (1) Right to one (1) ordinary share held. Every six (6) Rights exercised at a total price of € 6,70 were converted into sixty seven (67) new fully paid ordinary shares (that is € 0,10 per share).

For the unexercised Rights, Subscription Rights were given to the beneficiary shareholders and to persons who acquired Rights during their trading on the CSE and the ATHEX. Additionally, Subscription Rights were given to interested investors who were not holders of any number of Rights.

The total amount from the exercise of Rights amounted to € 3.014.000 (30.136.000 new ordinary shares of nominal value € 0,10 each). The trading of the newly issued shares commenced on 24 August, 2012. After the granting of the above new, ordinary shares to the beneficiaries and according to the Decree 17.960.599.000 shares remained available to the Republic of Cyprus with an acquisition price of € 0,10 each. In addition, according to the Decree the shares were granted to the Republic of Cyprus with the provision of Cyprus Government Bonds of one year duration, which will be automatically renewed upon maturity and which have been classified as "Held-to-maturity financial assets".

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

21. SHARE CAPITAL AND SHARE PREMIUM (continued)

The new shares acquired by the Republic of Cyprus constitute a special category of shares, that carry the same rights as the ordinary shares of the Bank, additionally and without affecting the rights and obligations of the Republic as holder of the said shares. The new shares of the Republic that constitute such a special category: (a) are not listed on a stock exchange or any other regulated market, unless demanded by the Minister of Finance and in case of their listing this shall be based on the prevailing legislation with respect to the ordinary shares of the Bank, (b) following their transfer to third parties they cease to constitute a special class of shares and are automatically converted into ordinary shares of the Bank and shall be listed based on the prevailing legislation with respect to the ordinary shares of the Bank, and (c) the Minister of Finance, by decision, may convert this special class of shares into ordinary shares of the Bank.

- (b) In April 2012, after the approval of the shareholders of the Bank at the Extraordinary General Meeting on 2 April, 2012, the Bank proceeded with the reduction of the nominal value of the Bank's share from € 0,85 to € 0,10, and with the utilisation of € 1,9 bn of the share premium for writing off losses resulting from the exposure of the Bank in the Greek market and mainly due to the impairment of the GGBs. On 12 April, 2012 the Nicosia District Court confirmed the Special Resolutions for the decrease of the nominal capital and the utilisation of the share premium for writing off losses, approved at the Extraordinary General Meeting of the shareholders of the Bank on 2 April, 2012.
- (c) On 30 June, 2012 the Bank proceeded with the issue of the new ordinary shares resulting from the tender offer for the voluntary exchange of existing capital securities issued in 2008, 2009 and 2010 ("Eligible Capital Securities"), of total value € 737.753.000 with new ordinary shares and/or new Enhanced Capital Securities (ECS) at the holders' option. Holders of Eligible Capital Securities could exchange, at their option, part or all of their capital securities at their nominal value (€ 1.000 each) (i) with ECS of equal nominal value and/or (ii) with new ordinary shares of nominal value of € 0,10 with an issue price of € 0,10 each. New ordinary shares amounting to € 176.984.000 resulted from the voluntary exchange of capital securities. The trading of the newly issued shares commenced on 24 August, 2012.
- (d) The share issue costs include the underwriting fee amounting to € 36 m, 2% of the total amount of the share issue, paid to the Republic of Cyprus, in accordance with the Decree.

At the Extraordinary General Meeting of the shareholders of the Bank which was held on 31 May, 2011 approval was granted for the increase of the authorised nominal share capital of the Bank from € 1.776.500.000 to € 1.870.000.000 with the creation of 110.000.000 additional ordinary shares of € 0,85 nominal value each.

At the Extraordinary General Meeting of the shareholders of the Bank which was held on 28 September, 2011 approval was granted for the increase of the authorised nominal share capital of the Bank from € 1.870.000.000 to € 2.465.000.000 with the creation of 700.000.000 additional ordinary shares of € 0,85 nominal value each.

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

21. SHARE CAPITAL AND SHARE PREMIUM (continued)

At the Extraordinary General Meeting of the shareholders of the Bank which was held on 2 April, 2012 it was approved that the authorised share capital of the Bank which amounted to € 2.465.000.000 divided into 2.900.000.000 ordinary shares of nominal value € 0,85 each, as well as the issued share capital of the Bank which amounted to € 1.369.444.000 divided into 1.611.111.000 ordinary fully paid shares of nominal value € 0,85 each, to be reduced, the authorised share capital into € 290.000.000 divided into 2.900.000.000 ordinary shares of nominal value € 0,10 each and the issued share capital into € 161.111.000 divided into 1.611.111.000 ordinary fully paid shares of nominal value € 0,10 each, and that this reduction be carried out with the reduction of the nominal value of each ordinary share from € 0,85 each to € 0,10 each, for the purpose of writing off losses and/or losses of capital. Immediately after the above reduction, the authorised share capital of the Bank was re-increased to the amount of € 2.465.000.000 divided into 24.650.000.000 ordinary shares of nominal value € 0,10 each.

At the Extraordinary General Meeting of the shareholders of the Bank which was held on 21 June, 2012 approval was granted for the increase of the authorised nominal share capital of the Bank from € 2.465.000.000 to € 2.800.000.000 with the creation of 3.350.000.000 additional ordinary shares of € 0,10 nominal value each.

As at 30 September, 2012 the authorised nominal share capital of the Bank amounted to € 2.800.000.000 (31 December, 2011: € 2.465.000.000) divided into 28.000.000.000 (31 December, 2011: 2.900.000.000) ordinary shares of nominal value € 0,10 each (31 December, 2011: € 0,85).

The issued share capital of the Bank amounts to € 2.137.169.000 divided into 21.371.685.000 ordinary shares € 0,10 each. According to the provisions of the Decree and the decision of the Minister of Finance, the shares held by the Republic of Cyprus have not been listed in regulated or any other organised market, and as a result, the listed share capital of the Bank amounts to € 341.109.000 divided into 3.411.086.000 ordinary shares with nominal value € 0,10 each.

All issued ordinary shares are fully paid and carry the same rights, except for the shares granted to the Republic of Cyprus, which, according to the provisions of the Decree, comprise a special category of shares, as they constitute property of the Republic of Cyprus.

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

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

22. RESERVES

Movement in the nine months ended 30 September, 2012 and 30 September, 2011:

	2012	2011
	€ '000	€ '000
Revenue reserves		
Balance 1 January	(3.007.834)	788.601
Loss for the period attributable to the owners of the Bank	(1.671.495)	(291.493)
Losses written off (Note 21)	3.038.272	-
Dividend	-	(147.028)
Cost of share-based payments to employees	-	840
Defence tax on deemed distribution	21	(68)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	1.398	(41)
Other movements	-	(50)
Balance 30 September	(1.639.638)	350.761
Property fair value reserves		
Balance 1 January	48.610	47.681
Revaluation for the period	-	395
Share of fair value reserves of associates	(139)	-
Balance 30 September	48.471	48.076
Available-for-sale financial assets fair value reserves		
Balance 1 January	(188.137)	(326.187)
Revaluation for the period and transfer to results on disposal of available-for-sale financial assets	47.413	(266.822)
Deferred tax	(22.329)	1.310
Transfer to results due to impairment	78.462	330.025
Amortisation of loss on available-for-sale financial assets reclassified	5.413	7.777
Share of fair value reserves of associates	2.195	(2.132)
Transfer to results due to business disposal	(43)	(13)
Balance 30 September	(77.026)	(256.042)
Currency translation reserves		
Balance 1 January	(65.932)	(65.571)
Exchange differences arising in the period	(3.202)	(7.144)
Transfer to results due to business disposal	-	(5.626)
Balance 30 September	(69.134)	(78.341)

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

22. RESERVES (continued)

	2012	2011
	€ '000	€ '000
Cash flow hedges reserve		
Balance 1 January	-	(135)
Losses from changes in fair value recognised directly in equity	-	(148)
Deferred tax	-	44
Transfer to results due to business disposal	-	239
	<hr/>	<hr/>
Balance 30 September	-	-
	<hr/>	<hr/>
Difference from conversion of share capital into Euro reserve		
Balance 1 January and 30 September	3.426	3.426
	<hr/>	<hr/>
Reserve from decrease of share capital		
Balance 1 January	-	-
Decrease of share capital (Note 21)	70.060	-
	<hr/>	<hr/>
Balance 30 September	70.060	-
	<hr/>	<hr/>
	(1.663.841)	67.880

The reserve from decrease of share capital is not available for distribution to equity holders.

23. DIVIDEND

No dividend was declared for the financial year 2011.

24. CONTINGENCIES AND COMMITMENTS

Commitments for capital expenditure of the Group at 30 September, 2012 amounted to € 2,6 m (31 December, 2011: € 5,2 m).

Holders of Capital Securities issued in 2008, 2009, 2010 and 2011 have recently put forward claims, grievances or complaints alleging that they acquired Eligible Capital Securities and/or new shares (exchange) of the Bank, because of false representations or fraud or other illegalities by the Bank. Some holders of Capital Securities issued in 2008, 2009 and 2010 have filed suits to the Nicosia District Court, while others have sent letters to the Bank. The aforementioned holders are requesting cancellation of Capital Securities, and/or cancellation of their exchange with new shares of the Bank and/or return of their capital plus interest and compensations.

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

24. CONTINGENCIES AND COMMITMENTS (continued)

While the Bank accepts no liability, it will examine any alleged claims, grievances or complaints in accordance with the established procedures. The aforementioned claims, grievances or complaints (including the suits already filed) are by nature general and not specific and, by having in mind the available information and legal advice given to the Bank, it is premature at this stage to assess whether any such claims, grievances or complaints will have any significant impact on the financial position or results of the Group.

On 27 July, 2012 the Bank received a letter from the Office of Foreign Assets Control (“OFAC”) of the Department of Treasury of the United States of America (USA), suggesting an inadequacy in the Bank’s compliance with USA sanctions law against Iran as regards transactions routed to or through USA banks. To assist the Bank in handling the matter, independent counsel was retained both in Cyprus and in the USA who have been in contact with the OFAC for this purpose. The Bank is near to completing the gathering of relevant documentation and information necessary in order to submit its position on the matter to the OFAC.

As at 30 September, 2012 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.

Based on the above explanations, no provision has been recognised in the condensed interim consolidated financial statements regarding these cases.

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

25. INVESTMENTS IN SUBSIDIARY COMPANIES

The main subsidiary companies of the Group, as at 30 September, 2012 were as follows:

Company name	Effective shareholding⁽¹⁾	Country of incorporation	Activity sector
Investment Bank of Greece S.A. (a)	97%	Greece	Investment banking
Marfin Global Asset Management Mutual Funds Management S.A.	99%	Greece	Portfolio management, investment and brokerage services
Laiki Capital Public Co Ltd (b)	67%	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	100%	Ukraine	Banking
Rossiysky Promyishlenny Bank Company Ltd	50%	Russia	Banking
Lombard Bank Malta Plc	48,9% ⁽²⁾	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
Panuropean Ltd	100%	Cyprus	Investment company
Philiki Ltd	100%	Cyprus	Investment company
Cyprialife Ltd	100%	Cyprus	Investment company
IBG Investments S.A. (c)	97%	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 the Bank and the indirect holding through its subsidiary companies.

⁽²⁾ The Bank exercises control over Lombard Bank Malta Plc because its significant shareholding allows the control of the decisions taken at the Annual General Meeting, including the decisions for the appointment of Directors, and therefore Lombard Bank Malta Plc is accounted for as a subsidiary company of the Bank.

The Bank is registered in Cyprus and operates in Cyprus and through branches in the United Kingdom and Greece (Marfin Egnatia Bank). 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.

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

25. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(a) Increase of shareholding in Investment Bank of Greece S.A.

In June 2012, the Bank acquired 41.995 shares in its subsidiary Investment Bank of Greece S.A. for a consideration of € 2,5 m and in July 2012 6.403 shares for € 0,4 m. As a result of these acquisitions the shareholding of the Bank in its subsidiary increased from 95,8% to 97,1%.

(b) Change of name and increase of shareholding in Laiki Capital Public Co Ltd

Marfin CLR Public Co Ltd was renamed to Laiki Capital Public Co Ltd.

In April 2012, the Bank acquired 9,6 m shares in its subsidiary Laiki Capital Public Co Ltd for a consideration of € 1,3 m. As a result of this acquisition the shareholding of the Bank in its subsidiary increased from 63,3% to 66,6%.

(c) Increase of share capital of IBG Investments S.A.

In March 2012, an increase of the share capital of IBG Investments S.A. was made for the amount of € 0,3 m, which was fully covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata based on the respective shareholdings.

(d) Disposal of shareholding in Marfin Pank Eesti AS

On 29 March, 2012 the Bank completed its agreement with the Ukrainian company Ukrselhosprom PCF LLC for the sale of its total participation (70,54%) in its subsidiary Marfin Pank Eesti AS in Estonia for the total amount of € 6,4 m. The profit from the sale reached € 2,9 m (Note 6).

26. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

	30.09.2012	31.12.2011
	€ '000	€ '000
Advances to Directors and their connected persons	4.226	400.370
Advances to other key management personnel and their connected persons	8.632	18.238
	12.858	418.608
Commitments for:		
Guarantees to Directors and their connected persons	-	32.171
Letters of credit to Directors and their connected persons	-	678
Other commitments to Directors and their connected persons	933	-
	933	32.849
Total advances and commitments	13.791	451.457
Tangible securities	9.513	466.610
Deposits	1.517	22.382

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

26. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Interest income	8.112	13.347
Interest expense	177	458

As at 30 September, 2012 there were commitments amounting to € 105.000 relating to other key management personnel and their connected persons.

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 were unsecured at 30 September, 2012 amounted to € 3.345.000 (31 December, 2011: € 95.401.000).

The total advances and commitments, tangible securities, deposits and total amount of facilities that were unsecured at 30 September, 2012 were materially reduced compared to 31 December, 2011 due to resignations of members of the Board of Directors.

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 nine months ended 30 September, 2012 the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to € 3.000 (30 September, 2011: € 19.000), purchased goods and received services amounting to € 268.000 (30 September, 2011: € 95.000) and provided services amounting to € 57.000 (30 September, 2011: € 87.000) from/to companies connected to the Lanitis group, purchased goods and received services amounting to € 52.000 and provided services amounting to € 3.000 from/to companies associated with Mr. Vassilis Theocharakis, and purchased goods and received services amounting to € 2,4 m from companies in which Mr. Chris Pavlou serves as Non-Executive Director. The contract relating to the provision of the above mentioned services was executed before Mr. Chris Pavlou was appointed as a Director of the Bank. In addition, during the nine months ended 30 September, 2011 the Group received services amounting to € 184.000 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.

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

26. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Fees paid to Directors as members of the Board	127	195
Remuneration of Directors under executive role		
Salaries and other short-term benefits	159	1.006
Employer's social insurance contributions	37	92
Employer's Provident Fund contributions	23	-
Retirement benefits scheme expense	-	88
	219	1.186
Remuneration of Directors under non executive role		
Salaries and other short-term benefits	54	51
Employer's social insurance contributions	14	14
Employer's Provident Fund contributions	7	-
Retirement benefits scheme expense	-	13
	75	78
Consultancy services fees of Directors under non executive role	65	150
Compensation of other key management personnel		
Salaries and other short-term benefits	366	964
Employer's social insurance contributions	61	61
Employer's Provident Fund contributions	51	-
Retirement benefits scheme expense	-	26
	478	1.051
Share-based payment compensation⁽¹⁾	-	257
	964	2.917

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

26. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

In addition to the above, the members of the Board of Directors and other key management personnel who resigned received:

	9 months ended 30.09.2012 € '000	9 months ended 30.09.2011 € '000
Fees paid to Directors as members of the Board	105	23
Remuneration of Directors under executive role		
Salaries and other short-term benefits	171	-
Employer's social insurance contributions	18	-
Employer's Provident Fund contributions	18	-
	207	-
Consultancy services fees of Directors under non executive role	130	-
Compensation of other key management personnel		
Salaries and other short-term benefits	130	284
Employer's social insurance contributions	12	7
	142	291
Share-based payment compensation⁽¹⁾	-	128
	584	442

⁽¹⁾ The share option scheme expense is the amount charged to the condensed interim consolidated income statement for the nine months ended 30 September, 2011 per IFRS requirements, however, the expense does not represent value received, since the Share Option Scheme has never been "in-the-money" since its inception in 2007 and therefore no share options have been exercised.

Key management personnel as at 30 September, 2012 included the 11 members of the Board of Directors (30 September, 2011: 13), 1 (30 September, 2011: 4) of which had executive duties and the members of the Group Executive Committee, which include the Group Chief Financial Officer.

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

26. RELATED PARTY TRANSACTIONS (continued)

Transactions with other related parties

On 30 September, 2012 and 31 December, 2011 the balances with other related parties were as follows:

	30.09.2012		31.12.2011	
	Receivables	Payables	Receivables	Payables
	€ '000	€ '000	€ '000	€ '000
Consolidated balance sheet				
CNP Laiki Insurance Holdings Ltd group (associate)	4.268	257.963	6.925	236.420
JCC Payment Systems Ltd (associate)	1.824	8.419	13.215	9.908
Provident Funds of the employees of the Group in Cyprus	2	274.165	5	21.353
	6.094	540.547	20.145	267.681

Additionally, CNP Laiki Insurance Holdings Ltd group held at 30 September, 2012 senior debt and loan capital of the Group of nominal value of € 35,4 m (31 December, 2011: € 44,9 m).

During the period ended 30 September, 2012 and 30 September, 2011 the following transactions were carried out with other related parties:

	2012		2011	
	Income	Expense	Income	Expense
	€ '000	€ '000	€ '000	€ '000
Consolidated income statement				
CNP Laiki Insurance Holdings Ltd group (associate)	1.976	10.674	2.275	9.754
JCC Payment Systems Ltd (associate)	1	250	25	213
Provident Funds of the employees of the Group in Cyprus	3	5.342	13	469
	1.980	16.266	2.313	10.436

The Republic of Cyprus is the largest shareholder of the Bank with a shareholding of 84% of the total issued share capital. There are no other shareholders with more than 5% of the total issued share capital. On 30 September, 2012 the Group had deposits from Government bodies amounting to € 100,3 m and advances to Government bodies amounting to € 84,2 m. The total income and expenses recognised by the Group from transactions with Government bodies amounted to € 961.000 and € 462.000 respectively. In addition, the Group held bonds issued by the Republic of Cyprus with nominal value € 2,2 bn and received interest income amounting to € 2,8 m. All transactions are carried out as part of the normal activities of the Group on commercial terms.

The Group has opted for the exemption from the disclosures of IAS 24 paragraph 18, as the Republic of Cyprus controls the Bank. According to IAS 24 paragraph 26 the name of the government, the nature of their relationship and the balances with other government bodies are disclosed in aggregate.

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

27. POST BALANCE SHEET EVENTS

The Bank participated in the capital exercise of the EBA in cooperation with the Central Bank of Cyprus, for restoring stability and confidence in the markets, the final results of which were announced on 3 October, 2012.

Its objective was to create an exceptional and temporary buffer such that the Core Tier I capital ratio reaches a level of 9% by the end of June 2012. In addition, banks were required to maintain an exceptional and temporary capital buffer against sovereign debt exposures to reflect market prices as at the end of September 2011. The amount of the sovereign capital buffer has not been revised.

The final results of the EBA capital exercise showed that the Bank has a remaining capital shortfall of € 1.125 m as of 30 June, 2012, which is being addressed through the implementation of the corresponding backstops with the explicit support of the Cyprus Government. This is the amount required by the Bank to reach a Core Tier I capital ratio of 9% required by EBA from the ratio of 4,4% as at 30 June, 2012.

On 13 November, 2012 the Bank announced that the Board of Directors decided to proceed with a bond issue of € 500.000.000 and on 14 November, 2012 announced that the Cyprus Securities and Exchange Commission approved the Prospectus which relates to its listing for trading on the CSE. The Bond is in the form of 5.000 Guaranteed Bonds, bearing an annual fixed interest rate of 6%, of nominal value € 100.000 each (namely of total nominal value € 500.000.000) in accordance with the Law on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institution, of 2012 (N.156(I)/2012) and the Decree on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions, of 2012 (ΚΔΠ 439/2012). The Guaranteed Bonds bear the guarantee of the Government of the Republic of Cyprus, provided on the basis of the Contract for the provision of Government Guarantees that was signed on 14 November, 2012 between the Government of the Republic of Cyprus and the Bank. These Bonds were issued and listed on the CSE on 14 November, 2012.

On 16 November, 2012 the Bank announced that its Board of Directors has proceeded with the following appointments to the Group Executive Committee, with effect from 1 December, 2012: Christos Stylianides, Group Chief Executive Officer – Chairman, Takis Phidia, Acting Chief Executive Officer – temporarily presiding over the Committee, in view of the leave of absence of Christos Stylianides, Sophoclis Argyrou, Maria Dracou, George Hadjiantonas, Rodoula Hadjikyriacou, Doros Ktorides, Miltos Michaelas, Annita Philippidou, Christoforos Stylianides – Members and Michalis Athanasiou – Observer.

On 22 November, 2012 the Bank announced that Law Firm SKADDEN, ARPS, SLATE, MEAGHER & FLOM (UK) LLP, acting on behalf of the Bank, has prepared and on 21 November, 2012, served upon the Greek Government, a Notice of Dispute under the provisions of the Bilateral Treaty (“the Treaty”) of 30 March, 1992 on mutual promotion and protection of investments, between the Republic of Cyprus and the Hellenic Republic.

Based on the provisions of the Bilateral Treaty, the Bank seeks equal treatment in relation to the other banking institutions operating in Greece and related remedies. It is anticipated that access to the mechanisms available for liquidity and capital support of Greek Banks, will contribute significantly to the considerable efforts made by the Bank to address the impact of its operations in Greece, so as to continue pursuing an important role in the Greek economy.

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

27. POST BALANCE SHEET EVENTS (continued)

The Treaty provides, that any dispute relating to the investment between a Contracting State and an Investor in its territory who resides in the other Contracting State, is resolved amicably by the parties. In the event that the dispute is not resolved, the Bank intends, in accordance with the provisions of the Treaty, to request the activation of an arbitration process at the International Centre for the Settlement of Investment Disputes (ICSID) having its seat in Washington, DC (USA). The Bank wishes to cooperate with the Greek Authorities for the expeditious resolution of the dispute.

On 26 November, 2012 the Board of Directors of the Bank decided to proceed with a second bond issue of € 500.000.000, which will be guaranteed by the Cyprus Government, in accordance with the Law on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions, of 2012 and its amendment and the (Supplementary) Decree on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions, of 2012. On 27 November, 2012 the Bank announced that Cyprus Securities and Exchange Commission approved the relevant Prospectus. The trading of the Bond commenced on 28 November, 2012.

28. APPROVAL OF FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were approved by the Board of Directors on 28 November, 2012.