



LAIKI BANK GROUP

FINANCIAL REPORT FOR THE SIX MONTHS ENDED

30 JUNE 2012

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
FINANCIAL REPORT
for the six months ended 30 June 2012

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**CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS
AND BY THE GROUP CHIEF FINANCIAL OFFICER**

In accordance with Article 10, sections (3)(c) and (7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we, the Members of the Board of Directors and the Group Chief Financial Officer of Cyprus Popular Bank Public Co Ltd (the “Bank”) confirm that to the best of our knowledge:

- (a) The condensed interim consolidated financial statements of the Bank for the six months ended 30 June, 2012 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union and Article 10(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the consolidated assets and liabilities, the consolidated financial position and the consolidated results of the Bank and the undertakings included in the consolidated financial statements, as a whole.
- (b) The interim management report of the Board of Directors gives a true and fair overview of information required by Article 10(6) of the Law 190(I)/2007.

Members of the Board of Directors:

Andreas Philippou	-	Non Executive Chairman	.....
Christos Stylianides	-	Group Chief Executive Officer	.....
Panayiotis Kounnis	-	Deputy Group Chief Executive Officer	.....
Spyros Episkopou	-	Non Executive Director	.....
Andreas Zachariades	-	Non Executive Director	.....
Chris Pavlou	-	Non Executive Director	.....
Panikkos Poutziouris	-	Non Executive Director	.....
Stelios Stylianou	-	Non Executive Director	.....
Andreas Trokkos	-	Non Executive Director	.....
Marios Hadjiyiannakis	-	Non Executive Director	.....
Nicos Hadjinicolaou	-	Non Executive Director	.....
Fadel Al Ali	-	Non Executive Director	.....
Hesham Al Qassim	-	Non Executive Director	.....
Peter Baltussen	-	Non Executive Director	.....

Company official responsible for the drafting of the condensed consolidated financial statements:

Annita Philippidou	-	Group Chief Financial Officer
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31 August, 2012

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

FINANCIAL RESULTS

Republic of Cyprus participation in shareholding structure

On 18 May, 2012 via the Decree issued by the Minister of Finance, the Republic of Cyprus underwrote fully the € 1,8 bn rights issue of Laiki Bank, from which the arising state participation in the Bank's capital amounted to circa 84% in June 2012.

As provided by the Decree, Laiki Bank in collaboration with the appointed consultants KPMG UK, has completed and submitted to the Central Bank of Cyprus a comprehensive five-year Restructuring Plan of the Group's operations.

As a result of the aforementioned developments, Laiki Bank Group is undergoing a transitional adjustment period which, as per the submitted Restructuring Plan aims to transform the Group's efficiency, restore profitability, further strengthen the Bank's capital base and enhance the Group's prospects so as to add value to the state investment and attract in the near term private investors.

Completed and in progress actions

During first half 2012, the following capital additive initiatives were also completed:

- the sale of the Estonian subsidiary,
- the reduction of the Risk-Weighted Assets by € 4 bn,
- completion of Capital Securities exchange to € 177 m of share capital,
- completion of the exchange and tender offer of Eurobonds 2016 at a profit of € 115,6 m.

Significant efforts are also under way to cut costs. These are expected to start delivering results in the second half of 2012. The internal audit and risk management divisions and processes were radically reorganised whilst the employed loan quality diagnostic mechanisms were further improved with updated reviews from independent consultants.

In Greece, the first phase of the scheduled rationalization and branch network reduction has been completed. 23 branches have already closed/merged whilst the network was fully reorganised by sector to ensure sound and more efficient management of the clientele. In Cyprus 10 branches have been closed/merged since the end of 2011.

Additionally, at the Group level, major steps have been accomplished with regard to building a sound provisions buffer, with accumulative provisions amounting to € 2,8 bn. As a result, the Group's coverage ratio stood at the high level of 48% on 30 June, 2012 which compares favorably among the Greek and Cypriot peers.

Finally, the Board of Directors has been strengthened with 7 new knowledgeable, experienced members.

Through these actions and the approval and implementation of the comprehensive Restructuring Plan, the Group targets over the next five years to realign its activities, disengage from identified non-core areas and focus on traditional banking so as to continue playing an important role in supporting and stimulating the Cyprus economy and also creating ground for a state disinvestment to private investors.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP

INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS (continued)

FINANCIAL RESULTS (continued)

Significant market pressures and strains

The Cypriot banking system, due to the significant losses arising from the Greek Government Bonds haircut and to a lesser extent from the provisions against future loan losses, is steering through a critical twist experiencing unprecedented escalating pressures and increasing challenges.

In Greece, the continued downturn in the economy and the broader business environment, as well as the evident destabilizing uncertainty which remains evident even post the haircut of the Greek Government Bonds creates significant additional pressures on the Bank's revenues and asset quality in this market.

The broader uncertainty and limited liquidity created further distortions in the funding cost and substantially constrained the business activity with a corresponding negative impact on the banking operations of the Group especially in Greece.

The financial results are also affected by the multileveled and multidimensional internal actions, which are in progress and need time in order to produce positive results.

Summary of financial results

In this environment described above Laiki Bank Group announces for the first half 2012 the following:

- Total operating revenues of € 451 m. These when compared to the first half of 2011 have decreased by 22% while the core banking revenues were decreased by 14% for the same period. Contrary to the rest of the Group, it is noted that the total operating revenues from Cyprus have recorded an increase of 14% while the core banking revenues in Cyprus were up 4%. Total operating revenues have been affected negatively by the deleveraging efforts that resulted in a decrease in risk-weighted assets, as well as from the elevated cost of deposits, especially in Greece.
- Total operating expenses amounted to € 304 m, decreased by 3% versus the corresponding expenses for the first half of 2011. Total operating expenses include non-recurring expenses stemming from the restructuring and the disengagement from agreements and various other legal obligations totaling € 11 m. Excluding these exceptional expenses, total operating expenses were lower by 7% on a yearly basis.
- Increase in provisions for impairment of advances in order to deliver a consistent continuation of the reformation of the Group's balance sheet in light of developments in the first half of 2012. The overall provisions for the first half amounted to € 885 m versus € 183 m in the corresponding period of 2011. Provisions for the Cyprus portfolio amounted to € 175 m whereas for the Greek portfolio they were € 706 m. The resulting coverage ratio for non-performing loans stood at the high level of 48% for the Group.
- Total net loans of € 23 bn decreased by 10% compared with 30 June, 2011.
- Total deposits were € 18 bn on 30 June, 2012 versus € 23 bn on 30 June, 2011.
- The Group recorded a loss of € 729 m before impairment of goodwill and other intangible assets, compared with loss of € 202 m during first half 2011. It is worth noting that all the countries that the Group operates were profitable, with the exception of Greece.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP
INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

FINANCIAL RESULTS (continued)

Summary of financial results (continued)

- The Group also proceeded to effect an additional impairment of goodwill and other intangible assets of € 580 m, mainly from its activities in Greece, due to further deterioration of economic conditions in the country. This impairment has no impact on the Group's regulatory position but increases the accounting loss attributable to shareholders to € 1.309 m.

Summary of financial results (continued)

The key financial data and ratios of the Group for the first half of 2012 are presented below:

Condensed Interim Consolidated Income Statement (€ m)	30.06.12	30.06.11	Change%
Net interest income	319,7	376,8	(15,2)%
Net fee and commission income	80,6	90,8	(11,2)%
Financial & other income	50,6	109,3	(53,8)%
Total operating income	450,9	576,9	(21,8)%
Recurring operating expenses	(292,7)	(313,7)	(6,7)%
Non-recurring operating expenses	(11,0)	-	-
Profit before provisions and impairments	147,2	263,2	(44,1)%
Provision for impairment of advances	(885,0)	(182,8)	384,2%
Share of profit from associates	5,9	6,2	(4,3)%
Tax	160,4	28,0	-
Non-controlling interests	2,8	(5,5)	-
(Loss)/profit before impairments	(568,7)	109,1	-
Impairment of debt and equity holdings	(160,0)	(311,5)	(48,6)%
Impairment of goodwill and other intangible assets	(580,1)	-	-
Loss attributable to the owners of the Bank	(1.308,8)	(202,4)	-

Key Balance Sheet Items (€ m)	30.06.12	30.06.11	Change%
Total assets	31.365	39.409	(20,4)%
Advances to customers	23.100	25.574	(9,7)%
Deposits	17.918	23.072	(22,3)%

Key Ratios	30.06.12	30.06.11
Cost/Income	67,3%	54,4%
Net Interest Margin (NIM)	2,14%	2,00%
Loans/Deposits	129%	111%
Non-Performing Loans Ratio (NPLs)	22,3%	8,4%
Coverage ratio	48,3%	47,1%
Cost of credit (Provisioning)	673 bps*	135 bps*

* *basis points*

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP

INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

FINANCIAL RESULTS (continued)

Revenues & Operating Expenses

Total operating revenues for the first half of 2012 stood at € 451 m versus € 577 m in first half 2011, 22% lower on a yearly basis, while the core banking revenues reported a 14% decrease for the same period.

Net interest income (NII) decreased by 15% on a yearly basis and by 20% on a quarterly basis to € 320 m in the first half 2012, reflecting the deleveraging of the loan and bond portfolio in all geographic areas where the Group has a presence, as well as the increased funding cost. Contrary to the rest of the Group, the net interest income in Cyprus recorded a 6% increase on a yearly basis. Net interest margin (NIM) stood at 2,14% in first half 2012, 14 basis points higher on a yearly basis. On a quarterly basis, net interest margin decreased by 41 basis points mainly due to elevated funding cost.

Fee and commission income amounted to € 80 m for the first half of 2012, versus € 91 m, 11% lower against the first half of 2011. Subdued activity in the capital markets and banking activity are the main reasons for the decline in income from fees and commissions.

The successful implementation of the cost containment program of the Group continues to deliver significant benefits. Total operating expenses for the first half 2012 stood at € 304 m, versus € 314 m for the first half 2011, 3% lower on a yearly basis. Total operating expenses include non-recurring expenses stemming from the restructuring and the disengagement from agreements and various other legal obligations totaling € 11 m. Excluding the above, on a recurring basis, total operating expenses were lower by 7% on a yearly basis.

Staff costs at Group level amounted to € 177 m in first half 2012, compared to € 193 m in first half 2011. The effective containment of staff costs translates into an 8% decrease on an annual basis and 1% on a quarterly basis.

Despite the actions to rationalise spending, the cost to income ratio rose from 54,4% in the first half of 2011 to 67,3% in the first half of 2012. The cost income ratio of the operations in Cyprus was 47,9% for the first half of 2012 versus 46,9% for the first half of 2011. The main cause for the increase in the ratio is the reduction in revenues in the first half of 2012. Attempts to reduce costs and extensive cost control is a primary pillar of the Restructuring Plan and the priority for Group's Management and is expected to deliver improved results in the coming quarters.

Operating results

At the end of first half 2012 profit for the Group before provisions and impairments stood at € 147 m versus € 263 m in first half 2011, decreased by 44% on a yearly basis. Loss of the Group before the impairment of goodwill and other intangible assets stood at € 729 m for first half 2012, versus loss of € 202 m in first half 2011.

Loans and deposits

The Group's net loan portfolio decreased by 10% on an annual basis and by 5% on a quarterly basis and amounted to € 23,1 bn on 30 June, 2012.

The Cypriot net loan book stood at € 10,6 bn on 30 June, 2012, 3% higher on a yearly basis mainly driven by a 9% rise in business loans. On a quarterly basis the loan book increased by 1%.

The Greek net loan book decreased by 21% on a yearly basis and 11% on a quarterly basis and stood at € 10,2 bn on 30 June, 2012.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

FINANCIAL RESULTS (continued)

Loans and deposits (continued)

On 30 June, 2012, the Group's net loan portfolio consisted of 71% business loans and 29% loans to households. Mortgages accounted for 20% of total loan book and consumer loans for 9% on 30 June, 2012.

Deposits decreased significantly on 30 June, 2012 and amounted to € 18 bn, due to the adverse macroeconomic environment that prevailed especially in Greece. On a yearly basis deposits decreased by 22%, mainly due to the reduction in deposits in the Greek market.

Asset quality

For the second quarter of 2012, the Group NPL ratio stood at 22,3% increased by 630 basis points compared to 31 March, 2012.

Non-performing loans in Cyprus, increased by € 486 m in second quarter 2012, driving the NPL ratio to 13,6%, 415 basis points higher compared to first quarter 2012.

In Greece due to the ongoing worsening crisis, the NPL ratio rose to 32,6% in second quarter 2012, 989 basis points higher versus first quarter 2012.

With regards to the Group's International Operations, non-performing loans remained stable at € 244 m in the second quarter 2012, and the NPL ratio unchanged on a quarterly basis and decreased by 37 basis points on a yearly basis to 10,3%.

In light of the ongoing adverse financial conditions, with a direct impact on the quality of the Group's portfolio, Group's provisions for impairment of advances increased by 384% compared to first half 2011. The coverage ratio of the Group stood at 48,3% on 30 June, 2012, one of the highest among Greek and Cypriot peers.

DIVIDEND

No dividend was declared for the financial year 2011.

RELATED PARTY TRANSACTIONS

Information regarding related party transactions for the six months ended 30 June, 2012 according to IFRSs are included in Note 24 of the Condensed Interim Consolidated Financial Statements.

RISK MANAGEMENT

Similar to all other financial institutions, the Group is exposed to risks, the most important being credit risk, liquidity risk, interest rate risk, equity risk and currency risk. For this purpose, in an attempt to minimize the Group's risk exposure, risk management is one of the key functions of the Group. These risks are being continuously managed using common international methodologies, so as to avoid the excessive concentration of risks. The analysis of risks is included in the consolidated financial statements for the year ended 31 December, 2011 in Note 45.

CYPRUS POPULAR BANK PUBLIC CO LTD GROUP

INTERIM MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

RISK MANAGEMENT (continued)

Following the significant deterioration of the economic conditions in Greece, the Greek Government has announced on 24 February, 2012 the final terms of the PSI+ (Private Sector Involvement) offering for the voluntary exchange of the Greek Government Bonds (GGBs). The Group participated in the PSI+ programme which was implemented in March 2012. Regarding the Group's GGBs portfolio, this has been impaired in accordance with the requirements of International Accounting Standard 39 (Note 8).

SHARE CAPITAL

On 2 April, 2012 the Extraordinary General meeting of the shareholders of the Bank approved that the authorised share capital of the Bank which was € 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 was € 1.369.444.000 divided into 1.611.111.000 ordinary fully paid shares of nominal value € 0,85 each, to be reduced, the authorized 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 is 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.

On 21 June, 2012 the Extraordinary General Meeting of the shareholders of the Bank approved the increase of the authorised nominal share capital of the Bank from € 2.465.000.000 to € 2.800.000.000 by the creation of 3.350.000.000 additional ordinary shares of € 0,10 nominal value each.

On 30 June, 2012 the increase of share capital of the Bank amounting to € 1.799.073.000 was completed through Rights Issue with the Republic of Cyprus as Underwriter according to 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) 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"). The total amount of registrations from the exercise of Rights and the pre registration applications for undisposed shares amounted to € 3.014.000 (30.136.000 new shares of nominal value € 0,10 each). After the granting of the above 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 on their maturity.

On 30 June, 2012 the offer of the exchange of existing capital securities of issues 2008, 2009 and 2010 was completed. From the voluntary exchange of securities shares amounting to € 176.984.000 arose.

31 August, 2012



LAIKI BANK GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2012

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

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Report by the Independent Auditors on Review of Condensed Interim Consolidated Financial Statements to the Board of Directors of Cyprus Popular Bank Public Co Ltd

Introduction

We have reviewed the condensed interim consolidated financial statements of Cyprus Popular Bank Public Co Ltd (the "Bank") and its subsidiaries (the "Group") on pages 11 to 42 which comprise the condensed interim consolidated balance sheet as at 30 June, 2012, and the related condensed interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. Our review was restricted to financial information for the six-month period as a whole and did not include a review of financial information in relation to the Group's financial performance for the three-month period from 1 April, 2012 to 30 June, 2012 as a separate quarter, as presented on pages 12 and 14 in the accompanying condensed interim consolidated financial statements. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter

Without qualifying our conclusion, we draw attention to the disclosures made in Note 2 to the interim condensed consolidated financial statements, which refer to the factors adversely affecting the Group's regulatory capital due to the impairment losses on Greek Government Bonds and loans and advances during the prior year and current period, the uncertainties in relation to future developments in the Greek and Cyprus economies as well as the actions to restore the capital adequacy of the Group including the readiness of the Republic of Cyprus to provide the necessary support to the Group. The above factors indicate the existence of uncertainty which could affect the going concern assumption without the completion of the Group's re-capitalisation, in relation to which the Republic of Cyprus has stated its readiness to provide the necessary support.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

PricewaterhouseCoopers Limited
Chartered Accountants

Grant Thornton (Cyprus) Limited
Chartered Accountants

Nicosia, 31 August, 2012

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

	Note	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Net interest income		319.663	376.760
Net fee and commission income		80.566	90.754
(Loss)/profit on disposal and revaluation of securities	6	(96.066)	75.789
Foreign exchange and other income	7	146.732	33.617
Operating income		450.895	576.920
Staff costs		(177.388)	(192.744)
Depreciation and amortisation		(27.252)	(27.768)
Administrative expenses		(99.042)	(93.196)
Profit before impairments		147.213	263.212
Provision for impairment of advances	13	(884.970)	(182.785)
Impairment of debt and equity holdings		(160.070)	(311.529)
Impairment of goodwill and other intangible assets	9	(580.076)	-
Loss before share of profit from associates		(1.477.903)	(231.102)
Share of profit from associates		5.895	6.161
Loss before tax		(1.472.008)	(224.941)
Tax	10	160.383	28.082
Loss for the period		(1.311.625)	(196.859)
Attributable to:			
Owners of the Bank		(1.308.788)	(202.378)
Non-controlling interests		(2.837)	5.519
		(1.311.625)	(196.859)
Loss per share – for loss attributable to the owners of the Bank			
Loss per share - cent	4	(76,1)	(13,5)

The notes on pages 18 to 42 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 June 2012

	3 months ended 30.06.2012	3 months ended 30.06.2011
Note	€ '000	€ '000
Net interest income	142.376	195.294
Net fee and commission income	40.289	44.380
(Loss)/profit on disposal and revaluation of securities	(108.247)	2.146
Foreign exchange and other income	129.433	17.830
Operating income	203.851	259.650
Staff costs	(88.336)	(95.807)
Depreciation and amortisation	(13.715)	(13.796)
Administrative expenses	(53.491)	(46.848)
Profit before impairments	48.309	103.199
Provision for impairment of advances	(766.300)	(104.424)
Impairment of debt and equity holdings	(152.611)	(308.322)
Impairment of goodwill and other intangible assets	(580.076)	-
Loss before share of profit from associates	(1.450.678)	(309.547)
Share of profit from associates	2.663	2.874
Loss before tax	(1.448.015)	(306.673)
Tax	81.009	36.349
Loss for the period	(1.367.006)	(270.324)
Attributable to:		
Owners of the Bank	(1.363.607)	(273.395)
Non-controlling interests	(3.399)	3.071
	(1.367.006)	(270.324)
Loss per share – for loss attributable to the owners of the Bank		
Loss per share – cent	4	(74,6)
		(17,0)

The notes on pages 18 to 42 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 six months ended 30 June 2012

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Loss for the period	(1.311.625)	(196.859)
Other comprehensive income		
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	98.740	163.969
Deferred tax of available-for-sale financial assets	(18.108)	(15.328)
	80.632	148.641
Amortisation of loss on available-for-sale financial assets reclassified	3.280	7.478
Cash flow hedges, net of tax	-	135
Share of other comprehensive income of associates	1.092	(1.259)
Exchange differences arising in the period	181	(14.268)
Other comprehensive income for the period, net of tax	85.185	140.727
Total comprehensive loss for the period	(1.226.440)	(56.132)
Total comprehensive (loss)/income attributable to:		
Owners of the Bank	(1.224.071)	(61.426)
Non-controlling interests	(2.369)	5.294
	(1.226.440)	(56.132)

The notes on pages 18 to 42 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 June 2012

	3 months ended 30.06.2012 € '000	3 months ended 30.06.2011 € '000
Loss for the period	(1.367.006)	(270.324)
Other comprehensive income		
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	27.331	148.791
Deferred tax of available-for-sale financial assets	(5.328)	(13.402)
	22.003	135.389
Amortisation of loss on available-for-sale financial assets reclassified	506	5.033
Share of other comprehensive income of associates	(873)	(738)
Exchange differences arising in the period	2.056	(3.877)
Other comprehensive income for the period, net of tax	23.692	135.807
Total comprehensive loss for the period	(1.343.314)	(134.517)
Total comprehensive (loss)/income attributable to:		
Owners of the Bank	(1.338.334)	(136.767)
Non-controlling interests	(4.980)	2.250
	(1.343.314)	(134.517)

The notes on pages 18 to 42 are an integral part of these condensed interim consolidated financial statements.

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

	Note	30.06.2012 € '000	31.12.2011 € '000
Assets			
Cash and balances with Central Banks		967.837	1.034.086
Due from other banks		1.201.927	689.569
Financial assets at fair value through profit or loss	11	153.837	234.505
Advances to customers	12	23.099.806	24.778.623
Debt securities lending		663.172	1.769.185
Available-for-sale financial assets		597.043	1.791.205
Held-to-maturity financial assets	14	2.736.441	889.455
Other assets	11	1.330.854	1.370.597
Investments in associates		122.654	115.741
Intangible assets		207.798	797.780
Property and equipment	15	283.623	291.232
Total assets		31.364.992	33.761.978
Liabilities			
Due to other banks		10.364.424	10.301.370
Customer deposits		17.917.541	20.160.804
Senior debt	16	480.803	376.107
Loan capital	17	842.224	1.333.727
Other liabilities	11,18	454.485	989.412
Total liabilities		30.059.477	33.161.420
Share capital and reserves attributable to the owners of the Bank			
Share capital	19	2.137.169	1.369.444
Share premium	19	396.172	2.334.583
Reserves	20	(1.324.140)	(3.209.867)
Non-controlling interests		1.209.201	494.160
		96.314	106.398
Total equity		1.305.515	600.558
Total equity and liabilities		31.364.992	33.761.978

The notes on pages 18 to 42 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 six months ended 30 June 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			
Six months ended 30 June 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	19	1.799.073	-	-	-	-	1.799.073
Losses written off	19,20	(1.208.332)	(1.900.000)	70.060	3.038.272	-	-
Shares issued from the voluntary exchange of securities	17,19	176.984	-	-	-	-	176.984
Share issue costs	19	-	(38.411)	-	-	-	(38.411)
Defence tax on deemed distribution	20	-	-	-	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	20	-	-	-	1.445	(5.916)	(4.471)
		2.137.169	396.172	(131.973)	31.904	98.683	2.531.955
Loss for the period		-	-	-	(1.308.788)	(2.837)	(1.311.625)
Other comprehensive income for the period, net of tax		-	-	84.717	-	468	85.185
Total comprehensive income/(loss) for the period		-	-	84.717	(1.308.788)	(2.369)	(1.226.440)
Balance 30 June 2012		2.137.169	396.172	(47.256)	(1.276.884)	96.314	1.305.515
Six months ended 30 June 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	19	414.942	73.226	-	-	-	488.168
Share issue costs	19	-	(10.127)	-	-	-	(10.127)
Script dividend	19,20	119.703	21.124	-	(147.028)	-	(6.201)
Defence tax on deemed distribution	20	-	-	-	(68)	-	(68)
Cost of share-based payments to employees	20	-	-	-	698	4	702
Dividend paid by subsidiary companies		-	-	-	-	(1.790)	(1.790)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	20	-	-	-	(41)	310	269
Other movements	20	-	-	-	(68)	-	(68)
		1.369.444	2.337.120	(340.786)	642.094	104.387	4.112.259
(Loss)/profit for the period		-	-	-	(202.378)	5.519	(196.859)
Other comprehensive income/(loss) for the period, net of tax		-	-	140.952	-	(225)	140.727
Total comprehensive income/(loss) for the period		-	-	140.952	(202.378)	5.294	(56.132)
Balance 30 June 2011		1.369.444	2.337.120	(199.834)	439.716	109.681	4.056.127

The notes on pages 18 to 42 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 six months ended 30 June 2012

	Note	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Cash used in operations		(59.511)	(3.238.313)
Tax paid		(28.500)	(47.918)
Net cash used in operating activities		(88.011)	(3.286.231)
Cash flows from investing activities			
Purchases less proceeds from disposal of property and equipment		(5.376)	(11.183)
Purchases less proceeds from disposal of computer software		(2.926)	(4.341)
Purchases less proceeds from disposal of investment property		(15)	(17.122)
Proceeds from disposals and redemptions of available-for-sale financial assets less purchases		664.630	(8.924)
Proceeds from redemptions of held-to-maturity financial assets less purchases		203.622	187.979
Income received from financial assets		102.583	112.833
Business disposals net of cash and cash equivalents		(6.004)	36.772
Changes in shareholdings in subsidiary companies		(3.825)	-
Net cash from investing activities		952.689	296.014
Cash flows from financing activities			
Proceeds from the exercise of rights	19	3.014	488.168
Dividend paid		-	(6.201)
Share issue costs	19	(38.411)	(10.127)
Proceeds from the issue of senior debt and loan capital		479	2.605
Repayment of senior debt and loan capital		(103.094)	(61.894)
Interest paid on senior debt and loan capital		(33.496)	(30.196)
Dividend paid by subsidiary companies to holders of non-controlling interests		(1.799)	(1.790)
Net cash (used in)/from financing activities		(173.307)	380.565
Effects of exchange rate changes on cash and cash equivalents		1.892	(4.725)
Net increase/(decrease) in cash and cash equivalents		693.263	(2.614.377)
Cash and cash equivalents at beginning of period		783.567	4.127.458
Cash and cash equivalents at end of period		1.476.830	1.513.081

The notes on pages 18 to 42 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 six months ended 30 June, 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 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 six months ended 30 June, 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 six months ended 30 June, 2012 have not been audited by the Group’s external independent auditors. The Group’s external independent auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

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 successful implementation of the 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 has fallen below the minimum capital requirements (Note 45 of the consolidated financial statements for the year ended 31 December, 2011). As at 30 June, 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 June, 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% by the end of 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 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, 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 19. 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 1.769.670.000 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 Supplementary 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, 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 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.

In accordance with the requirements of the Decree, a Restructuring Plan has been prepared in co-operation with the appointed consultants 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 will then be submitted to the Ministry of Finance, and subsequently submitted by the Ministry to the European Commission for approval, within six months from the date of the Decree. 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 (IFRSs), all revised International Accounting Standards (IASs) and all revised and new interpretations, which are relevant to its operations and are applicable for accounting periods beginning on 1 January, 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.

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

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000	3 months ended 30.06.2012 € '000	3 months ended 30.06.2011 € '000
Loss attributable to the owners of the Bank	(1.308.788)	(202.378)	(1.363.607)	(273.395)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue during the period	1.719.685	1.495.574	1.828.260	1.611.111
Loss per share (basic and diluted) – cent	(76,1)	(13,5)	(74,6)	(17,0)

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

5. SEGMENTAL ANALYSIS

Under IFRS 8, reported segment profits are based on internal management information and is 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 effects of non-recurring expenditure of the operating segments such as goodwill impairments when the impairment is the result of an isolated, non-recurring event, as well as amortisation of intangible assets.

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
Six months ended 30 June 2012							
Operating income from external customers	168.666	121.699	7.749	54.823	(82.055)	184.128	455.010
Segment result	(329.044)	(233.390)	(74.471)	20.178	(204.676)	(65.641)	(887.044)
As at 30 June 2012							
Advances to customers	12.048.175	7.660.932	1.113.659	2.277.040	-	-	23.099.806
Customer deposits	2.926.422	10.236.423	874.402	3.880.294	-	-	17.917.541
Six months ended 30 June 2011							
Operating income from external customers	161.200	210.764	15.993	53.172	61.631	77.761	580.521
Segment result	93.808	(111.294)	(14.353)	15.492	(167.472)	(36.032)	(219.851)
As at 30 June 2011							
Advances to customers	10.640.117	11.707.588	1.412.443	1.813.436	-	-	25.573.584
Customer deposits	4.127.025	11.777.461	1.263.264	5.904.576	-	-	23.072.326

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

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Operating income from external customers	455.010	580.521
Consolidation and adjustments	(4.115)	(3.601)
Group operating income for the period	450.895	576.920

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

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Segment result	(887.044)	(219.851)
Amortisation of intangible assets	(10.783)	(11.251)
Impairment of goodwill and other intangible assets	(580.076)	-
Share of profit from associates	5.895	6.161
Tax	160.383	28.082
	<hr/>	<hr/>
Loss for the period	(1.311.625)	(196.859)

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

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Loss on disposal of financial assets at fair value through profit or loss – held-for-trading	(4.526)	(3.825)
(Loss)/profit on disposal of available-for-sale financial assets	(57.861)	11.658
Profit on disposal of debt securities lending	1.406	2.901
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	(23.497)	1.141
Profit/(loss) on revaluation of financial assets at fair value through profit or loss:		
Held-for-trading	11.153	(2.821)
Designated at fair value through profit or loss at inception	(2.360)	(1.519)
(Loss)/profit on disposal and revaluation of derivative financial instruments	(17.814)	14.842
	<hr/>	<hr/>
	(96.066)	75.789

Profit on disposal of subsidiary company for the six months ended 30 June, 2012 represents the profit from the disposal of the Bank's holding in Marfin Bank Eesti AS (30 June, 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 17).

8. GREEK GOVERNMENT BONDS

On 24 February, 2012 the Hellenic Republic announced the final terms and conditions of the Private Sector Involvement (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 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 taken place since the date of the exchange, Management has decided that the carrying value of the GGBs exchanged through 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 six months ended 30 June, 2012 and the aggregate impairment of GGBs due to PSI+ programme reached € 2.416 m, representing 79,2% of their nominal value, whereby part of this 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 “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 June, 2012 was € 965 m and the carrying amount was € 278 m.

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

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

9. 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 Greek Government Bonds 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 recognized for the six months ended 30 June, 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 recognized for the six months ended 30 June, 2012 was € 22,7 m.

10. TAXATION

During the six-month period ended 30 June, 2012 the Group has recognised an additional deferred tax asset of € 99,5 m relating to the tax benefit to arise from the tax deductibility of impairment of Greek Government Bonds in the future.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Included within financial assets at fair value through profit or loss is an amount of € 61,5 m (31 December, 2011: € 129,2 m) which relates to trading derivatives with positive fair value of derivative financial instruments and within other assets an amount of € 2,9 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 € 50,0 m (31 December, 2011: € 133,2 m), which relates to trading derivatives with negative fair value and an amount of € 61,5 m (31 December, 2011: € 179,5 m) which relates to the negative fair value of derivative financial instruments, for which hedge accounting is applied.

12. ADVANCES TO CUSTOMERS

	30.06.2012	31.12.2011
	€ '000	€ '000
Advances to customers	25.125.161	25.806.742
Instalment finance and leasing	766.088	901.727
	25.891.249	26.708.469
Provision for impairment of advances (Note 13)	(2.791.443)	(1.929.846)
	23.099.806	24.778.623

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

13. PROVISION FOR IMPAIRMENT OF ADVANCES

Movement in the six months ended 30 June, 2012 and 30 June, 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	734.629	247.602	982.231
Release of provision and recoveries	(89.252)	(8.009)	(97.261)
Advances written-off	(13.213)	(443)	(13.656)
Provision for impairment of advances from business disposal	(7.713)	(103)	(7.816)
Exchange differences	(2.107)	206	(1.901)
Balance 30 June	1.934.774	856.669	2.791.443
2011			
Balance 1 January	673.937	340.540	1.014.477
Provision for impairment of advances for the period	139.510	117.572	257.082
Release of provision and recoveries	(61.722)	(12.575)	(74.297)
Advances written-off	(125.730)	(14.098)	(139.828)
Provision for impairment of advances from business disposal	(34)	(114)	(148)
Exchange differences	(1.872)	(360)	(2.232)
Balance 30 June	624.089	430.965	1.055.054

14. HELD-TO-MATURITY FINANCIAL ASSETS

“Held-to-maturity financial assets” include the Cyprus Government Bonds that were granted for the acquisition of the Bank’s shares (Note 19) by the Republic of Cyprus according to the Decree of nominal value € 1.888,6 m. On 30 June, 2012 the carrying amount of these bonds was € 1.796,6 m. These bonds have a duration of one year, are renewed automatically at their maturity and have an annual return of 5,16%. The credit rating of the Republic of Cyprus as at 30 June, 2012 was Ba3 (Moody’s).

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

15. PROPERTY AND EQUIPMENT

Movement in the six months ended 30 June, 2012 and 30 June, 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"	(7)	(1.947)
Transfer to the category "Investment property"	(866)	-
Additions less disposals of property and equipment	5.171	11.089
Depreciation	(11.883)	(12.136)
Exchange differences	144	(1.215)
	<hr/>	<hr/>
Net book value at 30 June	283.623	284.575

16. SENIOR DEBT

	30.06.2012	31.12.2011
	€ '000	€ '000
Debentures 2009/2012	339.922	332.194
Debentures 2009/2014	23.281	22.988
Debentures 2009/2013	20.811	20.481
Debentures 2012/2016	96.323	-
Promissory Notes due 2012	466	444
	<hr/>	<hr/>
	480.803	376.107

Debentures 2009/2012

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

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 17), the Bank issued on 12 June, 2012 new debentures of € 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%.

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

17. LOAN CAPITAL

	30.06.2012	31.12.2011
	€ '000	€ '000
Debentures 2009/2019	108.409	107.790
Eurobonds due 2016	98.239	413.598
Capital securities	560.769	737.872
Convertible enhanced capital securities	65.212	65.195
Subordinated debt 2004/2014	9.595	9.272
	842.224	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 that was submitted to the Central Bank of Cyprus and was 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 16). A profit of € 115,6 m arose from the exchange (Note 7).

Capital Securities

On 21 June, 2012, the Bank announced the interest payment of the capital securities issued in 2008, 2009 and 2010 for the three months ended 29 June, 2012, following deliberations with the Central Bank of Cyprus and the European Commission via the Ministry of Finance. Additionally, the Bank clarified that for the following quarters, the payment of interests to the above capital securities issues is governed by the terms of the Decree, which prohibits the payment of any interest in securities not compatible with the requirements of the Central Bank of Cyprus.

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 can 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 19). The Bank also received applications for the voluntary exchange of € 147.892.000 Eligible Capital Securities with ECS, without making their exchange and issue feasible based on the terms and conditions of the Prospectus dated 22 May, 2012 and its First Supplementary Prospectus dated 19 June, 2012. As a result, Eligible Capital Securities of the above issues of € 560.769.000 are still in effect.

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

17. LOAN CAPITAL (continued)

Convertible Enhanced Capital Securities

On 21 June, 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 31 March to 29 June, 2012. According to their issue terms, the cancelled interest payment is final and will no longer be payable by the Bank.

18. 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.

19. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
Six months ended 30 June 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 securities (c)	1.769.840	176.984	-	176.984
Share issue costs (d)	-	-	(38.411)	(38.411)
Balance 30 June	21.371.685	2.137.169	396.172	2.533.341
Six months ended 30 June 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 June	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).

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

19. SHARE CAPITAL AND SHARE PREMIUM (continued)

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 issue 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 within "Held-to-maturity financial assets".

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 up to € 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 Greek Government Bonds. As a result of the reduction of the nominal value of the Bank's share, the issued share capital amounts to € 161.111.000 divided into 1.611.111.000 fully paid ordinary shares of nominal value € 0,10 each. 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.

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

19. SHARE CAPITAL AND SHARE PREMIUM (continued)

- (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.

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 is 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 June, 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 a 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

20. RESERVES

Movement in the six months ended 30 June, 2012 and 30 June, 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	(1,308.788)	(202.378)
Losses written off (Note 19)	3,038.272	-
Dividend	-	(147.028)
Cost of share-based payments to employees	-	698
Defence tax on deemed distribution	21	(68)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	1,445	(41)
Other movements	-	(68)
Balance 30 June	(1,276.884)	439.716
Property fair value reserves		
Balance 1 January	48.610	47.681
Share of fair value reserves of associates	(139)	-
Balance 30 June	48.471	47.681
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	26.259	(50.261)
Deferred tax	(18.112)	(15.275)
Transfer to results due to impairment	72.369	214.607
Amortisation of loss on available-for-sale financial assets reclassified	3.280	7.478
Share of fair value reserves of associates	1.231	(1.259)
Transfer to results due to business disposal	(43)	(13)
Balance 30 June	(103.153)	(170.910)
Currency translation reserves		
Balance 1 January	(65.932)	(65.571)
Exchange differences arising in the period	(128)	(8.834)
Transfer to results due to business disposal	-	(5.626)
Balance 30 June	(66.060)	(80.031)

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

20. 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/>		
Balance 30 June	-	-
<hr/>		
Difference from conversion of share capital into Euro reserve		
Balance 1 January and 30 June	3.426	3.426
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Reserve from decrease of share capital		
Balance 1 January	-	-
Decrease of share capital (Note 19)	70.060	-
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Balance 30 June	70.060	-
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	(1.324.140)	239.882
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The reserve from decrease of share capital is not available for distribution to equity holders.

21. DIVIDEND

No dividend was declared for the financial year 2011.

22. CONTINGENCIES AND COMMITMENTS

Commitments for capital expenditure of the Group at 30 June, 2012 amounted to € 3,7 m (31 December, 2011: € 5,2 m).

As at 30 June, 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.

Holder 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

22. 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.

Therefore, 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

23. INVESTMENTS IN SUBSIDIARY COMPANIES

The main subsidiary companies of the Group, as at 30 June, 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

23. 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. with a consideration of € 2,5 m. As a result of this acquisition the shareholding of the Bank in its subsidiary increased from 95,8% to 96,9%.

(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 with 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 for the total amount of € 6,4 m. The profit from the sale reached € 2,9 m (Note 6).

24. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

	30.06.2012	31.12.2011
	€ '000	€ '000
Advances to Directors and their connected persons	6.078	400.370
Advances to other key management personnel and their connected persons	1.390	18.238
	7.468	418.608
Commitments for guarantees and letters of credit:		
Guarantees to Directors and their connected persons	-	32.171
Letters of credit to Directors and their connected persons	-	678
	-	32.849
Total advances and commitments	7.468	451.457
Tangible securities	6.091	466.610
Deposits	1.242	22.382

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

24. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Interest income	7.914	8.528
Interest expense	166	335

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

The amount of tangible securities is presented aggregately in the preceding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that were unsecured at 30 June, 2012 amounted to € 1.389.000 (31 December, 2011: € 95.401.000).

The total advances and commitments, tangible securities, deposits and total amount of facilities that were unsecured at 30 June, 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 six months ended 30 June, 2012 the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to € 7.000 (30 June, 2011: € 10.000), purchased goods and received services amounting to € 268.000 (30 June, 2011: € 80.000) and provided services amounting to € 57.000 from companies connected to the Lanitis group, purchased goods and received services amounting to € 52.000 and provided services amounting to € 3.000 to companies associated with Mr. Vassilis Theocharakis. In addition, during the six months ended 30 June, 2011 the Group received services amounting to € 104.000 from a law firm connected to Mr. Andreas Vgenopoulos.

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

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

24. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	6 months ended 30.06.2012 € '000	6 months ended 30.06.2011 € '000
Fees paid to Directors as members of the Board	78	145
Remuneration of Directors under executive role		
Salaries and other short-term benefits	228	711
Employer's social insurance contributions	53	63
Provident Fund	33	-
Retirement benefits scheme expense	-	58
	314	832
Remuneration of Directors under non executive role		
Salaries and other short-term benefits	36	34
Employer's social insurance contributions	9	9
Provident Fund	5	-
Retirement benefits scheme expense	-	9
	50	52
Consultancy services fees of Directors under non executive role	46	101
Compensation of other key management personnel		
Salaries and other short-term benefits	369	893
Employer's social insurance contributions	45	47
Provident Fund	26	-
Retirement benefits scheme expense	-	17
	440	957
Share-based payment compensation⁽¹⁾	-	259
	928	2.346

⁽¹⁾ The share option scheme expense is the amount charged to the condensed interim consolidated income statement for the six months ended 30 June, 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.

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

24. 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 retired received:

	6 months ended 30.06.2012 € '000
Fees paid to Directors as members of the Board	67
Consultancy services fees of Directors under non executive role	121
	188

Key management personnel as at 30 June, 2012 included the 14 members of the Board of Directors (30 June, 2011: 14), 2 (30 June, 2011: 4) of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Transactions with other related parties

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

	30.06.2012		31.12.2011	
	Receivables € '000	Payables € '000	Receivables € '000	Payables € '000
Consolidated balance sheet				
CNP Marfin Insurance Holdings Ltd group (associate)	3.544	239.055	6.925	236.420
JCC Payment Systems Ltd (associate)	1.543	6.713	13.215	9.908
Provident Funds of the employees of the Group in Cyprus	2	297.917	5	21.353
	5.089	543.685	20.145	267.681

Additionally, CNP Marfin Insurance Holdings Ltd held at 30 June, 2012 senior debt and loan capital of the Group of nominal value of € 43,9 m (31 December, 2011: € 44,9 m).

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 June, 2012 the Group had deposits from Government bodies amounting to € 148 m and advances to Government bodies amounting to € 64 m. In addition, the Group held bonds issued by the Republic of Cyprus with nominal value € 2,2 bn. All transactions are carried out as part of the nominal 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 in aggregate are disclosed.

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

24. RELATED PARTY TRANSACTIONS (continued)

Transactions with other related parties (continued)

During the period ended 30 June, 2012 and 30 June, 2011 the following transactions were realised with other related parties:

	2012		2011	
	Income € '000	Expense € '000	Income € '000	Expense € '000
Consolidated income statement				
CNP Marfin Insurance Holdings Ltd group (associate)	1.408	7.066	1.549	6.317
JCC Payment Systems Ltd (associate)	1	193	9	143
Provident Funds of the employees of the Group in Cyprus	2	2.138	8	447
	1.411	9.397	1.566	6.907

25. POST BALANCE SHEET EVENTS

On 2 July, 2012 the Bank announced, regarding its capital enhancement, that since the applications for the exchange of Eligible Capital Securities with ECS were not satisfied, the holders of the Eligible Capital Securities who had accepted the Bank's offer for voluntary exchange will continue to hold the Eligible Capital Securities, registered in their name before the submission of applications for the exchange with ECS.

On 12 July, 2012 the Bank announced the appointment of two new members to the Board of Directors, Messrs Nicos Hadjinicolaou and Panikkos Poutziouris, by the Minister of Finance with the consent of the Central Bank of Cyprus and the Finance Committee of the House of Representatives, in accordance with the Decree paragraph 11(1).

The Bank also announced the appointment of Mrs. Jacqueline Loizides-Lambert as its new Secretary, in replacement of the outgoing Secretary Mr. Stelios Hadjiosif.

On 24 July, 2012 the Bank announced that following the issue of the Decree (Amending) (No. 2), the Bank was requested to issue a Second Supplementary Prospectus further to the Prospectus dated 22 May, 2012 and the Supplementary Prospectus dated 19 June, 2012 (hereinafter referred to as the "Prospectus") on the listing to the CSE and the ATHEX of the shares resulting from the exercise of Rights and the voluntary exchange of Eligible Capital Securities with ordinary shares.

Taking into account the above, the listing and trading of the new ordinary shares (except for the shares granted to the Republic of Cyprus) resulting from the exercise of Rights and the voluntary exchange of Eligible Capital Securities with shares, did not commence on 25 July, 2012, as had been announced initially, but on 24 August, 2012, after the approval of the Second Supplementary Prospectus dated 17 August, 2012 and relevant announcement of the CSE dated 21 August, 2012, by the Cyprus Securities and Exchange Commission.

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

25. POST BALANCE SHEET EVENTS (continued)

On 9 August, 2012, the Bank announced that Mr. Michalis Sarris resigned as Non Executive Chairman and Member of the Board of Directors of the Bank. The Board of Directors unanimously elected as its Non Executive Chairman Mr. Andreas Philippou. Mr. Philippou served for many years as First Senior Manager of the Central Bank of Cyprus.

On 13 August, 2012 the Bank announced that in relation to the shares that resulted from the tender offer for voluntary exchange of capital securities issued in 2008, 2009 and 2010 (“Exchange Shares”), the Bank has fully adhered to the required procedures with respect to the tender offer for voluntary exchange of capital securities with Exchange Shares, which were issued on 30 June, 2012 in accordance with the provisions of the approved Prospectus dated 22 May, 2012 (and supplements) and relevant provisions of the legislation.

The Bank has decided to proceed with the listing of all Exchange Shares issued as part of the offer for the voluntary exchange of capital securities. The listing for trading of the Exchange Shares does not affect any rights of the persons who, for whatever reason, will choose to proceed with legal action in relation to this matter. Moreover, the Bank’s decision ensures amongst others, that there will be no delay in the listing of the Exchange Shares for the benefit of holders who are satisfied with the exchange and who are the vast majority of the holders of such shares.

On 21 August, 2012, the Bank announced that the Board of Directors appointed the Members of the following Committees as follows:

- Audit Committee: Chris Pavlou – Chairman, Spyros Episkopou, Marios Hadjiyiannakis, Panikkos Poutziouris, Andreas Zachariades – Members.
- Compensation Committee: Spyros Episkopou – Chairman, Chris Pavlou, Panikkos Poutziouris, Hesham Al Qassim, Andreas Trokkos – Members.
- Nominations Committee: Andreas Philippou – Chairman, Fadel Al Ali, Andreas Trokkos, Andreas Zachariades – Members.
- Risk Management Committee: Chris Pavlou – Chairman, Nicos Hadjinicolaou, Christos Stylianides, Andreas Trokkos – Members.

26. APPROVAL OF FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were approved by the Board of Directors on 31 August, 2012.

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Andreas Philippou
Chairman

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Christos Stylianides
Group Chief Executive Officer

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Annita Philippidou
Group Chief Financial Officer