



# MARFIN POPULAR BANK

## **MARFIN POPULAR BANK GROUP EXPLANATORY NOTE FOR FINANCIAL STATEMENTS OF 31 MARCH 2007**

### **SYNOPSIS OF RESULTS**

*Note: The Consolidated Income Statement for the three months ended 31 March 2007 contains the profits of Marfin Popular Bank Group (including Marfin Financial Group, now Marfin Investment Group, and Egnatia Group). The same period Consolidated Income Statement for the three months to 31 March 2006 contains the profits of the old Laiki Group only.*

Operating income rose by 162% to C£189,8m from C£72,5m reported at 31.03.06. Net Interest Income increased by 99% to C£94,8m mainly stemming from the strong volume growths in Greece (apart from the inclusion of Marfin and Egnatia Groups) and Cyprus as well as recoveries of previously suspended interest resulting from the continuous efforts to improve the collection of interest in arrears in Cyprus. The financial and other income of the Group was also boosted by the strong performance of the Insurance Division of the Group and from the sale of the stakes in Hellenic Bank and Universal Life (profit of C£28,8m).

The growth rate of operating expenses was 73,5% in Q1 07 reaching C£67,2m. The costs of the Marfin and Egnatia Groups are now included in Greece. Expenses in Cyprus rose by 3%, as a 9% staff cost growth, on the back of the existing collective agreements in force and new staff hirings, was offset by a drop in other operating expenses. The group's Cost Income ratio dropped to an impressive 35% compared to 53,4% reported in the first quarter 06.

Group provisions have increased by 12% in Q1 07 to C£11m. This is because the size of the Advances portfolio has increased substantially from the addition of the Marfin and Egnatia Groups.

The integration of the 3 Greek Banks operations (Egnatia, Marfin Bank and Laiki Hellas) is progressing ahead of schedule and within budget.

### **PROSPECTS FOR THE FUTURE**

The dynamic created from the integration of the three Groups is much stronger than originally anticipated. The revenue and cost synergies already have started to materialise and we can foresee an accelerated asset and revenue growth coupled with a containment of costs and a continuous improvement in asset quality. These dynamics are present in all the high growth geographical areas that the Group operates (Greece, Cyprus and South East Europe) making the future profitability prospects of the Group extremely strong.