

28/08/2008

## Press Release

### Financial Results for the First Half 2008

- ▶ Group net profit attributable to shareholders increased by 7%<sup>1</sup> to € 220.4 m
- ▶ Net profit for the second quarter reached €115.9 m, 11% higher compared to the first quarter of 2008
- ▶ Increase in recurring income of 9% to € 587.7 m
- ▶ Increase in net interest income of 16% to € 359.3 m after adjusting for write backs of the first six months of 2007
- ▶ Exceptionally strong growth in loans of 40% to € 21.2 bn
- ▶ Remarkably strong growth in deposits of 19% reaching € 23.8 bn
- ▶ Return on tangible equity (RoTE) at 20.3% and efficiency ratio (cost to income) at 46%
- ▶ Significant expansion of branch network to 500 points of sale compared with 311 in June 2007

During the first half of 2008, the Group has achieved exceptionally strong volume growth rates in all geographic regions of operation (Cyprus, Greece and international) and positive financial results, despite the difficult international economic environment. Total assets of the Group have exceeded € 35 bn, recording an annual increase of 22%, reinforcing the Group's leading position in the Cyprus market and the fifth position in the Greek market.

Both total loans and deposits of the Group recorded remarkable annual increases of 40% and 19% respectively, driven by the enlargement of the branch network, the expansion of the customer base and the gradual maturing of new branches. Loans of the Group's international operations reached € 2.7 bn or 13% of total loans, continuing their increasing contribution to the Group. Loan to deposit ratio stands at the very low 89%, for both Greek and European Banking standards, demonstrating the high liquidity of the Group.

Total Group revenues increased by 9% year-on-year and reached € 587.7 m. Revenues from international operations reached € 74 m representing 13% of total Group revenues.

Net interest income amounted to € 359.3 m achieving an increase of 8% year-on-year from the first half of 2007. Adjusting for the exceptional write backs of interest in the first half of 2007, the increase in net interest income reached 16% year-on-year and demonstrates the robust growth of loans and deposits, despite the negative factors prevailing. The negative factors

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<sup>1</sup> Adjusted for exceptional items and profit from discontinued operations

affecting net interest income mainly include: the downward adjustment of the base rate in Cyprus by 50 basis points (being the difference between the Cyprus Pound and the Euro base rate), which was set as the interest rate for the loans that were converted from Cyprus Pound into Euro on 01 January 2008 (as required by a circular of the Central Bank of Cyprus), the decrease of the interest rates in the USA and the devaluation of the US Dollar that reduced the income from the US Dollar deposits (mainly of the international business banking operations in Cyprus) and finally the intense competition on deposits from competitors facing constrained liquidity in Greece and Cyprus.

Net interest margin decreased from 2.73% (after adjusting for interest write backs) in the first half of 2007 to 2.44% in the first half of 2008, due to the aforementioned cyclical and technical factors. Regarding the imposed decrease in the base rate of the loans, which were converted into Euro from Cyprus Pound, the Group has already proceeded in a number of compensating actions during 2008 that include the increase of the base rate of the Bank by 100 basis points. The gradual reversal of the negative factors will have a positive impact in operational performance of the Group in the coming quarters.

Net fee and commission income recorded a significant increase of 32% year-on-year to € 147.1 m, as a result of the leading position of the Group in investment banking and brokerage, and the dynamic growth of the banking operations.

Total operating expenses reached € 270.6 m, increased by 15% compared to the first half of 2007. First half 2008 expenses included operating expenses from the consolidation of the Ukrainian bank, Marine Transport Bank (consolidated since the last quarter of 2007) and Lombard Bank Malta Plc (consolidated since 01 March 2008). Excluding the expenses of the new subsidiaries consolidated, the increase in the operating expenses is contained to 7%. The increase in expenses is a result of the dynamic growth of the Group's operations and the opening of 6 new branches and 10 business centers in Greece and 20 new branches in the international network (5 in Romania, 8 in Ukraine and 7 in Serbia). Cost-to-income ratio of the Group remained relatively stable at 46% compared with 44% (adjusted for exceptional income) in first half 2007.

The consolidated net profit reached € 220.4 m recording an increase of 11% compared to the first quarter of 2008 and 7% compared to the first half of 2007 (after adjusting for exceptional income and profit from discontinued operations).

The enhanced profitability of the Group in the first half 2008 has resulted in a return on assets ratio (RoA) of 1.35% and a return on tangible equity (RoTE) of 20.3%.

The capital adequacy ratio according to Basel II is estimated at 10.5% and Tier I ratio at 8.9% in June of 2008. The Group maintains one of the highest capital adequacy ratios in the Greek banking market.

The provisions as a percentage of gross loans were 0.47% at the end of the first half of 2008. The coverage ratio stood at 61%. The non performing loans ratio (NPL) decreased significantly to 4.5% in June of 2008 from 5.3% in June of 2007.

During the second quarter of 2008, a series of important strategic events took place. The most important are the following:

- ▶ The Central Bank of Cyprus decided (a) the reduction of the minimum liquidity in Euro from 25% to 20% (effective from June 2008), and (b) the reduction of the minimum required ratio of liquid assets to total deposits in foreign currencies of the Bank in Cyprus from 75% to 70% (effective from August 2008).
- ▶ On 22 July, 2008 the Bank and CNP Assurances signed an agreement for a long term business partnership for the development of insurance and pension sales through the Group's banking networks in Greece and Cyprus. It is expected that this insurance partnership will be extended to other countries in the future, following the international expansion of the Group in Southeast Europe. According to the terms of the agreement CNP Assurances will acquire the 50.1% of the insurance arm of the Group and will assume management control of these companies. It is expected that the transaction will be finalised by the end of the year, once the necessary regulatory authorisations are obtained.

Commenting on the results, MPB's CEO, Mr. Efthimios Bouloutas, said the following:

*"During the second quarter of 2008, Marfin Popular Bank has sustained its expansion both in terms of business and profitability despite a difficult global capital markets environment dominated by intense volatility, the ongoing credit crisis and elevated funding cost. The group has managed to achieve strong business expansion, improve its margins and sustain improvements in its cost structure and asset quality. All the above dynamics have been accompanied by the maintenance of a strong capital position and one of the most comfortable liquidity positions among the peer group. The results for the first half of 2008 point to a significant improvement in operating performance, a trend we as management expect to be maintained in the coming quarters."*

## Financial Results First Half 2008

(€ m)	30.06.08	30.06.07	Δ %
Net interest income	359.3	332.7	8.0%
Net fee and commission income	147.1	111.2	32.3%
Foreign exchange & other income	81.3	94.5	(13.9)%
<b>Recurring operating income</b>	<b>587.7</b>	<b>538.4</b>	<b>9.2%</b>
Exceptional income (sale of stakes in Hellenic Bank & Universal Life)	-	50	-
<b>Total operating income</b>	<b>587.7</b>	<b>588.4</b>	<b>(0.1)%</b>
Operating expenses	(270.6)	(235.0)	15.1%
Provision for impairment of loans	(47.2)	(44.2)	6.7%
Profit from associates	1.2	0.8	38.6%
<b>Profit before tax</b>	<b>271.1</b>	<b>310.0</b>	<b>(12.6)%</b>
Tax	(43.7)	(33.1)	32.0%
Minority interest	(7.0)	(21.0)	(66.5)%
Profit from discontinued operations (MIG)	-	86.2	-
<b>Net profit</b>	<b>220.4</b>	<b>342.1</b>	<b>(35.6)%</b>
<b>Net profit (adjusted for exceptional income and profit from discontinued operations)</b>	<b>220.4</b>	<b>205.9</b>	<b>7.0%</b>

Key Balance Sheet Items (€ m)	30.06.08	30.06.07	Δ%
Loans	21,207	15,185	39,7%
Total assets	35,274	28,986	21,7%
Deposits	23,793	20,053	18,7%

Key Ratios	30.06.08	30.06.07
Tier I	8.9%	11.2%
Capital Adequacy Ratio	10.5%	11.8%
Cost/Income	46.0%	44%
Net Interest Margin (NIM)	2.44%	2.73%
Non Performing Loans Ratio (NPLs)	4.5%	5.3%
Provisioning	47 bps	60 bps
Return on Tangible Equity (RoTE)	20.3%	26.7%
Return on Assets (RoA)	1.35%	2.65%