



**LAIKI BANK GROUP**

**First half 2012 Financial Results**

**31 August 2012**

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## Results Highlights

# First half 2012 Financial Highlights

Group

## Comments

- ▶ Net interest income 15% lower y/y and 20% lower q/q, due to the effect of deleveraging and elevated funding costs across all regions
- ▶ Net fee and commission income 11% down on an annual basis due to subdued economic activity during the period
- ▶ Total operating income fell 22% y/y to €451m and 17% on a quarterly basis and Core banking revenues fell 14% y/y and 16% on a quarterly basis
- ▶ Continued tight cost control policy, has driven operating expenses 3% lower y/y and recurring operating expenses down by 7% y/y
- ▶ Loan loss provisions are much higher amounting to €885m for 1H12, mainly due to continued deteriorating economic conditions in the two key markets
- ▶ Further deterioration in the Capital markets and the Greek Government Bonds resulted in an additional impairment of Debt and Equity holdings of €160m
- ▶ Given the continuously deteriorating economic conditions in Greece, the Group has proceeded with the full impairment of Goodwill and other intangibles relating to its Greek operations of €557m
- ▶ The total goodwill impairment of €580m has no impact on the Group's regulatory capital position but increases the accounting loss attributable to the shareholders to €1,309m

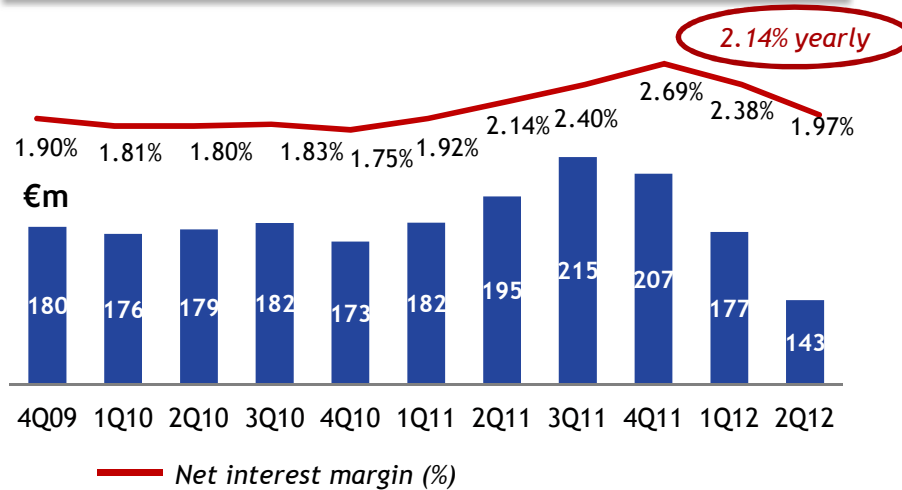
## Key Results Highlights

| €m   | 1H12         | 1H11         | yoy %          | 2Q12         | 1Q12       | qoq %          |
|--|--------------|--------------|----------------|--------------|------------|----------------|
| Net interest income  | 320          | 377          | (15.2)%        | 143          | 177        | (19.7)%        |
| Net fee and commission income                                      | 80           | 91           | (11.2)%        | 40           | 40         | 0.1%           |
| <b>Core banking revenues</b>                                       | <b>400</b>   | <b>468</b>   | <b>(14.4)%</b> | <b>183</b>   | <b>217</b> | <b>(16.0)%</b> |
| Financial and other income   | 48           | 56           | (14.6)%        | 21           | 27         | (20.4)%        |
| Total operating income before profit from disposal of subsidiaries | 448          | 524          | (14.4)%        | 204          | 244        | (16.4)%        |
| Profit from the disposal of subsidiaries                           | 3            | 53           | nm.            | -            | 3          | nm.            |
| <b>Total operating income</b>                                      | <b>451</b>   | <b>577</b>   | <b>(21.8)%</b> | <b>204</b>   | <b>247</b> | <b>(17.4)%</b> |
| Recurring operating expenses                                       | (293)        | (314)        | (6.7)%         | (145)        | (148)      | (2.6)%         |
| Non-recurring operating expenses                                   | (11)         | -            | nm.            | (11)         | -          | nm.            |
| <b>Profit before provisions</b>                                    | <b>147</b>   | <b>263</b>   | <b>(44.1)%</b> | <b>48</b>    | <b>99</b>  | <b>(51.1)%</b> |
| Loan loss provisions   | (885)        | (183)        | 384.2%         | (766)        | (119)      | 545.6%         |
| Impairment of debt & equity  | (160)        | (312)        | (48.6)%        | (153)        | (7)        | nm.            |
| Tax  | 160          | 28           | nm.            | 81           | 79         | nm.            |
| <b>(Loss) / Profit*</b>  | <b>(729)</b> | <b>(202)</b> | <b>nm.</b>     | <b>(784)</b> | <b>55</b>  | <b>nm.</b>     |
| Net loans  | 23,100       | 25,574       | (9.7)%         | 23,100       | 24,254     | (4.8)%         |
| Deposits   | 17,918       | 23,072       | (22.3)%        | 17,918       | 20,032     | (10.6)%        |
| Total assets   | 31,365       | 39,409       | (20.4)%        | 31,365       | 31,870     | (1.6)%         |

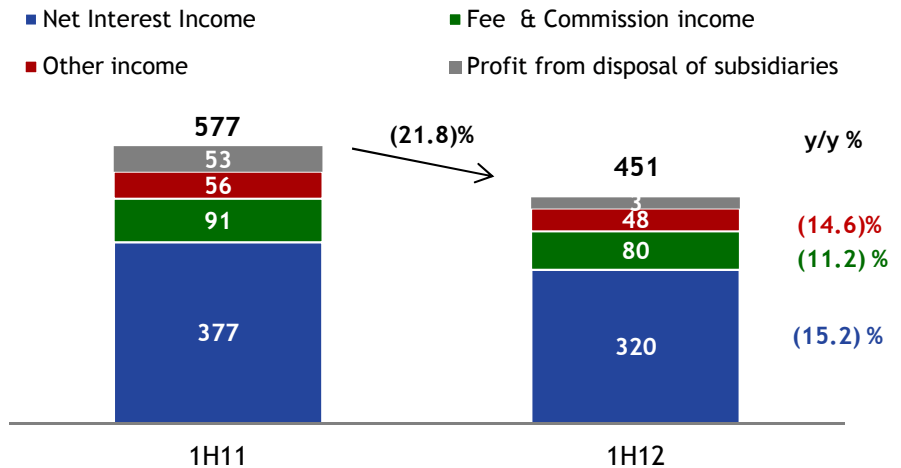
\*Excludes goodwill impairment of €580m

# Small Decline on Net Interest Margin & Continued Tight Cost Control Policy

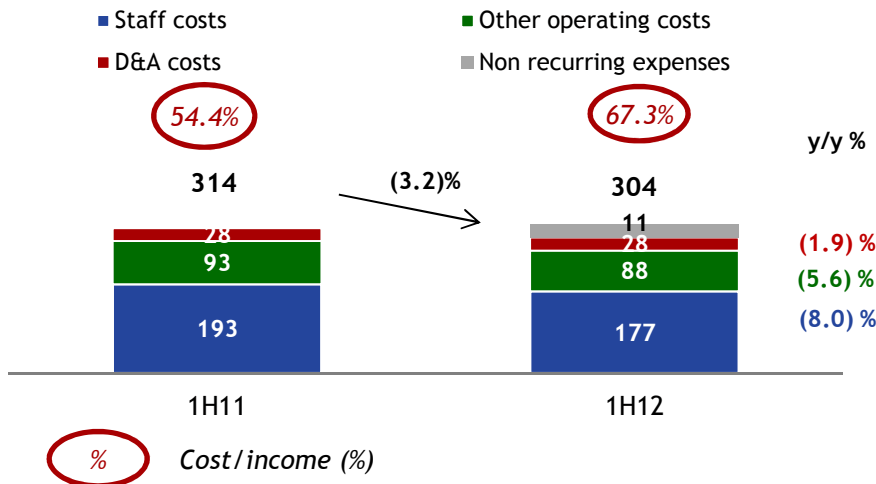
Net interest income (€m) & NIM - Group



Total operating income (€m)



Operating costs (€m) and Cost/Income



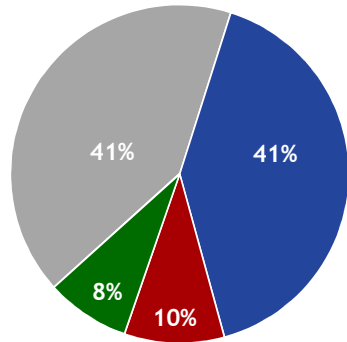
Comments

- ▶ 2Q12 net interest margin declined by 17bps on an annual basis; on a sequential basis net interest margin dropped to 1.97% in 2Q12 versus 2.38% in 1Q12, due to elevated funding costs and the impact of deleveraging of the bond and loan book across all geographical regions
- ▶ Continued cost containment efforts brought total operating expenses 3% down on an annual basis and down 7% y/y excluding non-recurring items of €11m (Greece: €9.2m and Cyprus: €1.8m)

# Home Market, Cyprus, Contributed 74% of Total Operating Income & 58% Core Banking Income

Net loans by geography (%)

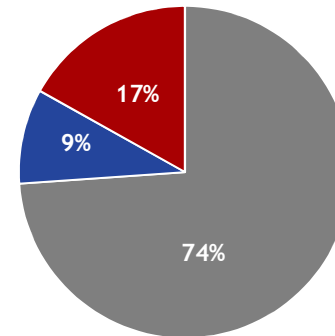
■ Cyprus ■ Greece ■ International ■ Shipping



1H12 Total net loans = €23,100m

Operating income by geography

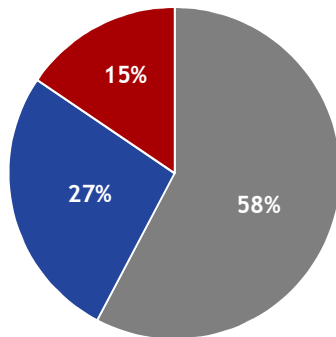
■ Cyprus ■ Greece ■ International



1H12 Total operating income = €451m

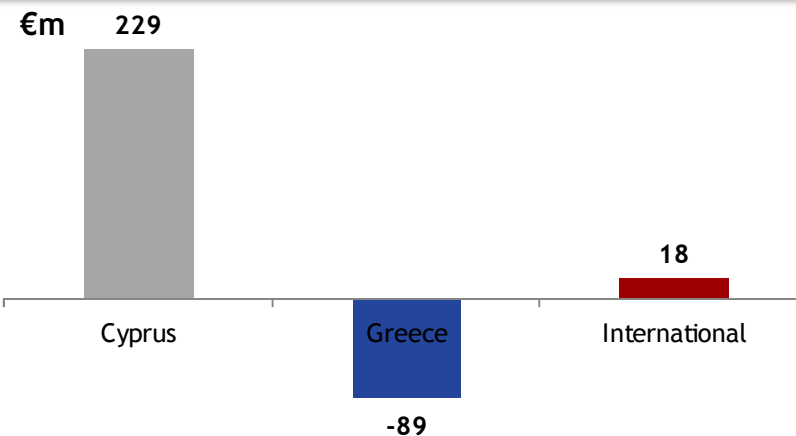
Core banking income by geography (%)

■ Cyprus ■ Greece ■ International



1H12 Total core banking income = €400m

Pre-provision profit by geography

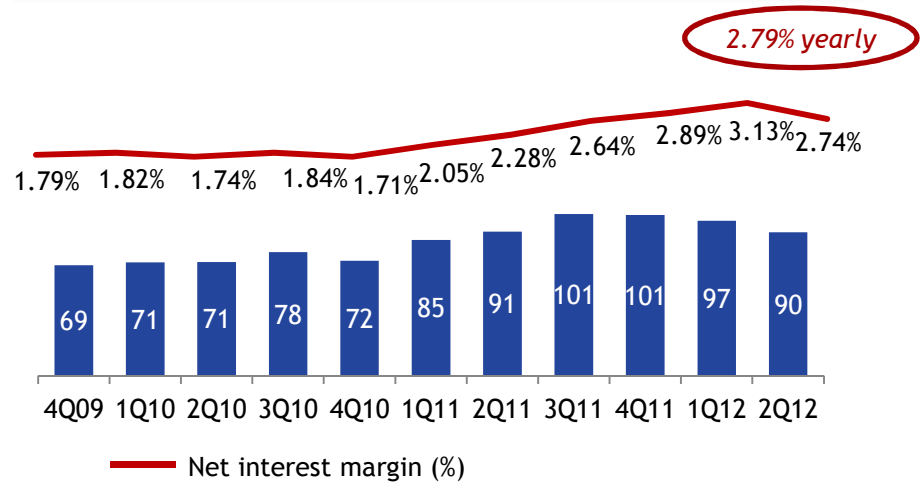


1H12 Total pre-provision profit = €147m\*

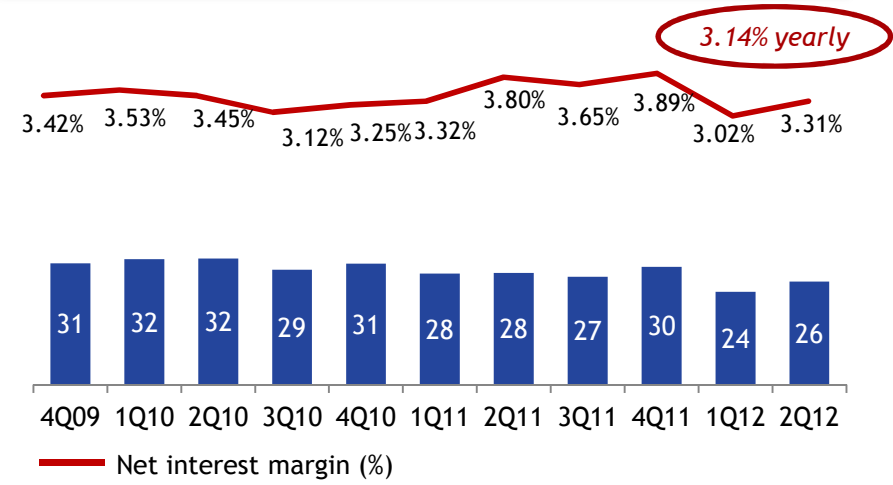
\*Amortization of intangibles is added at Group level only

# Improving NIM in International Operations, while Pressure Continues in Greece & Cyprus

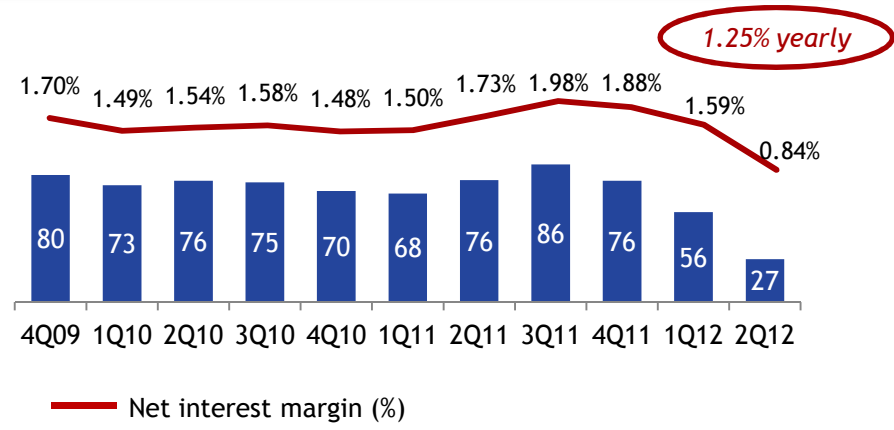
Net interest income (€m) & NIM-Cyprus



Net interest income (€m) & NIM-International



Net interest income (€m) & NIM-Greece



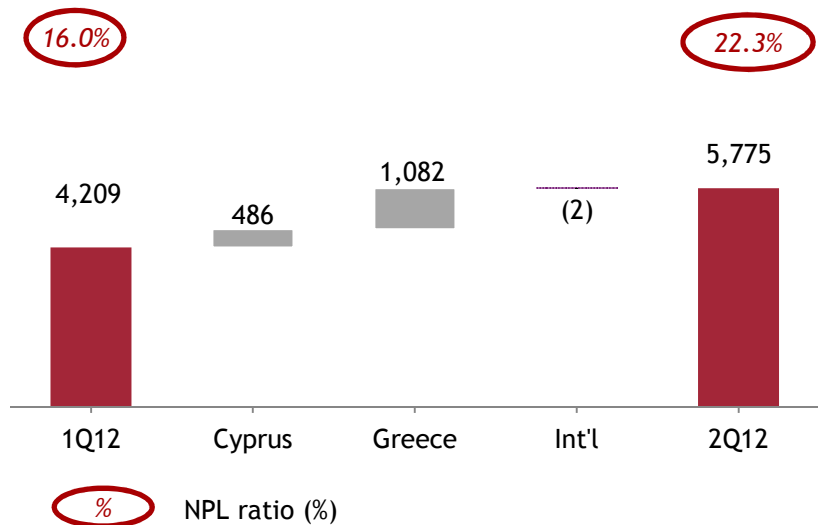
Comments

- ▶ NIM in Cyprus increased by 46bps on y/y basis and stood at 2.74% in 2Q12; on quarterly basis net interest margin declined by 39bps compared with 1Q12
- ▶ NIM in Greece declined on an annual basis by 89bps; on a sequential basis net interest margin dropped to 0.84% in 2Q12, 75bps lower on a sequential basis, due to deteriorating funding costs and increased NPLs
- ▶ NIM of international operations decreased on an annual basis by 49bps and dropped to 3.31% in 2Q12 compared to 3.80% in 2Q11; on a sequential basis net interest margin increased by 29bps compared to 1Q12

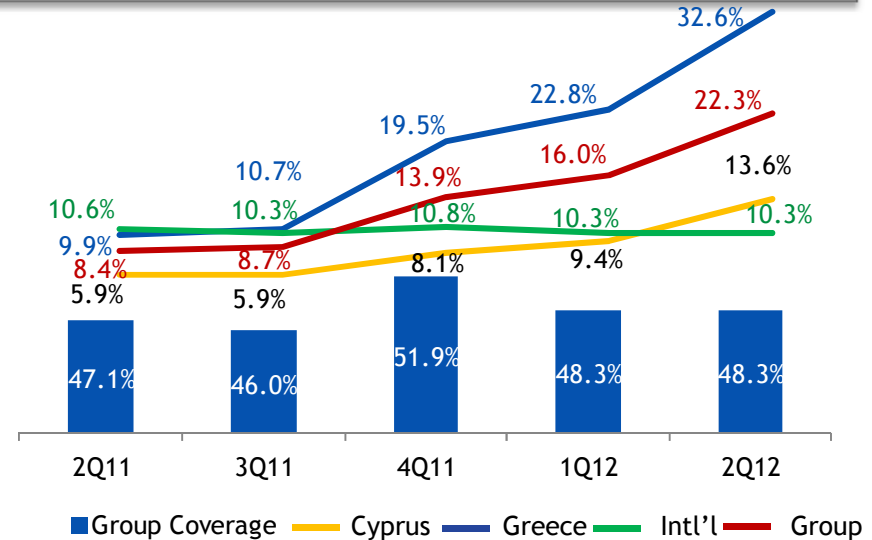
# NPLs Affected by an Ongoing Deteriorating Macro Environment Both in Greece & Cyprus

Group

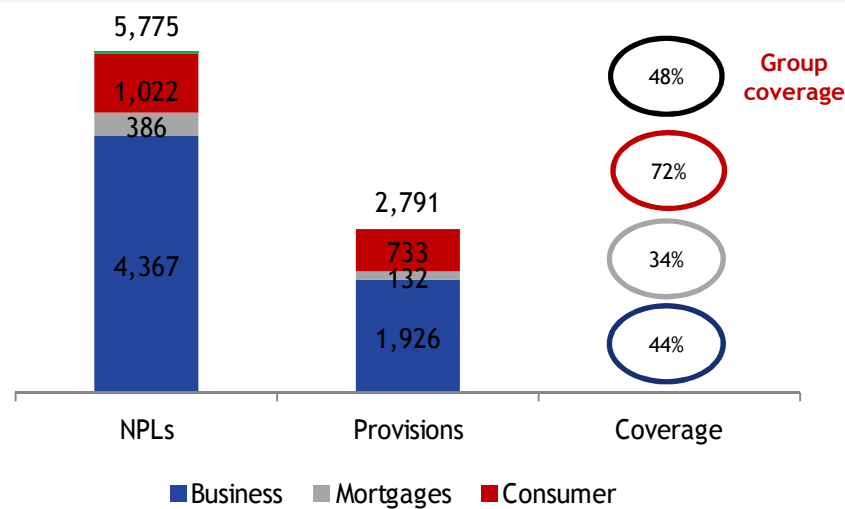
Group NPLs development (€m)



NPL by region (%)



NPL by type (%)



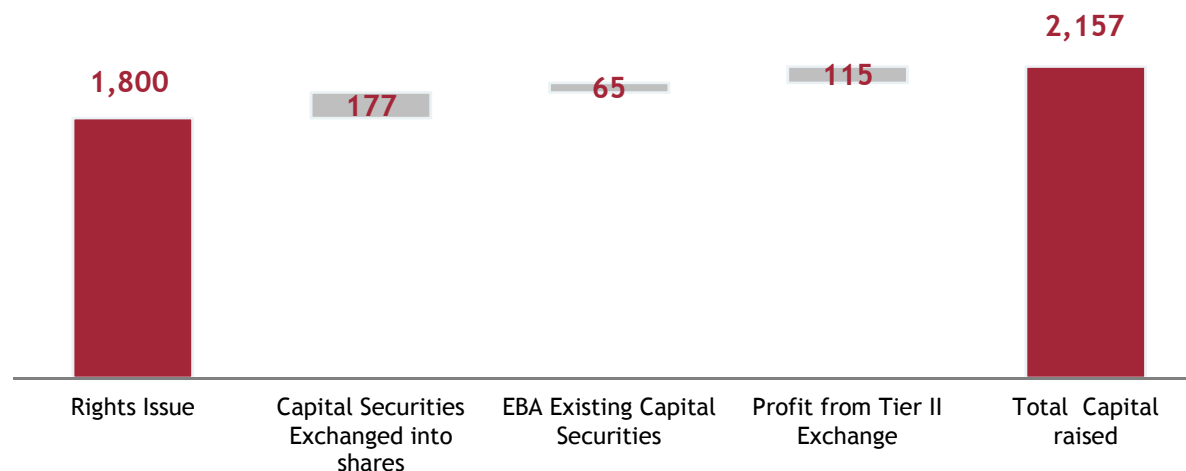
Comments

- ▶ Group NPL ratio at 22.3% in 2Q12 630bps higher on a sequential basis
  - ▶ Cyprus NPL ratio at 13.6%
  - ▶ Greek NPL ratio at 32.6%
  - ▶ International operations NPL ratio at 10.3%, remains stable on a quarterly and yearly basis
- ▶ Group maintained a provision coverage of 48.3% across the Group's portfolio, one of the highest among peers

# Capital enhancement actions and deleveraging completed by 30 June 2012

## Capital enhancement actions completed by 30 June 2012

€m

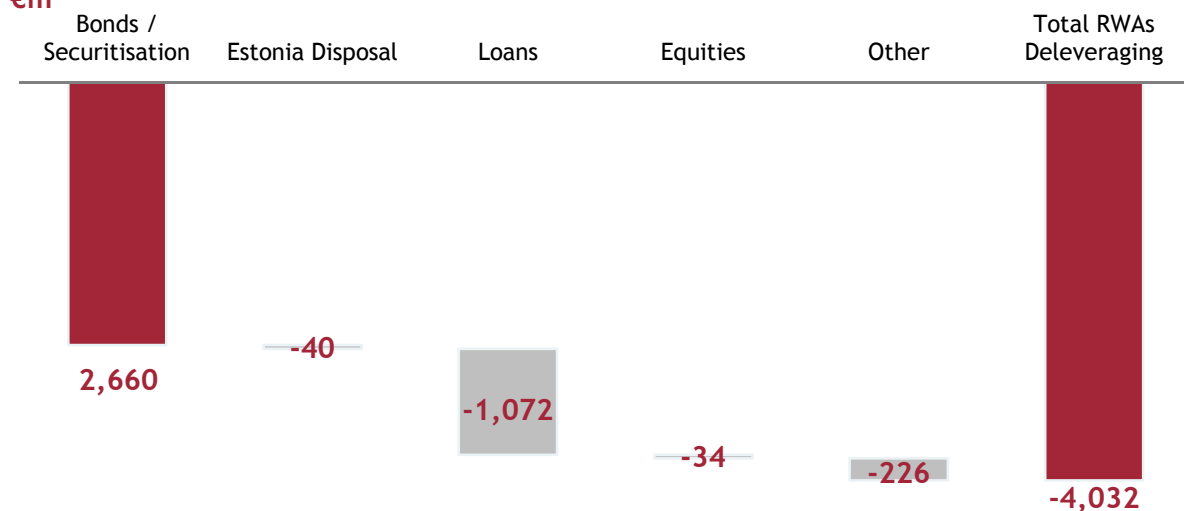


## Capital Increase Actions

- ▶ Fresh Rights Issue
- ▶ Lower Tier II liability management
- ▶ Exchange of Tier I to shares

## RWAs deleverage actions completed by 30 June 2012

€m



## Portfolio management other actions

- ▶ Disposals and deleveraging of:
  - ▶ Bonds / Securitisations
  - ▶ Equity portfolio
  - ▶ Loan portfolio
  - ▶ Non core international activities

## Performance By Geography

# Key Financials by Geography

|                          | €m                                     | 1H12   |        |        |        | 1H11   |        |        |        | yoy%    |         |         |         |
|--------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
|                          |  | Group  | Cyprus | Greece | Int'l  | Group  | Cyprus | Greece | Int'l  | Group   | Cyprus  | Greece  | Int'l   |
| <b>Balance sheet</b>     | Net Loans                              | 23,100 | 10,643 | 10,249 | 2,208  | 25,574 | 10,327 | 13,005 | 2,242  | (9.7)%  | 3.1%    | (21.2)% | (1.5)%  |
|                          | Total Assets                           | 31,365 | 15,324 | 12,656 | 3,385  | 39,409 | 18,150 | 18,112 | 3,147  | (20.4)% | (15.6)% | (30.1)% | 7.6%    |
|                          | Deposits                               | 17,918 | 10,562 | 5,719  | 1,637  | 23,072 | 13,402 | 7,922  | 1,748  | (22.3)% | (21.2)% | (27.8)% | (6.3)%  |
| <b>Profit &amp; loss</b> | Net Interest Income                    | 320    | 187    | 83     | 50     | 377    | 176    | 144    | 57     | (15.2)% | 6.3%    | (42.4)% | (12.1)% |
|                          | Total Operating Income                 | 451    | 333    | 42     | 76     | 577    | 292    | 196    | 89     | (21.8)% | 14.0%   | (78.7)% | (14.1)% |
|                          | Operating expenses <sup>(1)</sup>      | (304)  | (104)  | (131)  | (58)   | (314)  | (112)  | (132)  | (59)   | (3.2)%  | (7.1)%  | (1.1)%  | (0.3)%  |
|                          | Pre-provision profit <sup>1)</sup>     | 147    | 229    | (89)   | 18     | 263    | 180    | 64     | 30     | (44.1)% | 27.2%   | nm.     | (40.5)% |
|                          | Loan loss provisions                   | (885)  | (175)  | (706)  | (4)    | (183)  | (38)   | (139)  | (6)    | 384.2%  | 356.4%  | 408.2%  | (30.6)% |
|                          | Profit before tax <sup>(1)(2)(3)</sup> | (732)  | 54     | (795)  | 14     | 87     | 142    | (75)   | 25     | nm.     | (61.9)% | nm.     | (42.6)% |
| <b>Key ratios</b>        | Net Interest Margin                    | 2.14%  | 2.79%  | 1.25%  | 3.14%  | 2.00%  | 2.16%  | 1.60%  | 3.33%  |         |         |         |         |
|                          | Cost/Income ratio                      | 67.3%  | 31.2%  | 313.6% | 76.2%  | 54.4%  | 38.3%  | 67.5%  | 65.7%  |         |         |         |         |
|                          | Cost of risk                           | 6.73%  | 3.12%  | 11.50% | 0.32%  | 1.35%  | 0.73%  | 2.05%  | 0.46%  |         |         |         |         |
|                          | Loan/Deposit                           | 128.9% | 100.8% | 179.2% | 134.9% | 110.8% | 77.1%  | 164.2% | 128.2% |         |         |         |         |

<sup>(1)</sup> Amortization of intangibles is added at Group level only, non-recurring expenses of €11m are included

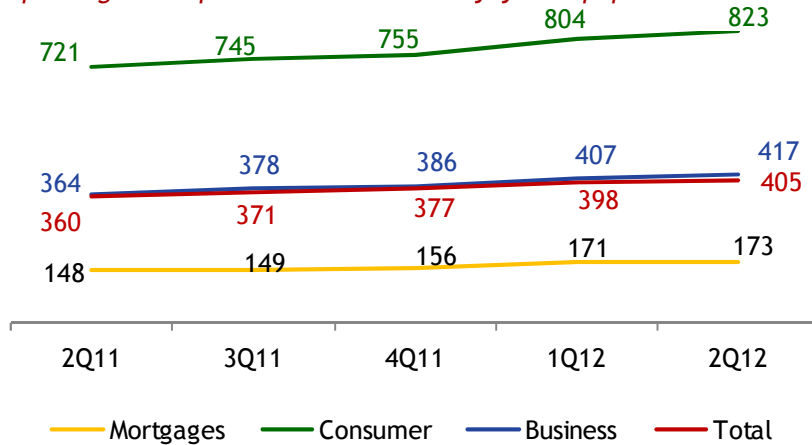
<sup>(2)</sup> Before impairment of debt & equity and goodwill

<sup>(3)</sup> Share of profit from associates is added at Group level only

# Spread Evolution by Product & Geography

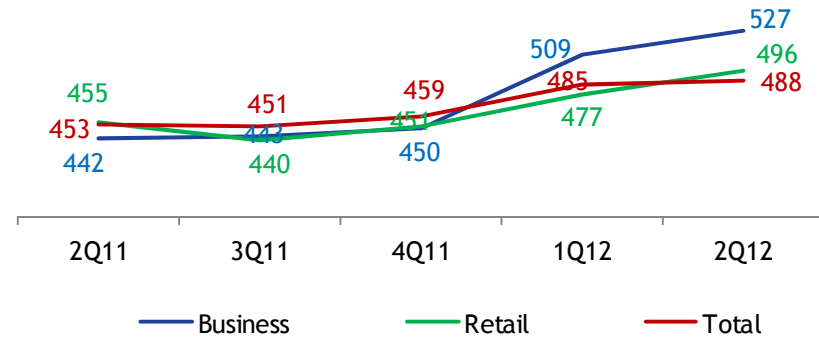
## Loan spreads - Greece (bps)

Improving asset spreads in Greece both y/y and q/q



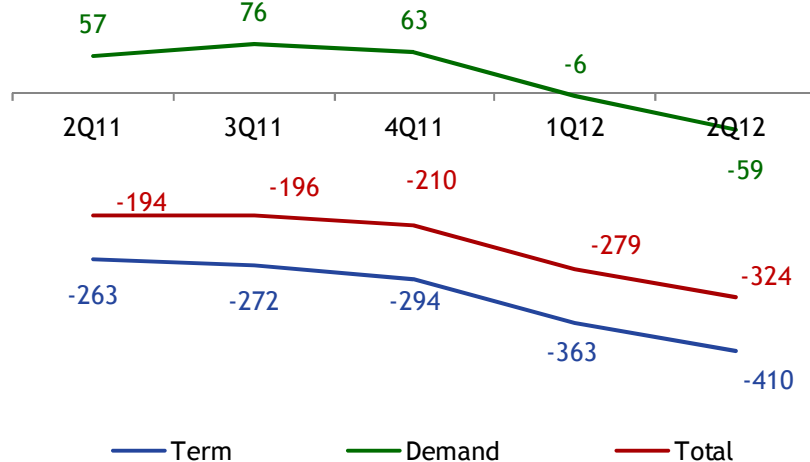
## Loan spreads - Cyprus (bps)

Improving asset spreads in Cyprus across all segments



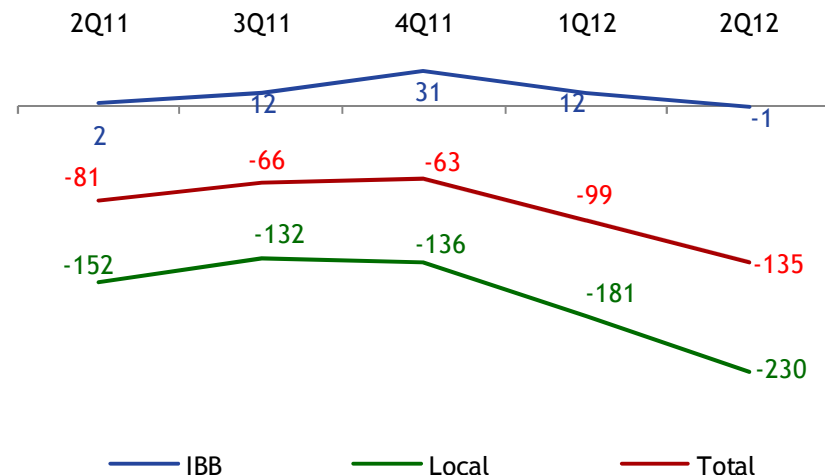
## Deposit spreads - Greece (bps)

Deteriorating deposit spreads in Greece, due to the ongoing economic crisis and political uncertainty



## Deposit spreads - Cyprus (bps)

Declining deposit spreads in Cyprus, due to the deteriorating macro outlook



# Operating Performance in Cyprus

Cyprus

| (in €m)                              | 1H12       | 1H11       | yoy (%)        | 2Q12       | 1Q12       | qoq (%)       |
|--------------------------------------|------------|------------|----------------|------------|------------|---------------|
| <b>NII</b>                           | <b>187</b> | <b>176</b> | <b>6.3%</b>    | <b>90</b>  | <b>97</b>  | <b>(8.1)%</b> |
| Net fee & commission income          | 44         | 46         | (3.3)%         | 22         | 22         | (1.2)%        |
| Core banking revenues                | 231        | 222        | 4.1%           | 112        | 119        | (6.8)%        |
| Financial & other income             | 99         | 17         | 480.4%         | 89         | 10         | 790.0%        |
| Income from disposal of subsidiaries | 3          | 53         | nm.            | -          | 3          | nm.           |
| <b>Total operating income</b>        | <b>333</b> | <b>292</b> | <b>14.0%</b>   | <b>201</b> | <b>132</b> | <b>51.8%</b>  |
| Operating expenses                   | (104)      | (112)      | (7.1)%         | (51)       | (53)       | (2.5)%        |
| <b>Pre-provision profit</b>          | <b>229</b> | <b>180</b> | <b>27.2%</b>   | <b>150</b> | <b>79</b>  | <b>87.7%</b>  |
| Loan loss provisions                 | (175)      | (38)       | 356.4%         | (124)      | (51)       | 139.1%        |
| <b>Profit before tax*</b>            | <b>54</b>  | <b>142</b> | <b>(61.9)%</b> | <b>26</b>  | <b>28</b>  | <b>(7.8)%</b> |

\*Excluding impairment of debt and equity

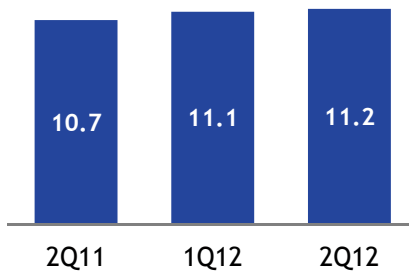
## Comments

- ▶ Net interest income of Cyprus operations remain strong in 1H12, and reached €187m showing an increase by 6% on an annual basis
- ▶ Core banking revenues were higher by 4% on an annual basis amounting to €231m in 1H12
- ▶ Operating expenses were well contained, declining by 7% on an annual basis to €104m. Excluding non-recurring expenses of €1.8m, the drop in expenses is 8% y/y
- ▶ Pre-provision profit rose to €229m in 1H12 vs. €180m in 1H11, 27% higher on an annual basis mainly driven by the financial and other income line which included various non-recurring profits(1H11:Profit from disposal of the Australian subsidiary of €53m / 1H12:Profit from Liability Management exercise on Tier II €116m and profit from disposal of Estonia subsidiary of €3m)
- ▶ Provisions were much higher on an annual basis, reflecting a deteriorating macro environment in Cyprus

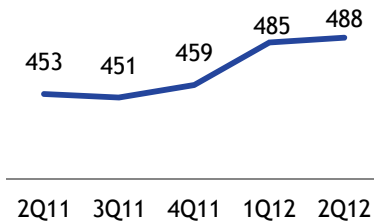
# Loan Book and Deposits Evolution in Cyprus

## Total loan book

Gross loans, €bn

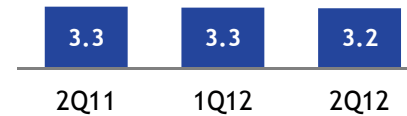


Average performing loans spread, bps

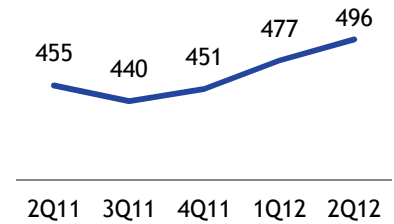


## Retail lending

Gross loans, €bn

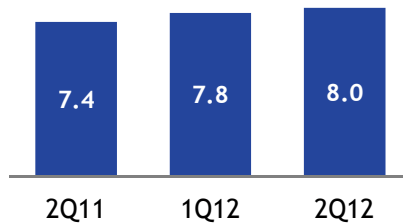


Average performing loans spread, bps

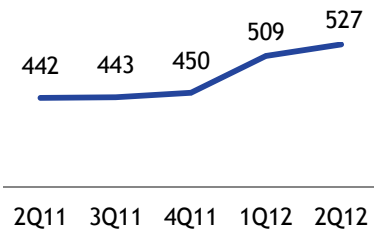


## Business lending

Gross loans, €bn

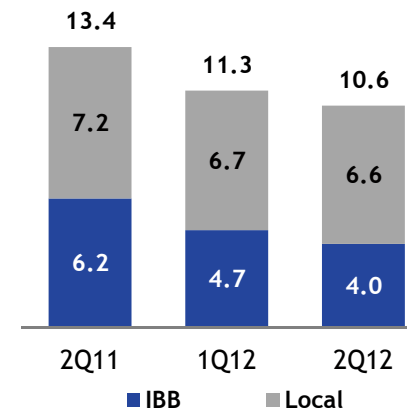


Average performing loans spread, bps

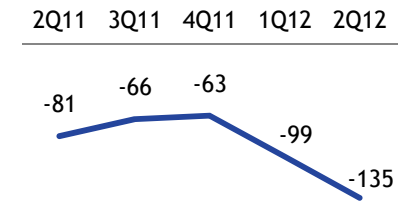


## Deposits

€bn

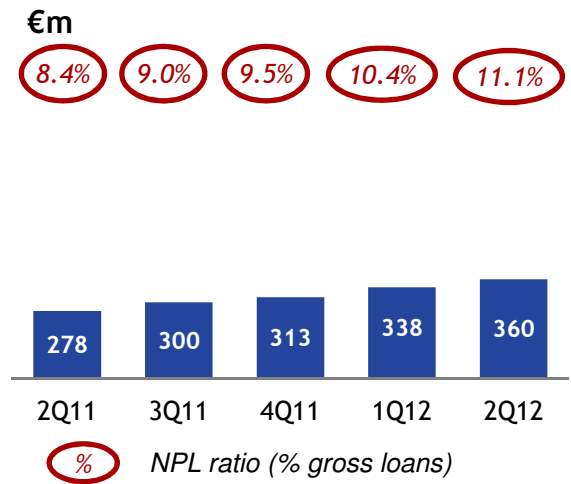


Average deposits spread, bps

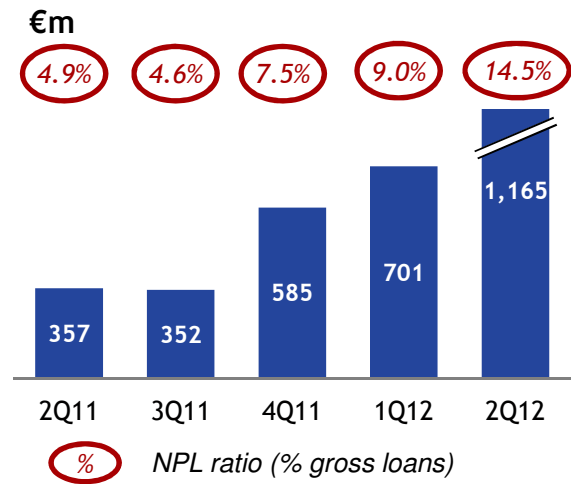


# Asset Quality in Cyprus

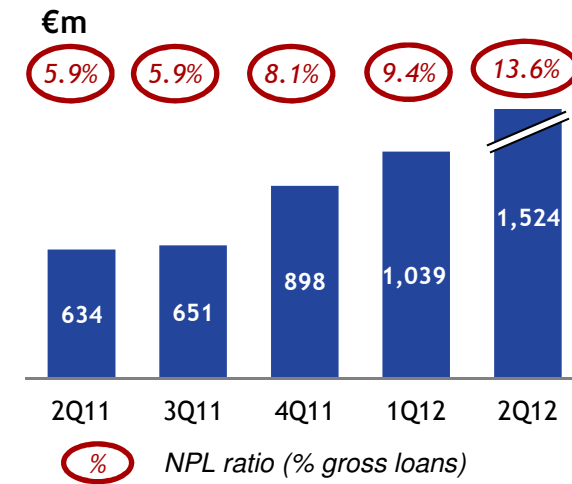
## Retail NPLs



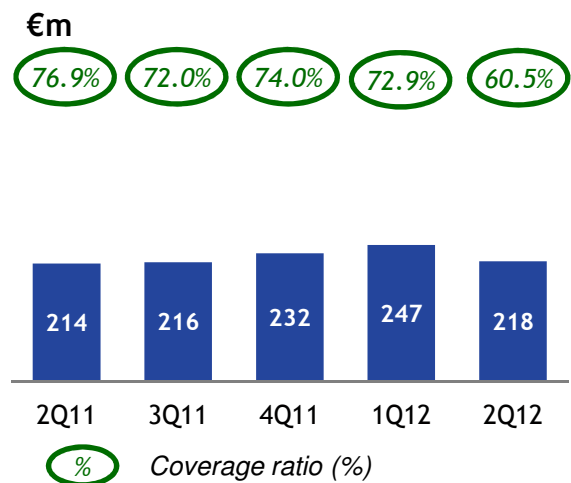
## Business NPLs



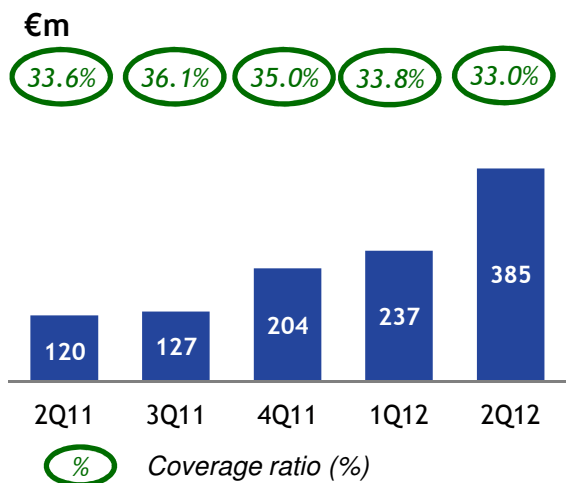
## Total NPLs



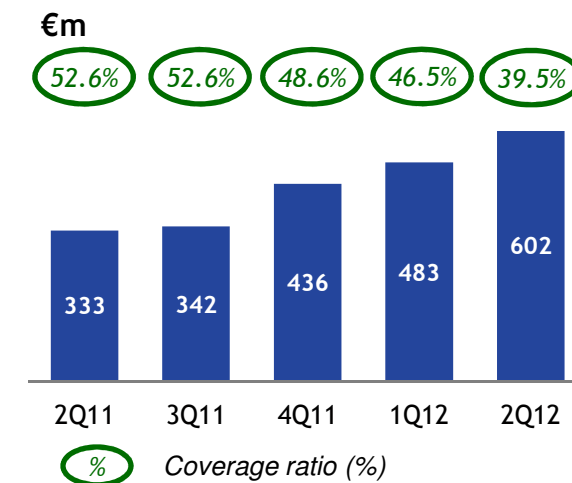
## Retail provisions



## Business provisions



## Total provisions



# Operating Performance in Greece

Greece

| (in €m)                       | 1H12         | 1H11        | yoy (%)        | 2Q12         | 1Q12        | qoq (%)         |
|-------------------------------|--------------|-------------|----------------|--------------|-------------|-----------------|
| <b>NII</b>                    | <b>83</b>    | <b>144</b>  | <b>(42.4)%</b> | <b>27</b>    | <b>56</b>   | <b>(52.6)%</b>  |
| Net fee & commission income   | 24           | 33          | (28.3)%        | 12           | 12          | (3.8)%          |
| Core Banking revenues         | 107          | 178         | (39.8)%        | 39           | 68          | (43.9)%         |
| Financial & other income      | (65)         | 18          | nm.            | (74)         | 9           | nm.             |
| <b>Total operating income</b> | <b>42</b>    | <b>196</b>  | <b>(78.7)%</b> | <b>(35)</b>  | <b>77</b>   | <b>(146.2)%</b> |
| Operating expenses            | (131)        | (132)       | (1.1)%         | (70)         | (61)        | 13.1%           |
| <b>Pre-provision profit</b>   | <b>(89)</b>  | <b>64</b>   | <b>nm.</b>     | <b>(105)</b> | <b>16</b>   | <b>nm.</b>      |
| Loan loss provisions          | (706)        | (139)       | 408.2%         | (640)        | (66)        | 878.1%          |
| <b>Profit before tax*</b>     | <b>(795)</b> | <b>(75)</b> | <b>nm.</b>     | <b>(745)</b> | <b>(51)</b> | <b>nm.</b>      |

\*Excluding impairment of debt & equity

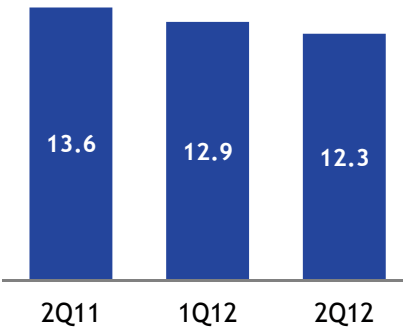
## Comments

- ▶ Net interest income in Greece stood at €83m in 1H12, 42% lower y/y, impacted by loan and bond book deleveraging, escalating funding costs and increased NPLs
- ▶ The ongoing deleverage process has resulted in trading losses which are included in the financial and other income
- ▶ Operating expenses also included non-recurring items of €9.2m. Excluding those the drop in recurring operating expenses in Greece is increased to 8% on an annual basis
- ▶ Provisions were 408% higher on an annual basis to €706m, reflecting the ongoing negative economic environment

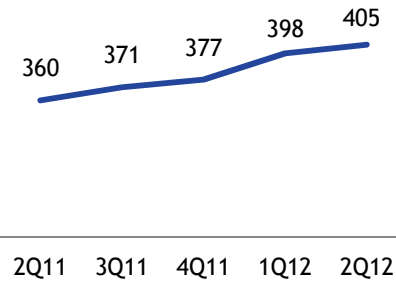
# Loan Book and Deposits Evolution in Greece

## Total loan book

Gross loans, €bn

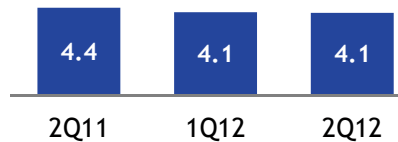


Average loans spread, bps

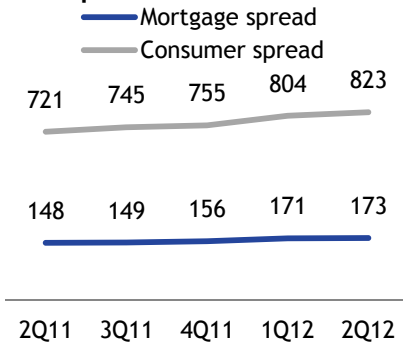


## Retail lending

Gross loans, €bn

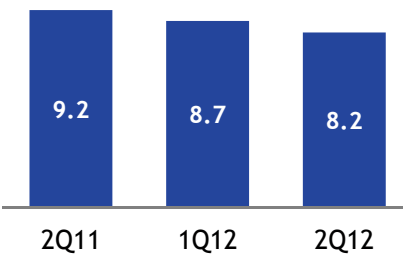


Average loans spread, bps

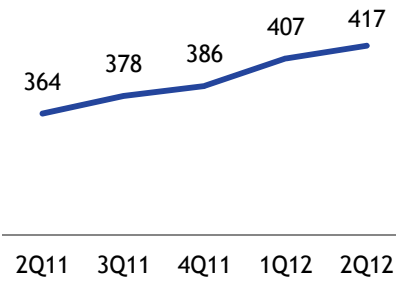


## Business lending

Gross loans, €bn

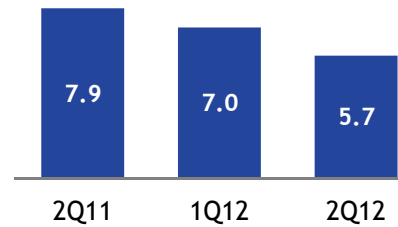


Average loans spread, bps

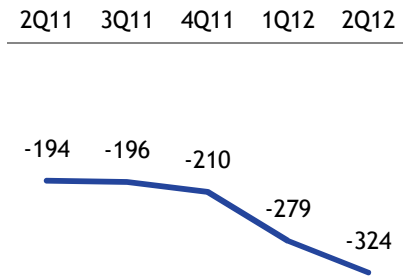


## Deposits

€bn



Average deposits spread, bps

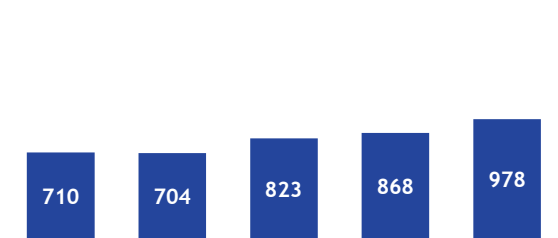


# Asset Quality in Greece

Greece

## Retail NPLs

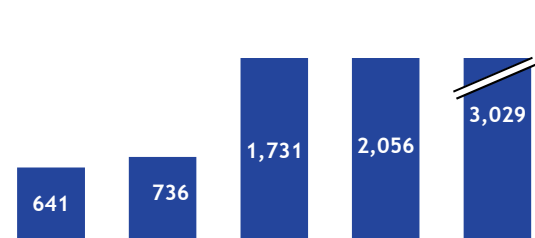
€m



% NPL ratio (%)

## Business NPLs

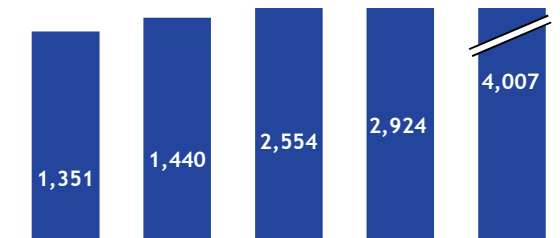
€m



% NPL ratio (%)

## Total NPLs

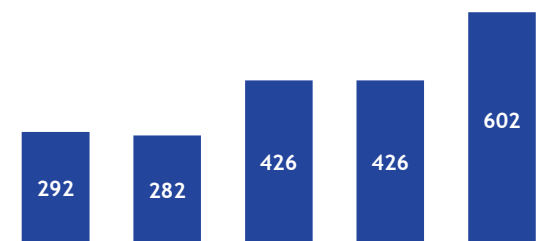
€m



% NPL ratio (%)

## Retail provisions

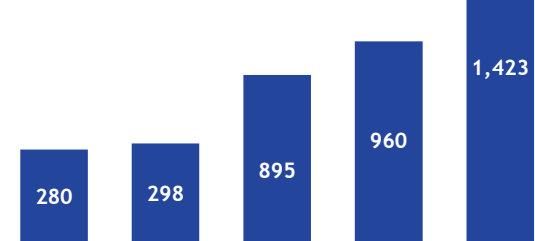
€m



% Coverage ratio (%)

## Business provisions

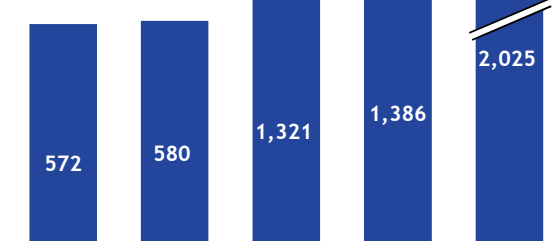
€m



% Coverage ratio (%)

## Total provisions

€m



% Coverage ratio (%)

# Operating Performance in International Operations

International

| (in €m)                       | 1H12      | 1H11      | yoy (%)        | 2Q12      | 1Q12      | qoq (%)      |
|-------------------------------|-----------|-----------|----------------|-----------|-----------|--------------|
| <b>NII</b>                    | <b>50</b> | <b>57</b> | <b>(12.1)%</b> | <b>26</b> | <b>24</b> | <b>11.2%</b> |
| Net fee & commission income   | 12        | 11        | 6.5%           | 7         | 6         | 12.7%        |
| Core banking income           | 62        | 68        | (8.9)%         | 33        | 30        | 11.5%        |
| Financial & other income      | 14        | 21        | (31.0)%        | 6         | 8         | (18.5)%      |
| <b>Total operating income</b> | <b>76</b> | <b>89</b> | <b>(14.1)%</b> | <b>39</b> | <b>38</b> | <b>5.1%</b>  |
| Operating expenses            | (58)      | (59)      | (0.3)%         | (30)      | (29)      | 2.4%         |
| <b>Pre-provision profit</b>   | <b>18</b> | <b>30</b> | <b>(40.5)%</b> | <b>9</b>  | <b>9</b>  | <b>14.0%</b> |
| Loan loss provisions          | (4)       | (6)       | (30.6)%        | (2)       | (1)       | 55.9%        |
| <b>Profit before tax</b>      | <b>14</b> | <b>25</b> | <b>(42.6)%</b> | <b>7</b>  | <b>7</b>  | <b>5.7%</b>  |

## Comments

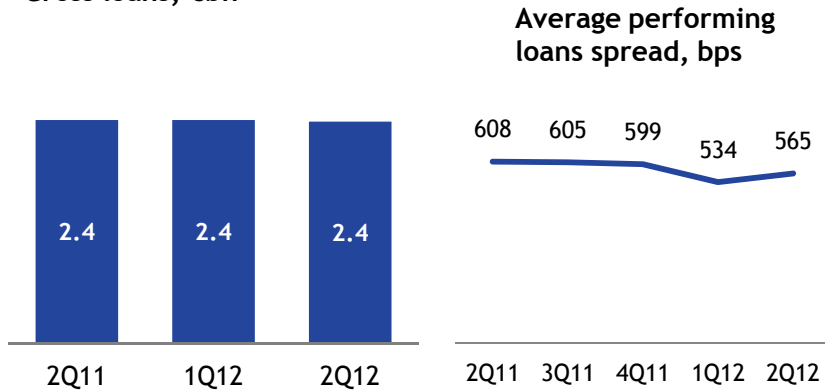
- ▶ NII in international operations stood at €50m in 1H12, 12% lower y/y and 11% higher on a sequential basis
- ▶ Core banking revenues were 9% lower on an annual basis and 11.5% higher q/q
- ▶ International operations reported a €14m profit before tax in 1H12

# Loan Book and Deposits Evolution in International Operations

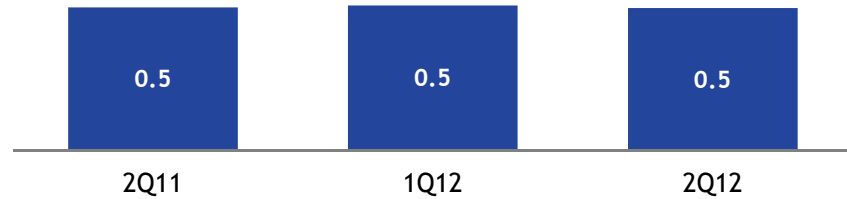
International

## Total loan book

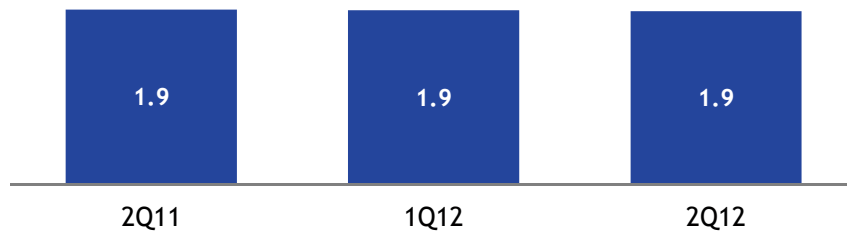
Gross loans, €bn



## Retail lending gross loans (€bn)



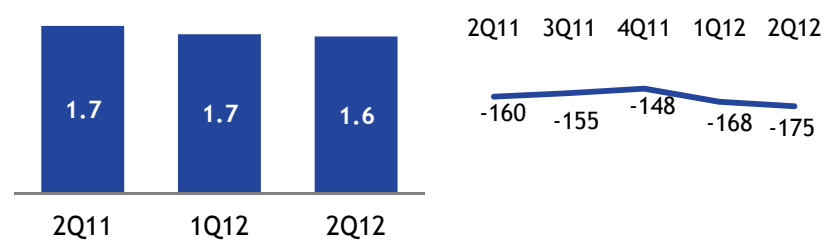
## Business lending gross loans (€bn)



## Deposits

€bn

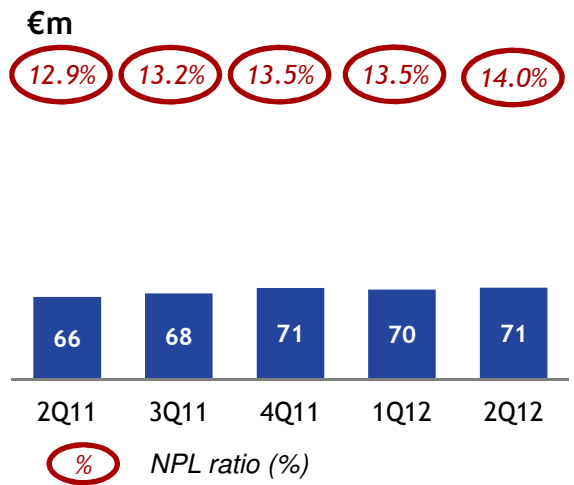
Average deposits spread, bps



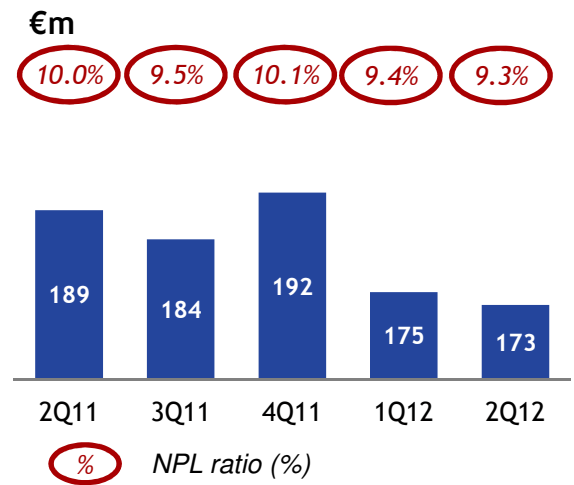
# Asset Quality in International Operations

International

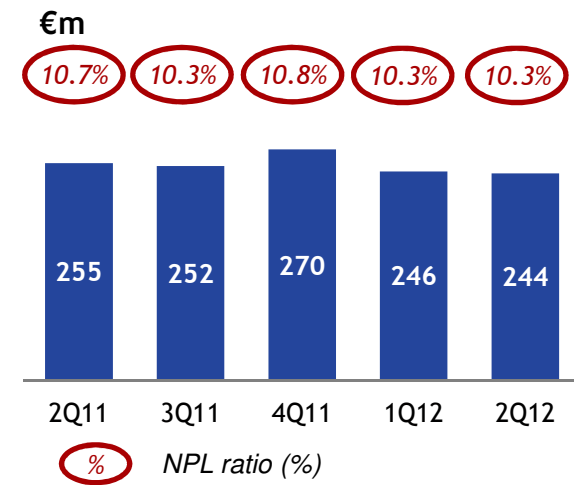
## Retail NPLs



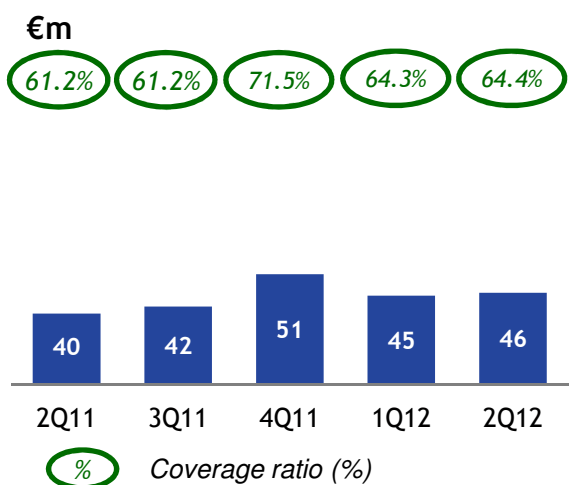
## Business NPLs



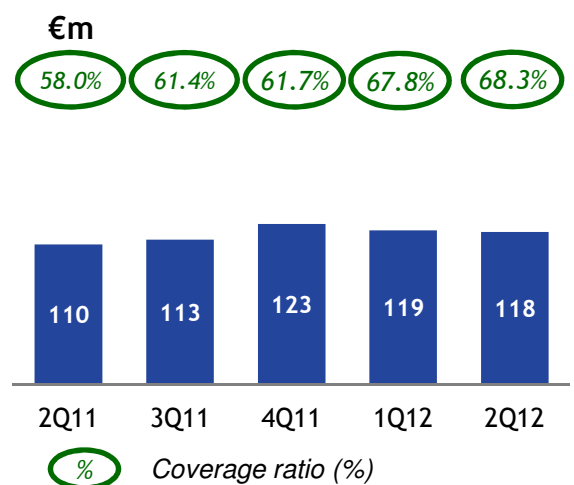
## Total NPLs



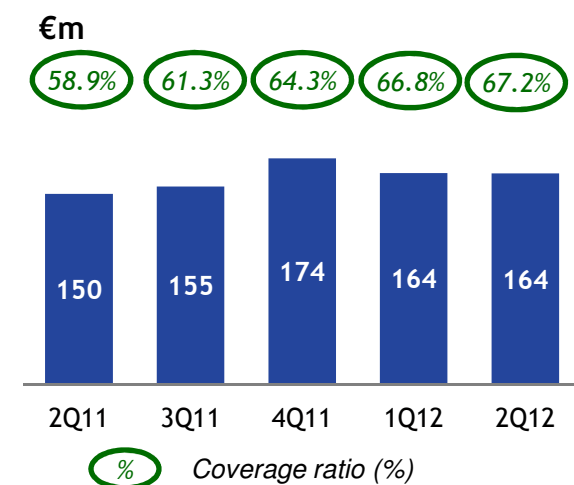
## Retail provisions



## Business provisions



## Total provisions



## Summary Regional Breakdown for 1H 2012

| (in €m)                                  | Cyprus | Greece | Developed markets | Russia | Romania | Serbia | Ukraine | SEE   |
|--|--------|--------|-------------------|--------|---------|--------|---------|-------|
| Total assets                             | 15,324 | 12,656 | 1,877             | 227    | 690     | 228    | 363     | 1,508 |
| Total Net loans                          | 10,643 | 10,249 | 1,301             | 110    | 394     | 174    | 229     | 907   |
| Total deposits                           | 10,562 | 5,719  | 978               | 162    | 186     | 69     | 242     | 659   |
| Branch Network                           | 106    | 157    | 46                | 25     | 31      | 25     | 61      | 142   |
| Total operating income                   | 333    | 42     | 33                | 8      | 11      | 9      | 15      | 43    |
| Operating expenses <sup>(1)</sup>        | (104)  | (131)  | (22)              | (8)    | (9)     | (7)    | (12)    | (36)  |
| Pre-provision profit <sup>(1)</sup>      | 229    | (89)   | 11                | 0      | 2       | 2      | 3       | 7     |
| Loan loss provisions                     | (175)  | (706)  | (2)               | 0      | 0       | (1)    | (1)     | (2)   |
| Profit before tax <sup>(1) (2) (3)</sup> | 54     | (795)  | 9                 | 0      | 2       | 1      | 2       | 5     |

(1) Amortization of intangibles is added at Group level only

(2) Before impairment of debt & equity and goodwill

(3) Share of profit from associates is added at Group level only

# Disclaimer

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This presentation contains forward-looking statements, which include comments, statements and opinions with respect to our objectives and strategies, considering environment and risk conditions, and the results of our operations and business.

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. We caution that these statements represent the Group's judgments and future expectations and that we have based these forward-looking statements on our current expectations and projections about future events. The risk exists that these statements may differ materially from actual future results or events and may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future Group results to differ materially from these targets.

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# Contacts

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## LAIKI BANK GROUP ( [www.laikibankgroup.com](http://www.laikibankgroup.com) )

### GROUP CFO

- ▶ Annita Philippidou  
Group Chief Financial Officer  
tel. +357 22 811261, -1890  
email: [aphilippidou@laiki.com](mailto:aphilippidou@laiki.com)

### GROUP CRO

- ▶ Michalis Athanasiou  
Group Chief Risk Officer  
tel. +357 22 811217  
email: [mathanasiou@laiki.com](mailto:mathanasiou@laiki.com)

### INVESTOR RELATIONS

- ▶ Evelyn Vougessis  
Head of Group Investor Relations  
tel. +30 210 8170 291  
email: [evougessis@marfinbank.gr](mailto:evougessis@marfinbank.gr)