

PRESS RELEASE FIRST HALF 2012 RESULTS

31 August 2012

**- LAIKI BANK GROUP IN ADJUSTMENT PROCESS
- TRANSITION PERIOD TOWARDS PROFITABILITY
- STRENGTHENING THE BALANCE SHEET THROUGH RESERVE BUFFERS**

SUMMARY OF FIRST HALF 2012 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 billion 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 billion
- completion of Capital Securities exchange to €177 million of share capital
- completion of the exchange and tender offer of Eurobonds 2016 at a profit of €115,6 million

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 reorganized 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 reorganized by sector to ensure sound and more efficient management of the clientele. In Cyprus 10 branches have been closed 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 billion. 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.

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 million. 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 million, 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 million. 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 million versus €183 million in the corresponding period of 2011. Provisions for the Cyprus portfolio amounted to €175m whereas for the Greek portfolio they were €706m. The resulting coverage ratio for non-performing loans stands at the high level of 48% for the Group.
- Total net loans of €23 billion decreased by 10% compared with 30 June 2011.
- Total deposits were €18 billion on 30 June 2012 versus €23 billion on 30 June 2011.
- The Group recorded a loss of €729 million before impairment of goodwill and other intangible assets, compared with a loss of €202 million during first half 2011. It is worth noting that all the countries that the Group operates were profitable, with the exception of Greece.
- The Group also proceeded to effect an additional impairment of goodwill and other intangible assets of €580 million, 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 capital position but increases the accounting loss attributable to shareholders to €1.309 million.

REVENUES & OPERATING EXPENSES

Total operating revenues for the first half of 2012 stood at €451 million versus €577 million 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 million 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 million for the first half of 2012, versus €91 million 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 million, versus €314 million 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 million. 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 million in first half 2012, compared to €193 million 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 rationalize 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 of the 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 million versus €263 million 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 million for first half 2012, versus loss of €202 million 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 billion on 30 June 2012.

The Cypriot net loan book stood at €10,6 billion 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 billion on 30 June 2012.

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 billion, 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 million 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 million 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 provision of 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.

// Consolidated Income Statement (€m)	1H12	1H11	1H12/ 1H11 (%)
Net interest income (NII)	319,7	376,8	(15,2)%
Net fee & commission income	80,6	90,8	(11,2)%
Financial & other income	47,7	55,9	(14,6)%
Profit on disposal of subsidiary company	2,9	53,4	-
Total operating income	450,9	576,9	(21,8)%
Recurring operating expenses	(292,7)	(313,7)	(6,7)%
Non-recurring operating expenses	(11,0)	-	-
Operating expenses	(303,7)	(313,7)	(3,2)%
Profit before provisions & 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 & other intangible assets	(580,1)	-	-
Loss attributable to owners of the Bank	(1.308,8)	(202,4)	-

// Key balance sheet items (€m)	1H12	1H11	1H12/ 1H11 (%)
Total assets	31.365	39.409	(20,4)%
Advances to customers (net)	23.100	25.574	(9,7)%
Customer deposits	17.918	23.072	(22,3)%

// Key ratios	1H12	1H11
Cost/income	67,3%	54,4%
NIM	2,14%	2,00%
Loans/Deposits	129%	111%
NPLs	22,3%	8,4%
Coverage ratio	48,3%	47,1%
Cost of credit (Provisioning)	673 bps*	135 bps*

*bps= basis points