

PROSPECTUS

CYPRUS POPULAR BANK PUBLIC CO LTD



PUBLIC OFFER FOR THE SHARE CAPITAL INCREASE OF UP TO €1.8 BILLION, IN THE FORM OF RIGHTS ISSUE AND LISTING OF (I) THE RIGHTS AND (II) THE SHARES RESULTING FROM THE EXERCISE OF THE RIGHTS ON THE CYPRUS STOCK EXCHANGE AND THE ATHENS STOCK EXCHANGE. THE RIGHTS WILL BE ISSUED TO ALL ORDINARY SHAREHOLDERS AS AT THE RECORD DATE AT THE RATIO OF ONE (1) RIGHT FOR EVERY ONE (1) SHARE HELD. EVERY SIX (6) RIGHTS EXERCISED AT A TOTAL PRICE OF €6.70 WILL BE CONVERTED INTO SIXTY SEVEN (67) NEW FULLY PAID SHARES (THAT IS €0.10 PER SHARE). THE RIGHTS CAN BE ACQUIRED DURING THEIR TRADING ON THE CYPRUS STOCK EXCHANGE AND THE ATHENS STOCK EXCHANGE. FOR THE UNEXERCISED RIGHTS A SUBSCRIPTION RIGHT WILL BE GIVEN TO THE BENEFICIARY SHAREHOLDERS AND TO PERSONS WHO WILL ACQUIRE RIGHTS DURING THEIR TRADING ON THE CYPRUS STOCK EXCHANGE AND THE ATHENS STOCK EXCHANGE. ADDITIONALLY, SUBSCRIPTION RIGHT WILL BE GIVEN TO INTERESTED INVESTORS THAT WILL NOT BE HOLDERS OF ANY RIGHTS.

TENDER OFFER FOR VOLUNTARY EXCHANGE OF CAPITAL SECURITIES ISSUED IN 2008 (CPBCS), 2009 (CPBCB) AND 2010 (CPBCC) ("ELIGIBLE CAPITAL SECURITIES") OF TOTAL VALUE OF €737,753,000 WITH NEW ORDINARY SHARES AND/OR NEW ENHANCED CAPITAL SECURITIES ("ECS") AT THE OPTION OF THE HOLDER, AND LISTING (I) OF THE ECS RESULTING FROM THE VOLUNTARY EXCHANGE ON THE CYPRUS STOCK EXCHANGE (II) OF THE NEW SHARES RESULTING FROM THE VOLUNTARY EXCHANGE ON THE CYPRUS STOCK EXCHANGE AND THE ATHENS STOCK EXCHANGE. ELIGIBLE CAPITAL SECURITIES HOLDERS CAN EXCHANGE, AT THEIR OPTION, PART OR ALL THEIR CAPITAL SECURITIES AT THE NOMINAL VALUE (€1,000 EACH) (I) WITH ECS OF EQUAL NOMINAL VALUE (€1,000) AND/OR (II) WITH NEW ORDINARY SHARES OF NOMINAL VALUE OF €0.10 WITH AN ISSUE PRICE OF €0.10 EACH. THE MAXIMUM NUMBER OF NEW ORDINARY SHARES AND NEW ECS THAT MAY ARISE FROM THE PROCESS OF VOLUNTARY EXCHANGE IS 3,688,765,000 (€368,876,500) AND 737,753 (€737,753,000) RESPECTIVELY. IN CASE THAT, THROUGH THE APPLICATIONS OF ELIGIBLE CAPITAL SECURITIES HOLDERS TO EXCHANGE INTO SHARES, THE AMOUNT OF €368,876,500 IS OVERSUBSCRIBED, THEN THERE WILL BE A PRO-RATA ALLOCATION.

THE ISSUE OF RIGHTS IS FULLY UNDERWRITTEN BY THE REPUBLIC OF CYPRUS.

LEAD MANAGERS



LEAD MANAGER RESPONSIBLE FOR DRAWING UP THE PROSPECTUS



UNDERWRITER OF THE RIGHTS ISSUE
THE REPUBLIC OF CYPRUS

PROSPECTUS

((This Prospectus has been prepared in compliance with the provisions of the Public Offer and Prospectus Law of 2005, pursuant to Commission Regulation (EC) No 809/2004 of the European Union)

This document is important and requires your immediate attention. If you require any clarifications and/or if you are in any doubt about the contents of this Prospectus, you can consult the Prospectus drawing up Lead Manager, Marfin CLR (Financial Services) Ltd, professional stockbrokers, bankers, accountants, lawyers or investment advisors.

CYPRUS POPULAR BANK PUBLIC CO LTD

(Company incorporated in the Republic of Cyprus under the Cyprus Companies Law, Chap. 113)

Public Offer for the share capital increase of up to €1.8 billion, in the form of Rights issue and listing of (i) the Rights and (ii) the shares resulting from the exercise of the Rights on the Cyprus Stock Exchange and the Athens Stock Exchange. The Rights will be issued to all ordinary shareholders as at the Record Date at the ratio of one (1) Right for every one (1) share held. Every six (6) Rights exercised at a total price of €6.70 will be converted into sixty seven (67) new fully paid shares (that is €0.10 per share). The Rights can be acquired during their trading on the Cyprus Stock Exchange and the Athens Stock Exchange. For the unexercised rights a Subscription Right will be given to the beneficiary shareholders and to persons who will acquire Rights during their trading on the Cyprus Stock Exchange and the Athens Stock Exchange. Additionally, Subscription Right will be given to interested investors that will not be holders of any Rights. The New Shares (Rights) will be listed and traded on the CSE and the ASE subject to the prior approvals of the relevant competent authorities. The issue of Rights is fully underwritten by the Republic of Cyprus.

Tender Offer for voluntary exchange of capital securities issued in 2008 (CPBCS), 2009 (CPBCB) and 2010 (CPBCC) ("Eligible Capital Securities") of total value of €737,753,000 with new ordinary shares and/or new enhanced capital securities ("ECS") at the option of the holder, and listing (i) of the ESC resulting from the voluntary exchange on the Cyprus Stock Exchange (ii) of the new shares resulting from the voluntary exchange on the Cyprus Stock Exchange and the Athens Stock Exchange. Eligible Capital Securities holders can exchange, at their option, part or all their capital securities at the nominal value (€1,000 each) (i) with ECS of equal nominal value (€1,000) and/or (ii) with new ordinary shares of nominal value of €0.10 with an issue price of €0.10 each. The maximum number of new ordinary shares and new ECS that may arise from the process of voluntary exchange is 3,688,765,000 (€368,876,500) and 737,753 (€737,753,000) respectively. In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation. Voluntary exchange applications for ECS can be accepted only in case that, at the completion of both Rights issue and the voluntary exchange of Eligible Capital Securities with New Shares (Exchange), the Bank's Core Tier 1 Ratio, as defined by the Central Bank of Cyprus, will be at least equal to 7%. Acceptance forms for the offer of voluntary exchange will be sent to the Bank's Eligible Capital Securities holders who will be registered in the Central Depository/Registry of the Cyprus Stock exchange and the Dematerialised Securities System of the Hellenic Exchanges on 30 May 2012 ("Record Date ECS"). Those Eligible Capital Securities that will not be exchanged with ECS and/or New Shares (Exchange) will continue to possess their existing rights under their relevant terms of issue.

Authorised Share Capital

€2,465,000,000.00 divided into 24,650,000,000 shares of nominal value of €0.10 each.

Issued and fully paid up

€161,111,055.80 divided into 1,611,110,558 shares of nominal value of €0.10 each.

The date of this Prospectus is the 22nd May 2012

THIS IS AN ENGLISH TRANSLATION OF THE PROSPECTUS ISSUED IN GREEK IN THE FORMAT THAT HAS BEEN APPROVED BY THE CYPRUS SECURITIES AND EXCHANGE COMMISSION (SEC) AS THE COMPETENT AUTHORITY. THE GREEK TEXT OF THE PROSPECTUS AS IT HAS BEEN APPROVED BY SEC IS BINDING. THE ENGLISH TRANSLATION IS FOR INFORMATION PURPOSES ONLY.

The approval of this Prospectus should not be construed as a recommendation and/or investment advice to the public to invest in the Rights and/or Enhanced Capital Securities of Cyprus Popular Bank Public Co Ltd (the "Bank"). Before making any investment decision, the investors are encouraged to consult their investment advisors.

The Bank assumes full responsibility for the information contained in this Prospectus and declares that the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its content as at the date of its issue.

The signatory Directors of Cyprus Popular Bank Public Co Ltd, Mr Michalis Sarris, Mr Neoclis Lysandrou, Mr Constantinos Mylonas, Mr Christos Stylianides, Mr Panayiotis Kounnis, Mr Chris Pavlou and Mr Stelios Stylianou are responsible for the preparation and accuracy of the information provided in this Prospectus, and they declare that, having taken all reasonable care to that end, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its content.

The Lead Manager of the Prospectus is Marfin CLR (Financial Services) Ltd. Cyprus Popular Bank Public Co Ltd is acting in the capacity of the Sponsor responsible for the collection of the subscription monies.

The Republic of Cyprus acts as the Underwriter of the Rights Issue.

The Bank has submitted the requisite applications, so that (a) a certificate of approval under Article 18 of Directive 2003/71/EC of the European Parliament and of the Council is sent by the Cyprus Securities and Exchange Commission, as the competent supervisory authority, to the competent authorities in Greece and the United Kingdom, attesting that this Prospectus has been prepared in compliance with Directive 2003/71/EC of the European Parliament and of the Council and (b) the Rights and the New Shares (Rights) arising from the exercise of the Rights are admitted for listing and trading on the Cyprus Stock Exchange and the Athens Stock Exchange, (c) the Enhanced Capital Securities are admitted for listing and trading on the Cyprus Stock Exchange and the and the New Shares (Exchange) are admitted for listing and trading on the Cyprus Stock Exchange and the Athens Stock Exchange.

This offer is exclusively available in Cyprus, Greece and the United Kingdom and is solely addressed to persons who can legally accept it. In particular, and in compliance with relevant securities law in the following countries, this offer is not addressed in any way or form (in writing or otherwise), directly or indirectly, within or to the United States, Canada, Australia, South Africa, Japan or to any other exempt country ("Exempt Countries") in which, according to the laws of such a country, this offer or the postage/distribution of the Prospectus is illegal or constitutes a breach of any applicable law, rule or regulation. For this reason, it is prohibited to address, distribute, send or in any other way promote copies of this Prospectus and any other relevant promotional documents or other material relating to this offer from any person or to any person in the Exempt Countries. Moreover, participation in the present rights issue by residents of the Exempt Countries is also prohibited.

Any person who receives a copy of this Prospectus and/or application forms for participation in the issues in any country except Cyprus, Greece and the United Kingdom can not consider that a proposal, an invitation or an offer is addressed to him/her, and in no case he/she can use the application forms if, in accordance with the laws of that country, it is forbidden to be addressed with such a proposal, an invitation or an offer or use of the application forms. In such cases, the present Prospectus and/or any application forms may be sent and/or taken for information purposes only.

It is the sole responsibility of each investor who wishes to participate in the Public Offer, to be informed and to ensure full

compliance with the laws of his/her country in relation to the Public Offer. If an investor doubts about his/her position, should consult his/her professional adviser in the relevant foreign jurisdiction.

This Prospectus includes forward looking statements. These statements are identified by the use of terms such as “believe”, “anticipate”, “could”, “might”, “should”, “may”, “likely”, “intend”, “plan” and comparable terms, including their negative forms. These forward looking statements involve inherent risks and uncertainties, while the factors described in the context of the forecasts contained in this Prospectus could lead to actual future results and events materially different from those explicitly described or implied by these forward looking statements. These statements are subject to risks, uncertainties and assumptions. In view of these risks, uncertainties and assumptions, any projections mentioned in this Prospectus may not be realised. Any reference to past trends or activities should not be considered a guarantee for similar trends or activities in the future. Readers are warned not to place undue reliance on these forecasts, which exclusively refer to present projections.

The decision to potentially make an investment in the Rights and/or Enhanced Capital Securities issued with the present Prospectus and, by extension, attached to the shares of the Bank that will be issued upon the exercise of the Rights and upon the exchange of the Eligible Capital Securities with shares and/or Enhanced Capital Securities should take into account all the information contained in this Prospectus. Such a potential decision is subject to risks, which are described in Section 2 of this Prospectus.

Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or being considered insignificant, can negatively affect the business activities of the Group.

Investors requiring any supplementary information and/or clarifications regarding the Prospectus can address their queries, during Business Days and hours:

- To the registered office of Cyprus Popular Bank Public Co Ltd:
Tel.: 22 552000
154 Limassol Avenue, 2025 Nicosia.

- To the Lead Managers

Marfin CLR (Financial Services) Ltd* (Cyprus)	Investment Bank of Greece S.A. (Greece)
Tel.: (+357) 22 367367	Tel.: (+30) 210 8173000
26 Vironos Avenue, 1096 Nicosia.	24B Kifissias Avenue, 15125 Athens.

- To other professional brokers, bankers, accountants, attorneys-at-law or investment consultants.

* *Marfin CLR (Financial Services) Ltd is also the Prospectus drawing up Lead Manager.*

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	(appointed as a Chief Executive Officer on 05.12.2011)
▪ Panayiotis Kounnis	Deputy Chief Executive Officer, Executive Member
▪ Vassilios Theocharakis	Non-Independent Non-Executive Member
▪ Platon Lanitis	Non-Independent Non-Executive Member
▪ Chris Pavlou	Independent Non-Executive Member (appointed on 12.12.2011)
▪ Stelios Stylianou	Non Independent Non Executive Member
▪ Markos Foros	Non Independent Non Executive Member
▪ Fadel Al Ali	Non Independent Non Executive Member
▪ Hesham Al Qassim	Independent Non-Executive Member
▪ Peter Baltussen	Non Independent Non Executive Member (appointed on 4.11.2011)

The Bank has adopted a Code of Corporate Governance and Internal Regulations in compliance with the provisions of the Code of Corporate Governance issued by CSE.

As at the date of this Prospectus and following the implementation of the Decree's terms, fermentations are underway for the appointment of Cypriot government representatives in the Board of Directors.

1.4 Group Executive Committee

The Group's Executive Committee is comprised of the following members:

- Christos Stylianides Chairman
- Panayiotis Kounnis
- Rodoula Hadjikyriakou
- Samuel David
- Annita Philippidou

1.5 Secretary, Advisors and Commissioner

Secretary:	Stelios Hadjiosif	
Lead Managers	Marfin CLR (Financial Services) Ltd Marfin CLR House, 26 Vironos Avenue, 1096 Nicosia	Investment Bank of Greece S.A. 24B Kifissias Avenue, Maroussi 15125 Athens
Prospectus drawing up Lead Manager:	Marfin CLR (Financial Services) Ltd	
Sponsor responsible for the collection of the subscription monies:	Cyprus Popular Bank Public Co Ltd	
Underwriter of the Rights Issue:	Republic of Cyprus	
Auditors:	PricewaterhouseCoopers Limited Julia House 3 Themistokli Dervi Street 1066 Nicosia	Grant Thornton (Cyprus) Limited Nimeli Court, Block C 41-49 Agiou Nikolaou Street, 2408 Nicosia
Trustee:	Themis Nominees Limited 16 Kyriakos Matsis Avenue, Eagle House, 10 th floor Ag. Omologites, 1082 Nicosia	

1.6 Registered Office

Registered Office and Management Office: 154 Limassol Avenue, 2025 Nicosia, PO Box 22032, 1598 Nicosia

1.7 Share Capital

On the date of this Prospectus, the approved authorised share capital of the Bank amounts to €2,465,000,000.00 divided into 24,650,000,000 shares of a nominal value of €0.10 each, while the issued share capital of the Bank amounts to €161,111,055.80 divided into 1,611,110,558 shares of a nominal value of €0.10 each.

1.8 Group Personnel

The Group places great importance on human resources, both through the recruitment of qualified personnel and by training and developing its existing workforce.

The Group's personnel participate in a large number of seminars in the fields of professional training and skill development. The training is conducted both internally and through the participation in external Groups.

The Group's personnel on 31 December 2009, 2010 and 2011, was as follows:

COUNTRY	31.12.2011	31.12.2010	31.12.2009
Cyprus	2,530	2,599	2,614
Greece	3,146	3,265	3,259
United Kingdom	161	165	156
Australia	-	122	118
Serbia	389	461	462
Romania	377	369	358
Estonia	39	46	47
Ukraine	1,212	1,228	1,332
Russia	559	556	544
Malta	763	802	759
Representative Offices	11	7	-
Total	9,187	9,620	9,649

Cyprus personnel includes, together with the Bank and its subsidiaries, the cleaners, employees of Laiki Sporting Club and seasonal employees. Cyprus and Greece do not include insurance companies personnel. Malta includes the personnel of the Malta Post (2011: 613 people).

On 28 February 2011, the Bank completed the sale of 85% of Laiki Bank Australia Ltd (LBA) to the Bank of Beirut s.a.l. (BOB), after BOB obtained the necessary approvals from the Central Bank of Lebanon, which was pending.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6,6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2.8 million approximately.

As of the date of the present Prospectus, no substantial change in the aforementioned numbers had occurred. The Group does not use a significant number of part-time employees.

On 12 January 2012, the collective agreement was signed between the Cyprus Union of Bank Employees and the Cyprus Bankers Employers' Association for the years 2011-2013. The main change of the agreement is the conversion of the

defined benefit plan to a defined contribution plan, with monthly contributions of 14% by the Bank and from 3% to 10% by the employee based on monthly salaries. The conversion of the plan does not affect in any way the 2011 consolidated financial statements. Moreover, for 2012 and 2013 annual increases in salaries and Cost of Living Adjustment (COLA) increases will not be granted. On 1 July 2012, the banks will contribute a total additional lump sum of €1million to the Welfare Fund of the Cyprus Union of Bank Employees.

In the United Kingdom the pension plan is optional in which both the Bank and the staff contribute.

In «Marfin Egnatia Bank» («MEB») there is defined contribution scheme. Employee participation in this program is optional and currently approximately 57% of MEB's staff is participating. Those participating in the program pay 2.5% of their gross monthly salary, while 2.5% is paid by the Bank.

The Group's personnel in Cyprus, Greece, Serbia and the United Kingdom belong to a union.

Based on article 10 (Restructuring Plan) of the Decree, as set forth in Section 7 ("State Aid") a restructuring plan will be established and implemented that will include amongst others, provisions for the reduction of operating costs as well as staff costs and benefits. In particular, it provides for (a) the reduction of the Bank's staff costs by at least 10% in 2012 and a further 8% in 2013 (b) the reduction of remuneration and benefits of the staff in Cyprus will reach an average of at least 12.5% on an annual basis and will be applied commensurately with the relevant pay scale, following consultation with the trade unions.

1.9 Summary Information regarding the Group

Cyprus Popular Bank Group offers a comprehensive range of banking, insurance and related financial services. The Group also offers insurance services through a related company. It operates in Cyprus, Greece, the United Kingdom, Guernsey, Serbia, Romania, the Ukraine, Malta and Russia.

The Group is primarily based in Cyprus, where it holds a 16.85% market share in deposits and a 16.25% market share in loans (Source: Group Data, Central Bank of Cyprus (December 2011, including cooperative banking institutions and International Business Units (IBUs)). Cyprus and Greece are the main revenue source of the Group. As at 31 December 2011 the following geographic information were applicable:

	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	601.612	14.528.985	10.652.543	11.706.370
Greece	292.887	15.934.151	11.808.374	6.753.484
Other countries	176.926	3.298.842	2.317.706	1.700.950
Total	1.071.425	33.761.978	24.778.623	20.160.804

An important part of the Group's business is currently undertaken in the Greek market, in which the Group is active since 1992.

On 31 December 2011, the Group employed 9,187 persons in total.

The Bank's shares are traded on the Cyprus Stock Exchange (Main Market) and the Athens Stock Exchange (Main Market).

1.10 Historical Background and Key Milestones in the Development of the Group

The Bank commenced its operations in 1901, upon establishment of the Popular Savings Bank of Limassol. The Savings Bank grew into a full Banking Institution and was registered as the first public company in 1924, with registration number 1, under the name Popular Bank of Limassol Ltd. In 1967, the Bank was renamed Cyprus Popular Bank Ltd, and has been rapidly expanding its business throughout Cyprus since 1969. On May 26, 2004, it was renamed Cyprus Popular Bank Public Company Ltd., in accordance with the provisions of the Cyprus Company Law, Chap. 113. On October 31, 2006, the Extraordinary General Shareholders' Meeting approved the change of the name of the Bank to Cyprus Popular Bank Public Co Ltd. Finally, on April 2, 2012, the change of the name of the Bank to Cyprus Popular Bank Public Co Ltd was approved by the Extraordinary General Shareholders' Meeting.

Milestones:

- 1970 ▪ Acquisition of a 20% stake of the Bank's share capital by the Hong Kong and Shanghai Banking Corporation ("HSBC").
- 1974 ▪ The Group launched its international expansion, with the establishment of its first branch in London.
- 1982 ▪ Acquisition of the Cyprus operations of Grindlays Bank, the largest and longest-established international bank operating on the island and the third largest bank in Cyprus.
- 1992 ▪ Expansion into Greece through the incorporation of an independent bank, the European Popular Bank (renamed Popular Bank of Greece S.A.), with an initial shareholding of 72%.
- 1995 ▪ Launch of Cyprialife, a new Life Insurance Company.
- Purchase of a neoclassic mansion on Vironos Avenue in Nicosia, used to house the Bank's valuable Cyprological Book Collection, the Collection of Contemporary Cypriot Art, and the offices of the Cultural Centre.
- 1996 ▪ Inauguration of the Group's new Headquarters in Nicosia.
- Inauguration of the first Self-Service Branch in Cyprus
- 1998 ▪ The Bank is first to introduce Internet Banking services in Cyprus.
- 1999 ▪ Establishment of Laiki Telebank, the first call centre in Cyprus.
- The acquisition of the Paneuropean Insurance Company group strengthened the Group's presence in the insurance market.
- 2000 ▪ Launch of the first integrated electronic bank in Cyprus (Laiki eBank).
- 2001 ▪ Establishment of Laiki Bank (Australia) Limited, a subsidiary in Australia .
- Launch of e-banking services in Greece.
- 2004 ▪ Launch of E-banking services provision in the United Kingdom and Australia.
- 2005 ▪ Incorporation and operation of a bank in Guernsey, named "Laiki Bank (Guernsey) Limited".
- Acquisition of Centrobanka a.d., a Serbian bank, which was renamed Laiki Bank a.d. and, subsequently, Marfin Bank JSC Belgrade.
- 2006 ▪ Merger with the Greek financial groups "Marfin Investment Group Holdings S.A." ("MIG") (formerly, "Marfin Financial Group") and "Egnatia Bank S.A.", and a decision to acquire 100% of the share capital of "Laiki Bank (Hellas) S.A."
- The Bank is renamed to "Marfin Popular Bank Public Co Ltd" ("MPB").
- 2007 ▪ Purchase agreement signed to acquire a 99.21% stake in the share capital of the Ukrainian "Marine Transport Bank" ("MTB") and three associated companies in the financial leasing sector.
- Agreement to acquire about 43% of the share capital of "Lombard Bank Malta Plc" ("LBM"), the third largest bank in Malta.
- 2008 ▪ Acquisition of a 50.04% stake in the share capital of "OAO RPB-Holding", which owns the Russian bank "OOO

- Rossiysky Promyishlenny Bank” (“Rosprombank”) and its subsidiary, “OOO RPB-Leasing”.
- Acquisition of a 50.12% stake in the share capital of “AS SBM Pank” (renamed “Marfin Pank Eesti AS”), an Estonian bank operating 4 branches.
 - Sale agreement of the entire share capital of “Egnatia Financial Services (Cyprus) Ltd”, previously acquired by the Bank in June 2007, to its subsidiary “Laiki Investment EPEY Public Company Ltd”.
 - Agreement signed with “Dubai Financial Group” for the latter’s acquisition of 53,532,184 shares of MIG.
 - Completion of the restructuring process and merger of “Cyprus Laiki Bank (Financial Services) Ltd” with the Bank.
 - Long-term collaboration agreement signed with “CNP Assurances” with a purpose to develop insurance operations through the banking networks of the Bank in Greece and Cyprus.
 - Increase in the Bank’s stake in the share capital of Estonian Bank “Marfin Pank Eesti AS” (formerly, “AS SBM PANK”) to 53%.
- 2009
- Completion of merger of “Laiki Investments (Financial Services) Public Company Ltd” with “CLR Capital Public Ltd”, creating the largest investment services group in Cyprus.
 - Trade name change of “Laiki Investments (Financial Services) Public Company Ltd” to “Marfin CLR Public Co Ltd”.
 - The Boards of the Bank and its subsidiary “Marfin Egnatia Bank S.A.” approved to commence the procedures for the merger of the two banks.
- 2010
- The Bank participated in the 2010 Pan-European Bank Stress Test, which was organised by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank (ECB) and the Central Bank of Cyprus.
 - “The Banker”, a prestigious Financial Times international journal, conferred the BANK OF THE YEAR 2010 award for Cyprus to Marfin Laiki Bank (Source: www.thebanker.com). It is also noteworthy that Marfin Laiki Bank is the only Cyprus Bank to earn the Quality Recognition award of JP Morgan Chase.
 - According to Articles 201(xvii) and 201(xix) of (Cyprus) Companies Law, the joint request of the Bank and Marfin Egnatia Bank SA regarding the approval of the completion of the merger was examined by the District Court of Nicosia which issued a decision setting 31.03.2011 (at 12.00 pm) as the date of effect of the merger.
- 2011
- Completion of the cross-border merger of Marfin Popular Bank Public Co Ltd with Marfin Egnatia Bank S.A.. From the date of effect of the merger (1 April 2011) Marfin Egnatia Bank operates as a Branch of the Bank in Greece.
 - MPB sold the 85% of Laiki Bank (Australia) Ltd to the Bank of Beirut s.a.l. (BOB) for the total price of AUS\$ 142.9 million (€103.2 million). Laiki Bank (Australia) Ltd has been renamed to Beirut Hellenic Bank Ltd.
 - On 31 March 2011, the Bank announced that it has entered into an agreement for the acquisition of the remaining 49.96% in its Russian subsidiary Closed Joint-Stock Company RPB Holding, the parent company of Rossiysky Promyishlenny Bank Company Ltd (“Rosprombank”), for a consideration of €51.6 million. The current transaction will increase the Bank’s participation in Rosprombank to 99.93%. Completion of the transaction is subject to all regulatory approvals from relevant authorities in Cyprus and the Russian Federation.
 - Cyprus Popular Bank becomes the first bank with a presence in China, introducing its Representation Office in Beijing.
 - Agreement for sale of the Bank’s entire shareholding in its subsidiary in Estonia, Marfin Pank Eesti AS to the Ukrainian company Ukrselhosprom PCF LLC.
- 2012
- Completion of the sale of the Bank’s entire shareholding in its subsidiary in Estonia, Marfin Pank Eesti AS to the Ukrainian company Ukrselhosprom PCF LLC.
 - The Bank is renamed to “Cyprus Popular Bank Public Co Ltd” (“CPB”).

- Issue of the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base. See Section 7 of the present document.

1.11 State Aid

The Minister of Finance in the exercise of the powers vested on him by articles 6, 7 and 14 of the Management of Financial Crises Laws of 2011 to (No.2) 2012, subsequent to the recommendation of the Central Bank of Cyprus and with its concurring opinion, issues the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012.

The Decree enters into force from the date of its publication in the Official Gazette of the Republic, ie, as of 18 May 2012. It is noted that the approval of the terms of the Decree are subject to the approval of the European Commission.

Selected extracts of the Decree are listed below.

“Purpose

3. *The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base.*

Underwriting of issue of share capital

4. (1) *The Republic underwrites the full amount of the rights issue of the bank provided that by 25 May 2012 the prospectus of the bank is published.*
- (2) *The rights are issued with share warrants which are issued by the Republic.*
- (4) *The non-subscribed rights are allotted to the Republic in consideration of the provision of government bonds of one year maturity, which are automatically renewed upon maturity.*

Price of rights

5. (1) *The rights are issued at the price of €0.10*

Share warrants

6. (1) *The rights that are acquired by virtue of subparagraph (3) of paragraph 4 are issued with the granting by the Republic of five share warrants in proportion with the exercise (pro rata).*
- (2) *Each share warrant has duration of one year and in the case that it is not exercised it ceases to be in force. The percentage of exercise of the annual share warrants is as follows: 1st year 20%, 2nd year 20%, 3rd year 20%, 4th year 20%, 5th year 20%.*
- (3) *The price at which holders exercise the share warrant is the price of issue increased by 9% annually.*
- (4) *The share warrants are freely transferable, they are not listed at the Cyprus Stock Exchange and they are registered at the Central Depository Registry of the Cyprus Stock Exchange.*

Acquisition price of rights by the Republic

7. (1) *The price of acquisition by the Republic of the unsubscribed new shares is set at €0.10.*

Payment of underwriting fee

8. *The bank pays the Republic an underwriting fee of 2% on the total amount of issue of share capital.*

Termination of aid measure

9. (1) *The new shares that are acquired by the Republic may be repurchased within five years from the entry into force of this Decree by:*

- (a) *The shareholders of the bank through the exercise of the share warrants;*
- (b) *The bank ,*
- (c) *Third parties.*

Provided that the public interest is safeguarded, in relation to subparagraph (c) above, the Republic proceeds annually to a public offer of the shares it holds and that relate to the unexercised share warrants, except if the Council of Ministers judges, following the suggestion of the Minister of Finance, that this is not appropriate, and the Committee on Financial and Budgetary Affairs of the House of Representatives is advised and its written consent is secured.

Provided further that, the Republic has the right at all times to sell the new shares it acquired. In the event of finding a strategic investor who is willing to acquire in whole or in part the participation of the Republic, the right of first option is granted to existing shareholders. If these do not accept, they have the right to sell with the Republic. If the Republic sells all its ownership position to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants cease to exist. If the Republic sells part of its ownership to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants are adjusted proportionately.

(4) *The price that the bank repurchases in whole or in part the new shares acquired by the Republic is the issue price of the new shares increased by 5% annually for each year from the entry into force of this Decree.*

(5) *In the case of sale to third parties of all or part of the new shares acquired by the Republic, the disposal price of these shares shall be their fair value at the date of the sale agreement between the Republic and the third party or parties.*

Restructuring plan

10. (1) *The bank with the concurring opinion of the Ministry and the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives, appoints within 15 days from the date of publication of this Decree, an Independent Advisor who within 2 months from the date of appointment submits to the Central Bank:*

(a) *A Restructuring Plan, whereby are specified the measures that the bank intends to take in order to achieve, the soonest possible, the safeguarding and strengthening of its solvency, by the further increase of its capital and/or the restoration or enhancement of its profitability, the reduction of costs and risks, the support from other companies of the group or otherwise.*

(b) *A detailed timetable of the implementation of the measures that the bank intends to take, with explicit reference to the time that the bank estimates it will be able to repurchase the new shares that are acquired by the Republic.*

(3) *The soonest possible and the latest within six (6) months from entry into force of this Decree, the Restructuring Plan is submitted by the Ministry to the European Commission for approval.*

Terms and conditions

11. (1) *The Minister with the concurring opinion of the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives appoints, from the date of publication of this Decree, up to five members on the Board of Directors of the bank.*

(2) *With the concurring opinion of at least two of the five members of the Board of Directors that are appointed by the Minister, the right of veto is exercised to all decisions of the Board of Directors.*

(3) Upon the acquisition of the new shares by the Republic, the Minister with the concurring opinion of the Central Bank and the Finances and Budget Parliamentary Committee of the House of Representatives, may appoint the majority on the Board of Directors, without prejudice to the amount of participation of the Republic in the ownership structure of the bank.

(4) The members of the Board of Directors that are appointed by the Minister, have inter alia, the following rights:

- (a) to convene the General Meeting of the shareholders of the bank;
- (b) to postpone for three (3) working day the meetings of the Board of Director of the bank, in order to receive instruction by the Minister, who for this purpose shall consult the Central Bank of Cyprus,
- (c) to interrupt the meeting of the Board of Directors of the bank and to postpone the same as per point (b) above,
- (d) to have free access to the books and data of the bank and
- (e) to exercise a veto at any decision of the Board of Directors of the bank as per the provisions of subparagraph (2) of paragraph 11 of this Decree.

(5) The bank provides the Minister with any data or information he may require.

(7) The annual remuneration of each of the following persons does not exceed the annual remuneration of the post of the Permanent Secretary, as these are determined by the Budget of the Republic Law: Chairperson, Managing Director and other members of the Board of Directors of the bank, General Managers of the bank and their alternates and any other member of the staff.

(8) All types of variable remuneration of the persons referred to in subparagraph (7) are abolished.

(9) Dividend distributions to the shareholders of the bank are not allowed.

(10) The purchase of own shares by the bank is not allowed, except on the basis of the provisions of paragraph 9.

(11) The payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the bank obtains the prior approval of the Central Bank and has consulted with the European Commission.

Provided that the capital instruments that comply with the requirements of the Central Bank are exempted.

(12) The bank shall not exercise aggressive market strategies, including advertising of the support it receives, to the detriment of competitors that do not receive similar support, in order to avoid undue distortions in the competition and the market. Especially, the average annual rate of growth of the bank's balance sheet shall not exceed 12,4% (the average rate of growth of the size of the balance sheets of the financial sector in the Republic during the ten years prior to the entry into force of this Decree):

(13) The bank undertakes any cost that may arise from the involvement of the Republic in the underwriting of the whole rights issue of the bank or from the subsequent participation of the Republic in the ownership structure of the bank.

Participation of the Republic in the ownership structure of the bank

12. The participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Offers for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced.

For more information regarding the Decree, see Section 7.1.

1.12 Recent Trends and Prospects

As discussed in Sections 4.7 and 4.8.4, the Bank incurred significant losses due to (a) an impairment of €2.331 million in the Group's investment portfolio in GGB, representing 76.4% of nominal value of €3.071 million as a result of the private sector involvement program (PSI+), (b) loan loss provisions of €868 million for the loan portfolio in the fourth quarter of 2011

and €1.151 million for the full year 2011 (compared to €266 million in 2010), as a result of an independent diagnostic review of the loan portfolio - mainly aimed at Greek portfolio- undertaken by two specialised external consultants and (c) an impairment charge of €796 million recognised in the fourth quarter of 2011, following the appointment of an external specialised consultant to review the carrying value of goodwill relating to Greek operations, which had been created from the triple merger of Egnatia Bank, Marfin Bank and Laiki Bank, back in 2006. It is noted that the goodwill impairment charge does not affect the Group's regulatory capital position according to the regulations of the Central Bank of Cyprus.

The Board of Directors estimates that the Group remains in a good position to handle major macroeconomic, financial and other serious uncertainties that have arisen in the geographical areas of the Bank's operations, particularly in Greece, where the crisis of the Greek public debt has escalated, provisions for doubtful debts has increased substantially, while a large goodwill impairment has occurred. The Group's strategic priorities are the following:

- Maintaining and ensuring the necessary liquidity.
- Compliance with the required capital adequacy ratios.
- Improving operational efficiency and containing costs, with a focus on cost containment and revenue maximization, all in the context of an effective management of the risks involved.
- Creating a framework for achieving satisfactory recurring profitability.

Regarding capital base, at this stage, the priority is to comply with the required adequacy ratios in accordance with the exercise of the European Banking Authority, through the implementation of the recapitalization plan submitted to the Central Bank of Cyprus, which includes, apart from raising funds through the issue of Rights, proposals for exchange of existing securities, the effective management of risk weighted assets and the strengthening of reserves with profits. At the same time, the Bank aims to comply with the stricter prudential requirements of the Central Bank of Cyprus, on the same basis, within a reasonable time.

It is noted that according to a letter received by the Board of Directors from the Ministry of Finance on 27 April 2012, the Republic of Cyprus reaffirmed its commitment to provide the necessary support to the Bank in order to deal with its liquidity, solvency and capital adequacy problems, so as the for the Bank to continue to operate as a going concern.

The Minister of Finance in the exercise of the powers vested on him by articles 6, 7 and 14 of the Management of Financial Crises Laws of 2011 to (No.2) 2012, subsequent to the recommendation of the Central Bank of Cyprus and with its concurring opinion, issues the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base. The major terms of the underwriting are presented in Section 1.18.3.

It is emphasizes that the conduct of the Groups operations will be carried out carrying out within the framework of the Decree, as described in Section 7 ("State Aid").

1.13 Major Shareholders

As at the date of this Prospectus, the shareholders owning, directly or indirectly, more than 5% of the issued share capital of the Bank, are the following:

SHAREHOLDER	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	TOTAL PARTICIPATION
Dubai Financial Limited Liability Company	18.69%	0.00%	18.69%
Marfin Investment Group Holdings S.A.	9.49%	0.00%	9.49%
Total (of 1,611,110,558 shares)			28.18%

All shareholders have the same voting rights.

As of 15 May 2012, the total number of shareholders was 93,488.

1.14 Summarized Consolidated Financial Data

The following summarized financial data for the years 2009, 2010 and 2011 is based on the annual audited consolidated financial statements of the Group for the aforementioned years, which have been prepared in accordance with the IFRS and have been published as provided for by the Cypriot legislation. The Bank's auditors report on the consolidated financial statements for the years ended 31 December 2009 and 31 December 2010 was without reservations. The Bank's auditors report on the consolidated financial statements for the year ended 31 December 2011 includes an emphasis of matter drawing the attention to the significant impact on the Group's regulatory capital of the impairment losses on Greek Government Bonds and loans and advances, the planned actions to restore the capital adequacy of the Group, the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process and the confirmed commitment of the Republic of Cyprus to provide the necessary support to the Bank, if the need arises, to enable the Bank to continue as a going concern.

It is noted that the accounting standards required according to the Securities and Cyprus Stock Exchange Laws and Regulations are the IFRS, which were adopted by the European Union and are in line with the requirements of the Cyprus Companies Law, Chap. 113.

The annual reports and the audited consolidated financial statements of the Bank for the years ended 31 December 2009, 2010 and 2011, are available for inspection at the registered offices of the Bank, during usual banking hours, while they can be downloaded from the official website of the Bank: www.laiki.com ("Investor Relations").

The changes in financial data of the Group are presented in Section 4.7.1.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Net interest income	798,686	709,543	635,788
Net fee and commission income	179,701	200,481	227,913
Operating income	1,037,298	1,012,410	1,074,853
Loss/Profit before tax	(4,100,784)	114,674	217,797
(Loss)/Profit for the year	(3,646,302)	89,228	170,379
(Loss)/Profit attributable to owners of the Bank	(3,650,380)	87,080	173,872
Earnings per share – for (loss)/profit attributable to the owners of the Bank			
- cent	(246,0)	10.0	20.8
Advances to customers	24,778,623	26,417,333	25,082,163
Total assets	33,761,978	42,580,486	41,828,363
Customer deposits	20,160,804	25,508,361	23,885,776
Loan capital	1,333,727	1,267,931	1,050,501
Total liabilities	33,161,420	38,939,112	38,069,120
Total equity	600,558	3,641,374	3,759,243

The following table displays the Group's capital structure and the debt to equity and capital adequacy ratios.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Equity			
Share capital	1,369,444	834,799	720,930
Share premium	2,334,583	2,252,897	2,179,146
Reserves	(3,209,867)	447,815	735,846
Non-controlling interests	106,398	105,863	123,321
Total Equity	600,558	3,641,374	3,759,243
Loan Capital	1,333,727	1,267,931	1,050,501
Debt to Equity Ratio¹	222.1%	34.8%	27.9%

¹ Source: Financial data processed by the Bank.

1.15 Details of Related Party Transactions

The related party transactions for the years 2009, 2010 and 2011, which are certified to have been carried out in the normal course of the Group's business, on commercial terms, upon approval from the Board of Directors, are listed in the following table. There were no significant related party transactions as from 31 December 2011 and until the date of this Prospectus.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL	NUMBER OF DIRECTORS			UNAUDITED	AUDITED	AUDITED
	2011	2010	2009	2011 €'000	2010 €'000	2009 €'000
Advances to Directors and their connected persons:						
More than 1% of the net assets of the Group	3	2	2	395,169	323,610	307,732
Less than 1% of the net assets of the Group	10	12	11	5,201	12,721	9,073
	13	14	13	400,370	336,331	316,805
Advances to other key management personnel and their connected persons				18,238	12,653	12,926
Total Advances				418,608	348,984	329,731
Contingencies and commitments for guarantees and letters of credit:						
Guarantees to Directors and their connected persons:						
More than 1% of the net assets of the Group				32,169	39,420	38,418
Less than 1% of the net assets of the Group				2	1	-
Total guarantees				32,171	39,421	38,418
Letters of credit to Directors and their connected persons:						
More than 1% of the net assets of the Group				678	2,898	9
Total letters of credit				678	2,898	9
Total loans, advances and commitments				451,457	391,303	368,158
Tangible securities				466,610	426,975	406,041
Interest income				18,248	14,873	10,210
Deposits				22,382	33,559	119,118
Interest expense				569	993	3,238

There are no contingencies and commitments relating to other Executives of the Group.

The amount of tangible securities is presented aggregated 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 are unsecured on 31 December 2011 amounts to €95,401,000 (2010: €67,979,000).

Related persons include the spouse, minors and companies in which Main Executives 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 2011, the Group received commissions on stock exchange transactions from Directors or key management personnel and their related persons amounting to €83,000 (2010: €194,000), purchased goods and received services amounting to €122,000 (2010: €243,000) from companies connected to Lanitis Group, provided services amounting to €107,000 (2010: nil) to companies connected to Lanitis group, received services amounting to €252,000 from a law firm connected to Mr. Andreas Vgenopoulos, and purchased goods and received services amounting to €213,000 from companies connected to Mr. Vassilis Theocharakis.

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

Main Key Management's Personnel Fees

	31.12.2011	31.12.2010	31.12.2009
	€'000	€'000	€'000
Fees paid to Directors as members of the Board	294	187	110
Remuneration of Directors under executive role:			
Salaries and other short-term benefits	1,728	1,403	1,396
Employer's social insurance contributions	75	74	71
Retirement benefits scheme expense	126	126	118
	1,929	1,603	1,585
Fees for consultancy services of Directors under non executive role	165	297	290
Compensation of other Executives:			
Salaries and other short-term benefits	1,777	1,628	1,214
Employer's social insurance contributions	76	76	53
Retirement benefits scheme expense	38	36	31
	1,891	1,740	1,298
Share-based payment compensation for Main Executives	513	922	1,026
Total compensation of other Executives	4,792	4,749	4,309

Source: Financial data processed by the Bank

The Bank has introduced a Restricted Stock Scheme for management personnel. The Scheme provides for the purchase of Bank's shares in the name of the management personnel based on 2009 performance. These shares are released gradually between 2011 and 2013 based on performance. After release they should not be sold for one year.

Based on the Scheme, Christos Stylianides and Panayiotis Kounnis were allocated a total of 229.000 shares each at a cost for 2011 of €99.000 and €97.000 respectively. The number of shares that were allocated to the Directors who resigned and were "clawed back" were as follows: Efthimios Bouloutas 401.000, Eleftherios Hiliadakis 115.000 and Andreas Vgenopoulos 573.000. The total number of shares that other key management personnel were awarded and the related cost for 2011 were 86.000 shares and € 50.000 respectively.

The number of Share Options for each Director, none of which was exercised up to 31 December 2011, was as follows: Christos Stylianides and Panayiotis Kounnis 1.750.000 each, Markos Foros 500.000, Neoclis Lysandrou, Vassilis Theocharakis, Platon E. Lanitis and Constantinos Mylonas 300.000 each and Stelios Stylianou 200.000. The number of Share Options that was allocated to the Directors who resigned and were "clawed back" were as follows: Andreas Vgenopoulos 6.000.000, Efthimios Bouloutas 3.500.000 and Eleftherios Hiliadakis 1.250.000. The number of Options for other key management personnel, none of which was exercised up to 31 December, 2011, was 7.000.000. The number of Share Options that was allocated to other key management personnel who resigned in 2011 were 2.500.000 and were "clawed back".

Furthermore, the Directors who have retired received:

	AUDITED 31.12.2011 €'000	AUDITED 31.12.2010 €'000	AUDITED 31.12.2009 €'000
Fees paid as members	25	-	-
Fees for consultancy services	-	-	-
Remuneration under executive role:			
Salaries and other short-term benefits	1,245	-	-
Employer's social insurance contributions	24	-	-
Retirement benefits scheme expense	-	-	-
Retirement (including employer's social insurance contributions)	-	-	-
Payments upon termination of services	1,555	-	-
	215	-	-
Total salaries	3,064	-	-

Source: Financial data processed by the Bank

Key management personnel for 2009, included the 13 members of the Board of Directors, 5 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Key management personnel for 2010 included the 14 members of the Board of Directors, 4 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Key management personnel as at 31 December 2011, included the 13 members of the Board of Directors, 2 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Transactions with other related parties

On 31 December 2011, the balances with other related parties were as follows:

	2011		2010		2009	
	RECEIVABLES € '000	PAYABLES € '000	RECEIVABLES € '000	PAYABLES € '000	RECEIVABLES € '000	PAYABLES € '000
Consolidated balance sheet						
CNP Marfin Insurance Holdings Ltd group (associate)	6,925	236,420	7,412	227,922	6,656	205,077
JCC Payment Systems Ltd (associate)	13,215	9,908	60	9,117	-	23,294
Provident Funds of the employees of the Group in Cyprus	5	21,353	5	28,788	-	17,429
	20,145	267,681	7,477	265,827	6,656	245,800

Additionally, CNP Marfin Insurance Holdings Ltd group held at 31 December, 2011, senior debt and loan capital of the Group of nominal value of €44,9 m (2010: €39,9 m).

During the year ended 31 December, 2011, the following transactions were realised with other related parties:

	2011		2010		2009	
	INCOME	EXPENSE	INCOME	EXPENSE	INCOME	EXPENSE
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Consolidated Income statement						
CNP Marfin Insurance Holdings Ltd group (associate)	2,945	12,871	1,668	11,626	3,733	12,955
JCC Payment Systems Ltd (associate)	38	289	4	862	3	1,140
Provident Funds of the employees of the Group in Cyprus	19	852	41	694	20	700
Dubai Financial Limited Liability Company (major shareholder)	-	-	-	-	560	-
	3,002	14,012	1,713	13,182	4,316	14,795

Additionally, during 2011, the Group received a dividend of €6,736,000 (2010: €5,329,000) from CNP Marfin Insurance Holdings Ltd group and during 2010 €7,500,000 from JCC Payment Systems Ltd.

From 31 December 2011 and up to the date of this Prospectus, there has been no material change in the information provided above.

1.16 Memorandum and Articles of Association

Cyprus Popular Bank Public Co Ltd is a limited public company, registered in Cyprus since 1924 under number “1”, pursuant to Chapter 113 of the Cyprus Company Law. In Cyprus it operates in the banking sector under the trade name “Laiki Bank”. It also operates in a number of other countries and sectors, either directly or through its subsidiaries which have other trade names.

The registered office and the headquarters of the Company are located at 154 Limassol Avenue, 2025 Nicosia (PO Box 22032, 1598 Nicosia). The switchboard number is 22-552000 and the site is www.laiki.com.

The main purposes of the Company are described in Article 3 of its Articles of Association. Its main purposes include, among other, the set up and undertaking of banking, stock exchange and trading activities of every kind as well as the incorporation, operation and running of branches both in Cyprus and abroad. The Bank is duly authorised to carry on t banking business in Cyprus on the basis of a banking license originally granted by the Controller of Banks on 25 March 1946 in accordance with the Banking Business (Temporary Restrictions) Law of 1939 and, subsequently, by the Central Bank of Cyprus acting within its powers emanating from the Banking Laws of 1997 - 2009.

Based on article 12 of the Decree (Participation of the Republic in the ownership structure of the bank) the participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Offers for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced. Additionally, based on article 11 of the Decree, the Republic of Cyprus possesses powers regarding the appointment and operation of the Board of Directors as well as obligations for the Bank as stated in Section 7 (“State Aid”).

For more information and extracts of the Bank's Memorandum and Articles of Association please go to Section 4.20.7 of the present Prospectus.

1.17 Credit Rating

The credit rating of the Bank is assessed by international credit rating agencies and is classified into ratings, on the basis of the specific indicators adopted by each agency. The most recent credit rating assessments of the Bank by the international rating agencies Moody's and Fitch, are presented in the table below:

CREDIT RATING AGENCIES AND CREDIT RATING GRADES	RATING GRADE
Moody's	
Outlook	Developing
Global local currency deposit ratings	B3/Not Prime
Foreign currency deposit ratings	B3/Not Prime
Bank financial strength	E
Fitch	
Outlook	Rating Watch Negative
Long-term issuer default rating	BB+
Short-term issuer default rating	B
Individual rating	f
Support rating	3

The significance of the credit rating grades adopted by each credit rating agency is set forth below:

Moody's

- B3: B3 rating refers to the long-term credit ratings of banks, whose obligations are considered speculative and are subject to high credit risk.
- Not Prime: Not Prime rating refers to the short-term credit ratings of banks, which have a low ability to timely repay their short-term obligations
- E: E rating refers to the financial strength of banks, which display a very modest intrinsic financial strength.

Fitch

- BB+: BB+ rating refers to the long-term credit ratings of banks, whose ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time. However, business or financial flexibility exists which supports the servicing of financial commitments.
- B: rating refers to the short-term credit rating of banks, whose ratings indicate a decreasing capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.
- f: f rating refers to the individual rating of banks, which either have defaulted or would have been defaulted had they not received extraordinary support or benefited from other extraordinary measures.
- 3: 3 rating refers to the support of the bank, for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so.

It is noted that on October, 31, 2011 Fitch Ratings and Moody's registered under the European Union Regulation on Credit Rating Agencies, as per the provisions of Regulation (EC) No 1060/2009 of the European Parliament.

1.18 Information on the Rights Issue

1.18.1 Main terms of Rights Issue

The main terms of Rights are listed below.

Issuer:	Cyprus Popular Bank Public Co Ltd ("Bank", "CPB").
Nil Paid Rights' Issuance ("NPR", "Rights"):	<p>Issuance of Rights offered to Cyprus Popular Bank Public Co Ltd shareholders who shall be registered in the Central Depository/ Registry of the Cyprus Stock Exchange ("CSE") or in the Dematerialised Securities System ("DSS") of the Hellenic Stock Exchanges S.A. ("HELEX"), on 30 May 2012 (Record Date Rights).</p> <p>Rights shall be issued and allotted to the Shareholders at a ratio of one (1) Nil Paid Right for each (1) ordinary share owned as at the Record Date Rights. Ex-rights date is 28 May 2012. That is, the persons entitled to the allotment of Rights shall be those who acquire Cyprus Popular Bank Public Co Ltd shares by 25 May 2012 (last cum date).</p> <p>It is noted that all shareholders shall have Subscription Rights, which shall be exercised concurrently with their Rights for the acquisition of additional Rights, in case they remain undisposed at the end of the exercise period of Rights.</p> <p>The Rights cannot be exercised by residents of any country, in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation ("Exempt Countries") (i.e. the United States, Canada, Australia, South Africa, Japan).</p>
Rights' Ratio to new shares:	Every six (6) Rights that shall be exercised at a total price of €6.70 shall be converted to sixty seven (67) fully paid new shares of the Bank. The Rights and the New Shares (Rights) shall be listed in the CSE and the ASE, provided that the relevant approvals shall be given by the CSE and the ASE. During the exercise of Rights any arising fractional new shares shall be ignored.
Size of Issue:	Rights issue of up to €1.8 billion.
Subscription Rights:	<p>Subscription Rights with regard to Rights which have not been exercised shall be given to shareholders entitled thereto and persons who shall acquire Rights while trading in the CSE and the ATHEX, up until the Record Date Rights. Additionally, Subscription Rights will be provided to all interested investors who would not hold any number of Rights. The Board of Directors will make the final decision of acceptance or rejection of applications for subscription amounts of more than €100,000,000. Subscription Rights shall be exercised concurrently with the exercise of Rights throughout the exercise period of Rights, in accordance with the procedure set out in Section 5.7.</p> <p>Subscription Rights will not be provided to residents of any country, in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation ("Exempt Countries") (i.e. the United States, Canada, Australia, South Africa, Japan).</p>
Allocation of any undisposed Rights:	If the number of undisposed Rights is not sufficient to fully cover the demand expressed by those entitled thereto by a written statement submitted for the

	exercise of their Subscription Rights, those shares shall be distributed pro rata on the basis of the demand expressed, and/or shall be undertaken by the Republic under the terms of the Decree.
Authorised share capital:	As at the date of the present Prospectus the Bank's authorised share capital amounts to €2,465,000,000 divided into 24,650,000,000 shares of a nominal value of €0.10 each.
Issued share capital:	As at the date of the present Prospectus the Bank's issued share capital amounts to €161,111,055.80 divided into 1,611,110,558 shares of a nominal value of €0.10 each.
Price of NPR per new share:	€0.10, in accordance with article 5(1) of the Decree.
Partial exercise of NPR / Sale of NPR / purchase of additional NPR:	The holders of Rights may exercise in whole or in part the Rights they are entitled to. The holders may trade in the stock exchange market (CSE and ASE) the Rights that they do not intend to exercise, at their current trading price. The holders of Rights, as well as the rest of the investors may also purchase additional Rights from the stock exchange (CSE and ASE).
Terms of payment:	The exercise price is payable in full at the time of exercise of the respective Rights.
Classification of new shares resulting from the exercise of NPR:	The New Shares (Rights) that will be issued shall rank pari passu with existing shares to all intents and purposes.
Listing and Trading:	The Rights shall be listed and traded on the CSE and the ATHEX following the approval by the competent authorities.
Underwriting of the issue of Rights:	The issue of Rights is fully underwritten by the Republic of Cyprus. The major terms of the underwriting are presented in Section 1.18.3.
Issuance Managers:	<p>Marfin CLR (Financial Services) Ltd (Cyprus) Marfin CLR House, 26 Vironos Avenue, 1096 Nicosia</p> <p>Investment Bank of Greece S.A. (Greece) 24B Kifissias Avenue, Maroussi 15125, Athens</p>
Prospectus Lead Manager:	Marfin CLR (Financial Services) Ltd
Collection Agent:	Cyprus Popular Bank Public Co Ltd

The decision regarding a potential investment in Rights and, by extension, to the New Shares (Rights) of the Bank that will be issued upon the exercise of the Rights is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

It is noted that the Board of Directors has decided to propose at an extraordinary general meeting the cancellation of Special Resolution 7 of the Extraordinary General Meeting held on 2 April 2012 regarding the issue of share warrants, in order to achieve the best possible implementation of the Bank's Restructuring Plan which includes the underwriting of the Rights issue from the Republic of Cyprus and the allotment of Share Warrants from the Republic of Cyprus, on any shares acquired through underwriting, to any persons participating in the Rights Issue.

1.18.2 Indicative Rights Timetable

DATES	EVENTS
16 May 2012	Date of the Board of Directors' decision regarding the Rights issue.
22 May 2012	Date of approval for the publication of this Prospectus by the Cyprus Securities and Exchange Committee.
25 May 2012	Last cum date of the Bank's share, i.e. date by which the persons who shall acquire shares of the Bank shall be entitled to participate in the allotment of Rights.
28 May 2012	Ex-rights Date
30 May 2012	Registration/Record Date Rights, at the end of which the shareholders entitled to take part in the allotment of Rights are registered in the records of the CSE and the ASE.
7 June 2012	Dispatch date of Informative Letters (Rights) to the shareholders registered as at the Record Date Rights.
15 June 2012	First day of trading period for Rights on the CSE and the ATHEX, beginning of exercise period regarding for Rights, as well as beginning of period regarding applications submission for Subscription Rights.
22 June 2012	Last day of Rights' trading period.
29 June 2012	End of period regarding the exercise of Rights and of applications submission period regarding Subscription Rights.
30 June 2012	Date of the Board of Directors' decision regarding the allotment of unexercised Rights.
30 June 2012	Date of issue of the New Shares (Rights).

The Bank will file all relevant applications relating to the listing of the New Shares (Rights) with both the CSE and the ATHEX within eight (8) Business Days from the last date for the exercise of Rights. The date of the introduction for trading of the New Shares (Rights) will be announced on both the CSE and the ATHEX and will be within five (5) Business Days from the date that such listing is approved by both Exchanges.

Allotment letters for the New Shares (Rights) will be dispatched until 11 July 2012.

Once the approval has been obtained for the listing of the New Shares (Rights) from both the CSE and the ATHEX, such shares will be credited to the applicants' accounts in the Central Depository and Central Registry of the CSE and the Dematerialised Securities System (DSS) of the Hellenic Exchanges ("HELEX"). The credit of the New Shares (Rights) is expected to be registered the Business Day preceding the introduction for trading of the New Shares (Rights) in the two exchanges.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and/or through the press, and/or through the issue of a supplementary prospectus, if deemed necessary, under any applicable law. In the case of a supplementary prospectus issue, the approval of the Cyprus Securities and Exchange Commission will be needed.

1.18.3 Rights Issue Underwriting

The issue of Rights is fully underwritten by the Republic of Cyprus, as defined by the Decree. It is noted that the approval of the terms of the Decree are subject to the approval of the European Commission. The major terms of the underwriting are the following:

- The Republic of Cyprus undertakes to fully underwrite the issue of Rights, provided that until the 25th May 2012 the Bank's Prospectus is published. The said term is met through the approval of the present prospectus.
- The underwriting involves all the shares arising from the issue of Rights. Consequently, the Republic of Cyprus will exercise all unexercised Rights which shall remain from (a) the exercise of Rights during the exercise period including those from Subscription applications (b) the exercise of Rights that would not have been exercised by Beneficiaries during the exercise period and shall be allocated by the Board of Directors.
- The Republic of Cyprus will exercise the unallocated Rights at the exercise price of the issue, that is €0.10 per share. This price is defined by the Decree.
- Unallocated Rights will be covered by the Republic of Cyprus through the issue of one-year government bonds, automatically renewed at their expiration.
- The underwriting fee is set at 2% on the amount of the issue of €1,799,073,456.43, that is €36 million.
- All New Shares (Rights) will be issued on 30 June 2012.

More information can be found in Section 7 ("State Aid").

It is noted that the Board of Directors has decided the cancellation of Special Resolution 7 of the Extraordinary General Meeting held on 2 April 2012, in order to achieve the best possible implementation of the Bank's Restructuring Plan which includes the underwriting of the Rights issue from the Republic of Cyprus and the provision of Share Warrants from the Republic of Cyprus, on any shares acquired through underwriting, to any persons participating in the Rights Issue.

Based on article 6 of the Decree, the Republic of Cyprus will proceed to the free allotment of Share Warrants to persons who shall acquire shares through the issue of Rights. Therefore, those persons shall be entitled to Share Warrants, provided they have exercised any number of Rights, in any way, that is:

- With the exercise of Rights allotted to them as at the Record Date Rights
- With the exercise of Rights acquired through stock exchange transactions during the Rights trading period on the CSE and the ATHEX
- With the exercise of unsubscribed Rights, acquired through the Subscription Rights procedure
- With the exercise of unsubscribed Rights, allotted by the Board of Directors following the Subscription Rights procedure

It is noted that the approval of the Decree's terms is subject to the approval of the European Commission. Any amendments shall be announced on the stock exchanges and/or through the issue of a supplementary prospectus, based on the guidelines of the Cyprus Securities and Exchange Commission.

The Republic of Cyprus will allot Share Warrants to every share acquired through the potential activation of the Rights underwriting agreement. Therefore, the ratio of allotment shall be calculated as follows:

Number of new shares acquired through the exercise of Rights	A
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Total number of new shares acquired from persons through the exercise of Rights*	B
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Number of new shares acquired by the Republic of Cyprus through the underwriting of the Rights issue**	C
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* With the exercise of Rights allotted to them as at the record date, with the exercise of Rights acquired through stock exchange transactions during the Rights trading period on the CSE and the ATHEX, with the exercise of unsubscribed Rights, acquired through the Subscription Rights procedure and with the exercise of unsubscribed Rights, allotted by the Board of Directors following the Subscription Rights procedure.

** It is noted that this number equals the 17,990,734,564 new shares under issue through the issue of Rights, minus number 'B' in the equation.

$$X = \frac{\text{The number of new shares which each person is entitled to acquire through the Share Warrants allotted by the Republic of Cyprus}}{C \times \left(\frac{A}{B}\right)}$$

Allotment of Share Warrants: To beneficiary persons 5 Share Warrants, with one-year duration each, shall be allotted, to which the shares calculated as above shall correspond ('X' in the equation).

Each Share Warrant will give the right to acquire an equal number of shares during the exercise period and based on the current conversion price (1/5 of 'X' in the equation with any rounding).

Duration of Share Warrants: Each Share Warrant has duration of one year and in case of no exercise shall expire.

Share Warrants exercise period: The Share Warrants can be exercised as follows:

- 1st year Share Warrants, 20% June 2014
- 2nd year Share Warrants, 20% June 2014
- 3rd year Share Warrants, 20% June 2015
- 4th year Share Warrants, 20% June 2016
- 5th year Share Warrants, 20% June 2017

The first date of exercise of the Share Warrants is set at the end of the second year by a statement of intent of exercise during the first year for the percentage that is applicable until the specified point in time (that is 20%).

Each Share Warrant must be fully exercised (and not partially).

Provided further that, any of the Share Warrants holders who wish to exercise a bigger percentage from that which arises via the predetermined annual percentage, may do so. In such a case (a) the Share Warrants exercise price shall be that of the period in which the exercise takes place, and not that of the future year (b) θα γίνεται αφαίρεση από τα μη-ασκηθέντα έτη ΔΑΜ μικρότερης διάρκειας (c) the exercise must concern the full exercise of the Share Warrants of subsequent period (no partial exercise is allowed). It is noted that the first period is set for June 2014.

Share Warrants exercise price: The Share Warrants exercise price is the price of the Rights issue increased by 9% annually:

- 1st year Share Warrants (June 2014 exercise) €0.109

▪ 2 nd year Share Warrants (June 2014 exercise)	€0.119
▪ 3 rd year Share Warrants (June 2015 exercise)	€0.130
▪ 4 th year Share Warrants (June 2016 exercise)	€0.141
▪ 5 th year Share Warrants (June 2017 exercise)	€0.154

It is provided further that the exercise price will be equal to the applicable exercise price multiplied with the number of shares/Share Warrants exercised.

Trading: Share Warrants will not be listed for trading on a stock exchange.

Registry and Transfer: The Share Warrants are freely transferable and shall be registered on the Central Securities Depository/Registry of the Cyprus Stock Exchange. The transfer of Share Warrants shall be made through a mechanism undertaken by the Cyprus Stock Exchange, which will make all necessary announcements regarding the procedure to be followed from persons who wish to transfer the Share Warrants.

Share warrants allotment letters: The Share Warrants allotment letters will be dispatched together with the allotment letters of the new shares resulting from the exercise of Rights.

Procedure for the exercise of Share Warrants: The exercise of Share Warrants will be taking place every June as of 2014 until 2017 through the branch network of the Bank. Related details regarding the exercise procedure will be timely announced.

More information relating to the Share Warrants is given in Section 7.2.

1.19 Information on the Enhanced Capital Securities Issue and/or New Shares (Exchange)

1.19.1 Main terms of exchange offer

Issuer:	Cyprus Popular Bank Public Co Ltd.
Securities offered in exchange:	<ul style="list-style-type: none"> ▪ Enhanced Capital Securities (ECS) ▪ New Shares (Exchange)
Offer for the voluntary exchange of Eligible Capital Securities:	<p>The voluntary exchange offer is addressed to all capital securities holders of the Bank and specifically includes the following issues:</p> <ul style="list-style-type: none"> ▪ Capital Securities 2008 (CPBCS/ΛAIKA) amounting to €200,000,000 ▪ Capital Securities 2009 (CPBCB/ΛAIKΘ) amounting to €242,229,000 ▪ Capital Securities 2010 (CPBCC/ΛAIKΛ) amounting to €295,524,000 (“Eligible Capital Securities”) <p>The offer for voluntary exchange concerns the partial or total exchange of Eligible Capital Securities of nominal value of €1,000 each, with ECS and/or New Shares (Exchange). Eligible Capital Securities holders will be able to choose both options for any amount they wish, subject to the following.</p> <p>The maximum value of new ordinary shares that may arise from the process of exchange is €368,876,500. In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation.</p> <p>There is no maximum amount for the exchange of Eligible Capital Securities into ECS.</p> <p>The offer for voluntary exchange is not addressed in any way or form to Eligible Capital Securities holders within or to the United States, Canada, Australia, South Africa, Japan (“Exempt Countries”) in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation.</p>
Exchange terms:	<p>Available options:</p> <ul style="list-style-type: none"> ▪ One (1) ECS with nominal value of €1,000 for every (1) Eligible Capital Security of €1,000. ▪ Ten thousand (10,000) New Shares (Exchange) with nominal value of €0.10 for every (1) Eligible Capital Security of €1,000, with an issue price of €0.10.
Form of exchange:	<p>Eligible Capital Securities holders may participate in the voluntary exchange of Eligible Capital Securities with ECS and/or New Shares (Exchange) with the exchange of Eligible Capital Securities held with ECS of equivalent nominal value and/or with ten thousand (10,000) New Shares (Exchange) for each Eligible Capital Security held at an issue price of €0.10..</p> <p>Eligible Capital Securities that will be given for the exchange and will be accepted for subscription to the issue of ECS and/or New Shares (Exchange), will be canceled and the Bank shall cease to have any obligations on them.</p> <p>On 30 June 2012, the Bank will pay the full interest for the April-June quarter of 2012 as defined by the terms of Eligible Capital Securities, unless it is not paid or cancelled under article 11(11) of the Decree or under their terms of issue (ie, for the period from 31 March until 29 June, based on the applicable rate which applies under their terms of issue).</p>

Size of issue:	<ul style="list-style-type: none"> ▪ Enhanced Capital Securities amounting up to €737,753,000 ▪ New Shares (Exchange) amounting up to €368,876,500 <p>It is noted that the total amount of the two (2) exchanges cannot exceed €737,753,000.</p>
Distribution in case of oversubscription for New Shares (Exchange):	<p>The maximum number of New Shares (Exchange) that may arise from the process of exchange is 3,688,765,000 (€368,876,500 at a price of €0.10 per share). In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation. Also, in case of oversubscription, Eligible Capital Securities holders will have the option to request transfer of the amount not allocated to the exchange with ECS.</p>
Repayment of Eligible Capital Securities into ECS and/or New Shares (Exchange) and effects:	<p>With the exchange of each Eligible Capital Security, of nominal value of €1,000, the Bank considers that it has fully replaced it with one (1) ECS of nominal value of €1,000 and/or ten thousand (10.000) of New Shares (Exchange) of the Bank of nominal value of €0.10 and a price of €0.10 each, without paying any additional amount.</p> <p>The exchange of Eligible Capital Securities (a) with New Shares (Exchange) involves an equal increase of the issued share capital of the Bank, (b) with ECS implies an equal increase in the Bank's loan capital.</p>
Ranking of New Shares (Exchange):	<p>The New Shares (Exchange) resulting from the replacement of Eligible Capital Securities with shares will rank <i>pari passu</i>, from all views, with the issued fully paid shares of the Bank as at the date of exchange with shares and will participate in any payment of dividend with record date following the date of issue and allocation of New Shares (Exchange). The New Shares (Exchange) will not be eligible to participate in dividends paid and bear a record date prior to the aforementioned allocation date.</p>
Purpose of the voluntary exchange:	<p>The funds to be raised from the replacement of Eligible Capital Securities with ECS and/or New Shares (Exchange) are designated for the strengthening of the Group's capital adequacy and in particular the strengthening (a) of Core Tier 1 and (b) of Total Tier 1 of the Group.</p>
Listing and Trading:	<p>The ECS will be listed and traded on the Cyprus Stock Exchange subject to the prior approvals of the relevant competent authorities.</p> <p>The New Shares (Exchange) will be listed and traded on the Cyprus Stock Exchange and the Athens Stock Exchange subject to the prior approvals of the relevant competent authorities.</p>

Based on article 11(11) of the Decree, the payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the Bank obtains the prior approval of the Central Bank and has consulted with the European Commission; a prohibition from which capital funds complying with the requirements of the Central Bank are exempt. It is noted that the Central Bank has granted its approval on the ECS terms and by extension the ECS are excluded from the aforementioned prohibition of the Decree. Nevertheless, the necessary conditions for the payment of interest, as provided by the terms of issue, must be abided.

The decision regarding a potential investment in Enhanced Capital Securities and/or New Shares (Exchange) of the Bank is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

1.19.2 Indicative Timetable for the Exchange Offer

DATES	EVENTS
16 May 2012	Date of the Board of Directors' decision regarding the offer and exchange of capital securities.
22 May 2012	Date of approval for the publication of this Prospectus by the Cyprus Securities and Exchange Committee.
25 May 2012	Last cum date of the Bank's Eligible Capital Securities on the CSE, including the right to participate in the exchange.
28 May 2012	Ex-right date.
30 May 2012	Registration/Record Date Exchange for Eligible Capital Securities holders.
7 June 2012	Dispatch date of Informative Letters (ECS) to beneficiaries.
15 June 2012	Commencement of application submission period for participation in the exchange of Eligible Capital Securities with ECS and/or New Shares (Exchange).
29 June 2012	End of application submission period.
30 June 2012	Date of issue of the New Shares (ECS) and of the Enhanced Capital Securities.

The Bank will file all relevant applications relating to the listing of the New Shares (Exchange) and the ECS with both the CSE and the ATHEX within eight (8) Business Days as of the last day of application submission period.

Allotment letters for the New Shares (Exchange) and for the ECS will be dispatched until 11 July 2012.

The date of the introduction for trading of the Enhanced Capital Securities will be announced to the CSE and through the Cypriot press.

It is noted that the participation right in the voluntary exchange shall be considered void if the Eligible Capital Securities are sold.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and/or through the press, and/or through the issue of a supplementary prospectus, if deemed necessary, under any applicable law. In the case of a supplementary prospectus issue, the approval of the Cyprus Securities and Exchange Commission will be needed.

1.19.3 Main terms of Perpetual Enhanced Capital Securities

Securities offered	Non-cumulative perpetual enhanced capital securities ("Enhanced Capital Securities" – "ECS").
Trustee	By a Trust Deed dated 22 May 2012, the Bank appointed Themis Nominees Limited, 16 Kyriakos Matsis Avenue, Eagle House, 10 th floor, Ayioi Omologites, 1082 Nicosia, as Trustee of the ECS under issue. The Trustee is responsible for the safeguarding of the rights of the ECS holders and the Interest Beneficiaries. The provisions of the Trust Deed are binding for every person who will purchase ECS.
Issue price / Nominal value	At par / €1,000 per ECS and multiples thereof.
Use of proceeds	The enhancement of the Bank's capital base, by the replacement of existing Capital Securities in issue with Tier 1 Capital, compatible with the requirements and rules of original own funds as defined in the announcement of EBA dated 8th December 2011 and as they will be implemented on the basis of the proposed Capital Requirements Directive IV ("CRD IV") and Capital Requirements Regulation (Regulation on prudential requirements for credit institutions and investment firms – "CRR") of the European Union, as will be implemented and will be put into force.
Offer	<p>Offer to holders of capital securities of the Bank issued in (i) 2008 (CPBCS), (ii) 2009 (CPBCB), and (iii) 2010 (CPBCC) ("Eligible Capital Securities") to voluntarily exchange with the securities offered.</p> <p>This public offer for voluntary exchange is conducted exclusively in Cyprus, Greece and the United Kingdom and it is addressed only to persons who can legally accept it. This public offer for voluntary exchange is not addressed in any way or form (in writing or otherwise), directly or indirectly, within or to the United States, Canada, Australia, South Africa, Japan or to any other exempt country ("Exempt Countries").</p> <p>The Board of Directors reserves the right to defer or cancel the issue, if such an action is deemed necessary, by issuing a notice or by issuing a supplementary prospectus.</p>
Ratio and size of issue	<ul style="list-style-type: none"> One (1) ECS of nominal value of €1,000 for every one (1) capital security 2008 (CPBCS), 2009 (CPBCB), and 2010 (CPBCC) of the Bank of the same nominal value. Total issue amount of up to €737,753,000 (up to 737,753 ECS of nominal value €1,000 each). <p>This offer for voluntary exchange relates to the exchange of Eligible Securities of nominal value €1,000 each, for ECS of equal nominal value and it is addressed to all holders of Eligible Securities who will be registered in the Central Depository/Registry of the CSE on 30 May, 2012 (Record Date ECS). The right of participation in the voluntary exchange may be varied by transactions in Eligible Securities that may be carried out until 22 June 2012. Any Eligible Securities that will not be exchanged for Enhanced Capital Securities will continue to carry the existing rights in accordance with the relevant issue terms.</p>
Duration	Perpetual, without maturity.
Interest rate and interest payment	<ul style="list-style-type: none"> The ECS will bear an annual fixed interest rate of 8.75%. The interest will be calculated based on a 360-day year and will be paid quarterly, after the deduction of the relevant contributions and/or taxes according to the applicable laws.

	<ul style="list-style-type: none"> • The interest will be paid only out of distributable reserves. • ECS will cease to accrue interest (i) in the case of redemption from the redemption date or (b) in the case of Mandatory Conversion, from the previous relevant Interest Payment Date. • In case of Interest Payment Cancellation, no payment will be made in relation to the Cancelled Interest Payment.
Call Option	<p>The Bank may, at its discretion and on its own initiative, elect to redeem all, but not part, of the ECS, at their principal amount together with accrued interest, on the first Interest Payment Date following the fifth anniversary of their issue or on any other Interest Payment Date thereafter, subject to the prior approval of the Central Bank of Cyprus and provided that:</p> <ul style="list-style-type: none"> • the ECS will be replaced by Tier 1 Capital of equal or better quality or, • The Bank has demonstrated to the satisfaction of the Central Bank of Cyprus that its own funds would, following the call, exceed by a margin that the CBC considers to be significant and appropriate: <ul style="list-style-type: none"> ○ A Core Tier 1 Ratio of at least 9% by reference to the EBA Recommendation EBA/REC/2011/1 published on 8 December 2011 or ○ In case the Recommendation of EBA referred to point (i) above has been repealed or cancelled, the minimum capital requirements in accordance with the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the Directive CRD IV and/or in accordance with the final provisions of Regulation CRR on prudential requirements for credit institutions and investment firms as it will be adopted in the European Union (when they enter into force). <p>ECS that will be redeemed by the Bank will be cancelled and the Bank will cease to have any obligations regarding the cancelled ECS.</p>
Subordination	<p>The perpetual ECS constitute direct, unsecured and subordinated securities of the Bank and rank pari passu without any preference among themselves. They are fully issued and paid in.</p> <p>The rights and claims of the holders of Enhanced Capital Securities:</p> <ul style="list-style-type: none"> (i) rank pari passu with the rights and claims of other existing or future issues of the Bank qualifying as Tier 1 Capital or meet the criteria for inclusion in the Tier 1 Capital or are expressed as ranking pari passu with the ECS, including, but not limited, to capital securities that have already been issued by the Bank and which will be included as part of Tier 1 Capital according to the transitional provisions of the Directive CRD IV and the Regulation CRR. (ii) are subordinated to the rights and claims of the Creditors of the Bank who are: <ul style="list-style-type: none"> – depositors or other unsubordinated creditors of the Bank – subordinated creditors, except those creditors whose claims rank pari passu with the claims of the holders of the ECS – holders of subordinated Bonds of the Bank (iii) have priority over the ordinary shareholders of the Bank. <p>The amount ECS holders may claim in the event of a winding – up or administration of the Bank is an amount equal to the principal amount plus accrued interest but no amount of Cancelled Interest Payments will be payable.</p>

	<p>Cancellation of any payment relevant to ECS does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p> <p>In the event of conversion of ECS into Shares, the holders of ECS will be shareholders of the Bank and their claims will rank pari passu with the rights and claims of the Bank's ordinary shareholders.</p>
Optional Interest Payment Cancellation	<p>The Bank may, prior to any Interest Payment Date, at its sole discretion and at all times elect to cancel an Interest Payment on a non cumulative basis.</p> <p>Any Cancelled Interest Payment is no longer due and payable by the Bank. Interest Payment Cancellation does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p>
Mandatory Interest Payment Cancellation	<p>Upon breach of applicable minimum solvency requirements as defined by the Central Bank of Cyprus or/ and the Companies Law Cap. 113, or in the case of insufficient Distributable Reserves (as defined below), and prior to any Interest Payment Date, the Bank will be required to cancel Interest Payments on the ECS.</p> <p>The Bank may, prior to any Interest Payment Date, at its sole discretion and at all times elect to cancel an Interest Payment on a non cumulative basis.</p> <p>Additionally, the Central Bank of Cyprus, in its sole discretion, may require the bank to cancel Interest Payments.</p> <p>Any Cancelled Interest Payment is no longer due and payable by the Bank. Interest Payment Cancellation does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p>
Mandatory Conversion of ECS into ordinary shares of the Bank	<p>If a Contingency Event or Viability Event (described below) occurs, the ECS shall be mandatorily converted in full into ordinary shares at the Mandatory Conversion Price (defined below).</p> <p>Contingency Event means that the Bank has established and has given notice that either:</p> <ul style="list-style-type: none"> (i) Its "Core Tier I Ratio" is below 7% by reference to the European Banking Authority (EBA) recommendation EBA/REC/2011/1. Core Tier I is as per the definition used in the EBA's 2011 EU-wide stress test. The definition excludes all private hybrid instruments which encompass all the ECS to be issued under this term sheet; or (ii) on or after 1 January 2013, its "Common Equity Tier I Capital Ratio," in accordance with the final provisions of the Regulation on prudential requirements for credit institutions and investment firms (CRR) to be adopted by the European Union and taking into account the transitional arrangements, is below 5.125%; <p>The Common Equity Tier I Capital Ratio Contingency Event is applicable as of 1 January 2013. In addition, the Core Tier I Ratio Contingency Event remains applicable after 1 January 2013 as long as the EBA Recommendation EBA/REC/2011/1 has not been repealed or cancelled.</p> <p>Viability Event: occurs if:</p> <ul style="list-style-type: none"> ▪ a decision that a conversion of the ECS is required, without which the Bank may become non-viable as the term non-viable is determined by the Central Bank of Cyprus and/or ▪ the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable as the term non-viable is determined by the Central Bank of Cyprus. <p>Mandatory Conversion Price: The Mandatory Conversion price will be calculated as 90% of</p>

	<p>the weighted average price of the Bank's share, for a period of 20 Business Days prior to the Contingency Event or Viability Event notice. The minimum Mandatory Conversion Price is the nominal value per ordinary share at the date of conversion (currently €0.10). The conversion ratio will be determined by dividing the principal amount of the relevant ECS by the Conversion Price at the time of conversion.</p> <p>The Bank will undertake all necessary measures to ensure that before the issue of ECS it has sufficient authorised share capital in the case all ECS are mandatorily converted into Shares.</p> <p>Any new ordinary shares, resulting from the conversion of ECS, will rank pari passu with the already issued and fully paid ordinary shares of the Bank and will have the same rights.</p>
Additional Issues	<p>The Bank reserves the right to proceed, without the consent of the holders of Enhanced Capital Securities, with issuing additional perpetual capital securities that rank pari passu in all respects with Enhanced Capital Securities and the existing capital securities of the Bank. The additional capital securities can constitute an extension of the ECS issue so as to be considered as a single issue. Any such additional issue will be covered by the relevant addition in the Trust Deed which will govern the ECS issue. The Bank has the right, without the consent of the ECS holders, to proceed with the issue of any other capital securities or bonds or other securities with terms as to the subordination, interest, premium/ discount, or redemption/ repayment or any other manner, as the Bank may deem appropriate. It is noted that any additional issue will be effected on the basis of the regulations and procedures in effect which may include, if deemed necessary, the publication of a prospectus.</p>
Statutory / regulatory changes	<p>If, in the opinion of the Bank, any variation or proposed variation in the legislation or relevant regulations applicable in the Republic of Cyprus, including tax laws and regulations, leads to adverse financial consequences for the Bank in respect of the issue of Enhanced Capital Securities or the Enhanced Capital Securities do not qualify, after the 1st of January 2013, as additional Tier 1 capital in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union, the Bank may, at any time, subject to the prior approval of the Central Bank of Cyprus (and without any requirement for the consent or the approval of the ECS holders), but after giving notice to the Trustee and the ECS holders, proceed to the following:</p> <ul style="list-style-type: none"> (i) redeem in cash all of the ECS at their nominal value together with any accrued interest outstanding, or (ii) exchange the ECS with an issue of new Tier 1 securities of equal or better quality, or (iii) vary the terms of these ECS so that they continue to be considered as Tier 1 Capital in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union. <p>Any change in the terms as described in (ii) and (iii) above should not lead to terms materially less favourable to the investors except where these changes are required by reference to the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the CRD IV and the final provisions of the CRR (when they enter into force) and/or in accordance with the legislation in force.</p>
Set-off	<p>Subject to applicable law, no ECS holder may exercise, or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the ECS and each ECS holder shall, by virtue of his holding of any ECS, be deemed to have waived all such rights of</p>

	setoff.
Listing	The Bank proceeds with actions for the listing of the ECS with the Cyprus Stock Exchange.
Applicable Legislation	The laws and regulations of the Republic of Cyprus
Court jurisdiction	The courts of the Republic of Cyprus

Based on article 11(11) of the Decree, the payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the Bank obtains the prior approval of the Central Bank and has consulted with the European Commission; a prohibition from which capital funds complying with the requirements of the Central Bank are exempt. It is noted that the Central Bank has granted its approval on the ECS terms and by extension the ECS are excluded from the aforementioned prohibition of the Decree. Nevertheless, the necessary conditions for the payment of interest, as provided by the terms of issue, must be abided.

The decision regarding a potential investment in Enhanced Capital Securities of the Bank is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

1.20 Taxation

Details regarding the taxation status of the investors, as well as for the taxation status of the Bank, are listed in Section 9.5 of this Prospectus.

1.21 Reasons for the offers

Funds that will be raised through the Rights issue as well as through the replacement of older capital securities issues of the Bank issued (i) 2008 (CPBCS/ΛAIKA), (ii) 2009 (CPBCB/ΛAIKΘ) and (iii) 2010 (CPBCC/ΛAIKΛ) with Enhanced Capital Securities and/or New Shares (Exchange) will be destined to enhance the Group's capital adequacy and specifically to enhance the Group's (a) Core Tier 1 capital and (b) Total Tier 1 capital.

It is noted that, with regard to the Eligible Securities, due to non-compliance of their terms of issue with the current regulatory framework of the Central Bank of Cyprus, a percentage of 10% will be removed annually from the value that can be recognised in the regulatory capital, starting from 2012 ('phasing-out'). The amount of the Eligible Securities may not exceed 35% of Total Tier 1 capital.

Additionally, with regard to the ECS, it is noted that (a) they are eligible, under the proposed regulations of CRD IV and CRR as well as Subscription under the relevant provisions of the Central Bank of Cyprus, to be included as part of Tier 1 capital in the form of Additional Tier 1 capital (b) it is expected that they will be acceptable by EBA for inclusion in the capital buffer. Furthermore, Additional Tier 1 capital in the form of enhanced capital securities may not exceed 50% of Total Tier 1 capital.

Following completion of the capital exercise conducted by the EBA, in close cooperation with the Central Bank of Cyprus, the exercise has determined that the additional capital shortfall for the Bank is estimated to be €1,971 million. Assuming a full exercise of the Rights and a satisfactory acceptance rate for the replacement of the Eligible Securities, it is expected that the Bank will adhere to the 9% Core Tier 1 ratio, as required by the European Banking Authority.

It is noted that the supervisory authorities in Cyprus have substantially increased the minimum capital adequacy ratios

required to 8% for Core Tier 1 ratio, 9.5% for total Tier 1 ratio and 11.5% for total capital ratio. Additionally an increment has been set for the gradual increase of the minimum level of the new ratio which is calculated based on the ratio of the Bank's assets to the Republic of Cyprus' gross domestic product. This increment has been set at zero until 30 December 2012 while there is a transitional period up to 2014. It is expected that the Bank, by implementing the measures referred to in Section 4.7, will be in a position to comply with the capital adequacy ratios in due time.

1.22 Net Proceeds of the Issue

The total cost of the Issues, including professional fees which will be paid to the Lead Managers, auditors, legal advisors and issuance consultants, fees to the competent supervisory authorities, printing and distribution expenses of the Prospectus, and advertising expenses is estimated at approximately €38 million (including the underwriting fees of the Republic of Cyprus, estimated at approximately €36 million).

In the event all the Enhanced Capital Securities are issued and exercised, about €1,799 million will be raised and the net proceeds of the issue following deduction of the issue expenses is anticipated to reach €1,761 million. The exact amount will be determined by the final rate of exercise. The maximum amount of new funds arising from the voluntary exchange of up to 737,753 Eligible Capital Securities with ECS is €737,753,000.

Additionally, taking into account the current Rights issue of €1,799 million and the voluntary exchange of up to 737,753 Eligible Capital Securities with ECS of €737,753,000 and/or up to 3,688,765,000 New Shares (Exchange) of €368,876,500, the indicative (pro-forma) ratios for Core Tier 1 and Total Tier 1 as at 31 December 2011 would have been, based on the Central Bank of Cyprus and EBA's requirements, 7.5% and 9.0% respectively and based on the assumption that all Rights offered to the Bank's shareholders, are exercised by their holders as well as that Eligible Capital Securities of €737,753,000 million are exchanged into 50% ECS and 50% into New Shares (Exchange). The calculations above include a profit of €120 million arising from the exchange of Tier II capital for which the process started on 14 May 2012 and is expected to end on 28 May 2012. The amount of €120 million is based on the capital plan's calculations that was submitted to the Central Bank of Cyprus and agreed with the supervisory authorities.

1.23 Requirement for exchange applications to be processed

Voluntary exchange applications for ECS can be accepted only in case that, at the completion of both Rights issue and the voluntary exchange of Eligible Capital Securities with New Shares (Exchange), the Bank's Core Tier 1 Ratio, as defined by the Central Bank of Cyprus, will be at least equal to 7%.

1.24 Risk Factors

Any investment in the Enhanced Capital Securities and/or in the Bank's Rights and its ordinary shares entails a series of risks, related among others, to the business areas that the Bank operates, its business activities, other political, financial and regulatory factors, as well as risks related to the Enhanced Capital Securities and/or the Bank's Rights and its shares. Risk factors are described in Section 2 of the present Prospectus and investors are advised to seriously consider the aforementioned factors in relation to the rest of the information provided at the present Prospectus before they make any investment decisions.

The risks listed in the relevant section are the following:

- Risks associated with the business of the Group
- Risks associated with the financial instruments of the Issues
 - Risks associated with the Rights and the New Shares arising from the exercise of the Rights
 - Risks associated with the issuance and allotment of shares to investors selected by the Board of the Bank

- Risks associated with the voluntary offer to exchange Capital Securities of issues 2008 (CPBCS/ΛAIKA), 2009 (CPBCB/ΛAIKΘ) and 2010 (CPBCC/ΛAIKΛ) (“Eligible Securities”) with Enhanced Capital Securities and Risks associated with the Enhanced Capital Securities
- Risks associated with the Voluntary Offer to Exchange Capital Securities issues 2008 (CPBCS/ΛAIKA), 2009 (CPBCB/ΛAIKΘ) and 2010 (CPBCC/ΛAIKΛ) (Eligible Capital Securities) with New Shares (Exchange)
- Risks associated with the shares of the Bank

Should any of the events described in Section 2 take place, the Group, its financial position or its operating results may be influenced in an adverse and material way. Additionally, the risks and uncertainties described in Section 2 may not be the only ones that the Group may face. Additional risks and uncertainties, which are currently not known or are considered to be immaterial, may adversely affect the Group’s business activities.

1.25 Incorporations by Reference

The audited consolidated financial statements of the Group for the years 2009, 2010 and 2011, are incorporated in this Prospectus by reference, pursuant to Article 28 of the Commission Regulation (EC) No 809/2004.

Incorporations by Reference	Document	Page
Independent Auditor’s Report for the period ended 31.12.2009	Annual Report 2009	7-8
Financial Statements for the period ended 31.12.2009	Annual Report 2009	9-140
Independent Auditor’s Report for the period ended 31.12.2010	Annual Report 2010	17-18
Financial Statements for the period ended 31.12.2010	Annual Report 2010	19-126
Independent Auditor’s Report for the period ended 31.12.2011	Annual Report 2011	18-19
Financial Statements for the period ended 31.12.2011	Annual Report 2011	20-136
Main issue terms of Capital Securities 2008 (CPBCS)	Prospectus Dated 6 June 2008	139-161
Main issue terms of Capital Securities 2009 (CPBCB)	Prospectus Dated 3 July 2009	160-180
Main issue terms of Capital Securities 2010 (CPBCC)	Prospectus Dated 28 May 2010	124-152
Content of the resolutions of the Extraordinary General Meeting held on 2 April 2012	Information Memorandum Dated March 19, 2012	1-34

Investors may obtain free copies of the above documents, which are incorporated in this Prospectus by reference, during normal Business Days and hours, between 8:30 and 13:30, at the Bank’s registered office, during the time that the Prospectus shall be valid as well as on the Group’s website (www.laiki.com).

The parts of the Prospectuses dated 6 June 2008, 3 July 2009 and 28 May 2010, which are not incorporated in this Prospectus, contain information that have been changed but is included updated in the present Prospectus.

1.26 Documents on Display

Copies of the following documents of the Bank may be inspected during Business Days, between 08:30 a.m. and 13:30, at the Bank’s registered office during the period that the Prospectus is valid:

- Memorandum and Articles of Association of the Bank
- Prospectus dated 22 May 2012
- Audited consolidated financial statements of the Group for 2009, 2010 and 2011
- Written consents and confirmations, as set out in Section 4.24.1
- Trust Deed
- Decree

It is noted that the Group's financial statements are also available on the Group's website (www.laiki.com).

2 RISK FACTORS

Investing in Rights, Shares and Enhanced Capital Securities of the Bank, entails risks for investors. Potential investors should carefully evaluate the risks listed below in connection with the other information included or for which reference is provided in this Prospectus and are encouraged to consult their financial, tax and legal advisers before making any investment decision with respect to Rights, Shares and Enhanced Capital Securities. If one or more of the risks below materialise, the Group, its financial condition and/or its financial results may be adversely affected. As a result the value of the above financial instruments may be negatively affected causing losses with respect to part or the total investment in such instruments. It is also noted that the risks below may not constitute the entire set of risks affecting the Group. Additional risks and uncertainties that are not known or not considered important at this stage may adversely affect the Group's activities, financial condition and financial results.

2.1 Risks associated with the business of the Group

As an organization operating in many countries, in continuously changing and competitive environment, the Group recognizes its exposure to risks that may adversely affect its results and strategic objectives.

These risks include, among others, credit risk, market risk, liquidity risk, capital adequacy risk, operational risk, legal risk, tax risk and other risks listed below, as well as risks associated with economic, political, social and legal environment.

The recessionary pressures stemming from the prevailing economic conditions in countries where the Group operates, in Europe and worldwide had and are expected to have an adverse impact on the Group's operations, on its operating results and its financial condition.

The Group's operations are significantly influenced by the prevailing economic conditions and particularly by the economic conditions of particular sectors in Cyprus and Greece, from which the Group derives the biggest part of its income.

The international economy and international financial environment is still undergoing a period of uncertainty and turmoil, with a particular concern over the major problems faced by a large number of international banks, investment banks, insurance and other investment organisations. These problems and the related disorganization affect significantly the levels of liquidity, fair values of financial assets, the availability of funds and the terms under which financing is offered. There is an ongoing concern that the current economic conditions will continue to exert pressure on the financial and banking system both internationally and in countries where the Group operates. These conditions have affected and are expected to continue to affect the revenues, profitability and financial position of the Group.

The economies of Greece and Cyprus, have deteriorated to a significant extent in 2011 being also affected the overall conditions in Europe. A more detailed review on the conditions in Cyprus and Greece is provided in the risk factors that follow.

In addition, economic growth is showing signs of slowing down on a global level being affected by the current economic conditions in Europe and the economic slowdown in developing countries. According to IMF report (World Economic Outlook April 2012) the expected annual increase in world GDP in 2012 was revised down by 0.5 of a percentage point to 3.5%, compared to the corresponding estimate as at September 2011 estimate. The eurozone's annual expected increase has been revised downward by 1.4 percentage points to -0.3%.

The general economic conditions and more particularly the deterioration of the economy in the countries where the Group operates have affected and will continue to affect some key economic indicators, including unemployment levels and trends,

increase in the levels of debt and public deficits, trends in property prices, trends in stock markets, bond markets and currency markets, and the liquidity in international financial markets. The deterioration of the economic indicators and levels listed above may result in: (i) lower levels of demand and supply of products and services offered by the Group, (ii) further impairment of the Group's assets but also reductions in the fair value of assets (including its loan portfolio), thus negatively affecting the results, own equity and prospects of the Group.

Specifically, the Group is facing and will continue to face various challenges associated with the worsening economic environment and related inter alia to:

- The Group's ability to evaluate the creditworthiness of its customers or to predict the level of non-performing loans should the standards and techniques used become less accurate in predicting the future behaviour of borrowers.
- The decrease in the demand for borrowing by creditworthy customers with good borrowing ability should economic activity decelerate further.
- The lower levels of lending interest rates and/ or higher deposit rates which may reduce the net income of the Group.
- The impact on consumer confidence and possible adverse changes which may result in the time and manner of payments which may lead in turn to increased impairments and provisions for non performing loans.
- The potential reduction of trade and capital flows which may occur as a consequence of the protective measures adopted in some markets causing an adverse impact on the Group's activities.

The uncertainty arising from the crisis in public finances and the prolonged and deep recession in Greece, has and is likely to continue to have an adverse impact on the business activity, the financial state and operating results of the Group.

An important part of the Group's activity takes place in Greece noting that for the year ended on 31 December 2011, 31% of the operating income of the Group came from operations in Greece. Furthermore, on 31 December 2011, 48% of total net Group loans after provisions related to loans in Greece (including net loans after provisions extended to the shipping industry which amounted to €1,377 million or 6% of the total loans of the Group).

Additionally, fixed income portfolio of the Group includes fixed income products issued by the Greek State. Further information about the exposure of the Group to Greece and the impact on its financial results is provided below:

Greek Government Bonds (GGBs): On 31.12.2011 the Group held GGBs of a total nominal value of € 3.071 million. On February 20, 2012 in the context of the approval of the new aid package to Greece by the Eurogroup and the implementation of the program involving the private sector initiative (PSI), the aggregate write-off on the nominal value of the GGB in the exchange was set at 53.5%. But taking into account the net present value of GGBs after the PSI, losses based upon the par value, ranged from 70 - 75%.

In the context of carrying out the provision for impairment of GGBs in the final results of 2011, as a consequence of the private participation program (PSI+), the aggregate write-off on GGBs represented 76.4% of the nominal value, including 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. As a result, the annual consolidated results carry a loss of €2,331 million for the Group's GGB portfolio

In any case, however, further losses resulting from future additional impairment of GGBs cannot be excluded. If losses on impairment of GGBs are greater than those recognized in the financial statements on 31 December 2011, the income statement will carry larger losses from impairments and as a result the Group's capital position will be adversely affected.

The table below shows, an analytical breakdown by portfolio, including the initial cost, impairment losses and the book value

after impairment as at 31 December 2011.

	Nominal value 31.12.2011 € millions	Book value before impairment 31.12.2011 € millions	Total impairment loss 31.12.2011 € millions	Book value after impairment 31.12.2011 € millions
Securities lending	2,579.97	2,656.01	1,985.23	670.78
Held to maturity	48.59	49.18	36.54	12.63
Available for sale ¹	422.95	424.78	290.78	134.00
Total	3,051.52	3,129.97	2,312.55¹	817.42

Source: Financial data processed by the Bank.

1. The total impairment of GGBs amounted to €2.331million and includes the amount of €18 million which represents all the unamortized debit reserve of assets available for sale which were reclassified as securities in the debt securities lending portfolio and transferred to the consolidated profit and loss account.

The methodology used to calculate the impairment loss, as stated above, depends on the classification of the bond. Briefly, the methodology followed for each portfolio is described as follows: (a) for GGBs classified in the category available for sale which are carried at fair value, the amount of loss transferred in the consolidated income statement is the difference between the original cost of acquisition and the fair value of the GGBs on 31 December 2011, and (b) for GGBs in the debt securities lending portfolio and financial assets held to maturity at amortized cost portfolios, the Group has calculated the impairment loss for each bond, as the difference between the book value on 31 December 2011 and the present value of the revised estimated future cash flows, adopting the method of de-recognition.

It is noted that in March 2012, as part of PSI +, the above GGBs were replaced with: (a) new securities issued by the Greek State, with a nominal value equal to 31.5% of GGBs which were exchanged, (b) one-year and two-year bonds issued by the EFSF in two equal series of €15 billion each, maturing in March 2013 and 2014 and with a nominal value equal to 15% of GGBs exchanged, (c) bonds connected with the course of Greek GDP, issued by the Greek Government, and short-term interest bearing treasury bills issued by the EFSF, in exchange for unpaid interest up until the 24th of February of the GGBs that were exchanged.

Loan portfolio: At 31.12.2011, the loan portfolio of the Group in Greece amounted to €13,129 million (including the above mentioned shipping loans in the shipping industry). Provisions for the year 2011 amounted to €972 million. Cumulative provisions reached €1,321 million and cover 51.7% of non-performing loans which amounted to €2,554 million at the same date.

It is noted that the above classification is based upon the country of booking of the loans and that the definition of non-performing loans follows the definition of the CBC. Indicatively, non-performing loans include loans with arrears of more than 90 days which are not fully covered by tangible securities.

The above projections have taken into account the results of a voluntary diagnostic evaluation of the Group's portfolios by two independent specialized and reputable companies with the purpose of ensuring a timely diagnosis and management of the risks of potential loan impairments.

Due to the continuing economic downturn in Greece, conditions in relation to the loan portfolio are expected to continue to be difficult and may lead to further increases in non-performing loans and provisions.

Impairment of goodwill for Greek activities: As a result of the continued adverse macroeconomic conditions prevailing in Greece, the Group has commissioned an independent specialist firm to review the impairment of goodwill which arose from the triple merger of Egnatia Bank, Marfin Bank and Cyprus Popular Bank in 2006. As a result, an impairment of €796 million was recorded in the fourth quarter of 2011. It is noted that the impairment of goodwill has no impact on regulatory capital, according to the regulations of the Central Bank of Cyprus.

As seen from the above data, the quality of assets, the financial condition and performance of the Group depends significantly on the macroeconomic and political conditions prevailing in Greece and the level of business activity in Greece.

Over the last years, the Greek economy faces a severe and prolonged recession and the Greek government is facing strong pressures with respect to public finances. From mid-2010, the side effects and the shocks observed on the foundations of the Greek economy due to the rapid deterioration of public finances have led to strong concerns regarding the propagation of the debt crisis to other eurozone countries. They also led to a negative assessment of the solvency of Greece by international rating agencies, starting a series of multiple downgrades in its credit standing and a sharp increase in yields on government bonds, thus illustrating the depth of the Greek public debt crisis.

According to recent data of the International Monetary Fund (World Economic Outlook April 2012), the rate of contraction of the Greek economy in 2011 amounted to -6.9% following a -3.5% contraction in 2010 and -3.3% in 2009. For 2012 the rate of contraction of the Greek economy is expected to be around -4.7%, according to interim projections of the European Commission in February 2012. In the labour market, the unemployment rate rose to 20.1% in the fourth quarter of 2011 according to the Greek Statistical Service. The fiscal deficit of the general government fell to 10.6% of GDP in 2010 and further to 9.2% of GDP in 2011 according to preliminary estimates. The consolidated general government debt of 142.8% of GDP in 2010 is expected to exceed 168% of GDP in 2011. The deficit of the current account fell from 10% of GDP in 2010 to 9.7% of GDP in 2011 according to data of the International Monetary Fund (World Economic Outlook April 2012).

The circumstances related to the Greek government's finances have greatly affected the liquidity and profitability of the Greek banking system, in an environment of intense pressure and widely spread anxiety, and have led to:

- a significant reduction in the market value of the GGBs and difficulty in accessing money markets,
- a negative impact on the banks' balance sheets from the effects of the impact of impairment of the GGBs,
- limitations in the liquidity of the Greek banking system resulting in a significant increase in funding from the European Central Bank (ECB) which exceeded €100 billion., in addition and government measures to enhance liquidity and capital in the national banking system. It is noted that from the end of 2009, Greek banks have lost more than 30% of their deposit base,
- increasing competition among Greek banks and foreign banks operating in the Greek market, mainly with respect to attracting, resulting in higher deposit cost with a resulting increase in lending interest rates and a decrease in net interest margin,
- limited availability of credit to customers,
- reduction in the value of property, equity and bond securities and other assets held as collateral and
- increase of non-performing loans.

As a result of the above, the Greek banking system has been and is still subjected to strong pressures on profitability, liquidity and capital adequacy. It is noted that at the beginning of May 2010, the Greek Government has agreed a Memorandum of Understanding and a Memorandum of Economic and Financial Policy (Memorandum) with the IMF, the

European Central Bank (ECB) and the Members of the eurozone, according to which the Greek Government has committed to implementing strict cuts on public spending and a concomitant increase in revenues with specific targets for reducing the deficit and debt. The Memorandum also contains provisions for structural measures and guidelines for the policies to be followed by the government to bolster the country's competitiveness and improve growth rates in the medium term.

The implementation of restrictive measures in combination with other factors such as the difficult international economic environment, the fall in prices of government bonds, the deterioration of the balance sheets of banks, the restricted financing capacity of the economy, the slow adjustment of real wages and competitiveness of the economy resulting in growing unemployment rates, the delay in adopting certain fiscal measures, the inefficient collection of tax revenues, the reduced confidence in the economy, the reduction in investment, as well as the overall political and social unrest led to further deterioration of the economy and did not allow the successful implementation of measures.

At the European Summit on 21 July 2011, the European Council and the IMF decided to support a new program for Greece for the reduction of the financial deficit which included the voluntary contribution of the private sector holding GGBs.

In addition, on 26 October 2011, due to the significant further deterioration in economic conditions in Greece and the fact that Greece had not achieved its expected financial targets, the Heads of State/ Governments of the Eurozone issued a statement urging Greece, private investors, and all interested parties, towards the voluntary exchange of GGBs with a discount of 50% of their nominal value. At the same time, they pointed out that the euro area member states would contribute up to €30 billion to the private investors participation plan, while the EU and the IMF were willing to provide additional funding up to €100 billion by 2014 as well as increased funds to support the quality of guarantees, to allow continued access to the European funding system for Greek banks.

The transitional coalition government in Greece, established in early November 2011 under the leadership of the former Vice President of the European Central Bank, was asked to implement consistently the agreement of 26 October 2011 and to initiate the measures resulting from it. It is noted in particular that the transitional government will remain in place for a limited period, and among others was asked to:

1. Implement the decisions of the European Summit of 26 October 2011.
2. Ensure that Greece will receive the instalments of the support package.
3. Handle the exchange of Greek bonds as agreed on 26 October 2011.

The provision of additional funding from Member States of the eurozone is accompanied by a new Memorandum, which includes inter alia commitments by Greece for further cuts in pensions and benefits, as well as interventions in the labour market and the public sector.

The aim of the above plan is, as before, the gradual improvement of public finances in Greece and the reduction of public debt to levels of approximately 120% by 2020. In addition to existing measures (some of which are still pending and relate for example to the reduction of wages and staff in the public sector), the main complementary measures included in the new Memorandum, with the aim of putting economic growth back on a positive track and reduce public debt are as follows:

- for 2012 additional measures totalling 1.5% of GDP are required, which include (a) 27% reduction in pharmaceutical costs (0.5% of GDP), (b) 2.5% reduction in pensions (0.2% of GDP) (c) reduction in defence spending (0.2% of GDP), and (d) other reductions in operating and investment costs and subsidies (0.6% of GDP)
- for the period 2013-2014 the adjustment will reach 5.5% of GDP to achieve the budgetary target for primary surplus of 4.5% of GDP in 2014. Measures of €11.6 billion are expected to be finalized with the election of the new government in

June 2012, and include among others cuts in the public sector, reductions in public expenditure and privatization of public companies.

The implementation of PSI+ was made possible in March 2012. With the completion of the response of the private creditors to the tender published by the Greek Republic on 24 February 2012 for private sector participation in the plan for the long-term sustainability of the Greek public debt, private voluntary participation in the PSI + reached 85.8% for GGBs governed by Greek law (€152 billion out of a total of €177 billion). For GGBs issued under foreign law and the debentures of state companies voluntary participation reached €19.3 billion out of a total of €27.2 billion. It is noted that, following the last extension granted to holders of GGBs which are subject to international law, as well as holders for debenture loans of public companies guaranteed by the Greek government, the final participation rate in the PSI exchange program, with the activation of collective action clauses (CACs) for GGBs subject to Greek law, amounted, for all GGBs, to €199 billion from a total of €206 billion, i.e. a proportion of 96.9%.

According to the Greek Ministry of Finance, as a result of the implementation of the above process, the total Greek government debt is estimated to have fallen by approximately €110 billion, in nominal terms. Part of this reduction which amounts to about €40 billion relates to bonds held by Greek banks, whose losses are expected to be covered in the process of recapitalization of Greek banks, for which €50 billion has been earmarked for funding by the European Financial Stability Fund (EFSF). Apart from the significant reduction of public debt (by about 50 percentage points of GDP, which amounted to about €218 billion in 31.12.2011 according to the IMF), with the implementation of PSI +, Greece has managed to significantly extend the maturity of new bonds up to 2042, while achieving much longer average tenor of debt at a lower average servicing cost.

The completion of the PSI+ is expected to contribute positively to the effort for restoring the Greek economy. It is noted that with the implementation of PSI+ the yield on the ten-year bonds fell considerably, remaining though at much higher levels than the pre-crisis levels, and is still the highest in the EU. At the date of this Prospectus, the Fitch and S&P rating agencies had revised their assessment of Greece to CCC (without horizon and with a stable horizon respectively). The evaluation of Moody's remains at C, with "no horizon". It is noted that the implementation of the PSI was considered by the rating agencies as a form of default.

Despite the implementation of the PSI+ which has opened the way for the implementation of the remaining support programs, significant risks remain. Any risks affecting Greek's economic stability and its ability of Greece to honour its international obligations in the timeframes set, separately or in combination with other negative developments (such as the deterioration of international economic conditions or economic conditions in eurozone or further downgrades), could have an impact, inter alia, on the financial performance and operating results of the Group and on the Group's prospects in the Greek market.

It is noted that even if the new commitments of Greece are met, there is an uncertainty as to the degree of implementation of the desired objectives and the final outcome of these. In particular, Greece is required, through the implementation of the above measures, to deal with complex issues relating to of the efficiency and simplification of its legislative and regulatory framework, the improvement of the efficiency and transparency in the public and private sectors, the restructuring of the labour market and the rebuilding of confidence in the country, with the objective of attracting new investments, which will act as a lever for economic growth with the ultimate objective of gradually reducing debt. Given that public debt rates remain relatively high, the margins for deviation from the stated objectives are narrow. In this case it is likely that non-compliance with fiscal targets may lead to further sanctions in the form of new fiscal measures that could prolong the recession. There

is also the risk of non-disbursement of future instalments of the loan, if Greece does not honour its commitments in the timeframes set. In such a case, the market reaction will be negative, with further deterioration in the general business climate, economic indicators, the value of GGBs, and consequently with an adverse impact on the business activities and future results and prospects of the Group.

It should also be noted that following the results of parliamentary elections on 6 May 2012 in Greece political uncertainty in the country has increased. Specifically, the two traditionally largest political parties have lost a significant number of seats in parliament while other parties, including recently established ones, have won a significant number of seats. Included in these parties are parties which are against the commitments of Greece in the Memorandum, thus contributing to the uncertainty about the fulfilment of Greece's commitments and the future disbursement of loan instalments. At the date of this Prospectus efforts for forming a new government were not successful, with the result that the country will go to new elections on 17 June, intensifying the current state of uncertainty.

Furthermore, any further significant deterioration in global economic conditions, including the credit characteristics of other Member States of the European Union or the creditworthiness of Greek or international banks, or the transformation of the eurozone with the exit of any particular country, or break-up of the euro zone, may raise further concerns about the Greek government's ability to meet its funding needs and have adverse effects on the economy, the results and financial position of the Group.

Independently of the above, further deterioration in economic conditions may be accompanied by other risks such as the implementation of new, more stringent and difficult measures to remedy public finances, but also increased political and social instability, without excluding the possibility of a new impairment of Greek debt or of a future uncontrolled bankruptcy, with negative consequences for the ability of the country to remain in the eurozone.

If the current negative economic trends in Greece continue or worsen, this may adversely affect the operations, financial position and operating results of the Group and the Group's prospects in the Greek market.

The slowdown and deterioration of financial indicators of the Cypriot economy has and is likely to continue to have an adverse impact on the business activities, financial conditions and operating results of the Group.

An important part of the Group's activity takes place in Cyprus, as for the year ended 31 December 2011, 52% of operating income resulted from the Group's activities in Cyprus. Furthermore, on 31 December 2011, 43% of total Group loans after provisions related to Cyprus (including loans in the shipping industry amounting to €542 million). Additionally, the Group retains a portfolio of Cypriot government bonds. On 31 December 2011 the nominal value of such bonds amounted to approximately €368 million and the book value amounted to €337 million.

On 31.12.2011, the loan portfolio of the Group in Cyprus stood at €11,089 million (including the abovementioned loans in the shipping industry). Provisions for the full year 2011 amounted to €151 million. Cumulative provisions reached €436 million and cover 48.6% of non-performing loans, which amounted to €898 million at the same date.

It is noted that the above break down is based on the country of booking of the loans and the definition of non-performing loans follows the definition of the CBC. Indicatively, this includes loans with arrears of more than 90 days, which are not fully covered by tangible securities.

The public finances of the Cyprus economy have worsened as they have been affected by economic conditions in Greece

and the euro area in general.

The growth rate of the Cyprus economy in 2011 amounted to 0.5% compared to 1.1% in 2010 and -1.9% in 2009, according to the Statistical Service of Cyprus, having been also affected by the damage in the Vasilico electricity generating plan. For 2012, the Cyprus economy is expected to shrink by -0.5%, according to February 2012¹ estimates by the European Commission. Public debt as a percentage of GDP has increased from 48% in 2008 to 71.6% in 2011, with an upward trend for 2012 (expected at 72.1% of GDP²), while the average unemployment rate in 2011 has reached 7.8%. The budget deficit stood at around 6.4% of GDP in 2011 and is expected to fall below 3% of GDP in 2012 according to the Ministry of Finance³. The current account deficit dropped from 9.9% of GDP in 2010 to 8.5% of GDP in 2011 and is expected to fall further to 6.2% of GDP in 2012⁴.

Some of the current challenges for the island's economy include:

- The large size of the public sector. The wage obligations for the public sector amount to approximately 15% of GDP.
- The future increase in the cost of meeting the obligations of the Social Insurance Fund is expected to place a further burden on public finances in future.
- The flexibility in the labour market is affected by some practices such as the application of automatic indexation applicable to the public and part of the private sector.
- The shrinking of the construction sector which had experienced significant growth in previous years supported by foreign demand and significant growth in domestic borrowing.
- Falling competitiveness of the tourism industry over the years.
- More stringent conditions for granting of local loans due to the high domestic interest rates and the reduced supply of loans by financial institutions.
- Fall in stock market values and real estate prices.

Moreover, the main financial institutions in Cyprus are relatively large compared to the GDP of Cyprus and are considered systemically important for the country, whose financial sector and the broader services sector are considered as the most important sectors of the economy. It is also noted that the Cyprus financial institutions have a considerable exposure to Greece.

Therefore, in case of instability and/ or need to support one or more financial institutions, the impact on the economy of Cyprus could be more important than it would in countries with larger economies. In particular, it is noted that the Cypriot banks have been and are being adversely affected both by their exposure to the Greek economy and to Greek government bonds. According to the EU wide stress test by the European Banking Authority (EBA) in July 2011, it was estimated that the Cypriot banking sector will need additional capital amounting to €3.6 billion (namely 20.2% of the GDP of Cyprus for 2011) in order to restore the core tier 1 rate to 9%.

More particularly, it is noted that after the decision by the Cyprus government for the Republic of Cyprus to act as underwriter for the Rights issue of the current Prospectus (as per the Decree dated 17 May 2012) for the amount of € 1.8 billion, the public debt is expected to increase proportionately to the value of shares that the Republic of Cyprus will

¹ *The International Monetary Fund (IMF) in its report World Economic Outlook, April 2012, forecasts GDP shrinking by 1.2% in 2012. According to recent data from Eurostat, in the first quarter of 2012 the economy shrank at an annual rate of 1.4%, with an estimated annual negative growth of 0.8%.*

² *According to the report of the IMF, World Economic Outlook, April 2012, public debt in 2011 is estimated at 71.8% of GDP and is expected to increase to 74.3% of GDP in 2012.*

³ *According to the report of the IMF, World Economic Outlook, April 2012, the budget deficit in 2012 will be around 3.7% of GDP.*

⁴ *Estimates of the Ministry of Finance of Cyprus.*

eventually acquire.

Mainly because of the above developments, credit rating agencies have carried out a series of credit ratings downgrades of the country, with the current ratings of Moody's, Fitch and S&P being Ba1, BBB-and BB + respectively, while placing the country under a negative horizon.

It is noted that in order to address the above economic challenges and in particular to improve the public finances, the Government adopted several measures in 2011, aiming to reduce the public deficit to 2.8% of GDP in 2012 and achieve a balanced budget in 2014. The measures include an increase in pension contributions of civil servants, a temporary wage freeze in the public sector through non-application of COLA indexation, an increase in the tax rate for interest and dividend income, an increase in VAT rates and a reduction of social benefits with the introduction of more stringent criteria.

In early May, the Cyprus Government pledged to the European Commission the introduction new measures amounting to € 300 m. in an effort to further reduce the deficit in 2013.

Another positive factor for the public finances and the economy in the medium and long-term is considered to be the discovery of significant quantities of hydrocarbons in the Exclusive Economic Zone of Cyprus in 2011. At the end of the application process as part of the second licensing round which ended on 11/5/12, the Government of Cyprus announced that there has been a substantial interest by international companies/ consortia for the majority of the plots.

However, market concerns about the credibility and prospects of the economy, the debt crisis in Greece and the interdependence between the Greek and Cypriot economies, resulted in a substantial rise of the yield of the ten-year Cyprus government bond, which increased significantly higher from the previous usual levels, exceeding the level of 10-12%. Coupled with the general economic uncertainty, this has led to the inability to obtain funding from international markets and the need to seek funding from sources outside the primary bond market, given that funding costs remain high. In this context, in January 2012 the Government secured a loan from the Russian Federation of €2.5 billion with a term of 4.5 years and with an interest rate of 4.5%.

A possible continuation of the current macroeconomic situation and lack of access to markets in order to meet future borrowing needs, may lead the Cypriot government to seek financial assistance from the EU and the IMF in order to cover its borrowing needs.

If the current negative economic trends in Cyprus continue or worsen, this may adversely affect the operations, financial position and operating results of the Group and the Group's prospects in the Cypriot market.

Country risk and risks associated with the Group's Activity outside Greece and Cyprus

The Group has significant international operations outside Cyprus and Greece, and is therefore exposed to adverse political, governmental or economic developments in these countries. Specifically, the Group runs the risk of losses due to potential political, economic and other developments in given countries, where capital or liquid funds of the Group have been placed or invested in various local banks and financial institutions, and through facilities provided to customers for their international activities.

Apart from its operations in Cyprus and Greece, the Group operates in Romania, Serbia, Ukraine, Malta, Russia and the United Kingdom. The international operations of the Group accounted for 9% of its total loans at December 31, 2011 and

17% of its total revenue for the year ended 31 December 2011. The international operations of the Group are exposed to the risk of adverse political, governmental and economic developments in the countries where the Group operates. It is noted that countries such as Ukraine, Romania and Serbia have been particularly affected by the economic crisis. A possible deterioration of the general economic situation in the above countries and particularly, a possible decrease in growth rates of their economies and banking sectors may have an impact on future activities and results of the Group. Moreover, some of these countries except Cyprus and Greece are classified as emerging markets, in which the Group faces potentially increased operational, regulatory and legislative risks as well as exposure to political, economic and monetary developments, including risks of devaluation, restrictions of capital flows etc.

Turbulence in the European markets and the impact of weakness of the eurozone countries for the refinancing of their government debt

The international banking system has not yet overcome the difficulties that began in August 2007 and worsened with the collapse of Lehman Brothers in September 2008. The European markets have recently experienced turbulence as a consequence of uncertainties about the ability of some countries in the eurozone to support the refinancing of debt, and many countries (Greece, Ireland, Portugal) have requested financial assistance from the European Union and the IMF. Financial markets have been negatively affected by ongoing concerns regarding the high levels of debt and wider budget deficits in many European countries, as well as by the possibility of non repayment of state loans. In general, the credit quality levels have decreased, as shown by the repeated downgrades that several eurozone and other countries have undergone, since the beginning of the government's debt crisis in early May 2010.

Low economic growth and the large public debt and budget deficits in European countries have raised concerns about the financial position of financial institutions in the euro area and their exposure in these countries.

The debt crisis prevailing in the euro area has also caused increasing political and economic upheaval and social tensions in several countries. As a result of the extended debt crisis, governments or members of government in various European countries, including Greece and Portugal have lost their public support which led to their resignations. Political consequences have also taken place recently in countries such as Holland and France.

Public opinion has become increasingly critical of the prevailing political and economic system. Initiatives aimed at addressing the crisis, including fiscal consolidation programs or support of other organizations in financial difficulties, enjoy continuously decreasing levels of public support.

As a result, financial markets have reacted to the debt crisis and the resulting political uncertainty by recording high volatility, while risk yields have widened significantly. These disruptions have contributed to the increasing volatility of the euro exchange rate against other major currencies, have affected the ability of banks in the eurozone to obtain and provide liquidity, have influenced the levels of stock market indices and have created uncertainty about the economic prospects of countries in the European Union.

Within this framework, the fiscal problems of Greece could spread further to other euro area countries (e.g. Spain, Italy), while the financial instability has also affected countries such as France, Japan, United Kingdom and the United States. The latter saw its credit rating downgraded from the highest rank in August 2011, while France suffered a similar downgrade in January 2012.

States, financial institutions and companies may not receive refinancing or obtain additional financing and could thus be led

to bankruptcy. Compensatory measures for public debt reduction as a percentage of GDP as well as budget deficits reduction can lead to negative economic growth for many years. There is a growing risk that other eurozone countries could face further increases in borrowing costs and would have to undergo a fiscal crisis similar to that of Greece, Italy, Spain and Portugal, as well as the risk of countries leaving the euro zone (either voluntarily or compulsorily) with incalculable consequences for the wider financial environment.

The economic and financial uncertainty created by such events can have a significant negative impact on property values and on business confidence and economic activity, and can lead part or all of Europe and other developed and developing countries not directly related to the member countries of Europe, to economic decline. If a country leaves the European Monetary Union, or if the eurozone breaks down or if the euro is abolished, national currencies in member states of the eurozone could be reintroduced. This would lead to the conversion of assets and liabilities of the Group denominated in euro, to national currencies of these countries, which may lead to non matching of liabilities and assets of the Group and expose the Group to additional risk due to currency devaluation. Abandonment of the euro by any eurozone country with simultaneous restoration of the national currency would result in substantial economic, political and procedural implications in the country, increasing credit risk, and significantly affecting the operation and financial condition of the Group to the extent that it is exposed to assets and liabilities in this country.

Additionally, any decision made by the ECB to suspend or revise the conditions for repurchase of government debt of European countries (including Greek and Cypriot government Bonds), as well as the failure of any initiatives implemented by the supranational institutions to resolve the debt crisis, could adversely affect the value of government bonds, resulting in significant negative effects in the operating results and financial position of the Group. Any of these developments, or the expectation that any of these developments may occur, could have a material adverse effect on economic growth of the countries affected, and could lead to a prolonged recession. The expectation that such risks could materialize in the future, would put at risk the stability of financial markets as well as the general economic and monetary system. This, in turn, may negatively affect the operations, financial position and operating results of the Group.

Any political instability or continued and/or deterioration of economic conditions in the relevant European countries or in Europe, or if economic conditions weaken further the ability of European or global markets to emerge from the recent debt crisis, the activities, financial position, operating results and prospects of the Group may be adversely affected. Please note that under recent economic assessments (such as as reported in the IMF report January 2012), the eurozone economy will fall into mild recession due to rising government debt yields, the impact of the deleveraging of the banking sector on the real economy as well as the austerity measures adopted.

It is noted that the European Union and the eurozone countries have taken a number of measures to deal with the crisis, which include:

- The establishment of a European Financial Stability Fund (EFSF) which can provide funding of €440 billion (of which relevant amounts have already been committed for Greece, Portugal and Ireland) by issuing bonds under the guarantees of the eurozone countries. This sum can be further enhanced by €60 billion through the European Financial Stabilization Mechanism and a further €250 billion by the IMF.
- The establishment of European Stabilisation Mechanism (ESM) with funding capacity €500 billion. The ESM is expected to be in place by July 2012. At the meeting of 30 March 2012 the Eurogroup agreed to extend the resources of the eurozone financial stability mechanisms to €700 billion.
- The amount of €200 billion relates to obligations towards stabilization programs in Greece, Ireland and Portugal, and will not be incorporated into the permanent support mechanism of ESM. In addition, the amount of €240 billion which

constitutes the current resources of the European Financial Stability Fund (EFSF) will remain available for a transitional period until mid 2013.

- The execution of open market operations with government bonds of European countries.
- The provision of liquidity to banks by conducting repo (repurchase agreements) against collateral from an extended range of financial instruments.
- The provision of emergency liquidity to financial institutions through the ELA mechanism with collateral the financial assets of banks.

In February 2012 the ECB conducted a new round of long-term refinancing operations (LTROs) on the basis of a relevant program, through which liquidity was significantly boosted in the banking system (with low cost funding of around €530 billion) thus generating a positive impact on the level of interest rates.

EU members, with the exception of Great Britain and Czech Republic, also decided to adopt the European Framework of Fiscal Discipline (European Fiscal Compact), which was passed on 2 March 2012. The aim is to improve public finances of Member States with a stronger commitment to meet budgetary limits, such as debt/ GDP up to 60% and structural deficits of up to 0.5% of GDP.

Despite the above measures, there are still concerns about the European Union's capacity to effectively manage the current debt crisis and to ensure the long term stability of the eurozone and particularly of the economically weaker countries. Concerns are also expressed about the capacity of existing institutions to effectively and timely confront the problems of the eurozone, and about the possibility of achieving the necessary political consensus in areas where there are different views, such as the potential introduction of European Bonds, the increase in money supply through quantitative easing measures (QE) etc.

Risks from other adverse political and social developments

The Group is exposed to the risk of political instability and/ or other political and social developments in countries where the Group operates and also at the global level. Political, social, legislative, regulatory, employment and other relevant developments could adversely affect the business and results of the Group.

Global risks in which the Group is exposed include uprisings, military operations or interventions that may create instability in global markets and economies.

It is generally noted that the economic conditions and austerity measures described above may increase this risk. Indicative examples include the political uncertainty in Greece (as described above), which seems to have increased following the elections of 6 May, the risk of further strikes in the banking and other sectors, and the general risk of social reactions both in Greece and other countries where the Group operates, which could have both direct and indirect consequences on the activities and results of the Group.

Government interventions that aim at alleviating the financial crisis are a source of uncertainty and pose additional risks.

The governmental and inter-governmental interventions aimed at easing the financial crisis may lead to increased shareholder participation and control of financial institutions by the Greek State in Greece and the Cypriot Government in Cyprus, by governments of other countries, or by other persons.

During the current global economic crisis, in an effort to restore stability in the global financial system, several governments and central banks proceeded with interventions of an unprecedented scale by channelling funding and liquidity and taking additional measures designed to facilitate access to capital, as well as to support financial and other organizations affected by the current crisis. Nationalization, or partial nationalization or recapitalisation or other solutions for banks were undertaken by several governments, as a response to concerns about liquidity and the provision of credit. In such cases, even if the banks were not fully nationalized, the percentage shareholding of the shareholders of these banks was diluted and there was loss in shareholder value.

There is no certainty that the measures taken by various governments and central banks will enhance the liquidity conditions and will deliver the expected results. Any failure of these measures may prolong or even worsen the adverse market conditions resulting in significant adverse consequences on the business and financial conditions and operating results of the Group.

Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation.

On 30 December 2011, the Law on the Management of Financial Crises was voted, which enables the Council of Ministers, and following the recommendation of the Central Bank of Cyprus, to intervene in periods of crisis in order to support banks in providing loans and guarantees or with participation in their equity. In submitting its proposal to the Cabinet of Ministers, the Central Bank takes into account, among other, whether the financial institution, according to the discretion of the Central Bank, was unable to raise sufficient funds from existing shareholders or from the market or otherwise.

The relevant law provides for the taking of measures to address liquidity problems or the solvency of the financial system and/ or to strengthen the capital base and balance sheet of financial institutions in Cyprus, which would otherwise cause systemic failure to the country's financial system. In addition, the law provides that the nature of the support measures is limited and temporary and shall be evaluated every six months by the Ministry of Finance in cooperation with the Central Bank, and after the Central Bank previously consults with the competent regulatory authority for consideration of their termination.

Based on the above law, in case of provision of support, the Government of Cyprus will be able to:

- (a) limit the exercise of voting rights arising from shares or voting rights held by shareholders of the beneficiary financial institution with respect to all or some of the issues in relation to which voting rights are exercised,
- (b) appoint the majority of board members or of the committees of the beneficiary financial institution and to determine which provisions of the Companies Act and the terms of the constitution or specific regulations of the beneficiary financial institution involving directors, will apply to appointed directors and
- (c) decide upon any necessary conditions to be followed by the affected financial institutions, including restrictions for the provision of financial products in the market or for the expansion of their business.

In case where support is carried out by the issue of new shares an evaluation by an independent house takes place, for the determination of the issue price of shares for the Republic of Cyprus, which will also take into account the trading price of the shares. The share valuation shall not exceed the lowest price at which a transaction was executed on the shares, during the period of one month prior to the implementation of the support measures. The possible participation of the Republic of Cyprus in the capital of a bank would reduce the percentage stake of current shareholders and possibly generate a loss of their share value depending on the price at which the shares in favour of the Republic of Cyprus will be issued.

Further, it is noted that a detailed restructuring plan must be prepared and the plan submitted to the European Commission be amended as appropriate, according to the EU law on State aid and the practice followed by the European Commission. Such plans could lead to management of and intervention on the balance sheet, including the sale of core and non-core functions or to other additional encumbrances, which could have a material impact on the future results and financial position of a bank.

Additionally, during the same period the Cyprus Government may have an interest in other banking institutions in Cyprus, and also in the overall health of the banking system of Cyprus and the wider economy of Cyprus. In pursuing these interests the interest of the Cyprus government may not always be in line with the commercial interests of the supported bank and its other shareholders

Bank support schemes of this type at Cyprus government level or in collaboration with European funds may expire, or their existing terms may change, with adverse consequences for the results and activities of a supported bank its shareholders and holders of capital securities. It is noted that the Financial Crisis Management Laws of 2011 to 2012 expire on 30 April 2013.

In the case of the Group it is noted that based on the Financial Crisis Management Laws of 2011 to 2012, following a recommendation by the Central Bank of Cyprus and with its consent the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012 was issued. The purpose of the Decree is, subject to any requirements that the European Commission might set, the implementation of the decision by the Council of Ministers of 17th May 2012 for the underwriting of the Rights issue of the Bank amounting to €1.8 billion for the strengthening of its capital base.

As a result the Rights issue is fully guaranteed by the Republic of Cyprus as provided in the Decree. The major terms of the underwriting are:

- Based on article 4, The Republic of Cyprus undertakes to fully underwrite the issue of Rights. The underwriting covers all the shares of the Rights Issue. So, the Republic of Cyprus will exercise all the Rights not exercised by (a) the exercise of rights during the exercise period including applications made using the Subscription right (b) the exercise of Rights that will not have been exercised by their beneficiaries during the exercise period and will be placed by the Board of Directors.
- Based on article 7, The Cyprus Republic will acquire any unsubscribed shares at the exercise price of the issue that is €0.10 per share.
- Unsubscribed Rights will subscribed by the Republic by the provision of government bonds of one year maturity which will be automatically renewed on expiration.
- Based on article 12 “The participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Offers for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced.”

Other important terms of the Decree include the following:

10. (1): The bank with the concurring opinion of the Ministry and the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives, appoints within 15 days from the date of publication of this Decree, an Independent Advisor who within 2 months from the date of appointment submits to the Central Bank:
 - (a) A Restructuring Plan, whereby are specified the measures that the bank intends to take in order to achieve, the

soonest possible, the safeguarding and strengthening of its solvency, by the further increase of its capital and/or the restoration or enhancement of its profitability, the reduction of costs and risks, the support from other companies of the group or otherwise. Especially, the reduction of staff costs of the bank will be at least 10% in 2012 and by further 8% in 2013. The reduction of remuneration and benefits of the staff in Cyprus will reach an average of at least 12.5% on an annual basis and will be applied commensurately with the relevant pay scale, following consultation with the trade unions. Moreover, the remaining operational expenses will be reduced by at least 7% in 2012. The Restructuring Plan provides for the application of the terms and conditions laid down in paragraph 11(7) to (13). The Restructuring Plan also includes any prospects of a merger or absorption, or transfer of activities or units to another financial institution. The bank drafts the Restructuring Plan having due regard to the Rules of the European Union for State Aid and makes any adjustments to the Restructuring Plan as may be required by the European Commission.

b) A detailed timetable of the implementation of the measures that the bank intends to take, with explicit reference to the time that the bank estimates it will be able to repurchase the new shares that are acquired by the Republic.

10 (2): The Central Bank, following consultations with the Ministry and the bank, assesses the Restructuring Plan and provided it establishes that it is appropriate and feasible with regard to the potential achievement of the aims of enhancement of the capital base of the bank and of addressing the solvency problems of the bank, it forwards it to the Ministry.

10 (3): The soonest possible and the latest within six (6) months from entry into force of this Decree, the Restructuring Plan is submitted by the Ministry to the European Commission for approval.

11 (2): With the concurring opinion of at least two of the five members of the Board of Directors that are appointed by the Minister, the right of veto is exercised to all decisions of the Board of Directors.

11 (3): Upon the acquisition of the new shares by the Republic, the Minister with the concurring opinion of the Central Bank and the Finances and Budget Parliamentary Committee of the House of Representatives, may appoint the majority on the Board of Directors, without prejudice to the amount of participation of the Republic in the ownership structure of the bank.

11 (4): The members of the Board of Directors that are appointed by the Minister, have inter alia, the following rights:

- (a) to convene a General Meeting of the shareholders of the bank,
- (b) to postpone for three (3) business days the meetings of the Board of Directors of the bank, in order to receive instructions from the Minister, who consults for this purpose with the Central Bank,
- (c) to adjourn the meetings of the Board of Directors of the bank and to postpone them according to point (b),
- (d) to have free access to the books and records of the bank, and
- (e) to veto any decision taken by the Board of Directors of the bank, on the basis of the provisions of subparagraph (2) of paragraph 11 of this Decree.

11 (5): The bank provides the Minister with any data or information he may require.

11 (6): No decision of the General Meeting of the shareholders of the bank enters into force prior to the approval of the Minister.

11 (7): The annual remuneration of each of the following persons does not exceed the annual remuneration of the post of the Permanent Secretary, as these are determined by the Budget of the Republic Law: Chairperson, Managing Director and other members of the Board of Directors of the bank, General Managers of the bank and their alternates and any other member of the staff.

11 (8): All types of variable remuneration of the persons referred to in subparagraph (7) are abolished.

11 (9): Dividend distributions to the shareholders of the bank are not allowed.

11 (10): The purchase of own shares by the bank is not allowed, except on the basis of the provisions of paragraph 9.

11 (11): The payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless

- the bank obtains the prior approval of the Central Bank and has consulted with the European Commission. Provided that the capital instruments that comply with the requirements of the Central Bank are exempted.
- 11 (12): The bank shall not exercise aggressive market strategies, including advertising of the support it receives, to the detriment of competitors that do not receive similar support, in order to avoid undue distortions in the competition and the market. Especially, the average annual rate of growth of the bank's balance sheet shall not exceed 12.4% (the average rate of growth of the size of the balance sheets of the financial sector in the Republic during the ten years prior to the entry into force of this Decree):
- 11 (13): Provided that, the Ministry, after consulting with the Central Bank, reserves the right to impose stricter behavioural terms for the purpose of the implementation of the Restructuring Plan and in general for the application of the Law and this Decree.

More information is provided in Section 7 of the current Prospectus ("State Aid") where the full Decree is presented. It is noted that the approval of the provisions of the Decree is subject to the approval of the European Commission. The degree of State Aid will depend on the degree to which the Cyprus Republic will acquire shares in its role as underwriter.

As can be inferred from the provisions of the Decree which are noted above, in the context of the implementation of State Aid of the Bank, the Government of Cyprus will be able to exercise significant control on the operation of the Bank while there will be potentially a significant effect on issues relating to the management of the Bank's assets and its financial condition.

Risk of worsening asset quality and increase in non-performing loans with a negative impact on the results and business activities of the Bank in future

The total loan portfolio of the Group as at 31 December 2011 amounted to €26,709 million. Non-performing loans of the Group (based on the definition of the CBC) accounted for 13.9% of loans before provisions on the same date, compared to 7.3% in 2010, while accumulated provisions represented 7.2% of loans before provisions on the same date, compared to 3.7% in 2010. The provision coverage ratio on 31 December 2011 amounted to 51.9% compared to 50.5% on 31 December 2010.

The ongoing economic recession, as discussed in the risk factors above, in combination with the above measures, is leading to lower growth, higher unemployment and lower disposable household incomes and business profitability, consequently significantly constraining their ability to service loans they have received and meet other financial obligations towards the Bank. Furthermore, demand for other services offered by the Bank, such as those associated with stocks, bonds and mutual funds is also under pressure, thus negatively affecting the fees and commissions received by the Bank.

The exposure of the Bank's loan portfolio by geographic area and economic sector is described in the above risk factors and in Notes 43 and 45 of the consolidated financial statements. Credit risk may be higher in areas most affected by the crisis. It is also noted that the Group's portfolio in shipping on 31 December 2011 amounted to €1,919 million.

Any maintenance or worsening of this trend in the economy could lead to significant impairment in the value of bank loans, possibly beyond relevant forecasts, and/ or a significant increase in the level of NPLs, as well as to a decrease in its operational activity. Any of the above developments could result in a substantial adverse impact on operating results and the financial position of the Bank.

In addition, it is noted that some governments have taken measures for the regulation or restructuring of debts of specific

categories of clients, including the writing off of part of the debt, with the consent of the lender. It is likely that similar measures may be adopted in countries where the Group operates. These measures may or may not include some form of compensation provided by the state. Although, this likelihood, its form and criteria cannot be foreseen at this stage, such an arrangement may adversely affect the profitability and size of the Bank's loan portfolio. It is noted that Greece has already put into effect legislation (legislation on bankruptcy (N3869/2010)) which governs the rights of creditors and may limit the ability of the Group to receive payments from loans in arrears under certain conditions. Specifically, individual borrowers who cannot go bankrupt and have entered without guile into a state of permanent inability to pay arrears, may under certain circumstances succeed in securing a restructuring or partial write off of their debt by submitting a relevant request to the court. The adoption of new similar measures in Greece or other countries in which the Group operates cannot be precluded.

Risk of decrease in values of collaterals or of the ability to liquidate the collaterals securing the loan portfolio

An important part of the Group's loans to businesses and individuals have been secured through pledge and/or charges of real estate, securities, time deposits and guarantees and other assets. As a result, the Group is exposed to any decrease in the value of such collateral. Due to the large number of loans secured by real estate, the Group is exposed to a greater extent to the developments of the property market in Cyprus and Greece.

Ongoing decline of the Cypriot and the Greek economies or general deterioration of economic conditions in any of the sectors where the Group's borrowers are active, or in other markets where the securities provided are located, may result in reductions in the value of collateral held, at levels below the outstanding balance of those loans. A decrease in the value of the collateral of these loans or the inability to provide additional collateral, may force the Group to make additional provisions to cover credit risk and the increase in claims reserves. In addition, possible failure of the Group to recover the expected value of the collateral, in case of enforced execution, may expose it to losses that could have a negative effect on its financial position and operating results.

In addition, bankruptcy laws and other laws and regulations concerning the rights of creditors differ significantly in the countries where the Group operates. The satisfaction provided by the collateral may prove to be more problematic than expected, due to changes in relevant laws and regulations that may apply to protect the borrowers. It is noted that in Greece legislation has already been passed according to which auctions for claims up to €200,000 are suspended until 31 December 2012 while the possibility of an extension of this law or the increase of the above amount cannot be discounted. The possibility of the adoption of other measures that might further reduce the ability of the Bank to liquidate collaterals in satisfaction of loans in arrears can also not be discounted.

Concentration risk in the loan portfolio and other assets

Concentration risk is the risk of loss due to unsatisfactory dispersion of the portfolio and concentration on specific borrowers, groups of borrowers, directors of the Bank, business or economic sectors, geographical areas or products.

Through its policies and procedures, the Group attempts to ensure that the resulting concentrations do not become excessive in relation to its capital base or the size of the loan book and comply with the applicable internal or supervisory limits. The evaluation of the concentration risk is primarily performed through reports to the Group's various committees and supervisory reports submitted to the Central Bank of Cyprus and other supervisors in countries where the Group operates.

However, the loan portfolio may contain increased concentrations, which may lead to a rise in provisions for impairment of the loan portfolio.

It is noted that due to the lower capital base of the Group at 31.12.2011 and until the completion of the capital enhancement plan, the concentration into certain categories as a percentage of capital is increased, and exceeds the normal limits set by the Group and required by the Central Bank of Cyprus in accordance with the relevant legal and regulatory framework.

More information on asset allocation and potential concentrations in various sectors is provided in Note 43 and 45 of the Group financial statements and of the Annual Report of 2011.

The growth rate of the Bank's loan portfolio could be contained

The growth rate and amount of the loan portfolio are expected to be contained due to the economic situation, which affects the repayment ability of businesses and households.

Additionally, in the context of the current economic environment, the Group's loan portfolio is expected to shrink also due to the Group's own actions, which are being carried out in order to meet the increased minimum capital requirements set by the supervisory authorities and face the difficult situation of the Cypriot and Greek economies, because of the economic crisis and the attempted fiscal adjustment.

The rate of growth of the loan portfolio is also restricted by the provisions of article 11 (12) of the Decree as noted above (please also refer to Section 7).

The containment of the growth of the loan portfolio could adversely affect the financial results of the Group.

Risk from other financial institutions

The Group deals systematically with other players in the financial services industry, including brokers, intermediaries, commercial banks, investment banks, mutual funds and other institutional clients.

The Group runs a risk of loss from placements in other financial institutions, from the purchase of financial securities of other financial institutions but also from transactions executed through such institutions, as a result of possible non-timely repayment of existing and future obligations of the counterparty banks.

Also, credit risk may rise when the given collateral cannot be liquidated or can be liquidated at prices which are not sufficient in order to recover fully the amount of the loan or derivative exposure.

The possible collapse or the concern about the ability to service obligations, of one or more financial institutions could lead to further significant liquidity problems, or losses or the default of the obligations of counterparty financial institutions, which may adversely affect the results, financial position and prospects of the Group.

Market risk due to fluctuations in interest rates, exchange rates, equity prices and other variables that affect the financial condition and results of the Group.

The Group deals in a wide range of financial products and is therefore exposed to market risk, which may cause losses in the Group's equity from changes in interest rates, equity prices, equity indices, exchange rates and other values and indices.

Currency risk is the risk associated with fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. Currency risk arises from an open position to buy or sell foreign currency, causing exposure to

changes in relative exchange rates. This can occur either by maintaining assets in a currency that are funded by liabilities in another currency, or from spot or forward foreign exchange contracts, or even from foreign exchange derivatives, including options.

Interest rate risk is the risk faced by the Group of reductions in the value of its financial assets and net interest income due to adverse changes in market interest rates.

The Risk of revaluation is considered to be the major interest rate risk incurred by the Group, resulting from the mismatch in the maturity (for fixed rate) and the date of revaluation (for floating rate) of assets, liabilities and off balance sheet positions.

Moreover, rising interest rates may result in higher non-performing loans, lower demand for new loans or in a possible decrease in the capacity of the Group to grant new loans. A reduction in rates may lead, inter alia, to increased loans prepayments and to increased competition for deposits, thus adversely affecting the Group's results.

Competitive pressures and/ or the existence of fixed interest rates on existing loans or claims may limit the ability of the Group to raise interest rates in case of increase in lending rates

As a result of interest rate fluctuations, the change in the fair value of financial instruments and interest margins is likely to cause losses.

The interest rate risk of the Group derives mainly from retail and corporate banking activities, as well as from the securities portfolio, categorized as Loans and Receivables (Loans and Receivables, L & R) and is partly hedged by derivative instruments. There is also a comparatively limited activity in trading portfolios, with positions in fixed rate bonds and forward interest rate agreements.

Relevant data is provided in note 45 to the consolidated accounts in the Group Annual Report for 2011.

The risk from stock prices is associated with adverse changes in the prices of shares and derivatives on equities and stock indices held by the Group, which are held in the trading and available for sale portfolio.

The following table presents consolidated data of the Group holdings in equities and funds (including investments in hedge funds) at December 31, 2011, recorded in their fair value according to the 3 levels of valuation listed below:

SECTOR OF ACTIVITY	Level 1 € millions	Level 2 € millions	Level 3 € millions	Total € millions
Shares at fair value through the financial results				
(a) investments held for trading	7.78	-	0.11	7.89
(b) at initial evaluation	-	79.91	-	79.91
Available for sale	40.80	114.51	93.68	248.99
Total	48.58	194.42	93.79	336.79

Source: Financial data processed by the Bank.

The Group uses 3 Levels for the definition and evaluation of fair value: (a) Level 1, where the valuation is carried out using quoted prices in active markets, (b) Level 2, where valuation is based on valuation models where all elements that

significantly affect the fair value are observable market data, and (c) Level 3, where valuation of the fair value is based upon valuation models in which the data that significantly affect the fair value are not observable market data.

Relevant data is provided in note 45 of the consolidated financial statements of the Annual Report of the Group for 2011.

It should be noted that changes in asset values which are evaluated at fair value through the profit or loss account affect the Group's results, whereas changes in share prices in the category "available for sale" affect the Group's equity.

Negative revaluations and impairments related to the fair value of financial assets of the Group have affected, and in the future may continue to adversely affect the results, the Group's operations and its financial position and prospects

The Group maintains investment portfolios with placements in debt markets, equities, derivatives and other markets. The Group's portfolio includes exposure in GGBs, as mentioned above. Any negative adjustments in the fair value of financial assets could have a significant adverse impact on the operating results, financial position and prospects of the Group.

The table below presents an analysis according to credit rating (based on international rating agencies) of corporate, government and other bonds of the Group on 31 December 2011. It is noted that the table includes the GGBs.

SECTOR OF ACTIVITY	Government bonds and other bonds € '000	Investments held for trading € '000	Investment securities € '000	Total € '000
AAA	250,197	123	193,138	443,458
AA- to AA+	-	-	380,713	380,713
A- to A+	276,853	70	529,160	806,083
BBB+ to BBB-	384,285	137	520,918	905,340
BB+ to B-	104,374	-	418,515	522,889
CCC to C	888,669	5,976	182,082	1,076,727
Unrated	-	3,304	79,864	83,168
Total	1,904,378	9,610	2,304,390	4,218,378

Source: Financial data processed by the Bank.

As has already been mentioned, the Group carried out a €2,331 million impairment in the portfolio of Greek government bonds (GGBs) in accordance with the decisions of the Summit of the eurozone on 26 October 2011 and with the implementation of the PSI.

From 1 July 2008 to 31 December 2011, the Group has reclassified investments from the available-for-sale category to the held-to maturity category and loans and receivable, based on the amendment of IAS 39-Financial Instruments: Recognition and Measurement,. The result of this reclassification is / will be that changes in the fair value of these investments are not recognized in the income statement and/ or the Group's balance sheet, because the reclassified investments are carried at amortized cost. Any effects on the income statement as a result of changes in the fair value of such assets, which emerged from the date of reclassification, are not recognized until these assets are impaired or disposed.

In summary, if the Group had not proceeded to the reclassification of financial assets from investments in bonds / shares for

trading and available-for-sale in debt securities lending portfolio, then in 2011 the following would have been recognized:

- (A) an additional loss of €1.1 million in the consolidated income statement from the reclassification of bond securities for trading to debt securities lending portfolio
- (B) an additional loss of €0.1 million in the consolidated income statement from the reclassification of equity investments held for trading to investments available for sale, and
- (C) additional profit of €279.8 million in fair value reserves on the reclassification of bond securities available for sale to debt securities lending portfolio.

The book and fair value of financial assets held for trading reclassified in debt securities in the loan portfolio at 31 December 2011, were €27.4 million (2010: €32.1 million) and €25.8 million (2010: €31.9 million), respectively. Additionally, the book and fair value of financial assets available for sale reclassified to debt securities lending portfolio at 31 December 2011 were €487.1 million (2010: €617.9 million) and € 437.8 million (2010: € 605.0 million), respectively.

The fair value of financial assets of the Group may be reduced further and lead to additional downward adjustments and / or losses, taking into account existing recessionary conditions. Moreover, the value of financial assets of the Group in case of sale (ultimate realised value) may be lower than the current fair value. Any of these factors could cause the Group to make additional negative fair value adjustments, which may have a material adverse effect on the results, financial position and prospects of the Group.

Finally it is noted that under the Decree which provides for the participation of the Government of Cyprus as an underwriter in the issue of Rights for an amount up to €1.8 billion, the Group may acquire bonds of the Cyprus Republic to the amount which would affect the profile of its balance sheet and the risks arising from securities. The value of these bonds may be affected by the ratings of the Republic of Cyprus.

Specifically, under Article 4 (4) of the Decree it is stated that:

“The non-subscribed rights are allotted to the Republic in consideration of the provision of government bonds of one year maturity, which are automatically renewed upon maturity.

- I. The government bonds of one year maturity are issued and provided to the bank with zero coupon, at an issue price that equals the net present value, calculated with a discount factor that equals the current yield of government bonds of one year maturity in the local market.
- II. The government bonds are listed at the Cyprus Stock Exchange and are traded without any restrictions.
- III. The Ministry may at any time, exchange in whole or in part the government bonds with cash.”

The value of certain financial instruments recorded at fair value is appraised by financial models incorporating assumptions, judgments and estimates that may change in the future or eventually not prove accurate

In determining fair value, the Group relies on quoted prices of identical active financial market instruments, or where there is no active market for identical financial instruments, on financial valuation models. In some cases, data on individual instruments or groups of financial instruments used by valuation models, may not be available or may no longer be available because of changes in market conditions. In these cases, the use of assumptions, judgment and estimations in the valuation models used by the Group is required. Valuation models are complex and assumptions, judgments and estimates made by the Group often concern inherently uncertain matters, such as future cash flows. Such assumptions, judgments and estimates may need to be continuously updated to incorporate the increasing changes in market conditions

and trends. The changes that may result in the fair values of financial instruments, may have significant negative impact on the financial performance and position of the Group. Also, the recent volatility and illiquidity in the market has put in doubt some of the assumptions used and has made it difficult to assess them. In the future, the valuations for these instruments may change to reflect current market conditions and may cause a negative effect on the results, financial condition and prospects of the Group.

The hedging of the Group may not be effective so as to prevent losses

Considering the wide range of financial products and strategies used by the Group to hedge the risks to which it is exposed, it is possible that some products and strategies prove ineffective and loss-making. Hedging can be only partial, or strategies used may not protect against all future risks or may not be fully effective so as to mitigate the risk of exposure of the Bank in all market environments or against all types of risks in the future. Consequently, unexpected developments in individual markets, could adversely affect the effectiveness of the hedging strategies of the Group.

Moreover, the manner in which the gains and losses of ineffective hedging strategies are reported, could lead to additional volatility in the Group results.

The group sought to offset part of its interest rate risk from holdings in Greek government bonds. The hedging of interest rate risk of Greek government bonds used by the Group is no longer effective (hedge effective) and, therefore market fluctuations in the financial instruments used may adversely affect the Group results. It is noted that at the date of this Prospectus, the Group has already proceeded in the closure of such hedging positions.

Any impairment of goodwill and intangible assets will have a negative impact on the results and net assets of the Group

On 31 December 2011, intangible assets of the Group amounted to €798 million and represented 133% of equity including minority interests. Intangible assets other than goodwill, with a specific useful economic life are amortized under the straight-line method over their estimated useful life. Assets with an indefinite useful life are not amortized, but are tested regularly (through assessments for impairment). If at the balance sheet date the Group has determined that there is evidence for impairment, the recoverable value of assets is estimated. The amount of the impairment loss recorded is the difference between the book value of the asset and its recoverable value.

The process of identification and evaluation of goodwill impairment is inherently uncertain as the judgment of the management is required for a range of estimates, the results of which are important for the assumptions used. The evaluation for impairment of goodwill constitutes the management's best estimate of the management for the factors listed below.

Primarily, the judgment of the management is required to estimate the future cash flows of the Cash Generating Units (CGUs) of the purchased entities. The calculations can be significantly affected by the cash flows for the periods for which there are detailed projections, and by assumptions about the long-term trend of cash flows for subsequent periods. The cash flow forecasts are compared with the actual performance and reliable financial data in future years. However, predictions of future cash flows necessarily reflect management's estimates of future business prospects.

Additionally, the cost of capital allocated to each purchased entity and used to calculate the present value of its future cash flows, has a significant effect on the valuation. The cost of capital is calculated based on the Capital Asset Pricing Model (CAPM), which reflects a number of financial and economic variables, including the risk free rate in each country and the

price of taking business risk, which reflects the inherent risk of the business evaluated and the exchange rate risk. These variables have been set based on significant management estimates and are by definition uncertain.

When the above evaluation process indicates that the expected cash flows of a CGU have declined and/ or the cost of capital has increased, the estimated fair value of the CGU falls. If this fall results in the estimated recoverable amounts being less than the book value of the CGU, then goodwill impairment is recognized, thus reducing by the corresponding amount the Group profit for the year.

Evaluations for impairment are conducted annually or more frequently under circumstances that indicate impairment of goodwill and intangible assets. The exercises for impairment assessments include a comparison of the CGU in which the goodwill is allocated to its recoverable amount, which equals to the highest of its value in use and the possible sale value in the market (fair value less costs to sell the CGU). If this assessment shows that the recoverable value is lower than the book value, then impairment is carried out.

Assessments of impairment include identifying the CGUs in which goodwill is allocated and for which an appraisal is carried out. To determine the CGU in which assets subject to review for impairment are allocated, the units identified must produce cash flows that are independent from other identifiable units.

As a result of the continued adverse macroeconomic conditions prevailing in Greece, the Group, having appointing an independent expert firm, has revised the accounting goodwill which resulted from the triple merger of Egnatia Bank, Marfin Bank and Laiki Bank in 2006. As a result, there was impairment of €796 million in the fourth quarter of 2011. The impairment of goodwill had no impact on regulatory capital, in accordance with the regulations of the Central Bank of Cyprus.

The parameters and information used to determine the recoverability of goodwill, including interest rates that have a direct impact on the profitability of the units related to the evaluation of impairment, are affected by general market conditions and the macroeconomic environment, which may change abruptly. It is likely that the results in future balance sheet dates, in case of further weakening of economic conditions beyond those already reflected by management in the projections of cash flows for each CGU, differ from the assumptions used causing a significant difference in the carried amount of goodwill. Therefore, there can be no assurance that future impairment reviews for intangible assets with indefinite life that may cause the impairment of the goodwill of the Group, will not adversely affect the operations, financial position and results of the Group.

Liquidity risk and risk of dependence on the European Central Bank and other programs of the eurosystem

Liquidity risk is the risk the Group either does not have sufficient financial resources available to meet its immediate obligations or is only able to secure these at an unusually high cost. It also includes the risk of failure to liquidate a position within the time required on reasonable terms. This risk arises from the potential mismatch in the timing of cash flows of assets and liabilities.

The difficulties of several eurozone countries to refinance their public debt has led to new market tensions during the second quarter of 2011. The money markets in Europe were adversely affected by events subsequent to the public debt crisis in Greece, resulting in insufficient levels of funding and liquidity. During the period following the Greek debt crisis, the perception for the level of risk between counterparty banking institutions has risen sharply, leading to further shrinkage of the interbank market. Because of the instability in the markets, the Group's access to traditional funding sources is

significantly limited.

As a result of market turbulence, the dependence of the Group on short-term financing has increased, resulting in a deterioration of the Group's liquidity. At the same time, the Central Bank of Cyprus increased liquidity, through different funding mechanisms, in order to support the banking system. In addition, governments in general have offered guarantees and have generally increased the minimum amount of deposit security, in order to mitigate a potential loss of confidence of investors/ depositors in the Cyprus Banking system.

In general, the Group's ability to access financing on favourable terms is subject to various factors, including factors which are often not controlled by the Group, as for example the uncertainty / confidence of depositors for the overall picture of the economy and of the financial industry, the difficulty of securing low-cost liquidity, downgrades by international rating agencies, the availability and scope of government guarantees of deposits in the banking system, the general market conditions and loss of confidence in the banking system in Cyprus. Because of the instability in the markets, the banks' access to traditional sources of funding such as customer deposits, placements of other banks in the interbank market, senior debt and debt capital is significantly limited, which may affect the accessibility of the Group to sources of liquidity.

These factors may lead to further limitations of the Group's access to financing through deposits under favourable terms, as well as the failure to avoid the outflow of deposits, thereby reducing the Group's ability to finance its operations and meet the minimum liquidity requirements.

Among the major sources of funding for the Group is the attraction of deposits, through which the Group finances its customers. Possible loss of investor confidence in the Group's banking activities or banking activities in general, may lead to a significant further increase in the outflow of bank deposits over a short time. If the Group is facing unusually high levels of outflows and does not have the ability to draw the necessary liquidity through other means or at a similar cost, then this could have a significant negative impact on operating results, financial condition and liquidity prospects of the Group. Also, in extreme conditions, unusually high levels of deposit withdrawals may prevent the Group from financing its operations and complying with the minimum liquidity requirements. In such extreme conditions, the Group may not be able to continue its operations without further financial support, which it may not be able to secure, if depositors withdraw their funds unexpectedly, or if the Group is unable to obtain the necessary liquidity through other means or at a similar rate. In such a case, the Group might not be able to sustain current financing levels without increasing the cost of financing or to liquidating some of its assets.

Additionally, the intense competition that exists between the Cypriot and Greek banks to recover deposits (primarily retail deposits), has an adverse impact on the cost of new deposits, since interest rates are steadily increasing, with the result that funding becomes even more expensive, thus influencing the ability of the Group to rationally develop its deposit base.

As a result of the above the total deposits of the Group at 31 December 2011 amounted to €20.16 billion, resulting in an annual decrease of 21% compared with 31 December 2010. Additionally, a big part of the deposits in Cyprus derive from the international business sector. On 31 December 2011, €5.0 billion of deposits derived from this sector. Given the above circumstances, some of the Group's liquidity ratios were lower than the usual internal limits set by the Group and the minimum level required by regulators.

Finally, the fundamental principle for the conduct of the banking operations of the Group requires a constant cash flow for repayment of deposits on maturity, as well as the provision of additional financing to customers. As mentioned above, due

to possible mismatch in the timing of cash flows of balance sheet items that may arise, the Group might incur liquidity problems. For this reason, the Group aims at the optimal matching of assets and liabilities, since it must have the ability to provide continuous cash flow to repay deposits on maturity and be able to provide financing to existing and new customers. The Group regularly monitors the levels of short- and long-term deposits, in order to maintain them at a satisfactory level as these are the main source of funding. As a result, the Group strives to achieve and maintain good and long-term relationships of trust with customers through competitive and transparent pricing strategies and with an emphasis on savings products. The wide dispersion of depositors both in terms of numbers and with respect to type contributes to the protection against unexpected fluctuations in the number of deposits.

On the basis of current market conditions, the Group's effort is to maintain liquidity at satisfactory levels, either by assessing the likelihood of a further increase in the deposit base in all key markets where it operates, or by issuing covered bonds and other assets, while it has also initiated an effort to restructure its portfolio with particular emphasis on the basic and other operations of the Group. However, apart from deposits, part of the Group's assets is financed by bonds, as well as a number of covered bonds. In 2009, 2010 and 2011 the Group has issued covered bonds and has proceeded to the securitization of loans, while it has undertaken extensive securities repurchase agreements with the European Central Bank. The Group has adopted a program of long-term funding (wholesale funding) in order to broaden its funding sources and extend the maturity profile of its liabilities. Furthermore, among the main financial mechanisms employed by the Group is the access to refinancing or other facilities / programs provided by the eurosystem.

Since the beginning of 2010, the Group has faced a number of credit rating downgrades which mainly reflect the downgrades of the Greek government and the economic crisis. These downgrades are likely to continue and to cause possible negative effects on the operation and financial condition of the Bank, as a result of restricting its access to capital and sources of funding in the market and increased borrowing costs. In view of the above, but also due to the general economic and market conditions the Group's access to capital markets for funding purposes, especially with respect to unsecured funding, long term funding and short-term funding from the interbank market, has significantly declined due to the concerns of counterparty banks. For this reason, the Group has used financing tools through the European Central Bank (ECB) and other programs of the eurosystem with assets as security. Already during the same period, the Group has been dependent to a lesser extent on finance deriving from deposits or leverage, and to a greater extent on covered funding provided by the ECB and other programs of the eurosystem.

The assets that may be used through the above programs include financial instruments, customer loans, mortgage covered bonds etc, and are based on rules that govern the minimum conditions of eligibility and on the percentage of haircut applied to the assets by the ECB and CBC. It is noted that the mortgage bond program relates to issues carried out between 2008-2011 with a total asset value of €3.5 billion which provided funding of €3.1 billion.

As at 31 December 2011 the Group's total funding through various programs of the ECB and the eurosystem reached €9.3 billion (or 27.5% of the total balance sheet). This funding is covered by pledge of assets. It is noted that on 31 December 2011, the Group had also received funding amounting to €663 million under repurchase (repos) contracts with third parties.

The liquidity that the Group receives from the ECB and the programs of the eurosystem may be affected by changes in the relevant rules, such as among others, the haircut applicable to the value of the secured assets. If the value of the Group's assets decreases, then the funding that the Group can draw will be reduced accordingly. Additionally, if the ECB and the CBC increase their requirements regarding the ratings of the securities provided as collateral, or if the rating of the available assets decrease (including the rating of government and corporate bonds held by the Group), so that these specific financial

instruments are not accepted as collateral offered, the funding costs of the Group could increase significantly and the Group's access to liquidity restricted.

Moreover, it is not clear for how long the ECB will provide unlimited access to short-term repurchase agreements (repos), which the practice that is in place today. If this stops, or if conditions under which such access is offered change in a manner which would materially affect the Group in a negative manner, this could adversely affect the Group's access to liquidity and significantly increase funding costs. In addition, government actions and actions undertaken by the Central Bank that aim to support liquidity may not be sufficient or may be interrupted, and as a consequence the Group may not be able to secure the necessary liquidity.

In the event that the Group is not able to obtain liquidity from the market with the posting of appropriate collateral to central banks and the ECB or if there is a significant reduction or cancellation of the liquidity support provided to the system by governments and central authorities, the Group may face increasing difficulties in providing liquidity to the market and/ or increased costs to provide such liquidity, affecting the operations, financial position and results.

On the other hand, it is noted that the Board of Directors received a letter from the Ministry of Finance on 27 April 2012, under which the Republic of Cyprus has affirmed its commitment 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 the above letter, on 17 May 2012, the Decree was issued, which provides for the underwriting by the Government of the Rights issued by the Bank of €1.8 billion to strengthen the capital base of the Bank and which is also expected to enhance the liquidity of the Group.

Risks associated with the Group's exposure to intercompany transactions

Historically, and particularly in the last years, the Group applied a policy of financing its subsidiaries and operations in other countries, as part of the expansion abroad and for the optimum use of capital and partial diversification of risk.

This policy may have risks in case of economic crisis or relevant extraordinary events in the countries where the Group operates and may potentially affect the value of such financing significantly.

Moreover, it is possible that supervisory authorities where the Group operates may enforce restrictions with regard to the transfer of funds within companies of the Group or require the maintenance of high amounts of liquid funds in these, with adverse effects on the business, financial position and results of the Group.

Risks associated with the Group's capital adequacy and minimum capital requirements as defined by the competent authorities

The Group's capital adequacy is monitored on the basis of the regulations issued by the Committee of Banking Supervision and adopted by the Central Bank of Cyprus. In December 2006, the Central Bank of Cyprus issued a Directive for the calculation of capital requirements and large exposures ("Basel II"), thereby adopting the provisions of the relevant Directive of the European Union. In December 2010, the Basel Committee on Banking Supervision published the framework of the Basel III treaty which presents the Commission's reforms for the strengthening of capital and liquidity regulations, with the aim to create a more resilient banking sector. The Treaty of Basel III is in the process of adoption by the European Union through a new directive on capital requirements, CRD IV, which must then be transferred to the legislation of Cyprus, as well as through a Regulation with direct validity in the member states of the EU.

According to the Group's financials on 31 December 2011, the capital adequacy ratios of the Group were considerably

lower than the internal limits set by the Group and the minimum limits required by the CBC under the above Directive. It is the Group's objective that with the implementation of the capital enhancement program submitted to the CBC (to which the present issue is related), the future profitability and effective management of risk weighted assets, it will be able to cover the minimum ratios within a reasonable time.

In July 2011, the Central Bank of Cyprus amended the Directive for the Calculation of Capital Requirements and Large Exposures, introducing a ratio referring to Core Tier 1 capital. The minimum level of the ratio is set at 8% plus a surcharge, calculated on the basis of the percentage of the assets of the Group against the gross domestic product of the Cyprus Republic. Until 30 December 2012 the surcharge was set to zero. The Directive provides for a transitional period until 2014 for the gradual increase of the minimum Core Tier 1 ratio. The required Tier 1 capital and total capital ratios were set to 9.5% and 11.5%, respectively. Moreover, the Central Bank of Cyprus may impose the maintenance of additional funds for risks not covered by Pillar I in accordance with the internal capital adequacy assessment process.

The maintenance of the capital adequacy ratios of the Group and of its subsidiaries (which are supervised institutions) may be affected by many factors including the ratio of risk-weighted assets of the Group. Furthermore, the capital adequacy ratio of the Bank will be directly affected by the after tax results of the Group (and as a result of the Group's own equity), which could be affected among other things by the greater than expected deterioration in economic conditions, and as a result, lead to impairment of assets and provisions. The capital adequacy ratio may also be affected by changes in the risk weights for the various assets of the Bank, if these undergo changes in credit ratings from ratings agencies, impairment, delays in service and other factors affecting the relevant weights. The Bank is required, by the competent authorities of Cyprus and of other countries where the Bank operates and to whose regulatory framework and supervision it is subject, to maintain sufficient capital. The Bank is subject to the risk that its capital resources may not be sufficient to meet minimum capital requirements.

In addition, the applicable capital adequacy thresholds may, in the future, increase and/ or there may be changes in the way capital requirements are currently applied.

Any deterioration in credit quality of the assets of the Group may be larger than expected and may generate the need for additional regulatory capital. Effective management of the Group's regulatory capital is important for the Group's business continuity, organic growth and successful implementation of its strategy.

Any change that limits the Bank's ability to manage its balance sheet and regulatory capital resources efficiently (including, for example reductions in income and retained earnings due to write-offs or other reasons, increases in risk-weighted assets, delays in disposal of some assets or inability to participate in syndicated loans due to market conditions or for any other reason or due to access to sources of funds) could have a material adverse effect on the financial position of the Bank and its capital base in terms of regulatory capital.

There is a risk that the Bank may not be able to raise all the capital needed to comply with minimum prudential requirements or any increased supervision requirements because of possible losses in its funding portfolio or asset write offs, including the Greek government bonds held in the portfolio. If the Bank is not able to raise the necessary capital, it may need to further reduce the amount of risk-weighted assets, and dispose core and non-core areas of its business, which may not happen in time or happen at an unsatisfactory price.

As announced on 9 December 2011, the Group was subject to a capital exercise of the European Banking Authority in

collaboration with the Central Bank of Cyprus. The objective of the capital exercise, carried out in 71 European banks, was to create an exceptional and temporary capital buffer to address market concerns about the exposure of banks to government debt and other credit risks associated with the adverse economic environment. Specifically, banks are required to achieve an index of Core Tier 1 capital of 9% by the end of June 2012. The capital exercise was performed using the 30 June 2011 balance sheet and the government bond market prices on 30 September 2011.

After the completion of the capital exercise, the capital deficit of the Bank until the end of June 2012 was estimated at €1,971 million. The EBA intends to include convertible securities (contingent convertibles), which may absorb any potential losses, as eligible for the capital margin protection. The Bank has already issued in 2011 Convertible Enhanced Capital Securities (CECS) of €65 million included in the Tier 1 ratio, with the capacity to absorb potential losses. The Bank intends to take measures until the end of June 2012 to keep the main index of basic equity at 9% and for this purpose, it has, from 20 January 2012, submitted a draft plan to the Central Bank of Cyprus. In this plan the Bank has set the various steps to be undertaken to achieve the required target of 9% with which it is aimed to eliminate the capital deficit by June 2012. For the preparation of this plan, the results of the above capital assessment exercise were taken into account, as well as the assessment for further capital needs based on the results of the third quarter and expected results of the fourth quarter of 2011 and the first half of 2012. The plan includes various actions including the raising of new capital and the exchange of the existing capital securities (as per the current Prospectus) and the sale of assets, and it has been approved by the competent supervisory authorities which will monitor its implementation.

In the event that there is a need for the Group to strengthen its capital position, it may not be possible to draw additional funds from financial markets, including capital from the capital enhancement program (see risk factor "Risks associated with the possible failure of the Bank to complete all items included in the capital enhancement program").

Any failure of the Group to maintain the minimum supervision capital ratios may result in administrative sanctions or other actions which could have a material negative impact on its operating results, financial condition and prospects. This may lead to the activation of the mechanisms of state support (see risk factor "Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation").

Provision of state support will have a significant impact on the Group's control, management of funds and financial situation"), which, to the extent that the support is provided in the form of new share capital, dilutes the percentage shareholdings of the remaining shareholders. Moreover, the possibility of raising necessary additional funds that may be required in future, at a lower price than the price of the current issue of Rights, cannot be precluded.

At this point the letter from the Ministry of Finance of 27 April 2012 mentioned above is noted. Please also refer to the auditor's report in the 2011 consolidated financial statements (emphasis of matter).

Lastly it is noted that on 17 May 2012 the Decree, which describes the type of state support at this stage, was issued. It provides for the underwriting by the Republic of Cyprus of the Rights of the issue capital of the Bank of €1.8 billion to strengthen its capital base. The subscription price of the unsold new shares by the Cyprus Republic amounts to €0.10 corresponding to the exercise price of the Rights.

Risks associated with the possible failure of the Bank to complete all items included in the capital enhancement program

The capital enhancement program of the Group includes a number of steps, including the offer for voluntary exchange of

Eligible Securities, the issue of new equity and the reduction and management of exposure of the Group's portfolio and other assets.

The success of the above offers is subject to several considerations, including market conditions. The issue of common shares through a rights issue to existing shareholders and/ or through placement and/or to third parties and the voluntary exchange of Eligible Securities with equity and/or Enhanced Capital Securities, may not be fully covered, and the Bank may not raise the necessary net funds to strengthen the capital adequacy and capital adequacy ratios of the Group. If it is not possible for the Bank to raise additional capital from the markets under the capital enhancement program and if the Group fails to meet supervisory capital adequacy ratios, then it is possible for an Emergency Capital Event to occur and a forced conversion of the Convertible Enhanced Capital Securities (CECS) of €65 million issued in 2011 (which currently are part of Tier 1 capital) into ordinary shares as per the terms of issue of CECS. If the Group is unable to cover the required additional capital or deficit through the profits generated or through other actions, including effective management of risk weighted assets, and the disposal of assets, the operations, financial position and the operating results will be adversely affected and state support will be necessary for the Group (see risk factors "Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation", "The provision of state support will have a significant impact on the Group's control, management of funds and financial situation" and other relevant risk factors). Moreover, to the extent which the support is provided in the form of new share capital, this also reduces (dilutes) the percentage stake of the remaining shareholders. Finally, the possibility of raising the additional funds in future at a lower price than the price of the current Rights issue, cannot be excluded.

Furthermore, the ability of the Bank to draw funds under the capital enhancement program may depend on the ability of the investors to obtain:

- (a) permission from the Central Bank of Cyprus in order to participate with a percentage higher than 10% in a Bank holding an operating licence from the CBC
- (b) exemption by the Securities Committee of Cyprus from the obligation to proceed to a public offer addressed to all shareholders of the Bank following an increase/ acquisition of shareholding that equals or exceeds 30% of the Bank's share capital.

At this point it is noted that on 17 May 2012 the Decree, which describes the type of state support at this stage, was issued. It provides for the underwriting by the Republic of Cyprus of the Rights of the issue capital of the Bank of €1.8 billion to strengthen its capital base. The subscription price of the unsold new shares by the Cyprus Republic amounts to €0.10 corresponding to the exercise price of the Rights.

The Bank is subject to stress tests on an ongoing basis

Stress tests analyzing the banking industry have been published and are expected to continue to be published by national and international organizations like the IMF, the ECB and others.

On the basis of such exercises, it is possible that future additional capital needs may arise.

It is noted that any loss of confidence towards the banking industry from the publication of the results of the stress test exercises, in connection with the Bank or the Cypriot and Greek banking system, or the market perception that the exercises are not strict enough, may adversely affect the operation and the financial position of the Bank.

Further downgrade of the credit rating of the Group may limit access to capital markets and counterparties and increase borrowing costs and required guarantees required which the Group provides in certain cases in

transactions with counterparties

The Group is regularly assessed by international rating agencies. Since May 2010, it has undergone a series of downgrades stemming mainly from the economic crisis in Greece, as well as by the multiple downgrades of the credit ratings of Greece and Cyprus. At the date of this Prospectus, the long-term credit rating of the Group by international houses Moody's Investors Services Inc is B3 (with changing (developing) horizon) and by Fitch Rating Ltd is BB + (on rating watch negative).

The evaluations of these agencies are based on a number of factors such as profitability of the Group, investments and capital adequacy, and to factors not entirely controlled by the Group, including conditions affecting the financial services industry in general. Given the adverse conditions prevailing in the financial services industry and markets in general, particularly in Greece and Cyprus, there can be no assurance that the Group will maintain its current ratings. In addition, Standard & Poor's has lowered the credit rating of Cyprus to "BB+", while Moody's and Fitch have evaluated Cyprus with "Ba1" and "BBB", respectively. The evaluations carry a negative horizon. A further deterioration in the creditworthiness of Cyprus could lead to further downgrades of the Group.

Failure of the Group to maintain its credit rating could adversely affect its competitive position, resulting in the Group having to enter into hedging transactions with more difficulty, increased borrowing costs or limiting its access to capital markets or its ability to obtain funding. Any further deterioration could also trigger the requirement to provide additional collateral for derivative financial instruments and other secured financing transactions, and result in counterparties of the Bank no longer being willing to enter into swaps with the Bank.

Therefore, a downgrade of credit ratings could adversely affect the operations, financial position and operating results of the Group.

It is worth noting that the assessments made by the credit rating firms may not give a complete picture, because they may not include all potential risks explained above. These ratings are not a recommendation to buy, sell or hold a title, and may well be revised, suspended or withdrawn at any time by the ratings agencies.

Uncertainty about the distribution of dividends to the shareholders of the Bank

The last year in which the Bank distributed dividends was 2010. There can be no prediction or estimation in which fiscal year a dividend will be paid, because this depends on the future financial results of the Bank, its capital base and supervisory requirements for capital adequacy ratios in combination with the prevailing economic conditions.

Moreover, any intervention of the Central Bank of Cyprus for the non-distribution of dividends cannot be ruled out, despite the Group's potential compliance with the requirements for capital adequacy ratios.

In particular it is noted that Article 11 (9) of the Decree states that "Dividend distributions to the shareholders of the bank are not allowed.

Risk in relation to the periodic interest payments to holders of securities of the Group

Under the terms of issue of the securities of the Group, as reported in the prospectuses of each issue (which are available on the webpage of the Group, see Section 4.22), there is a risk that interest payments on the scheduled dates will not be made in case certain criteria are not met or specific events occur. See also other associated risk factors.

It is also noted that Article 11 (11) of the Decree states that:

“The payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the bank obtains the prior approval of the Central Bank and has consulted with the European Commission.

Provided that the capital instruments that comply with the requirements of the Central Bank are exempted. It is noted that the approval of the CBC on the terms of the ECSs has been received and hence they are exempt from the above prohibition in the Decree. It is noted of course, that the necessary conditions for the payment of interest stated in the terms of the issue must be met.

Risk from intensity of competition

The Group faces significant competition in its areas of activity both in Cyprus and abroad. In Cyprus, the competition comes mainly from other commercial banks, credit companies and cooperative societies, as well as Greek and international banking units that offer similar products and services. The accession of Cyprus to the European Union allows banking institutions from the European Union to engage in Cyprus without obtaining a special permit from the Central Bank of Cyprus, a fact which has intensified competition, particularly since the introduction of the Euro in Cyprus on the 1st of January 2008.

In Greece, the competition comes from the Greek banks which hold the majority of the assets of the banking system, from branches of financial institutions established in other members of the European Union and from cooperative banks.

The entry of new banks in Cyprus and Greece as well as increased competition from foreign banks may be accompanied by higher deposit rates and lower lending rates, creating pressure on the Bank's profit margins in order to remain competitive.

The continued volatility in financial markets may lead to mergers of financial institutions as well as increased government intervention. Any government intervention in the banking sector could affect the competitiveness of local banks within a country and internationally, where they may be subject to different forms of government intervention, and thus affect the competitiveness of the Group in relation to local banks.

It is noted that the provisions of the Financial Crisis Management Laws of 2011 to 2012 mentioned above and the provisions contained in Article 11 of the Decree the nature of government intervention in the banking sector in Cyprus is indicative of. See risk factor: “Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation” as well as Section 7.

Any combination of the above factors could result in lower revenues and profits of the Group.

Risk from the reduction of Group income sources due to economic conditions, changes in the legislative framework or related factors

The income of the Group, including non-interest income and income from other services such as brokerage and advisory services, has declined and may further decline due to economic conditions but also due to changes in the legislative context. For example, changes in consumer protection legislation can reduce the fees charged by the Group for some banking transactions.

Risk from inability to contain certain categories of Group expenses

It is part of the Group's strategy to increase profitability through more efficient operation. For some categories of

expenditure, including staff costs, the Group may face constraints arising from issues of legislation, collective agreements and other relevant factors.

At this point the provisions contained in Article 11 of the Decree are noted. Article 11 provides for the compilation of a restructuring plan with specific reductions in operating costs and staff expenses. See risk factor: "Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation." as well as Section 7.

Reputation and strategic risk

As a financial institution, the Group may be adversely affected by events that may affect its reputation in the market or by important strategic movements that may not lead to expected results.

It is noted that this risk is increased due to the current economic environment and the changes in strategy and business plans of the Group, as reflected in the Plan for the capital enhancement of the Group and relevant presentations on the Group's website.

Risk from dependence on senior management and other personnel

The capabilities and experience of directors of the Group tend to significantly affect the success of the Group. Possible loss of services of certain key executives, especially from competitors, could have adverse effects on the Group's revenues, earnings and financial position. In addition, the Group's activities and its future success depend on its ability to attract and retain qualified and experienced staff.

Moreover, failure to regulate relations with trade unions may lead to disruption of operations and activities of the Group causing potential financial losses.

Operational Risk

Operational risk is the risk of loss arising from:

- Inadequate or failed internal processes, including lack of adequate procedures or wrong application of procedures,
- Human factor, including deliberate omissions and internal fraud
- Systems (mainly technology systems),
- External events, including physical damage, disasters, utility failures, famine, malicious damage, terrorist attacks, theft and external fraud.

As a result of its operations, the Group is exposed to all of the above risks.

Operational risk also results from outsourcing activities to third parties (outsourcing).

In January 2008 the Operational Risk Management Framework of the Group was implemented, the introduction of which arises from the provisions of the European Capital Adequacy Directive (EU Capital Requirements Directive), which is integrated in Cypriot legal and regulatory framework (Directive of the Central Bank of Cyprus - December 2006), and largely adopts the principles of the Basel II Accord for the management of Operational Risk. The Framework is designed to cover qualitative and quantitative criteria in order to move from the Basic Indicator Approach to the Standardised Approach in Basel II for calculating capital requirements for operational risk.

Legal risk

The Group is exposed to various forms of legal risk due to the extent of its operations in many countries with different legal frameworks. As a financial institution it may, from time to time, become involved in legal or arbitration proceedings or lawsuits which may have significant impact on the operations and results of the Group.

Legal risk arises from legal proceedings which are pending or may be brought against the Group and may lead to costs or losses for the Group.

Additionally, if legal aspects do not receive proper handling by the Group, they may render client contracts void, result in lawsuits against the Group and unfavourable court decisions, and have an adverse impact on the reputation of the Group. All the above might have a negative impact on the business of the Group and reduce own funds and profits.

Risk of fraud and other forms of illegal activities of staff

Group activities, as well as those of any other financial institution, include approving loans and managing large amounts of money which results in the risk of internal as well as external fraud. Therefore, the staff of financial institutions must have high levels of reliability and integrity and an adequate internal control system and procedures should be in place.

The legislative and regulatory framework defines through a set of laws, regulations and directives, many specific provisions for preventing and combating money laundering from illegal activities, terrorist financing, market manipulation, etc. In addition to severe penalties and sanctions imposed on financial institutions involved in such activities, the involvement of employees in some of these activities is a criminal offense punishable by imprisonment depending on the type of offense.

Any failure of internal control systems and procedures of the Group to prevent fraud or other illegal activities could adversely affect its results and reputation.

Compliance Risk

Compliance risk is the risk of penalties, substantial financial damage or loss of reputation, as a result of non-compliance with the regulatory framework (laws, regulations, rules of self-regulation) governing the operation and activities of a bank.

The Group has implemented a series of policies and procedures aimed at the effective management of compliance risk. Particular attention is given to compliance relating to MiFID, the prevention of money laundering and terrorist financing (AML / CTF), the manipulation of stock trading for own portfolios or portfolios of personnel, protection of personal data, avoidance of conflicts of interests and the application of basic principles such as fair handling of cases, professional behaviour and ethics.

Despite the implementation of the above, the Group cannot guarantee that there will not arise instances of non-compliance, which could potentially lead to sanctions or have adverse effects on the financial position, results and reputation of the Group.

Interruption or security breach in the Group's computer systems and information leakage can cause loss of business, loss and reputation problems for the Group

In performing its operations, the Group relies on the use of information and telecommunications systems.

Any disruption or security breach of such systems may create significant problems in the operation of systems monitoring

customer accounts, accounting entries and management of deposits and loans of the Group. The above risk may arise from a number of internal and external factors, and may be higher at times of significant changes in the systems of the Group.

The Group cannot guarantee that such events will not occur, or that if they occur, they will be successfully resolved. Any failure or interruption of the systems could cause loss of customer data and inability to service customers with adverse effects on the financial condition, results and reputation of the Group.

Risk from other changes in the legislative and regulatory framework that governs the operations and environment in which the Group operates

In addition to risks already mentioned, it is noted that the Group operates in an environment governed by a complex set of laws and regulations. Any changes in the above may have negative consequences in the activities and results of the Group.

Any changes may be imposed at EU level, at the level of legislation and regulations in Cyprus and in other countries where the Group operates, as well as at the level of supervisory authorities including the CBC and supervisory authorities of other countries in the banking and other sectors where the Group operates.

Examples of changes that could have a negative impact on the Group include the following:

- Changes in monetary and interest rate policy
- Changes in the supervisory framework on capital adequacy, liquidity and related matters
- Legislative and regulatory changes or changes in the interpretation of existing laws and regulations
- Changes in competition and pricing issues
- Changes in accounting and financial reporting issues
- Introduction of measures of expropriation, nationalization or similar measures that lead to the loss of Group's assets.
- Other adverse changes affecting the Group's activities.

Tax Risk and risk relating to the calculation of deferred tax

Tax risk is the risk associated with changes in tax rates or tax laws, possible misinterpretation of the law or possible imposition of additional taxation by the authorities for previous financial years. The above could lead to an increase in tax expenses and create additional tax liabilities. Failure to successfully manage this risk could adversely affect the Group.

As part of the reform and austerity measures adopted in Cyprus and Greece, and due to the uncertainty for the successful implementation of the fiscal measures announced, it is likely that new taxes and/ or contributions and/ or the escalation of existing taxes and/ or contributions will be imposed. Moreover, it is likely that a system imposing new fees and taxes on financial institutions will be promoted for the equitable sharing of the cost of the global economic crisis, as discussed in the European Union.

A recent example of increased taxation is the imposition of a special tax on financial institutions in Cyprus, which became effective on 1 January 2011 and amounts to 0.095% of customer deposits of the Group in Cyprus. It is further noted that the Cyprus Government is expected to promote legislation as agreed in the EU Council on 17 June 2010, under which the EU Member States are expected to promote a system of taxes and levies on financial institutions which will lead to a fairer distribution of the costs of the global economic crisis.

The possible imposition of new taxes, levies or charges may have significant adverse impact on the business, financial condition and results of the Group.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their book value in the financial statements. This includes the benefit that may arise from the use of previous losses against future profits of the Bank, reducing future tax burdens.

Deferred tax assets are recognized only when it is probable that future taxable profit will be available against which these temporary differences can be utilized.

The risk is that in the future there may not be sufficient taxable income to realize deferred tax claims, or there will be changes in connection with the accounting principles or tax laws in the countries where the Bank operates that affect the capacity for utilization of deferred tax assets, and as a result the Group will have to write off the relevant amounts, leading to possible reduction of net assets and equity of the Group.

Risk in relation to the Group's obligations for retirement benefits and pensions

The group operated until recently a retirement bonus plan based upon defined benefits for staff in Cyprus. In relation to this plan, the Group was exposed to the risk of unsatisfactory provision for future liabilities of the Bank to the extent that there were insufficient provisions / obligations in the Group's balance sheet (please refer to note 8 in the consolidated financial statements of the Bank's Annual report of 2011). In 2012, it was decided to abolish the above plan from 1 January 2012 and replace it with a defined contribution plan. As a result, the potential risk is considered to be reduced.

Risks in relation to the Group's insurance business

The risk that arises from any insurance policy is the realization of the insured event resulting in contractual compensation or benefits. Due to its nature, this risk is not systematic and is sometimes unpredictable.

The Group operates in the insurance business through «Marfin Insurance Holdings Ltd» (in which the Group holds 49.9%), which owns 100% of the companies «Laiki Cyprialife» (life insurance in Cyprus) «Laiki Insurance» (general insurance in Cyprus), «Marfin Life» (Life insurance in Greece), and «Marfin Brokers» (insurance brokerage in Greece).

The risk for the Group resulting from its portfolios of insurance policies is the need for compensation and benefits in excess of the initial assessment, or for which there is no adequate and appropriate re-insurance cover. To avoid these consequences, the Group follows procedures for the appropriate acceptance of risk and the adequate diversification of risks, as well as procedures that minimize the risk of inadequate reinsurance coverage.

2.2 Risks associated with the financial instruments of the Issues

2.2.1 Risks associated with the Rights and the New Shares arising from the exercise of the Rights

It is noted that this part relates to the holders of Rights as well as (where applicable) to third persons who acquire Rights during trading or third persons who acquire new shares using the Subscription Right

The share price of the Bank may drop during or after the exercise period of the rights and the holders of Rights may not be able to sell the New Shares at a price equal to or greater than the exercise price

The Bank cannot guarantee that the market value of the share will be higher than the issue price of the New Shares. If the market value of the share falls below the issue price of the new shares, investors who exercised their Rights will suffer a value loss.

Investors will be able to sell the New Shares to be acquired by the present share capital increase after the registration of

these shares in their trading accounts, which will take place after the share capital increase process. The introduction and trading of new shares in the CSE and ASE depends on securing certain approvals by the boards of the CSE and ASE. The Bank cannot guarantee that these approvals will be received in the time estimated for this purpose.

There can be no assurance that, after the exercise of the Rights, the holders of new shares will be able to sell New Shares at a price equal to or greater than the exercise price.

Negotiation of Rights

The Rights will be traded on the CSE and ASE. The course of the market price of the Rights in the trading period will be directly affected by the trend in the price of existing shares of the Bank, because six (6) Rights entitle the purchase of sixty seven (67) new shares at the predetermined exercise price. Any significant reduction in the share price of the Bank could adversely affect the price of the Rights. It is also noted that the positive or negative percentage changes in the value and trading price of the Rights is expected to be greater than the percentage change in the value of existing shares and is not subject to the daily limit (limit up/ limit down) applicable to common shares, based on the regulations of the CSE.

There is no assurance that there will exist an active trading market for the Rights. Even if there is an active trading market for the Rights there is no guarantee that this will be affected to the extent expected by the course of the price of the shares, while it is likely that a large volatility will be observed in the trading price of the Rights.

There will be no compensation for the Rights not exercised

Holders of Rights who do not exercise their Rights in due time and according to the relevant procedure will not receive any compensation and their rights will expire without any value.

Shareholders who do not exercise their Rights will suffer a loss of their stake (dilution) in the Bank

Rights holders who acquired their Rights due to their participation in the share capital of the Bank (pro-rata) and do not exercise them fully or partially for whatever reason, will suffer a reduction in their percentage shareholding in the capital of the Bank if these are exercised by other persons. Shareholders who do not exercise all their rights in this capital increase will suffer a reduction in their percentage shareholding (dilution) in the Bank, up to 93.1% (see Section 9.9) of their existing shareholding, in the event that the issue of rights is fully subscribed or placed completely and all New Shares of Exchange are issued.

However, it is noted that due to the issue of the Decree which provides for the underwriting of the issue of Rights for up to the amount of €1,8 bn by the Republic of Cyprus, even in the case of non subscription/ placement of the Rights, the Republic of Cyprus will cover the remaining issue and therefore, the above dilution will apply.

It is also noted that, based on the Decree, the Cyprus Government also issues warrants in the ratio of the exercise of the Rights. These allow warrant holders to exercise these within a period of five (5) years in predetermined prices. In this manner, the holders of the Rights who have proceeded with a partial exercise of their Rights and have suffered a proportional reduction of percentage share (dilution) may be able to increase their share. Furthermore, the Decree contains a provision for the repurchase of the new shares that the Republic of Cyprus will have acquired within five (5) years, by the Bank or third parties.

In the event that the Republic of Cyprus through the underwriting of the Rights issue exercises all the issued Rights and at the same time no share is issued as part of the offer for exchange of Eligible Capital Securities with shares, the share of the

Republic of Cyprus in the share capital will go up to 91.8%.

In the event that the Republic of Cyprus through the underwriting of the Rights issue exercises all the issued Rights and at the same all the shares that relate to the offer for exchange of Eligible Capital Securities with shares are issued, the share of the Republic of Cyprus in the share capital will go up to 77.2%.

Relevant extracts from the Decree are presented below. Please refer also to Section 7 where the whole Decree is presented.

4 (1): The Republic underwrites the full amount of the rights issue of the bank provided that by 25 May 2012 the prospectus of the bank is published.

4 (2): The rights are issued with share warrants which are issued by the Republic.

4 (3): The rights issue is addressed to the following in the following order of priority:

- (a) to the existing shareholders,
- (b) to the public by public offer, and
- (c) to a limited number of persons by private placement.

6 (1): The rights that are acquired by virtue of subparagraph (3) of paragraph 4 are issued with the granting by the Republic of five share warrants in proportion with the exercise (pro rata).

6 (2): Each share warrant has duration of one year and in the case that it is not exercised it ceases to be in force. The percentage of exercise of the annual share warrants is as follows:
1st year: 20%, 2nd year: 20%, 3rd year: 20%, 4th year: 20%, 5th year: 20%.

Provided that, the first date of exercise of the share warrant is set at the end of the second year by a statement of intent of exercise during the first year for the percentage that is applicable until the specified point in time (that is 20%).

Provided further that, any of the holders of the share warrants who wish to exercise a bigger percentage from that which arises via the predetermined annual percentage, may do so.

6 (3): The price at which holders exercise the share warrant is the price of issue increased by 9% annually.

6. (4): The share warrants are freely transferable, they are not listed at the Cyprus Stock Exchange and they are registered at the Central Depository Registry of the Cyprus Stock Exchange.

9 (1): The new shares that are acquired by the Republic may be repurchased within five years from the entry into force of this Decree by.

- (a) The shareholders of the bank through the exercise of the share warrants;
- (b) The bank,
- (c) Third parties.

Provided that the public interest is safeguarded, in relation to subparagraph (c) above, the Republic proceeds annually to a

public offer of the shares it holds and that relate to the unexercised share warrants, except if the Council of Ministers judges, following the suggestion of the Minister of Finance, that this is not appropriate, and the Committee on Financial and Budgetary Affairs of the House of Representatives is advised and its written consent is secured.

Provided further that, the Republic has the right at all times to sell the new shares it acquired. In the event of finding a strategic investor who is willing to acquire in whole or in part the participation of the Republic, the right of first option is granted to existing shareholders. If these do not accept, they have the right to sell with the Republic. If the Republic sells all its ownership position to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants cease to exist. If the Republic sells part of its ownership to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants are adjusted proportionately.

Provided even further that, the new shares that are acquired by the Republic are repurchased in whole or in part by the bank when, without taking into consideration the support that is going to be terminated by this repurchase, there are no valid grounds of insolvency risk of the bank in the foreseeable future after the repurchase. In such a case the commitments that derive from the share warrants are not adjusted, but are transferred from the Republic to the bank which will hold these shares without granting the right of first option to existing shareholders.

- 9 (2): The repurchase by the bank is subject to the approval of the Central Bank.
- 9 (3): The new shares that are acquired by the Republic are entitled to all the rights that are attributed to other shares of the bank of the same class.
- 9 (4): The price that the bank repurchases in whole or in part the new shares acquired by the Republic is the issue price of the new shares increased by 5% annually for each year from the entry into force of this Decree.
- 9 (5): In the case of sale to third parties of all or part of the new shares acquired by the Republic, the disposal price of these shares shall be their fair value at the date of the sale agreement between the Republic and the third party or parties.

Even if the existing shareholders exercise all their Rights, they may suffer a reduction in their percentage shareholding (dilution) in the Bank, up to 15.8% of their existing shareholding, to the extent that all the New Shares (Exchange) are issued.

The shareholders of the Bank in the Exempted Countries will be unable to exercise the Rights corresponding to their share holding.

The issue of new shares to existing shareholders provides them with rights so that they have the ability to maintain their percentage participation in the share capital of the Bank. The Rights are transferable during the subscription period and are traded on the CSE and the ASE.

Shareholders in Exempted Countries will not be able to exercise the Rights for new shares related to this issue and their percentage holding in the share capital of the Bank will be reduced.

Inability to raise sufficient funds in case of no exercise of Rights

The increase in share capital in favour of existing shareholders aims at the strengthening of the capital base of the Bank. A

possible inability to derive sufficient amount may adversely affect the prospects of the Bank and make necessary the receipt of support measures from the Government (see risk factors "Risks associated with the possible failure of the Bank to complete all items included in the capital enhancement program" and "Support from the Government of Cyprus will have a significant impact on the Bank's control, management of assets and economic situation").

It is noted that the recent issue of the relevant Decree which provides for the underwriting of the Rights by the Republic of Cyprus has determined the current framework of state support (see the relevant references above and Section 7) and ensures that the Republic of Cyprus will cover any non-allotted shares thus reducing significantly the risk of not raising the amount pursued.

Placement of unexercised Rights

According to the Special Resolution 3 as approved at the Extraordinary General Meeting of 2 April 2012, the Board of the Bank has been authorized to decide and to take any action for the placement, including the placement to third parties of Rights offered to shareholders and not exercised by them.

Any placement by the Board of a large number of unexercised rights to specific investors may result in significant changes in the shareholding structure of the Bank and consequently to the decision making process concerning the Bank. It is noted that any such disposal of unexercised Rights to third parties will also result in dilution to the corresponding extent of existing shareholders.

Other risks relating to the new shares resulting from the Rights

The exercise of Rights give the right of purchasing new shares of the Bank, which are subject to the same investment risks that the existing shares of the Bank are subject to and which are described in this Prospectus (see also Section 2.2.5 for further risk factors related to the shares).

2.2.2 Risks associated with the issuance and allotment of shares to investors selected by the Board of the Bank

In case that after the end of the exercise period for the Rights and the satisfaction of applications based on the Subscription Right (for which the Board of Directors has the discretion to turn down applications higher than €100 million) there remain shares that have not been allotted, the Board of Directors, in its absolute discretion, will proceed with the allotment of any non-allotted shares (through unexercised Rights) at its discretion in favour of the Bank, until 30 June 2012, with the same terms and at the same price at which the offer is made (see Section 5.7 and 5.8).

It is noted that the provision of the Special Resolution 3A which authorises the Board of Directors to carry out a private placement for the amount up to €900 million at a price of at least €0.30 does not apply since with the present issue of Rights the entire amount of €1,800 million of Special Resolution 3 is used.

Inability to raise sufficient amount from investors of the choice of the Board of the Bank

The possible issue and allotment of shares to investors of the choice of the Bank's Board aims at the strengthening of the capital base of the Bank. Any inability to draw sufficient amounts from such placement of shares may adversely affect the prospects of the Bank and make necessary support measures by the Government (see risk factors "Risks associated with the possible failure of the Bank to complete all items included in the capital enhancement program.", "Support from the Government of Cyprus will have a significant impact on the control of the Bank, the management of its assets and its economic situation" and "Inability to raise sufficient funds in case of no exercise of Rights."

It is noted that the recent issue of the relevant Decree which provides for the underwriting of the Rights by the Republic of Cyprus has determined the current framework of state support (see the relevant references above and Section 7) and ensures that the Republic of Cyprus will cover any non-allotted shares thus reducing significantly the risk of not raising the amount pursued.

Securing approvals

The Bank's ability to raise funds from investors of the choice of the Board of the Bank may depend on investors securing:

- (a) permit from the Central Bank of Cyprus for the acquisition of control in the Bank as specified in the Banking Laws,
- (b) permit from the Central Bank of Cyprus for the increase of control to the degree or percentage specified in the Banking Laws, and
- (c) exemption by the CySEC from the obligation to make a public offer to all shareholders of the Bank after an increase / acquisition that equals or exceeds 30% of the share capital of the Bank.

Control of the Bank and possible reliance on any one main shareholder

The possible successful completion of the granting of shares to investors of the choice of the Board of the Bank could bring such changes to the existing equity structure of the Bank, as to allow a natural or legal person to affect the decisions that require shareholder approval by a majority of 50%. Moreover, it is possible that the Bank will become part of the operations of another financial institution and it would therefore be possible that the strategy and operations of the Bank are modified and adjusted to the business and operating model of this financial institution.

Possible impact issues of compliance with the dispersion criteria of the markets in which shares of the Bank are traded

Due to the large number of new shares that may be issued at various stages of the program for capital enhancement of the Bank, in combination with a potential acquisition of a significant proportion of these shares by a small number of people or even one person (including the Republic of Cyprus), there may be an issue of compliance with the dispersion criteria of markets where shares of the Bank are traded or will be traded, where there are limits for the minimum percentage of share capital to be held by the public and/or maximum limit that is held by one person. In such a case possible consequences include suspension of trading, transfer to a different market or de-listing of Group shares from the CSE and/ or ASE.

Other risks relating to the new shares to be placed

The new shares that will be distributed are subject to the same investment risks with the existing shares of the Bank which are described in this Prospectus (see also Section 2.2.5 for additional risk factors relating to the Shares).

2.2.3 Risks associated with the voluntary offer to exchange Capital Securities of issues 2008 (CPBCS/ΛAIKA), 2009 (CPBCB/ΛAIKΘ) and 2010 (CPBCC/ΛAIKA) ("Eligible Securities") with Enhanced Capital Securities and Risks associated with the Enhanced Capital Securities

Holders of Eligible Capital Securities of the Bank, should consider carefully, taking into account their own financial situation, their investment objectives and horizons and the information contained in this Prospectus and in particular the risks described below regarding the new issue and possibility of exchange, before they make any decision to participate in the issuance of Enhanced Capital Securities through the possible exchange of Eligible Securities they already hold.

Differences between the terms of Eligible Securities of the Bank and the Enhanced Capital Securities with respect to the priority ranking (subordination), the status of collateral, term, interest rate, redemption, mandatory conversion and the

Mandatory Conversion Price to ordinary shares of the Bank

The Enhanced Capital Securities (ECS) have substantially differences from the Eligible Capital Securities.

Holders of Eligible Capital Securities should consider the differences between the Eligible Capital Securities and Enhanced Capital Securities, which include, inter alia, the priority ranking (subordination), security status, cases when the payment of interest may be cancelled, term up to the activation of redemption rights, interest rate, the operation of the Alternative Coupon Satisfaction Mechanism and the mandatory conversion into ordinary shares, in case of a Contingency Event or Viability Event. It is noted for example, that with respect to ECSs there is, inter alia, a compulsory conversion mechanism to shares if any of the predefined events which are included in the terms of the issue occurs and there are also extended conditions for the cancellation of interest payments.

The full terms of the Enhanced Capital Securities are presented in Section 6 of this Prospectus.

Risks in relation to Enhanced Capital Securities (ECSs)

Enhanced Capital Securities constitute a subordinated investment with special characteristics and risks. Investors should consider the terms of the ECSs to determine whether they match their investment profile. The full terms of the Enhanced Capital Securities are presented in Section 6 of this Prospectus. Indicatively, the following risk factors are noted:

- The Enhanced Capital Securities are perpetual with no expiry date. The Bank may, at its discretion and on its own initiative, elect to redeem all, but not part, of the Enhanced Capital Securities, the securities at the dates indicated in their terms of issue.
- The Enhanced Capital Securities constitute direct, unsecured and subordinated securities of the Bank and rank pari passu with the rights and claims of other existing or future issues of the Bank qualifying as Tier 1 capital and have priority only over the ordinary shareholders of the Bank.
- The payment of interest may be cancelled in case certain events occur.
- In some cases there may be compulsory conversion of ECSs into shares of the Bank at a price calculated under the terms of issue of the securities.
- Subject to the relevant legislation, the Enhanced Capital Securities cannot be set off against other obligations of the holders to the Bank.
- The Enhanced Capital Securities are not rated by credit rating agencies.

It is also noted that article 11 (11) of the Decree notes that:

“The payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the bank obtains the prior approval of the Central Bank and has consulted with the European Commission.

Provided that the capital instruments that comply with the requirements of the Central Bank are exempted. ”It is noted that the approval of the Central Bank of Cyprus on the issue terms of the ECSs has been received and hence these are exempt from the above prohibition in the Decree. In addition to this, the necessary conditions for the payment of interest as provided in the terms of issue must of course be met

Limited liquidity in the trading of Eligible Securities not exchanged

Eligible Securities that will not be offered for exchange and/ or accepted by the Bank under the procedure described in Section 6 of this Prospectus, will continue to trade on the CSE. Based on the number of Eligible Securities that will remain

listed on the CSE, the trading liquidity of Eligible Securities that may result may be significantly limited. Eligible Capital Securities not exchanged may trade at a lower price compared with issues of corresponding securities with greater trading liquidity and marketability. Following the exchange, the reduced number of Eligible Securities that remain listed may also cause increased fluctuations in the trading price of Eligible Securities.

Therefore, the trading price of Eligible Capital Securities that are not exchanged may be adversely affected as a result of the possible exchange with Enhanced Capital Securities

Uncertainty as to the trading liquidity of Enhanced Capital Securities

The Bank does not intend to apply for listing of the Enhanced Capital Securities in any regulated market except the CSE. The Enhanced Capital Securities are securities for which there have not been any significant transactions in any market and there can be no assurance of future trading liquidity in the market in which they are expected to be introduced.

Additional Approvals

In the case of compulsory conversion of Enhanced Capital Securities, the trading of new shares that will result will require approval by the Board of CSE and ASE. If for any reason, the Board of CSE and ASE do not approve the introduction of such shares to trading on the CSE and the ASE, the marketability or liquidity of these shares is significantly reduced.

Furthermore, the process of introducing the new shares resulting from a possible mandatory conversion of Enhanced Capital Securities may include the drafting of a Prospectus and its approval by the CySEC.

Holders of Eligible Securities should consult their financial, tax and legal advisers

Holders of Eligible Capital Securities should consult their financial, tax and legal advisers regarding the appropriateness of possible exchange or otherwise, of their investment and the potential impact on their tax position and accounting or financial implications of a possible investment in the Enhanced Capital Securities. The relative exchange ratio (on the basis of their nominal value) may not reflect the price and the relative value in the trading price of the respective securities.

Legal issues may restrict certain investments

The investment activities of certain investors are subject to legal and regulatory constraints.

Each holder of Eligible Capital Securities should consult their legal, financial and tax advisors, as they see fit, to evaluate the terms of the Voluntary Exchange of Eligible Capital Securities with new Enhanced Capital Securities and determine whether and to what extent (i) the Enhanced Capital Securities of the Bank are permissible investments for their case, and (ii) whether there are other restrictions on the sale of Eligible Securities and the purchase or pledge of the Enhanced Capital Securities that will result from voluntary exchange. Financial institutions should also consult their applicable regulators to determine the proper treatment of Eligible Capital Securities under any rules and / or regulatory framework.

2.2.4 Risks associated with the Voluntary Offer to Exchange Capital Securities issues 2008 (CPBCS/AIKA), 2009 (CPBCB/AIKΘ) and 2010 (CPBCC/AIKA) (Eligible Capital Securities) with New Shares (Exchange)

Value of New Share (Exchange)

Depending on the performance of the Bank's shares, the value of the New Shares (Exchange) arising from the voluntary exchange of Eligible Securities may be significantly lower than their exchange value. Furthermore, the value of New Shares (Exchange) may differ significantly from the date of repayment of Eligible Securities up to the date the New Shares (Exchange) will be credited to the accounts of those who accept the voluntary exchange

The New Shares (Exchange) of the Bank may not be suitable for all investors

Each potential investor who accepts the Voluntary Exchange Offer of Eligible Securities with New Shares (Exchange) must evaluate and decide on the appropriateness of such an investment taking into account their circumstances and investment profile.

Specifically, each holder of Eligible Capital Securities must:

- Possess the appropriate knowledge to be able to evaluate the benefits and risks of an investment in shares of the Bank and the information contained or incorporated by reference in this Prospectus.
- Have access, the appropriate knowledge and appropriate analytical tools to be able to assess, within his own economic situation, a possible investment in the shares of the Bank and the impact on his own overall investment portfolio that such an investment may have.
- Understand in detail the terms of the Voluntary Exchange with New Shares (Exchange) of the Bank.
- Be able to evaluate (either alone or with the support of a financial adviser) possible scenarios for the economy and other factors that may affect his investment and his / her ability to take the related risks.
- Be able to evaluate (either alone or with the support of a legal adviser) possible legal or regulatory issues that may arise from the Voluntary Exchange and acquisition of New Shares (Exchange).

A holder of Eligible Capital Securities must not accept the Voluntary Exchange Offer of Eligible Securities with New Shares (Exchange) unless he has the knowledge and expertise (either alone or with a financial adviser) to evaluate the terms of the Voluntary Exchange and the impact this investment will have on his overall investment portfolio. Before making an investment decision, prospective investors should consider carefully, taking into account the financial circumstances and their investment objectives and all information contained in this Prospectus.

Holders of Eligible Capital Securities who accept the Voluntary Exchange Offer for New Shares may be subject to notification requirements and/ or may require approval by the regulator of the Bank

Holders of Eligible Capital Securities who accept the Voluntary Offer to Exchange with shares of the Bank may have to comply with numerous notification requirements and/or receipt of approvals particularly regarding the percentage shareholdings in the capital of the Bank in accordance with relevant laws in Cyprus (or any other jurisdiction for the Bank) and in accordance with the Banking Law in Cyprus (or any other law or regulation the Bank is subject to). Failure to comply with such notification requirements and/ or obtaining of approvals may result in the submission to the holders of Eligible Securities of significant fines and / or suspension of the voting rights attached to their shares.

Security status and rank (subordination) in case of liquidation

Holders of Eligible Capital Securities who accept the Voluntary Exchange Offer with New Shares (Exchange) will be further reducing the priority of their rights and claims due to the conversion of their investment to ordinary shares and hence there is increased risk for the owners to lose part or all of their investment.

It is noted that Eligible Capital Securities constitute direct, unsecured and subordinated securities of the Bank and rank *pari passu* rank with the claims of other issues of perpetual capital securities of the Bank classified under Tier 1 Capital.

Readers are further reminded of the following:

The rights and claims of holders of Eligible Securities:

- Have priority only over the shareholders of the Bank

- Have secondary priority ranking (subordinated) to the claims of creditors of the Bank who are:
 - Depositors or other creditors whose claims are not of secondary priority to claims of depositors
 - Creditors whose claims are of secondary priority ranking (subordinated) except those whose claims are of equal priority (pari passu rank) with the claims of holders of Eligible Securities.
 - Holders of debentures of the Bank whose claims are of lower priority (subordinated).

Therefore, if the Bank is under dissolution or liquidation, the liquidator will first satisfy all claims of depositors or other creditors whose claims are not subordinated to claims of depositors and creditors whose claims are subordinated except those whose claims are of equal priority (pari passu rank) with the claims of holders of Eligible Capital Securities prior to the satisfaction of the rights of shareholders. If the Bank does not have sufficient assets for the full settlement of claims that are not subordinated, then the claims of the Holders of Eligible Capital Securities will not be satisfied. In this case, the holders may lose all or part of their investment.

Legal issues may restrict certain investments

The investment activities of certain investors are subject to legal and regulatory constraints.

Each holder of Eligible Capital Securities should consult their legal advisors to evaluate the terms of the Voluntary Exchange of Eligible Securities offer with New Shares (Exchange) of the Bank and to determine whether and to what extent (i) the New Shares (Exchange) of the Bank are permissible investments for their case, and (ii) whether there are other restrictions on the purchase or pledge of the New Shares (Exchange) arising from the Voluntary Exchange. Financial institutions should consult their legal advisors or their appropriate regulators to determine the proper handling of Eligible Capital Securities under any rules.

Effect of Voluntary Exchange Offer of Eligible Capital Securities for shares in the Bank at the share price of the Bank

The share price of the Bank can have increased fluctuations which may come from a) assessments of investors for the exchange of Capital Securities with New Shares (Exchange), b) assessments of investors for the issue of the Rights of the Bank and c) investment Strategies which may include switching transactions between shares of the Bank and Eligible Securities.

These may lead to increased volatility in the share price of the Bank.

Limited trading liquidity of Eligible Securities that will not be offered for exchange or will not be exchanged

Eligible Securities that will not be offered for exchange and / or not exchanged by the Bank under the stated procedure will continue to trade on the CSE. Based on the amount of Eligible Securities that remain listed on the CSE, the resulting trading liquidity of Eligible Securities may be significantly limited.

Eligible Capital Securities not exchanged may trade at a lower price relative to issues of corresponding securities, which have greater trading liquidity and marketability. Following the exchange, the reduced number of Eligible Capital Securities that are listed can also cause increased fluctuations in the trading price of Eligible Securities.

Consequently, the trading price of Eligible Capital Securities that are not exchanged may be adversely affected as a result of the present Offer for Voluntary Exchange of Eligible Securities with New Shares (Exchange).

Possibility of oversubscription

The Bank intends to issue up to €738 million Enhanced Capital Securities and up to €369 million New Shares (Exchange) in exchange for Eligible Capital Securities. If the acceptance of the Voluntary Exchange Offer exceeds the total issue for each of the aforementioned issues, the final allocation of Enhanced Capital Securities and the New Shares (Exchange) will be in proportion (pro rata) of the requested amount.

Holders of Eligible Capital Securities who accept the Voluntary Exchange Offer of Eligible Securities with New Shares (Exchange) may not exchange the total of the Eligible Securities they have offered to exchange, according to the degree of acceptance of the offer by other holders. In this case Eligible Capital Securities not exchanged will continue to trade on the CSE. Depending on the number of Eligible Securities not exchanged and which will continue to trade on the CSE, the trading liquidity and marketability of Eligible Securities may be reduced.

Other risks related to the New Shares (Exchange)

The New shares (Exchange) that will be allocated are ordinary shares of the Bank and are subject to the same investment risks with the existing shares of the Bank which are described in this Prospectus (see also Section 2.2.5 for additional risk factors relating to the shares).

2.2.5 Risks associated with the shares of the Bank

The Cyprus Stock Exchange and Athens Stock Exchange are less liquid and exhibit greater fluctuations than other exchanges

The Bank's shares are traded on the Main Market of the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX). The disposal of the shares, especially in large quantities, can be difficult, as the CSE has lower trading liquidity and greater volatility than other similar markets in Europe and the USA. The sale of the shares or the perception that such a sale may occur, could negatively and significantly affect the trading price of the shares of the Bank.

The price of the shares may fluctuate

In the past, the trading prices of listed shares on the CSE and ASE have experienced significant fluctuations. In the past, this has affected and may affect in the future the trading price and trading liquidity of shares listed on the CSE and ASE, including the shares of the Bank. Consequently, investors should be aware that the share price of the Bank may fluctuate considerably over time and they are not secured under any circumstances against the investment risk of a fall in the value of their investment.

Some of the factors that may make the trading price of the share very volatile, and which cannot be controlled by the Bank are the following:

- the developments in the Greek and Cypriot economy and the countries of the eurozone,
- the general economic, political and stock market conditions, such as economic business cycles and fluctuations in interest rates
- changes in financial results of the Group compared with historical results and / or expectations of investors and analysts,
- the position of the Bank's competitors in the industry,
- Possible effect on the Bank and the banking sector in general from the current and future measures of state support,
- facts or allegations which may affect the credibility of the Group, such as changes in its credit ratings,
- potential inability of investors to assess and evaluate promptly and effectively the prospects of the Group
- significant changes in the stock markets in general, both in terms of equity prices as well as in terms of trading volumes

- political instability or any possible military conflict in Cyprus, Greece or abroad,
- terrorist actions with broader consequences in the international and local capital markets
- variation in investor interest and the marketability of the shares as a result of changes in transactions volumes,
- potential or actual sale of large packages of ordinary shares in the market.

Changes in exchange rates may have a material effect on the value of the shares of the Bank

The Bank's common shares are traded on the CSE and ASE in Euro. Fluctuations in the exchange rate between the Euro and other currencies may affect the value of the common shares of the Bank in the local currency of investors in countries with currencies other than the Euro. In addition, cash dividends on the shares of the Bank are paid in Euro and are therefore subject to fluctuations in exchange rates when converting to the national currency of the investor.

Risk of dilution of existing and new shareholders and potential risk of dependence on one principal shareholder (including other financial institution or the State)

Existing and new shareholders may suffer dilution of their participation in cases which include:

- the case of acquisition of shares by third persons due to non full exercise of the Rights by the existing shareholders of the Bank

In the case of placement of shares to persons selected by the Board of Directors in the context of the resolutions of the emergency general meeting of 2 April 2012 and the current Prospectus, or in the future, following relevant approvals of the general meetings of the Bank.

- In the case of future exercise of, CECSs, share options or other convertible securities that may be issued.
- In case of compulsory conversion of ECSs and CECSs into shares or payment of interest to holders of capital securities in the form of shares (where applicable)
- In case of state support through participation in the share capital of Bank

The size of the possible dilution may be related to the price at which the new shares will be acquired which may be below the current trading price according to the provisions applicable in each case. See also related risk factors above.

There is also a risk of control by one principal shareholder (including the Cyprus Government) if this results from the above cases or in case of takeovers, mergers, etc. The main shareholder may be another financial institution, the Government or another investor.

Risk of failure to comply with the required dispersion based on the criteria of the CSE and ASE markets

In the context of any developments referred to in the preceding paragraph or other developments affecting the degree of dispersion of the shares of the Group, it is possible that the minimum levels of dispersion required by the CSE and ASE may not be met. In such a case possible consequences include suspension of trading, transfer to a different market or delisting of shares of the Bank from the CSE and/ or ASE.

Risks in relation to further approvals

For the shares resulting from the exercise of the Rights and the shares resulting from the Voluntary Exchange of Eligible Securities with new shares, at the date of publication of this Prospectus, no approval has been given by the Board of CSE and ASE for admission to trading. The Bank will submit the relevant applications for trading of the New Shares on the CSE and ASE after the completion of the issue and allotment of the New Shares.

If for any reason the Boards of CSE and ASE do not approve the introduction of such shares for trading on the CSE and the

ASE, the marketability or trading liquidity of these shares is significantly reduced.

Furthermore, any additional filing of a complementary prospectus will need further approval by the CySEC.

Other risks

For the assessment of risks relating to investment in the shares of the Bank, other relevant information provided in this Prospectus should also be taken into account, including the risk factors listed in Section 2.1 and the other parts of Section 2.2.

3 PREPARATION OF THE PROSPECTUS / DIRECTORS

This Prospectus was prepared and distributed in accordance with the Public Offer and Prospectus Law of 2005 of the Republic of Cyprus and Commission Regulation (EC) No 809/2004.

The Bank has submitted the requisite applications, so that (a) a certificate of approval under Article 18 of Directive 2003/71/EC of the European Parliament and of the Council is sent by the Cyprus Securities and Exchange Commission, as the competent supervisory authority, to the competent authorities in Greece and the United Kingdom, attesting that this Prospectus has been prepared in compliance with Directive 2003/71/EC of the European Parliament and of the Council and (b) the Rights and the New Shares (Rights) arising from the exercise of the Rights are admitted for listing and trading on the Cyprus Stock Exchange and the Athens Stock Exchange, (c) the Enhanced Capital Securities are admitted for listing and trading on the Cyprus Stock Exchange and the and the New Shares (Exchange) are admitted for listing and trading on the Cyprus Stock Exchange and the Athens Stock Exchange.

The Bank assumes full responsibility for the information contained in this Prospectus and declares that said information is in accordance with the facts and contains no omission likely to affect its content.

The undersigned members of the Board of Directors are also collectively and solely responsible for the information contained in this Prospectus and they certify that, having taken all reasonable care to that end, the information contained herein is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its content.

The Prospectus contains all information the publication of which is provided for in the Commission Regulation (EC) No 809/2004 and which concerns the Bank, the Group and the Public Offer. The Bank, the members of the Board of Directors and the physical entities responsible for preparing the Prospectus, certify that it has been prepared in accordance with the provisions of the Commission Regulation (EC) No 809/2004.

Pursuant to the provisions of the Public Offer and Prospectus Law of 2005, the Prospectus is signed by the following individuals:

- | | |
|------------------------|---|
| ▪ Michalis Sarris | Chairman, Non-Independent Non-Executive Member |
| ▪ Neoclis Lysandrou | Vice Chairman, Non-Independent Non-Executive Member |
| ▪ Constantinos Mylonas | Vice Chairman, Independent Non-Executive Member |
| ▪ Christos Stylianides | Chief Executive Officer, Executive Member |
| ▪ Panayiotis Kounnis | Deputy Chief Executive Officer, Executive Member |
| ▪ Chris Pavlou | Independent, Non-Executive Member |
| ▪ Stelios Stylianou | Non-Independent, Non-Executive Member |

The Prospectus Drawing up Lead Manager is Marfin CLR (Financial Services) Ltd, which signs this Prospectus. Marfin CLR (Financial Services) Ltd declares that, having taken all reasonable care to that end, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its content.

Underwriter of the Rights Issue is the Republic of Cyprus, which undertakes the full responsibility for the information set out in Sections 1.11, 1.18.3, 5.3.2 and 7 of the present Prospectus.

The Sponsor responsible for the collection of the subscription monies is Cyprus Popular Bank Public Co Ltd.

On 18 May 2012 the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base. The major terms of the Decree are presented in Section 7.

The consents of the various individuals / experts who participated in the drafting of this Prospectus or whose names are cited herein are listed in Section 4.24 and include the members of the Board of Directors, the Lead Managers (Marfin CLR (Financial Services) Ltd and Investment Bank of Greece S.A.), the Prospectus Drawing up Lead Manager (Marfin CLR (Financial Services) Ltd), and the Bank's auditors (PricewaterhouseCoopers Limited and Grant Thornton (Cyprus) Ltd).

Investors requiring any supplementary information and/or clarifications regarding the Prospectus can address their queries during Business Days and hours:

- To the registered office of Cyprus Popular Bank Public Co Ltd:
Tel.: 22 552000
154 Limassol Avenue, 2025 Nicosia.

- To the Lead Managers:

Marfin CLR (Financial Services) Ltd* (Cyprus) Tel.: 22 367367 26 Vironos Avenue, 1096 Nicosia.	Investment Bank of Greece S.A. (Greece) Tel.: 210 8173000 24B Kifissias Avenue, 15125 Athens.
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- To other professional brokers, bankers, accountants, attorneys-at-law or investment consultants.

** Marfin CLR (Financial Services) Ltd is also the Prospectus drawing up Lead Manager.*

4 INFORMATION ON THE ISSUING COMPANY

4.1 Legal Status

Cyprus Popular Bank Public Co Ltd is a limited public company, registered in Cyprus since 1924 under number “1”, pursuant to Chapter 113 of the Cyprus Company Law.

In Cyprus it operates in the banking sector under the trade name “Laiki Bank”. It also operates in a number of other countries and sectors, either directly or through its subsidiaries which have other trade names.

The registered office and the headquarters of the Company are located at 154 Limassol Avenue, 2025 Nicosia (PO Box 22032, 1598 Nicosia). The switchboard number is 22-552000 and the site is www.laiki.com.

The main purposes of the Company are described in Article 3 of its Articles of Association. Its main purposes include, among other, the set up and undertaking of banking, stock exchange and trading activities of every kind as well as the incorporation, operation and running of branches both in Cyprus and abroad. The Bank is duly authorised to carry on t banking business in Cyprus on the basis of a banking license originally granted by the Controller of Banks on 25 March 1946 in accordance with the Banking Business (Temporary Restrictions) Law of 1939 and, subsequently, by the Central Bank of Cyprus acting within its powers emanating from the Banking Laws of 1997 - 2009.

Extracts from the Company’s Articles of Association are set out in Section 4.20.7 of this Prospectus.

4.2 Brief History and Important Milestones of the Group’s Development

The group’s history begun in 1901 when Nicosia Savings Bank was established, which later became a full flown banking institution. During the first 23 years of its operation, Nicosia Savings Bank received money deposits and granted loans to current accounts and bank notes. In 1924, by a decision of the Board of Directors, the Savings Bank turned into a fully operating Bank, pursuant to the Law on Public Companies that was adopted a while earlier and it was registered as the first public company, namely with registration number 1; at that time it changed its name to Laiki Bank Ltd.

The Bank’s activities developed steadily, gradually covering the whole of the island and as a result in 1967 Laiki Bank Ltd changes its named to Laiki Bank of Cyprus Ltd.

In 1970, Hong Kong and Shanghai Banking Corporation (“HSBC”), one of the largest groups in the world acquired 20% of the Bank’s share capital. This connection with the HSBC group gave a strong impetus for the further development of the Group’s operations.

The period from 1980 onwards was marked by a swift expansion of the Group’s operations and a large increase in volumes and market shares in all sectors, as well as by the concurrent development of new activities through the establishment of subsidiary companies specialised in offering specific financial services (finance, insurance policies, factoring, the capital market).

An important milestone for the Group’s development was the acquisition in 1982 of Grindlays bank operations in Cyprus, which was the largest and older foreign bank operating on the island and the third largest one in Cyprus. The acquisition of Grindlays strengthened significantly the Group’s competitive position in the Cypriot banking market. In 1999, the

Pan-European Insurance Company group was purchased, strengthening the Group's presence in the field of insurance activities.

An important technological achievement of the group was the operation, in 2000, of the first integrated e-bank (Laiki eBank) in Cyprus, which expanded in Greece in 2001 and in the United Kingdom and Australia in 2004.

The Group's worldwide expansion began in 1974 with the opening of its first branch in London. From 1986 up to 2001, the Group had a representative office in Australia (later on the subsidiary Laiki Bank (Australia) Ltd was incorporated). Afterwards, there were representative offices in South Africa, Canada, Belgrade and Moscow, and in the year 1998 a representative office was set up in New York. In the context of focusing on the international expansion of the Group in Southeastern Europe, a representative office is operating in Moscow.

In Greece, the expansion took place in 1992 through the incorporation of an independent bank, namely European Laiki Bank (which later changed its name to Laiki Bank (Hellas) S.A.) with an initial share capital participation of 72%.

In 2001, the Group proceeded with the incorporation of a subsidiary in Australia under the name Laiki Bank (Australia) Ltd, while in March 2005 a bank was set up and operated in Guernsey, under the name Laiki Bank (Guernsey) Limited.

In 2005, in the context of expanding the Group's operations in the Balkans' emerging market, the Serbian bank Centrobanka a.d. was acquired, which changed its name to Laiki Bank a.d. and later on to Marfin Bank JSC Belgrade.

A very important milestone in the Group's history was the decision taken in 2006 regarding its merger with two Greek financial groups, i.e. Marfin Investment Group Holdings Company S.A. (previously Marfin Financial Group) and Egnatia Bank S.A., as well as the decision to acquire 10% of the share capital in Laiki Bank (Hellas) S.A.. In this context, the Bank made public and private offers for the acquisition of a up to 100% of the share capital the abovementioned companies. The successful conclusion of the public and private offers which followed by a successful integration process –especially in Greece, where all three groups had been present with distribution networks offering financial products and services – resulted to a new scope, with regards to volumes and geographical presence as well as with regard to prospects in the broader financial sector of Southeastern Europe. In the context of the triple merger, on 31 October 2006, the Extraordinary General Meeting of Shareholders approved the Bank's change of name to Marfin Popular Bank Co Ltd.

After the triple merger, the expansion of the Group's presence continued at a much more intense pace, with the objective of strengthening its presence in the wider area of Southeastern Europe.

The first development was the announcement dated 19 March 2007 regarding the agreement for the acquisition of 99.2% in the share capital of Marine Transport Bank ("MTB") of Ukraine and of three related companies that operate in the field of leasing. MTB holds licenses to effect the widest range of banking operations and it offers its clients integrated banking services. On 31 December 2008 it had 84 branches while the main centre of its business is in Odessa. On 18 September 2007 the conclusion of the said acquisition was announced.

It is clarified that later on the Bank's participation in MIG's share capital was reduced from the level of 97.3% shareholding that resulted through the triple merger during 2006, to 8.96% shareholding, mainly because the Bank did not participate in the MIG share capital increase that took place during the first half of 2007 (at a ratio of 14 new shares for every one existing share). That was part of the strategic decision to focus on the field of banking and financial services. Earlier, all banking and

financial operations of MIG had been incorporated and integrated in the Group, through the acquisition of Marfin Bank S.A., a subsidiary of MIG. As a result, MIG, and also, MIG Leisure Ltd stopped being subsidiaries of Marfin Popular Bank Co Ltd. The Group still had an agreement for the provision of consulting, investment services with Marfin Investment Group Holdings S.A., which ended on 28 February 2009 and did not renew. As of 1 March 2009, any consulting investment services by the Group to Marfin Investment Group Holdings S.A. are provided on the basis of specific project agreements.

With regard to the worldwide expansion of the Group, the acquisition of 50.12% of AS SBM Pank followed (which then changed its name to Marfin Pank Eesti AS, in force as of 14 May 2008) an Estonian bank that operates 4 branches, providing its clients with a full range of banking services and products. According to an announcement made by the Bank on 14 June 2007, that percentage was acquired by Marfin Investment Group on a purely commercial basis, within the context of reducing the Bank's participation in the MIG share capital and transferring the Group's financial activities to Marfin Popular Bank. On 28 September 2007, the conclusion of the transaction was announced, upon obtaining the necessary approvals from the relevant supervising authorities.

On 5 October 2007, Laiki Investment Ltd ("LE"), a subsidiary of Marfin Popular Bank, announced that the procedure for the merging with CLR Capital Public Ltd ("CLR") had begun, without dissolution of the later. Concurrently, the merging of Laiki Stock Exchange Ltd, Laiki Management of Funds Ltd and Egnatia Financial Services (Cyprus) Limited with CLR Securities and Financial Services Limited was implemented, without dissolution of the former companies that were merged into the last one.

On 15 October 2007, the agreement for the acquisition of a 43% participation in the share capital of Lombard Bank Malta Plc ("LBM") was announced, which is the third biggest bank in Malta, operating under the supervision of the Maltese Central Bank and being listed in the local stock exchange. LBM offers a full range of banking services and has a network consisting of 6 branches. The acquisition of the LBM participation is part of MIG's strategic decision to expand its activities in the provision of high end banking services to worldwide enterprises. In the last few years, Malta has evolved into an investment centre for worldwide enterprises. The relevant approval by supervising authorities of Cyprus and Malta was obtained in February 2008, as a result of the conclusion of the said transaction.

Additionally, on 20 December 2007, the acquisition of 50.04% of OAO RPB – Holding was announced, which owns the Russian Bank OOO Rossiysky Promyishlenny Bank (Rosprombank), as well as its subsidiary OOO RPB – Leasing. Rosprombank was founded in 1997 and has a strong presence in the country through a network of 36 branches and sale points that cover the big cities of the Russian Federacy. On September 4th, 2008, the Bank finalized the acquisition of Rosprombank, upon obtaining all the necessary approvals by the supervising authorities of Russia and Cyprus. The acquisition was completed with the 50.04% transfer of the share capital of Closed Joint-Stock Company RPB Holding, of Russia, which is the parent company of Rosprombank, for the price of €85.2 million.

On 17 January 2008, the Bank agreed to sell to its subsidiary Laiki Investments EPEY Public Company Ltd the total of Egnatia Financial Services' (Cyprus) share capital, for the price of £2.9 m. In June 2007, the acquisition by the Bank of the entire share capital of Egnatia Financial Services (Cyprus) Ltd had been effected, at the same price, namely £2.9 m. Egnatia Financial Services (Cyprus) Ltd operates in the services sector concerning the receipt and transmission of orders on behalf of third parties, executing orders to effect transactions through financial instruments, managing clients' investment portfolios, underwriting issues and offering financial instruments. As mentioned above, the final intention of Laiki Investments EPEY Public Company Ltd was the merger of Laiki Stock Exchange EPEY Ltd, CLR Securities & Financial Services Ltd and Egnatia Financial Services (Cyprus) Ltd.

On 7 February 2008, the signing of an agreement with Dubai Financial Group was signed for the sale to the later of 53,532,184 shares of Marfin Investment Group S.A. Holdings, by 31 March 2008 at the latest. On 31 March 2008, the Bank announced that the 53,532,184 shares that represented 6.45% of MIG issued share capital were transferred to Dubai Financial Group on the basis of the price agreed, namely €7.00 per share. The said transaction had previously been approved by the Bank's shareholders by ordinary vote, approved during an Extraordinary General Meeting that took place on 17 December 2007.

On 21 March 2008, the Bank announced that in the context of restructuring the Group's Credit Directorates, the process of restructuring and merging of Laiki Cyprus Bank (Finance) Ltd with the Bank was completed, and as such it would provide from then on the relevant services. It is noted that the restructuring and merger was approved by the Bank and Laiki Cyprus Bank (Financing) Ltd during the General creditors' meeting of Laiki Cyprus Bank (Financing) Ltd, as well as by the court in accordance with Cyprus Law.

On 22 July 2008, CNP Assurances and the Bank signed an agreement of long-lasting cooperation with the purpose of growing the insurance business through the Bank's network in Greece and Cyprus. The said agreement in the sector of insurances in Greece and Cyprus is expected to expand to other countries in the future, following the worldwide expansion of the Bank in South and Eastern Europe.

On 11 November 2008, following the announcement dated 2 November 2007, CPB announced that upon obtaining the necessary approvals by the competent authorities in Cyprus, as required by the law, it has increased its participation share in the share capital of the Estonian Marfin Bank Pank Eesti AS (previously AS SBM PANK) by 2.71%, through the purchase of 544,000 shares. As a consequence, the total participation percentage in the share capital of Marfin Pank Eesti AS became 52.838%.

On 19 December 2008, CPB announced that the agreement for a long-lasting cooperation was completed between CNP Assurances (CNP) and CPB, with the purpose of developing, through CPB's network, the insurance business in Greece and Cyprus. The said agreement includes on the one hand the transfer by CPB to CNP of 50.1% of the share capital of Marfin Insurance Holdings Ltd, which is the insurance arm of the CPB Group, and on the other, the signing of a ten-year exclusive marketing agreement, with the option of an expansion to other countries where CPB is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife (LCL – Life Insurance in Cyprus), Laiki Insurance (LI – General Sector Insurances in Cyprus), Marfin Life (ML – Life Insurances in Greece) and Marfin Brokers (MB – Factoring Insurance Business in Greece).

On 31 December 2008, the subsidiary Laiki Investments EPEY Public Company Ltd ("Laiki Investments") announced that the Nicosia District Court approved, on 12 December 2008 the Restructuring Plan for the merger of CLR Capital with Laiki Investments. Moreover, on 17 December 2008, the District Court approved the Restructuring and Merger Plan of Laiki Stock Exchange EPEY Limited, Laiki Capital Management EPEY Limited, Egnatia Financial Services (Cyprus) Limited and CLR Securities and Financial Services Limited.

On 9 January 2009, Laiki Investments announced that on 5 January 2009 the Companies' Tax Inspector certified the change of its name to Marfin CLR Public Co Ltd. In the same announcement it is mentioned that the Board of Directors of Marfin CLR Public Co Ltd decided to issue new shares, which were offered, to be exchanged, to all CLR Capital Public Ltd shareholders. The said shares were incorporated in the already listed share capital of Marfin CLR Public Co Ltd.

On 23 December 2009, during the Extraordinary General Meeting a 97% of the share capital present approved the amendment of the Share Options Scheme' terms, which was adopted according to the First (Ordinary) Vote of the Extraordinary General Meeting of Shareholders that took place on 17 April 2007, concerning the Board of Directors and the Bank's employees as well as the subsidiaries and related companies. More specifically, the price for the exercise was amended from €10 to €4.50. Also, the extension of the Plan's term was approved by two (2) years, the latest term for its exercise being in the year 2013 instead of 2011.

During the Extraordinary General Meeting of the same date, 97% of the share capital being present confirmed the authorisation that had been given to the Board of Directors with the Second (Special) Vote of the Extraordinary General Shareholders' Meeting that took place on 17 April 2007, to issue, in the context of the implementation of the Share Options Scheme up to 80,000,000 Bank's shares with a nominal value of eighty five cents (€0.85) each, without those shares being offered pre-emptively to existing shareholders of the Bank, according to its Articles of Association and the Law.

Additionally, at the Extraordinary General Meeting of 23 December 2009 the Cross-border Merge of Marfin Egnatia Bank S.A. by the Bank was approved as well as the joint plan of the Cross-border Merge.

On 12 March 2010, it was announced that in the context of the scheme there would be an issue of (common) covered stock bonds of up to €3 billion (issue scheme). Marfin Egnatia Bank S.A., upon approval by the Bank of Greece, proceeded with the issuance of the second series (of common) covered stock bonds up to the amount €500 million. To secure any claims by the bonds' holders and of all the insured creditors, in the context of the issue scheme, the Bank's agreement regarding credit facilities towards Marfin Egnatia Bank S.A. is still in force; it should be noted that the first series of (common) covered stock bonds amounted to €1 billion.

On 4 August 2010, Marfin Egnatia Bank S.A., upon approval by the Bank of Greece, issued the third series of (common) covered bonds amounting to €1 billion, in the context of the existing Scheme for the issuance of (common) covered bonds up to €3 billion, as in force (Issuance Scheme), while it cancelled the second series of (common) covered bonds up to €500 million, the issuance of which had been decided on 12 March 2010. To secure any claims by bond holders and by any Insured Creditors in the context of the issuance Scheme, the Bank's agreement regarding credit facilities towards Marfin Egnatia Bank S.A. is still in force. In the context of the Scheme, on 17 November 2008 Marfin Egnatia Bank S.A. issued the first series of (common) covered stock bonds amounting to €1 billion. The bonds were acquired by Marfin Egnatia Bank S.A. at the price of their issuance, with the purpose of being resold to institutional investors at any time before their end of term. Until their sale, covered bonds are used as collateral to secure funding from the European Central Bank through the Bank of Greece. These covered bonds are included in the consolidated intermediary summary account, in the column "Money Due to other banks". After the issuance of the third series, the total amount of (common) covered Marfin Egnatia Bank S.A. bonds amounts to €2 billion.

During 2010, the Bank was included in the Paneuropean Stress Test, the results of which were announced on 23 July 2010. The Paneuropean Stress Test was organized by the Committee of European Banking Supervision (CEBS), in cooperation with the European Central Bank and the Central Bank of Cyprus. This test was run by applying scenarios, methodologies and basic assumptions prescribed by CEBS. As a result of the application of the hypothetical extreme situation under an adverse scenario, the estimated consolidated Tier I ratio is readapted to 8.5% in 2011, compared to 9.4% at the end of 2009. An additional extreme scenario of sovereign risk is expected to have an extra negative impact up to 1.4% on the estimated Tier I ratio, reaching 7.1% by the end of 2011, compared to the minimum percentage provided by the European Capital Requirements Directive compared to the 4%. The Stress Test resulted in a surplus of €302 million in Tier I, compared to the minimum level of 6%, which has been totally set for the purposes of the above test. This specific limit must

in no case be interpreted as the minimum ratio set by the Regulator (the minimum regulatory ratio for the Tier I has been set to 4%), nor as the capital target which reflects the Bank's risk profile, as such is defined by the results of the supervisory review and evaluation process of Pillar 2 of the European Capital Requirements Directive (CRD).

On 26 November 2010, the Bank announced its decision to enter the Chinese market through a representation office. This decision is consistent with the Group's strategy to claim an increased share in the banking business of emerging markets.

In November 2010 it was announced that the leading international Financial Times magazine, "The Banker", granted Marfin Laiki Bank the award BANK OF THE YEAR 2010 for Cyprus. It is stressed that Marfin Laiki Bank is the only Cyprus Bank that was honoured in 2010 with the Quality Appreciation Award of JP Morgan Chase.

On 22 December 2010 Fitch Ratings downgraded CPB's long-term default rating to "BBB" from "BBB+". Fitch also downgraded Support Rating Floors (SRF) to "BBB-" from "BBB". The Fitch outlook for CPB remains "negative".

On 13 January 2011, Moody's Investors Service placed CPB's deposit and debt ratings on review for possible downgrade. The standalone bank financial strength rating (BBSRs) was not affected by this announcement and remains on negative outlook. For more information please go to Section 7.10.

On 28 January 2011, CPB announced that it has entered into an agreement with Bank of Beirut s.a.l. concerning the sale by CPB to Bank of Beirut of a majority stake in Laiki Bank (Australia) Ltd. On 10 March 2011, CPB announced that the sale of 85% of Laiki Bank (Australia) Ltd to the Bank of Beirut s.a.l. has been completed, after Bank of Beirut s.a.l. has obtained the necessary approval of the Central Bank of Beirut, which was pending. The total cash consideration for the transaction reached AUS\$142,9 million. While the profit from the sale amounts to approximately €52.7 million. The total cash consideration represents a multiple of approximately 1,65 times the Net Book Value of Laiki Bank Australia as at 31 December 2010. CPB will remain as a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From February 2013 onwards, CPB has an option to sell its remaining stake in Laiki Bank (Australia) Ltd to Bank of Beirut. Laiki Bank (Australia) Ltd has been renamed to Beirut Hellenic Bank Ltd.

On 31 March 2011, CPB announced that it has entered into an agreement for the acquisition of the remaining 49.96% in its Russian subsidiary OJSC RPB-Holding, the parent company of OOO Rossiysky Promyshlenny Bank ("Rosprombank") and OOO RPB-Leasing, for a consideration of €51.6 million. This transaction will increase the Bank's stake in Rosprombank at 99.93%. The transaction is subject to all regulatory approvals from the competent authorities of Cyprus and the Russian Federation.

On 13 May 2011, Moody's investors service placed three Cypriot banks on review for a possible downgrade. The agency's decision followed its respective decision on 9 May 2011 to place Greek bonds on review, which suggested that the likelihood of a Greek sovereign debt restructuring could be rising. On the same date, a Moody's announcement stated that all the ratings of Marfin Popular Bank would be subject to review.

On 24 May 2011, on 22 July 2011 and 26 August 2011 the Bank issued covered bonds amounting to €1 billion, €300 million and €200 million, respectively, with a maturity of two years, an extension period of one year, an annual interest rate equal to the three month Euribor plus 2.00% and in accordance with the rest of the terms of the Covered Bond Programme ("the Programme"). The Covered Bonds are rated Ba3 by the international rating agency Moody's Investors Services and BBB- by Fitch Ratings.

The Bank was subject to the 2011 EU-wide stress test, whose results were announced on 15 July 2011, conducted by the European Banking Authority (EBA), in cooperation with the Central Bank of Cyprus, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). Following the completion of the EU-wide stress test, the results suggest that the Bank exceeds the benchmark capital ratio. The stress test was carried out based on the EBA common methodology and key common assumptions.

As a result of the assumed shock, the estimated consolidated Core Tier 1 ratio of the Group would change to 5.3% under the adverse scenario in 2012 and 5.6% after the already completed disposal of the Australian subsidiary, compared to a reported Core Tier 1 ratio of 7.3% as of end December 2010 and 9.4% as of end of March 2011. After including the mitigating measures as reported in the EBA endorsed results, the Core Tier 1 ratio of the Group increases to 9.2%.

On 9 December 2011, the Bank announced that the capital exercise proposed by the EBA and agreed by the Council on 26 October 2011 requires banks to strengthen their capital positions by building up a temporary capital buffer against sovereign debt exposures to reflect current market prices. In addition, it requires them to establish a buffer such that the Core Tier 1 ratio reaches a level of 9% by the end of June 2012. The amount of any final capital shortfall identified is based on 30 September 2011 figures. The amount of the sovereign capital buffer will not be revised.

The objective of the capital exercise, conducted in 71 European banks, including the Bank, is to create an exceptional and temporary capital buffer to address market concerns over sovereign risk and banks exposure to government debt and other credit risks associated with the difficult economic environment. This capital buffer would explicitly not be designed to cover losses in sovereigns but to provide added assurance to markets about banks' ability to withstand a range of shocks and still maintain adequate capital.

Following the completion of the capital exercise conducted by EBA, in close cooperation with the Central Bank of Cyprus, the exercise has determined that the additional capital shortfall for the Bank is estimated to be €1,971 million, which is to be addressed by the bank by end June 2012. Moreover, the Bank will ensure that by the end of June 2012 will adhere to the 9% Core Tier 1 ratio and, to this end, the Bank submitted on 20 January 2012 a comprehensive capital enhancement plan to the Central Bank of Cyprus. In this plan the Bank set out the proposed mix of actions to meet the required 9% target thereby reducing the capital shortfall to zero by June 2012. The plan will be discussed with the Central Bank of Cyprus, in consultation with the relevant college of supervisors and the EBA.

Cyprus Popular Bank's capital enhancement plan is expected to further uplift confidence in market participants, further facilitate the bank's access to the funding markets as well as allow the bank to continue its significant role of providing financial support to the real economy.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6.6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2.8 million approximately.

In 2011 the Group, recognising the growing importance of China as an economic power, submitted an application to the China Banking Regulatory Commission for opening a Representative Office in China. The application was approved in September 2011 and the Group became the first Cypriot banking institution to establish a Representative Office in China, aiming to assist its existing and new clientele in entering the Chinese market. The Group's Beijing Representative Office will

also support the efforts of the Chinese business community wishing to expand into Europe and Asia through Cyprus and to further strengthen the business ties between Cyprus and China. The Representative Office is located in the heart of Beijing's Central Business district, in the lucrative China World Trade Centre.

On 14 March 2012, Moody's Investors Services downgraded the Bank's deposit and debt ratings to B3/Not Prime from B2/Not Prime, with a developing outlook. For more information please go to Section 9.8.

On 2 April 2012 the Special Resolution for the reduction of the shares nominal value and the implementation of the recapitalization plan of the Company were approved. In addition, the Extraordinary General Meeting approved the renaming of the Bank to Cyprus Popular Bank Public Co Ltd. On 5 April 2012 the Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies in Cyprus approved the change in the Bank's name, while the Athens Stock Exchange has been notified for the renaming of the Bank on 10 April 2012. For the full text of the relevant Special Resolutions see Section 4.7.1.

On 18 May 2012 the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of the Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base. The major terms of the Decree are presented in Section 7.

On 21 May 2012, Fitch Ratings has placed the Bank's Long-term Issuer Default Ratings (IDRs) and Support Rating Floors (SRFs) of 'BB+' and Support Ratings of '3' on Rating Watch Negative (RWN). At the same time, the agency has downgraded the Bank's Viability Rating (VR) to 'f' from 'b-'. For more information please go to Section 9.8.

PROCEDURE FOR THE MERGER OF CYPRUS POPULAR BANK AND MARFIN EGNATIA BANK S.A.

On 18 May 2009, it was announced that on 15 May 2009, the Boards of Directors of the Bank and of its subsidiary MEB convened and decided to begin the merging procedure, where the second one shall be merged into the first one and the date of restructure shall be 30 June 2009.

The merger took place pursuant to the provisions of Directive 2005/56/EC regarding cross-border mergers of capital intensive companies, which has been incorporated in Cypriot and Greek Legislation with Law 186 (1)/2007 and Law 3777/2009 respectively.

During the Board of Directors' meeting dated 13 November 2009, the exchange ratio was specified to 0.6726990008 new ordinary (common) nominal Bank shares of a nominal value of €0.85 each, for every old ordinary Marfin Egnatia Bank S.A. share, with a nominal value of €0.85 each.

During the Extraordinary General Meeting of 23 December 2009 the authorization of the Board of Directors was approved for the issue of 5,781,121 new ordinary Bank shares, with a nominal value of €0.85 each in the context of the cross border merger of Marfin Egnatia Bank S.A. into the Bank, for the exchange of 8,593,919 ordinary nominal shares of Marfin Egnatia Bank S.A. The new ordinary shares which resulted through the cross-border merger, as mentioned above, had the same rights as the fully paid ordinary shares of the Bank.

On 28 December 2009, MPB announced that during an Extraordinary General Meeting on 23 December 2009 the Cross Border Merger was approved providing for the merger of Marfin Egnatia Bank S.A. into the Bank, as well as the Joint Cross

Border Merger Plan. During the same Extraordinary General Meeting, the Board of Directors' Report and the Statements of an Independent Auditing Company were approved with regard to the specification of the shares' exchange ratio of the merging companies and the shares' exchange ratio.

On 30 March 2011, further to its announcement dated 23 December 2010, MPB announced that as of April 1, 2011 MEB ceased to exist and was deleted from the Registry of Societes Anonymes of the Ministry of Economy, Competitiveness and Mercantile Marine of Greece. As of 1 April 2011, MEB will operate as a branch of Marfin Popular Bank Public Co Ltd in Greece. Therefore, the last date of trading of the shares of the Absorbed Company was on 31 March 2011. Beneficiaries of the new shares which resulted from the merger were the Shareholders of the Absorbed Company who will be registered in the Dematerialised Securities System (DSS) on 5 April 2011. From the date of effect of the merger (1 April 2011) Marfin Egnatia Bank operates as a Branch of the Bank in Greece.

4.3 Review of Business Operations

4.3.1 Main Operations

The banking and financial services sector operates within a dynamic and constantly changing environment, which continuously poses new challenges and requirements. Factors contributing to the establishment of these conditions are the intensification of competition, the internationalisation and deregulation of the overall spectrum of financial operations, the free movement of capital and human resources, leaps in technology, more stringent regulatory requirements and increased operating and compliance expenses, trans-border sales/trading in products and services, the need to post higher financial magnitudes, the decreasing importance of geographical distance, the large number of complex products and services, as well as the broader options available to and higher expectations of customers. As a result, the Group's business operations are supported by a number of internal divisions and departments, with the aim of achieving the highest possible productivity and efficiency in an array of areas, such as risk management, strategy formulation, the launch of new products and services, foreign exchange and treasury trading, internal audit, internal systems and procedures, as well as regulatory compliance.

Special emphasis is placed on technology and IT, with fully staffed departments entrusted with developing the Group's technological infrastructure and computerised systems, as well as with administering its existing systems. The Group's technological development is inextricably linked with the broader strategy and business operations of the Group and, more specifically, with the development of new products and services, the development of alternative service channels, the increase in efficiency, the centralisation and automation of procedures and the improvement of operational risk management. Within the same framework, special emphasis is placed on human resources, which are considered as the most valuable asset for ensuring the success of the Group. In light of the above, the Group applies innovative procedures and practices in hiring, assessment, performance management, career development and reward of its staff.

Today, the Group's operations, both in Cyprus and in Greece, encompass the full spectrum of banking and financial services and products. Its main operating segments are retail banking, bank cards, electronic banking, business corporate banking services, international banking services, private banking, financing and leasing, factoring, shipping services, insurance services in the general insurance and life insurance branches, investment banking, asset management, treasury management, as well as stockbroking and capital management.

The internationally prestigious magazine "The Banker" voted Laiki Bank as bank of the year in Cyprus for 2010.

The escalating sovereign debt crisis in Greece in 2011 severely affected the Group's financial results, both through the reduction of the value of Greek bonds as well as through the increased provisions for the Group's loan portfolio.

In light of the new conditions, the Group worked out a comprehensive Plan of Capital Enhancement which was agreed with the supervisory authorities which aims at the Group's compliance with the new requirements of the European institutional organs and the provided index of main basic own capital at 9%.

The Group revised its strategic direction, by adopting a plan of return to dynamic growth rates, and specifically:

- Repositioning itself strategically on its Cyprus home base which will constitute the growth and development platform of the Group.
- Focusing on the financing of businesses and households, thus continuing the substantial contribution of the Group to the development of the real economy and the creation of places of employment
- Development based on the particularly successful model of Group activation in international banking and international operations
- The recalibration of the Greek operations so as to improve the Group's performance and reduce its exposure, and ultimately benefit from the recovery of the Greek economy
- Finally, it was decided that the Group's trading name be changed back to Laiki Bank.

Overall, the Group's business operations in other countries (with the exception of Greece and Cyprus) are readjusted accordingly to reflect current prevailing conditions and targets. In the United Kingdom, where its services are predominantly used by Greek and Cypriot ex-pats, the main services are private banking, asset management and electronic banking, with the aim of further strengthening its operations by penetrating other national and professional groups. In Malta, operations primarily involve international corporate banking services, while the full spectrum of banking services is offered in the other countries where the Group operates.

The main services and products offered by the Group are outlined below.

Retail Banking Services

Retail banking has the primary objective of fulfilling the financial needs of private customers and organised groups. It offers clients a comprehensive range of banking products, such as deposits, current accounts, personal, student, consumer and housing loans, as well as investment and bankassurance products, predominantly through the Group's branch network and the alternative distribution channels of Laiki eBank, or by referring customers to specialised departments of the Group. In Cyprus, the Retail Banking Division coordinates and provides full support to the banking units, with the aim of improving the standard of services provided to clients, and launches new products and services in areas such as student loans, marriage loans, holiday loans and housing loans. The branch network is supported by centralised systems and processes and by an extensive ATM network. The Group operates in Greece through Marfin Egnatia Bank S.A., which also has a centralised internal structure in the sector of retail banking, with the aim of effectively utilising the important opportunities emerging in this sector in the Greek market.

The retail banking sector remains the largest operating segment of the Group and it is the segment on which the Group places greater emphasis.

Business Banking

This unit primarily concerns small and medium-size businesses, which are offered a comprehensive range of services that includes bank accounts, loans for setting up and expanding a business, current accounts, import/export facilities and foreign exchange. In Cyprus, these services are mainly offered through Business Banking Units, which report to the Business

Banking Division. In Greece, loans to businesses are centrally administered, while products and services are offered to clients through the network of branches of Marfin Egnatia Bank.

Corporate Banking

The Group offers a comprehensive spectrum of tailor-made and innovative services to its corporate clients. The primary aim of the Corporate Banking Division is fostering close long-term relations with its corporate clients, public companies and semi-government organisations and providing integrated solutions encompassing the full spectrum of the Group's products and services in cooperation with the other companies of the Group.

These services include a range of bank accounts, such as business loans, current accounts, import/export facilities, letters of guarantee and secured loans, project financing, foreign exchange and portfolio instruments, as well as the administration / participation in joint venture loans.

In Cyprus, operations have been restructured and centrally organised into a single department based in Nicosia, which reports to the Corporate Banking Division. The ultimate purpose of this restructuring is to achieve greater flexibility, efficiency and specialisation with a view to fulfilling customer needs, while also emphasising relationship banking, placing greater value in and providing enhanced support to customers.

In Greece, the Corporate Banking Division of MEB offers high-standard integrated banking services and products to corporate clients. More specifically, it offers products and services in the areas of corporate banking, risk management, loan capital facilitations and, in cooperation with the Investment Banking Division of the Group, it offers creative, innovative and tailor-made solutions in the areas of advisory services and capital markets.

Shipping Services

In Greece, the Group maintains significant presence in the shipping sector, in which it operates with remarkable success. The Shipping Division of MEB offers effective, competitive and reliable services to companies in the shipping sector. More specifically, it offers loans for the purchase/repair of ocean-going marine vessels, loans for the purchase of leisure yachts, loans for operating capital, letters of guarantee, deposit accounts (sight, current and term) in all principal currencies at highly competitive interest rates, as well as supplementary services, including the sale and purchase of foreign exchange at competitive exchange rates, domestic/international money transfers and currency trading.

The Shipping Services of Marfin Egnatia Bank received the 'Best Shipping Finance Team, Greece' award from Finance Shipping Awards for 2009 and 2010.

The Shipping Division has designed its services with the aim of fully covering the needs of businesses and private individuals actively involved in shipping.

Private Banking

The Private Banking Division provides personally customised banking and investment services, both to private as well as to institutional customers of the Bank, Cypriot and foreign nationals, who own significant investment capital, offering quality and integrated asset management solutions, with emphasis on the principles of personal service, confidentiality and professionalism.

This service is available in Cyprus, Greece and the United Kingdom. The Bank also offers a comprehensive range of alternative investment and financial products, depending on clients' investment profiles, in collaboration with international

investment firms and reliable stockbroking companies worldwide. Concurrently, in cooperation with the Treasury Division, the possibility exists of offering customers personalised investment products. It is worth noting that the Private Banking Division of the Group was declared the best Private Banking service in Cyprus in 2006, 2007 and 2008 by the international financial magazine 'Euromoney', as well as the best Private Banking service in Greece for 2011.

International Banking Services

The specialised International Business Units offer a wide range of products and services to foreign customers and multinational businesses. To that end, the Group has developed relations with numerous financial organisations in other countries, through the Foreign Bank Relations Division. Clients are also offered advice on procedural matters, such as company registration, as well as services / products through other departments and divisions of the Group, such as the Private Banking and Treasury Divisions. This Division operates in an international environment with a very positive growth prospects.

The recent acquisition of an interest in the share capital of Lombard Bank Malta Plc forms part of Laiki Bank Group's strategy of expanding its business into the provision of high-quality banking services to international corporations. In the last few years, Malta has evolved into an investment hub for international corporations.

The opening of a Representative Office in Peking, the first Representative Office of a Cypriot bank in the People's Republic of China, constitutes a very significant development in the Group's International Services.

Treasury Division

The Treasury Division is actively involved in money markets both in domestic as well as in foreign currencies, more specifically in foreign exchange markets (spot, futures, forward and swaps), money markets (interbank market), bond markets (primary and secondary market) and derivative markets, such as swaps, FX swaps etc.

The Treasury Division manages the assets and liabilities of the Group and its foreign exchange, interest rate and liquidity risks, on the basis of the guidelines and regulatory framework designated by the Bank. The procedure of designating and monitoring the above framework is coordinated by the Asset-Liability Committee (ALCO), in cooperation with the Treasury Division.

At the same time, the Treasury Division services the network of branches of Laiki Bank Group regarding foreign exchange rates and deposit interest rates. Moreover, it maintains a direct line of communication with important clients of the Bank, whom it updates on current foreign exchange and interest rates as well as on developments in international foreign exchange, money, bond and derivative markets.

The Treasury Division also deals with planning and pricing in regard to specialised products offered to clients of the Group, such as deposit instruments, fixed-income or non-fixed income securities and generally instruments offering access to any market as may be requested by the client.

Laiki eBank

Laiki eBank is the first fully operational electronic bank in Cyprus offering electronic banking services to over 185.000 individuals and enterprises, in Cyprus as well as abroad. Clients can perform their banking and stock exchange transactions 24 hours a day through the Internet (www.laikiebank.com), the Telebank (80002000), rapidly and securely, at attractive pricing, or through a mobile phone ((www.laikiebank.com and SMS Banking service) and Automatic Teller Machines (ATMs).

Through Electronic Banking, which is offered in Greek, English and Russian, private customers can, among others, receive information about their accounts and cards, to carry out fully automated transfers of money and payments anywhere in Cyprus or abroad, to receive information about finance contracts and Laiki Cyprialife Corporate customers can, additionally, perform en masse automatic salary payments or payments to suppliers, manage automatic settlements of obligations and have different levels of approvals of transactions and many others.

Concerning investment services, eTrading and Global eTrading provide direct connection with the Cyprus Stock Exchange (CSE) and Athens Stock Exchange (ASE) respectively and the biggest stock exchanges in the world for trading in stocks, portfolio management, live financial information and many others. eFX Trading is also available to individuals and businesses for foreign currency transactions.

Through mBanking and mTrading, the customers have access to the Internet via mobile apparatuses in order to perform a wide range of banking and brokerage operations. Through SMS Banking, the customers can send written messages requesting information or the execution of a transaction, receiving immediate answer on their mobile phone on the result of their request.

In order to ensure greater control and security, the customers can make use of the award winner Alerts service, which informs them immediately, through SMS messages on their mobile phone or through e-mails, regarding their transactions in their accounts or cards, their buy/sell orders for shares and other financial information which may be significant for them.

In 2011, the international magazine “Global Finance” awarded to Laiki Bank, for third consecutive year, the prize for Best Consumer Internet Bank for the broad consuming public in Cyprus and the prize for Best Corporate /Institutional Internet Bank for its services to businesses. The above successive distinctions demonstrate the dynamic development of the electronic banking services of Laiki Bank, thus placing Laiki eBank among the best electronic banks in Europe.

Bank Cards

The Bank issues and offers an array of cards, which fully cover the needs of both private individuals as well as companies (business cards). The Bank issues VISA and Mastercard credit and debit cards. The cards available are issued in classic, gold and platinum series, and offer the option of performing transactions through the ATM network. Moreover, specialised cards are also issued which are addressed to specific customer groups or concern specialised services, such as, indicatively, the following: Laiki Business Card, Laiki eCard, Laiki Electron, Laiki Connect, What’s Up 18- and What’s Up 18+, Laiki Prepaid and Laiki Card & Fly.

A special innovation by the Bank in the sector of cards constituted the issue of Laiki Woman’s card, the first exclusive card in Cyprus addressed to women.

In Greece the credit cards are offered by Marfin Egnatia Bank which issues VISA credit and debit cards, the series Marfin Cash & Buy, Marfin Blue, Marfin Gold, Marfin E-Shop.Gr and the specialised AEL Visa card. It should be noted that in Greece, the ATM network has expanded to locations beyond the premises of Marfin Egnatia Bank S.A. branches.

The Visa Classic and Visa Gold, as well as the Autobank Card, are offered in the United Kingdom.

It should also be noted that the Bank holds a 30% share in JCC Payments Systems Limited company, which was jointly founded in 1989 with other commercial banks operating in Cyprus and provides card management services in Cyprus. The

company was founded with the objective of providing uniform credit approval limits on cards and jointly processing transactions.

Factoring Services

In Cyprus, the Group is actively and successfully involved in the provision of factoring services, through Laiki Factors Limited.

Laiki Factors Limited offers working capital financing services, primarily through the advance payment of trade debts, while it also offers lines of credit and loan confirming services. Laiki Factors Limited also offers specialised sales ledger administration and collection agency services, as well as advisory services on issues pertaining to company financing. In view of offering the above services, Laiki Factors Limited has created an array of service packages, such as factoring with or without recourse, advance payment of invoices and imports or exports factoring.

The Group has been active in the provision of trade receivables factoring services in Greece since 1998, through its subsidiary, Laiki Factoring S.A. These services are now offered by Marfin Factors & Forfeiteurs AEPEA, a subsidiary upon the completion of the cross-border merger of the Bank, and they are specially-adapted to the requirements of the Greek market, covering the following areas:

- domestic factoring, with or without the right of recourse, addressed to companies operating in Greece;
- advance payment of invoices of a confidential nature or otherwise, addressed to customers who wish to retain their own collection mechanisms;
- exports or imports factoring, addressed to businesses transacting with foreign companies.

Factoring services are also offered in the United Kingdom.

Financing / Leasing Services

The Group offers a wide range of specialised products in the financing and leasing sector, which covers, among others, purchases of vehicles, furniture, industrial equipment and equipment for medical practices/clinics, laboratories, residences and offices, including electronic systems.

Financing services in Cyprus were offered through the Group's subsidiary, The Cyprus Popular Bank (Finance) Ltd. On 21 March 2008, the Bank announced that in the context of restructuring the Group's Credit Directorates, the process of restructuring and merging of Laiki Cyprus Bank (Finance) Ltd with the Bank was completed, and as such it would provide from then on the relevant services. It is noted that the restructuring and merger was approved by the Bank and Laiki Cyprus Bank (Financing) Ltd during the General creditors' meeting of Laiki Cyprus Bank (Financing) Ltd, as well as by the court in accordance with Cyprus Law.

The Group has been active with particular success in the sector of financing, with its market share exceeding the corresponding market shares in finance and deposits, both in Cyprus as well as in Greece.

Leasing services in Greece are now offered by Marfin Leasing upon the completion of the cross-border merger of the Bank. In Greece the services offered to the sector cover a wide range of specialised activities, including, both mobile equipment (machinery, transport means, medical equipment etc) as well as immovables.

Insurance Services

The Insurance Group CNP-Marfin is operating both in Cyprus and in Greece. In Cyprus it is the largest Insurance Group

with “Laiki Insurance” in the general branch with “Laiki Cyprialife Ltd” in the Life insurance branch and medical treatment. Both Laiki Insurance and Laiki Cyprialife occupy the first place in their branches in the market.

In the general insurance sector, the Group offers a broad spectrum of insurance services in Cyprus, through Laiki Insurance Limited, such as insurance against fire, theft, civil liability, transport (sea, air and land), for vehicles, accidents of any nature, loss of profits from fire etc, which cover the needs of every private person, businessmen and trading customers. New products and services are launched on an ongoing basis, such as the '24-hour co-driver, the “Programme of a Second Medical Opinion” etc. Laiki Insurance this year celebrates its 30th anniversary: 30 years of reliability, but also multidimensional dynamic presence in the insurance and social affairs of Cyprus.

In the life insurance sector in Cyprus, “Laiki Cyprialife Limited” offers a broad spectrum of state-of-the-art insurance products addressed to private individuals and professionals, as well as other bankassurance products. Laiki Cyprialife Limited also operates in the pension products sector, which is anticipated to post significant mid-term growth, while it has also drawn up plans for personal and group medical coverage at a private and group level in cooperation with international organisations.

In Greece, the Group has been operating in the insurance sector since 2002, through “Marfin Life S.A.” for life insurance and through Marfin Brokers (Insurance & Consultancy Services), for general insurance operations and “Laiki Insurance S.A.” in general insurance. Following the completion of the triple merger, Marfin Egnatia Bank S.A., continued to offer a wide range of bankassurance products, addressed both to private customers as well as to businesses, through its branch network in Greece. Moreover, through “Marfin Life S.A.” group insurance plans for company employees, as well as innovative savings and pension plans are also offered.

On January 1, 2009, CNP Assurances and the Bank signed an agreement for a long-term cooperation with the purpose of promoting the insurance business through the Group’s branch network in Greece and Cyprus. The said agreement in the insurance sector in Greece and Cyprus is expected to expand to other countries in the future, following the international expansion of the Bank in South and Eastern Europe.

Stock Broking and Asset Management Services

The Group offers tailor-made stock broking services in Cyprus and Greece, in the sectors of stock exchange transactions, investment banking and asset management.

In Cyprus, these services are offered through Marfin CLR (Financial Services) Ltd ('MCLRFS'), which is a 100%-owned subsidiary of Marfin CLR Public Co Ltd ('MCLR'). MCLR, which is a public company listed on the CSE, is a subsidiary of CPB, as the latter holds 63.3% of its share capital.

The current structure of MCLR is the result of the merger of Laiki Investments E.P.E.Y. Public Company Limited ('LI') with CLR Capital Public Limited ('CLR'), by absorption without dissolution of the latter by the former. The current structure of MCLRFS is the result of the merger of Laiki Brokerage E.P.E.Y. Limited, Laiki E.D.A.K. and Asset Management Limited and Egnatia Financial Services (Cyprus) Limited (formerly 100%-owned subsidiaries of 'LI') with CLR Securities and Financial Services Limited (formerly 100%-owned subsidiary of CLR), by absorption without dissolution of the former companies that were merged into the latter.

Both aforecited mergers took place in early 2009, following the authorisation by the District Court of Nicosia of the respective sectors of the restructuring and merger.

MCLRFS is a market leader in Cyprus in its sectors of operation. In regard to brokerage services, for the period ended 31 December 2011, MCLRFS ranked first on the CSE in the value of transactions, with a market share of 25.75% (Source: CSE), not including pre-agreed transactions. Transactions are also conducted on the ATHEX and international stock exchanges through MCLRFS. During the same period, MCLRFS held a 1.18% share of the cumulative value of transactions on the ATHEX in securities and bonds, in its capacity as distance-member of the ATHEX.

It is worth noting that CPB clients have the option of performing transactions on the Cyprus Stock Exchange and the Athens Stock Exchange online, through the Laiki eTrading service while, as of December 2005, they also have the option of conducting share sale-purchase transactions on major international stock exchanges at competitive rates through the innovative Laiki Global eTrading service.

In the sector of client asset management, MCLRFS offers services adhering to high professional standards covering a broad spectrum of institutional clients, in cooperation with international firms based abroad.

MCLRFS also offers a comprehensive range of investment banking services, having achieved a prominent position in the domestic market. The service offering includes underwriting services and public offerings (IPOs and secondary offerings), advisory services for mergers and acquisitions and sourcing strategic partners, advisory services for financial planning and company restructuring, undertaking feasibility studies, advisory services for large-scale projects (project finance) and drawing up financial studies and business plans.

MCLRFS possesses an investment portfolio in the form of private equity in companies, the shares of which are not listed on a stock market.

In Greece, the Group offers a comprehensive range of investment services and products, through Investment Bank of Greece S.A., a subsidiary of the Group, which ranks among the foremost financial establishments in Greece. Its client base primarily consists of foreign end-clients, European and U.S. banks and financial institutions, as well as private investors. The Investment Bank of Greece S.A. collaborates with top-ranking international firms, allowing its customers to perform transactions on foreign-listed shares, CFDs and derivative instruments in international markets. During the four-monthly period ended 31 March 2011, the Investment Bank of Greece S.A. ranked first in market share on the ATHEX, with a 13.58% (Source: ATHEX) share in the cumulative value of securities and bonds transactions.

Moreover, it disposes of one of the largest Economic Analysis Divisions, providing primary research to companies representing 90% of the capitalisation of the Athens Stock Exchange, as well as analysis reports on behalf of selected European companies. Offering an array of carefully designed products, it provides the investment public with analyses and opinions on the Greek and international financial markets, while it issues a daily analysis report covering all developments anticipated to affect the movements of Greek and foreign shares. At the same time, it has begun issuing primary research reports to large-capitalisation companies in the markets of Turkey, Romania and Bulgaria. The Economic Analysis Division of the Investment Bank of Greece has received numerous important distinctions over the course of its history, both in Greece as well as internationally (Thomson Extel Survey, Star Mine Awards, AQ, RQ, Athens Stock Exchange etc).

Moreover, the Investment Bank of Greece S.A. is a member of the European Securities Network ('ESN'). ESN is a recognised pan-European network, comprising 10 brokerage firms and investment banks and offering investment services in 14 European countries. The aim of the network is to cover the full spectrum of European markets in regard to domestic private and institutional clients, offering a uniform analysis platform (providing primary research to more than 1,000 companies in Europe), identifying investment opportunities in domestic European markets, as well as developing productive and efficient synergies among its members.

4.3.2 New Products and Services

The Group has consistently followed the policy of continuously developing new products and services in all the areas of its operations, both in Cyprus and in Greece as well as internationally, such as new bank accounts, loan products, deposit and investment products, electronic banking products and services, general insurance and life insurance products and services, as well as new stock broking services.

4.3.3 Other Services and Activities

In addition to the above activities, it should be noted that the Group's operations are supported by a number of internal divisions and departments.

Special emphasis is placed on the sector of technology and IT. The Group operates a fully-fledged division entrusted with upgrading the technological infrastructure and computerisation of the Group, as well as supporting its existing systems. The Group's technological development is inextricably linked with its broader strategy and business operations and, more specifically, with the development of new innovative products and services, the development of alternative service channels, the increase in productivity through automation, the centralisation of procedures thus achieving reduction of operational costs and the improvement of operational risk management.

The Group also maintains an active involvement in social and cultural activities in the countries where it operates. For quite a few years, the Group has been organising and participating in a multitude of activities including, among others, charitable, cultural, social and athletic events.

The most important event organised by the Group is the annual Radio-Marathon for Children facing various illnesses and economic problems, an event that has received an enthusiastic support from charitable institutions and the general public.

Another milestone in the cultural activities of the Group was the establishment of the 'Laiki Group Cultural Foundation - Pierides Museum' Trust in 2000.

4.3.3 Main Markets of Operation

The Group is mainly based in Cyprus, where it maintains 116 branches, but it attaches great strategic importance to its international business expansion. Its international presence spans in Greece (175 branches), Serbia (24 branches), Romania (29 branches), the Ukraine (59 branches), Malta (7 branches), Russia (27 branches), the United Kingdom (4 branches) and Guernsey (1 branch). With the exception of Greece and the United Kingdom where the Group operates through branches, in the rest countries the Group operates through subsidiaries.

At the same time, recognizing the dynamism and the expansion potential of the Chinese economy, the Group decided to proceed with the opening of a Representative Office in China. The geographical location of Cyprus, the politico-economic conditions and the traditionally friendly relations that Cyprus maintains with China, constitute strong guarantees that the Group will benefit from the opportunities arising from a promising and successful business venture.

An analysis of the income and of the loan portfolio of the Group broken down by geographical segments is provided in Section 4.4, while the organisational structure of the Group and its subsidiaries per country are provided in Section 4.5.

Cyprus

CPB is the second largest bank operating in the Cypriot market. The full service offering of the Group, set out in Section 4.3.1, is available in Cyprus, through the Bank and a number of its subsidiaries. Cyprus remains the main base of Group

operations. Cyprus Popular Bank is the second bank in Cyprus in total equity for the period ended 31 December 2011, according to the published financial data of the banks headquartered in Cyprus. Moreover, Cyprus Popular Bank ranks second in loans, business loans and deposits. (Source: Central Bank of Cyprus, Monetary and Financial Statistics, December 2011)

The Group maintains a network of 116 branches in Cyprus, with wide geographical dispersion, while it offers a comprehensive range of alternative distribution channels through Laiki eBank, which is constantly being upgraded with the addition of new services. The Group employed 2,530 members of staff in Cyprus on 31 December 2011.

The strategy pursued in the Cypriot market focuses on the ongoing improvement in the quality of service provision offered to clients, the constant offer of attractive products, the utilisation of technology and alternative distribution channels, as well as the development of systems allowing for effective risk management and improved loan quality.

Credit expansion in 2011 accelerated to 11.5% from 6.2% the year before driven more by lending to non-residents rather than residents. Lending in the domestic sector decelerated in fact, up by 7% compared to an increase of 8.1% the year before. The deceleration was mostly the result of a marked slow-down in household borrowing. By contrast, deposits declined by 0.9% in the year driven mostly by a 3.6% drop in the domestic resident sector. Non-resident deposits were up due mostly to inflows from the Euro area. In the domestic resident sector, the decline in deposits was entirely attributable to companies whereas households recorded a small increase.

Greece

The Group operates in Greece through the Branch of Marfin Egnatia Bank. Marfin Egnatia Bank is the result of the merger of the banking operations of the Group in Greece, of Marfin Bank ATE with Egnatia Bank S.A. and Laiki Bank (Hellas) S.A., following the decision of their respective Boards of Directors.

More specifically, the sale and transfer to the Bank of the entire shareholding of Marfin Investment Group, which represented 100% of the share capital, in Marfin Bank ATE, against the total price of GBP 359.9 million, was completed on 4 May 2007. The merger procedures between subsidiary banks Egnatia Bank S.A., Marfin Bank ATE and Laiki Bank (Hellas) S.A. were completed by June 2007, creating a new bank, Marfin Egnatia Bank S.A. This merger was performed in accordance with applicable Greek law, using the method of consolidation of equity and liabilities of the companies undergoing the merger.

The subsidiaries of Marfin Egnatia Bank S.A. and now subsidiaries of the Bank, upon the completion of the cross-border merger of the Bank, offer a wide range of financial products and services, with activities spanning, apart from the purely banking domain, the areas of leasing, factoring-forfeiting, banking insurance, shipping, as well as investment strategy issues.

In 2011, the cross-border merger of Marfin Popular Bank Public Co Ltd with Marfin Egnatia Bank S.A.. completed and as of 1 April 2011 MEB will operate as a branch of Marfin Popular Bank Public Co Ltd in Greece. From the date of effect of the merger (1 April 2011) Marfin Egnatia Bank operates as a Branch of the Bank in Greece.

Marfin Egnatia Bank, offers its services and products through a branch network, which comprised by 175 branches on 31 December 2011, offering broad geographical coverage. The Group employed 3,146 members of staff in Greece on 31 December 2011.

The Group's operations in Greece are characterised by a client-centred approach, consistently aiming at providing a high standard of services as well as fostering long-term relationships with its clients. At the same time, special emphasis is placed on the continuous training and development of employees, as well as on the continuous updating of technological and risk management infrastructure, in close cooperation with the Group.

During 2011, the Greek banking system, like every other sector of the Greek economy, suffered the effects of the escalation of the Greek public debt crisis and the severe austerity measures, imposed on the country for a second consecutive year. The aforementioned measures in conjunction with the sovereign debt dynamics and political uncertainty that prevailed in Greece and the European area, caused a significant deterioration in all sectors of the Greek economy. In real terms, the Greek economy contracted for a fourth year in a row, by approximately 6% in 2011, worse than Troika's projection of a 4% contraction for the end of the year.

For the Greek banking sector and the majority of the Greek economy, liquidity remains the key issue. The Banks' exposure to Greek Government Bonds, significant deposit outflows and a rising number of non-performing loans have intensified the pressure on the banking system, leading to significant credit tightening. The profitability and efficiency of the banking system declined further, the quality of the loan portfolio of both households and businesses has deteriorated, and liquidity has been based mainly on fund raising by the Eurosystem. The total credit expansion in Greece experienced a 3,6% decline on a yearly basis in December 2011. Credit expansion to households decreased by 5,9%, while business loans fell by 5,4% during 2011. Total deposits fell by 17,7% to €183 billion against €222 billion deposits in 2010.

In an admittedly difficult business environment, the Group managed to upgrade its services to its customers by introducing new products. Marfin Egnatia Bank offers as from June 2011 has been offering two new business accounts, the «Marfin Business Account» and the «Marfin Professional Account to pay» aimed at freelance professionals and small businesses with annual turnover less than €2.000.000 who wish to cover most of their needs through an integrated solution. In September, the Bank added the new prepaid card «Marfin Reload MasterCard» to its range of products, thus offering a product suitable for those looking for increased security and absolute control of their expenses.

Finally, it is worth mentioning that the Call Center of Marfin Egnatia Bank, firmly geared to the values of the Group, won for a third consecutive year the first award in the Large Call Centers for its excellent customer service, with a 92,9% rating under the competition CRM Grand Prix 2011 held by Teleperformance Hellas.

United Kingdom

Marfin Laiki Bank UK

The strategic goal of the Group in United Kingdom is to expand its clientele to customer groups other than the members of the Greek and Cypriot Communities in the United Kingdom.

Marfin Laiki Bank UK also aims to consolidate its position as a skilled, flexible and competitive bank that focuses on serving the special needs of its customer base, beyond the usual commercial banking services. The Bank also offers services such as Wealth Management, Treasury services and Factoring.

Marfin Laiki Bank UK operates a network of 4 Branches in London and Birmingham.

During 2011, the Bank focused on maintaining the existing high quality of its assets and further improve its profitability, as well as to increase its deposit base despite the intensely aggressive economic environment in the country.

Australia

Beirut Hellenic Bank

After a ten-year growth and success strategy in Australia, Marfin Popular Bank completed the sale of 85% in Laiki Bank (Australia) Ltd to Bank of Beirut, on 28th February 2011.

The total consideration for the sale of the 85% stake in Laiki Bank (Australia) was agreed at €104.3 million and represents a multiple of 1.65 times the Net Book Value of Laiki Bank (Australia) Ltd as at 31 December 2010.

This transaction resulted in a profit from disposal of approximately €53.4 million which was recognised in 2011.

Cyprus Popular Bank remains as a minority shareholder in Laiki Bank (Australia) Ltd at least until February 2013. Following the acquisition of the majority stake of Laiki Bank (Australia) Ltd by Bank of Beirut, Laiki Bank (Australia) Ltd has been renamed to Beirut Hellenic Bank Ltd and its share capital increased by AU \$80 million. CPB decided not to participate in this capital increase and therefore its shareholding has been diluted to 7.50%. This has not affected the rights of the exercise of the put option as per the Share Purchase Agreement.

During 2011, the branches of Beirut Hellenic Bank increased from 10 to 15 and the new management focused on building infrastructure-related projects, whereas 2012 will be the year to focus on business development.

Romania

Marfin Bank (Romania) S.A.

Although Romania, was no exception to the current economic crisis in Europe, it has shown signs of slight recovery in 2011, ending the year with an increase in GDP of 2.1%. The prospects for continued recovery in 2012 are promising, but are expected to be limited to 2-2.5%, down from 3-4% originally forecast. Despite the social unrest resulting from the implementation of tough economic measures imposed by the International Monetary Fund, the government decided to implement the measures, considering them as effective, with the aim of ensuring sustainable fiscal dynamics and returning as quickly as possible to economic recovery.

With the opening of 2 new branches in late 2011, Marfin Bank Romania's network now consists of 29 branches in Bucharest and 20 other major cities, covering largely the territory of the country.

Marfin Bank Romania offers a complete set of banking services with a wide range of products, while in the last two years it has moved into enhancing of the quality of its portfolio and to major upgrading-modernization of its systems.

The excellent staff of the Bank, with the experienced management team of trained personnel of the Group from Cyprus and Greece, and the properly trained personnel constitute the guarantee for its entry in a substantial growth path, as soon as market conditions permit it.

Serbia

Marfin Bank A.D. Belgrade

The Bank in 2011 focused on the strategic decision to streamline operations. The main pillars of this effort were to re-organize the operations of the Bank and to modernize its activity to maximize the utilization of staff. The result of these efforts was to reduce staff numbers to 389 from 460 at the beginning of the year. It also continued with the re-organization of the branch network by closing unprofitable branches and relocating them to more promising locations. Specifically, in 2011 the bank has closed 5 branches and has opened 3 new branches in a major avenue in Belgrade and in two cities in Serbia, with the total number of branches reaching 25 at the year-end.

The Bank continued its selective expansion of its loan portfolio and the enhancement of the performance of the portfolio. It is noteworthy that all the activities during the year have greatly improved operating profitability of the Bank in 2011, despite the inclusion of non-recurring expenses for re-organising the activities. Also, the bank has succeeded in maintaining a healthy capital adequacy, based on its operating profitability. The Bank's strategy has strengthened its activities and has laid the right foundations that will enable it to further expand its presence in the country and continue to increase its profitability.

Estonia

Marfin Pank Eesti A.S.

By resolution of MPE's EGM dated 11 April 2011, it was decided to change the nominal value of the shares from 10EEK to €0.60 which resulted in the reduction of the share capital by an amount of €0.6 million (through the write-off of accumulated losses). At the same meeting, it was decided to further reduce the share capital by €3.3 million through the write-off of accumulated losses and it was also decided to increase the share capital of the Bank by €1.6 million. Not all the shareholders subscribed to this share capital increase and MPB subscribed to the unsubscribed shares. This resulted in CPB's shareholding increasing from 63.02% to 70.5427%.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6,6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2,8 million approximately.

Channel Islands

Laiki Bank (Guernsey) Ltd

Guernsey is a well-known international financial centre. Through Laiki Bank (Guernsey) Ltd, the Group's local subsidiary, clients are presented with an alternative destination for deposits.

Ukraine

PJSC "Marfin Bank"

Cyprus Popular Bank's Ukrainian subsidiary has its head office in Odessa and operates a network of 59 branches and points of sale in 9 major cities across the country, including Kiev. PJSC 'Marfin Bank' is primarily focusing on developing its Corporate business, ranking first in Odessa region for corporate customers such as Ports, transport, shipping, freight forwarding, crewing and other businesses. At the same time, it has a strong deposit base through its Retail branch network and maintains a full range of products and services to cater for all the banking needs of its Corporate and Retail customers, as well as selected niche markets.

According to Ukrainian national credit agency «CREDIT - RATING» PJSC "Marfin Bank" maintains a long-term credit rating «uaA», outlook «stable» and the highest rating "5" on the scale of deposits reliability (the Bank is amongst the 8 best rated banks in Ukraine in terms of bank deposit rating).

The Ukrainian economy experienced 9 years of unprecedented growth with an average 7% real GDP increase per annum until 2009, when GDP fell steeply by 15%, affected by the global economic crisis. However, at present the economy looks set on a path to recovery, registering real GDP growth of 4.2% in 2010 and 5% in 2011.

Under the given market conditions, the strategy of PJSC “Marfin Bank” during 2011 was to improve the quality of its loan portfolio and at the same time to achieve a moderate and qualitative growth of 11%. The Bank also managed to increase its customer deposit base even further (by 19%), taking advantage of its very good credit rating.

In order to support the growth of its activities, the Bank increased its capital base by €10 million in March 2011.

In 2012, the Bank aims to continue its focus on expanding its deposit base, on further improving the quality of its loan portfolio and the quality of service to its customers through the completion of important infrastructure projects which will result in the automation and optimisation of business processes.

Malta

Lombard Bank Malta plc

Cyprus Popular Bank entered the Maltese market in March 2008 with the acquisition of 42.8% of Lombard Bank Malta plc (“LBM”), which is one of the most historic and major local banks. Cyprus Popular Bank has subsequently increased its participation, and it currently owns 48.9% of the share capital of Lombard Bank Malta. LBM offers a complete range of financial services, focusing mainly on corporate banking and wealth management.

LBM was established in 1955, is based in the capital Valletta and maintains a network of seven branches across the country.

Lombard Bank Malta plc operates also in the postal services sector, owning the majority shareholding of 66.5% of the local post office (Malta Post plc), which was purchased through the privatisation of Malta Post, from the government of Malta. Malta Post has 34 branches throughout the country.

Russia

OOO Rossisysky Promishlenny Bank Ltd (“Rosprombank”)

In September 2008, Marfin Popular Bank entered the Russian banking market by acquiring the majority shareholding of CB Rosprombank LLC and was the first banking organisation in Cyprus and Greece to proceed with the acquisition of a Russian Bank.

Rosprombank is headquartered in Moscow and maintains a network of 27 branches and points of sale in various regions of the Russian Federation. The Bank focuses on providing a full range of banking products and services to large corporate and small-to-medium-size businesses (SME). It also provides leasing services through its fully owned subsidiary, RPB Leasing LLC.

2011 saw the Bank’s further integration with the Group. Particular emphasis was also given on maintaining the Bank’s liquidity and strong capital base as well as on the improvement of the quality of its credit portfolio and overall profitability, capitalising also on the improved economic environment in Russia. As a result, the Bank achieved both satisfactory profitability and strengthened financial position and quality of balance sheet during the year.

In March 2011 Marfin Popular Bank signed an agreement for the purchase of the remaining shares in CJSC RPB Holding, the parent company of Rosprombank. The agreement is still subject to regulatory approval from Cyprus and Russia.

Representative Offices

In 2011 the Group, recognising the growing importance of China as an economic power, submitted an application to the China Banking Regulatory Commission for opening a Representative Office in China. The application was approved in

September 2011 and the Group became the first Cypriot banking institution to establish a Representative Office in China, aiming to assist its existing and new clientele in entering the Chinese market. The Group's Beijing Representative Office will also support the efforts of the Chinese business community wishing to expand into Europe and Asia through Cyprus and to further strengthen the business ties between Cyprus and China. The Representative Office is located in the heart of Beijing's Central Business district, in the lucrative China World Trade Centre.

In Russia, the Group has been operating a Representative Office in Moscow since 1997, servicing the vast and growing clientele of the Group in Russia as well as the Cypriot and other businesses wishing to expand into Russia.

Access to Other Markets

The Bank has developed an extensive network of satellite banks and has concluded special agreements with selected banks worldwide. Through its collaborations, the Bank ensures its clientele access to a large number of foreign markets and achieves attractive collaboration terms.

4.4 Analysis of Income and Loan Portfolio

The Group operates in six main business sectors worldwide:

- Business and investment banking, which includes all commercial and investment banking operations from corporate clients.
- Retail banking, which includes all commercial banking operations from retail clients.
- Asset management, which includes all operations from affluent clients (banking operations and asset management).
- International businesses, which includes all operations offered to international businesses.
- Treasury and market management, which includes all activities from treasury and market management.
- Participations, investments and other sectors, which includes various participations and investments for the Group and other operations that do not fall within any of the other sectors, none of which forms a separately mentioned sector.

4.4.1 Analysis of Income by Business Sector

The following table summarises the analysis of comprehensive income for the Group by business sector for the years 2009, 2010 and 2011.

BUSINESS SECTOR	31.12.2011		31.12.2010		31.12.2009	
	€ '000	%	€ '000	%	€ '000	%
Large businesses and investment banking	356,320	34%	337,670	33%	342,780	32%
Retail banking	421,820	41%	399,203	39%	345,916	32%
Asset management	24,665	2%	32,627	3%	57,006	5%
International businesses	129,108	12%	75,776	7%	99,562	9%
Treasury operations	30,767	3%	180,383	18%	219,062	21%
Participations, investments and other sectors	108,745	10%	27,289	3%	22,794	2%
Consolidation adjustments	(34,127)	(3)%	(31,194)	(3)%	(12,267)	(1)%
INCOME FROM OPERATIONS	1,037,298	100%	1,021,754	100%	1,074,853	100%

Source: Financial data processed by the Bank.

4.4.2 Analysis of Income by Geographical Sector

The following table summarises the analysis of comprehensive income for the Group by geographical sector for the years 2009, 2010 and 2011.

GEOGRAPHICAL SECTOR	AUDITED 31.12.2011		AUDITED 31.12.2010		AUDITED 31.12.2009	
	€ '000	%	€ '000	%	€ '000	%
Cyprus	544,168	53%	425,828	42%	459,988	43%
Greece	317,092	31%	418,937	41%	438,725	41%
Other countries	176,038	16%	176,989	17%	176,140	16%
INCOME FROM OPERATIONS	1,037,298	100%	1,021,754	100%	1,074,853	100%

4.4.3 Analysis of Loan Portfolio by Financial Activity Sector

The following table summarises the analysis of loan portfolio for the Group by financial activity sector for the years 2009, 2010 and 2011, where the contracting parties operate.

FINANCIAL ACTIVITY SECTOR	31.12.2011		31.12.2010		31.12.2009	
	€ '000	%	€ '000	%	€ '000	%
Trade	3,366,764	14%	3,356,673	13%	3,303,123	13%
Industry	1,147,521	5%	1,195,690	5%	1,230,601	5%
Tourism	1,302,651	5%	1,289,076	5%	1,066,367	4%
Property and construction	4,526,496	18%	4,706,614	18%	4,480,627	18%
Personal, professional and home loans	9,678,487	39%	10,103,243	38%	9,962,856	40%
Other sectors	6,686,550	27%	6,780,514	26%	5,850,218	23%
	26,708,469		27,431,810		25,893,792	
Provision for impairment of advances	(1,929,846)	(8)%	(1,014,477)	(3)%	(811,629)	(3)%
TOTAL LOANS	24,778,623	100%	26,417,333	100%	25,082,163	100%

Source: Financial data processed by the Bank.

4.4.4 Analysis of Loan Portfolio by Geographical Sector

The following table summarises the analysis of loan portfolio for the Group by geographical sector for the years 2009, 2010 and 2011, where the contracting parties operate.

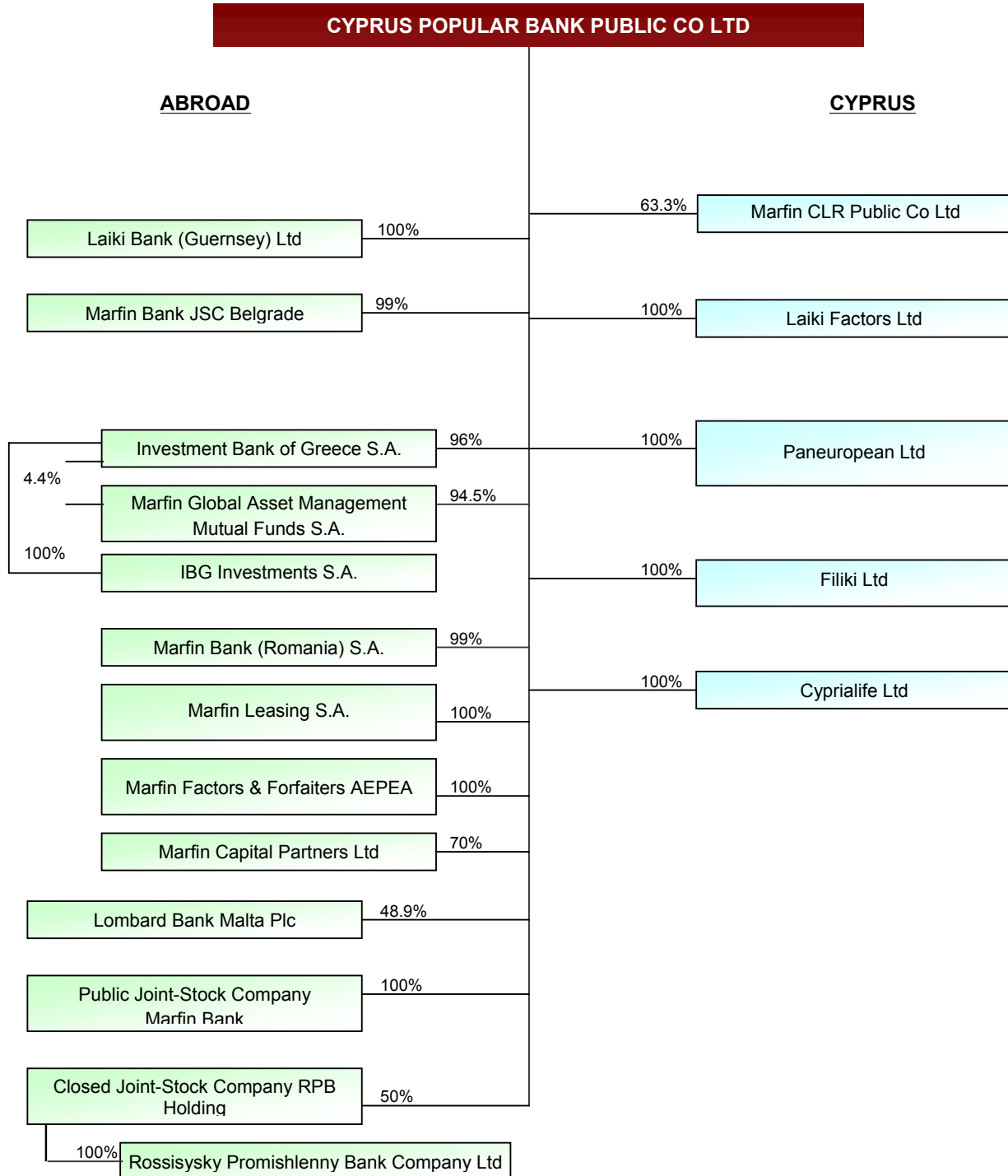
GEOGRAPHICAL SECTOR	31.12.2011		31.12.2010		31.12.2009	
	€ '000	%	€ '000	%	€ '000	%
Cyprus	9,586,461	39%	10,429,910	40%	9,223,891	37%
Greece	11,622,039	47%	11,664,688	44%	10,831,288	43%
Other countries	5,499,939	22%	5,337,212	20%	5,838,613	23%
	26,708,469		27,431,810		25,893,792	
Provision for impairment of advances	(1,929,846)	(8)%	(1,014,477)	(4)%	(811,629)	(3)%
TOTAL LOANS	24,778,623	100%	26,417,333	100%	25,082,163	100%

Source: Financial data processed by the Bank.

4.5 Group’s Organisational Structure

4.5.1 Group’s Organisational Chart

Below is presented the Group’s organisational chart with the most important subsidiaries as at the date of this Prospectus. It is noted that the organisational chart does not include associates.



4.5.2 Subsidiaries

The following table summarises the major Group's subsidiaries for the three-year period 2009, 2010 and 2011.

COMPANY NAME	ACTUAL PARTICIPATION PERCENTAGE ¹			COUNTRY OF FORMATION	ISSUED SHARE CAPITAL 2011 € '000	BUSINESS SECTOR
	2011	2010	2009			
Investment Bank of Greece S.A.	96%	96%	93%	Greece	110,427	Investment banking
Marfin Global Asset Management Mutual Funds Management S.A.	99%	99%	99%	Greece	4,572	Mutual funds and private portfolio management
Marfin CLR Public Co Ltd	63.3%	63.3%	54%	Cyprus	78,028	Portfolio management, investment and brokerage services
Marfin Bank JSC Belgrade	99%	99%	99%	Serbia	53,025	Banking services
Marfin Bank (Romania) S.A.	99%	99%	99%	Romania	44,306	Banking services
Public Joint-Stock Company Marfin Bank	100%	100%	100%	Ukraine	44,873	Banking services
Rossiysky Promyshlenny Bank Company Ltd	50%	50%	50%	Russia	26,141	Banking services
Marfin Pank Eesti AS	71%	63%	53%	Estonia	7,049	Banking services
Lombard Bank Malta Plc	48.9%	48.9%	44.9%	Malta	9,023	Banking services
Laiki Bank (Guernsey) Ltd	100%	100%	100%	Guernsey	2,394	Banking services
Marfin Leasing S.A.	100%	100%	100%	Greece	83,440	Leasing
Marfin Factors & Forfaiters AEPEA	100%	100%	100%	Greece	10,870	Factoring, advance payment of invoices
Laiki Factors Ltd	100%	100%	100%	Cyprus	855	Factoring, advance payment of invoices
Closed Joint-Stock Company RPB Holding	50%	50%	50%	Russia	23,997	Investment company
Paneuropean Ltd	100%	100%	100%	Cyprus	14,025	Investment company
Filiki Ltd	100%	100%	100%	Cyprus	9,800	Investment company
Cyprialife Ltd	100%	100%	100%	Cyprus	8,550	Investment company
IBG Investments S.A.	96%	96%	93%	British Virgin Islands	2,309	Investment services
Marfin Capital Partners Ltd	70%	70%	70%	United Kingdom	810	Investment management
Synergatis Plc	-	-	-	United Kingdom	-	Special-purpose company

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 Group.*

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) has been set as the date of conclusion of the cross-border merger of Marfin Egnatia Bank S.A.. 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.

On 28 February 2011, following the necessary approval of the Central Bank of Lebanon, the Bank completed the sale of 85% of its shareholding in Laiki Bank Australia to the Bank of Beirut s.a.l.. The Bank will remain a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From that date onwards, the Bank has an option to sell its remaining stake in Laiki Bank (Australia) Ltd to Bank of Beirut. The total price of the transaction amounted to AUD 142.9 million, while the profit from the sale amounted to €53.4 million.

In June 2011, Axia Nova Property Holdings SRL was incorporated in Romania with principal activities buying and selling of real estate.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6.6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2.8 million approximately.

4.6 Financial Information

4.6.1 Condensed Financial Data

The following condensed data for the years 2009, 2010 and 2011 are based on the annual audited consolidated financial statements of the Group for the said years, which have been prepared in accordance with the IFRS and have been published as provided by the Cypriot legislation.

The Group prepares annual consolidated financial statements based on the International Financial Reporting Standards ("IFRS"), which have been published as provided for by the Cypriot legislation. For the years 2009, 2010 and 2011, the consolidated financial statements have been co-audited by PricewaterhouseCoopers Limited, Nicosia, and Grant Thornton (Cyprus) Limited, Nicosia.

It should be noted that the accounting standards, which are required by the Securities and Cyprus Stock Exchange Laws and Regulations, are the IFRS as adopted by the European Union, and are in line with the requirements of the Cyprus Companies Law, Chap. 113.

The aforementioned consolidated financial statements, are incorporated in the Prospectus by reference, pursuant to the provisions of article 28 of Regulation 809/2004 of the European Commission. The financial statements will be available for inspection during usual Business Days, between 8:30 a.m. and 13:30 p.m., at the Bank's registered office during the period that the Prospectus shall be valid, as well as at the Group's website (www.laiki.com).

The following selected condensed financial information for the years 2009, 2010 and 2011, should be read in conjunction with the complete annual audited consolidated financial statements for the reporting years. The Group's auditors have not expressed any reservations or opinion denial in their reports for the reporting years. The Group's auditors in their reports for the years ended 31 December 2009 and 31 December 2010 have expressed their opinion without qualification as to those financial statements. Their report for the year ended 31 December 2011 has been modified and includes an emphasis of matter paragraph.

4.6.1.1 Condensed Financial Data for the Years 2009, 2010 and 2011

The following condensed data for the years 2009, 2010 and 2011 are based on the annual audited consolidated financial

statements of the Group for the said years, which have been prepared in accordance with the IFRS and have been published as provided by the Cypriot legislation.

In September 2008, the Bank completed the fair valuation and purchase price allocation for the acquisition of MTB. Moreover, the consolidated balance sheet as at 31 December 2008 has been adjusted in order to reflect the adjustments in the preliminary accounting in relation to the preliminary results from the purchase price allocation of Lombard Bank Malta Plc and of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank).

In March 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Lombard Bank Malta Plc. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December 2008, the Group recognised in 2009, with a restatement of comparative figures, €10.5 million intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to €745,000. A deferred tax liability of €3.7 million in relation to the aforementioned intangible assets has also been recognised. The non-controlling interests have also been adjusted in relation with their share in the intangible assets being recognised.

In September 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Rosprombank.

CONSOLIDATED INCOME STATEMENT

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Interest income	1,704,553	1,553,320	1,573,434
Interest expense	(905,867)	(843,777)	(937,646)
Net interest income	798,686	709,543	635,788
Fee and commission income	218,660	243,091	269,589
Fee and commission expense	(38,959)	(42,610)	(41,676)
Net fee and commission income	179,701	200,481	227,913
Profit/(loss) on disposal and revaluation of securities	23,670	49,335	132,655
Foreign exchange income	29,927	34,091	37,327
Other income	5,314	28,304	41,170
Operating income	1,037,298	1,021,754	1,074,853
Staff costs	(390,714)	(386,202)	(368,749)
Depreciation, amortisation and impairment	(56,225)	(56,162)	(57,222)
Administrative expenses	(202,266)	(203,403)	(198,532)
Profit before impairment	388,093	375,987	450,350
Provision for impairment of advances	(1,151,112)	(266,146)	(250,567)
Impairment of debt and equity holdings	(2,527,082)	(9,344)	-
Impairment of goodwill and other intangibles	(820,457)	-	-
(Loss)/profit before share of profit from associates	(4,110,558)	100,497	199,783
Share of profit from associates	9,774	14,177	18,014
(Loss)/profit before tax	(4,100,784)	114,674	217,797
Tax	454,482	(25,446)	(47,418)
(Loss)/profit after tax from continuing operations	(3,646,302)	89,228	170,379
(Loss)/profit after tax from discontinued operations	-	-	-
(Loss)/profit for the year	(3,646,302)	89,228	170,379
Attributable to:			
Owners of the Bank	(3,650,380)	87,080	173,872
Non-controlling interests	4,078	2,148	(3,493)
	(3,646,302)	89,228	170,379
(Loss)/earnings per share – for profit attributable to the owners of the Bank			
(Loss)/earnings per share – cent	(246.0)	10.0	20.8
(Loss)/earnings per share – for profit after tax from continuing operations attributable to the owners of the Bank			
(Loss)/earnings per share – cent	(246.0)	10.0	20.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	AUDITED 31.12.2011		AUDITED 31.12.2010		AUDITED 31.12.2009	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
(Loss)/profit for the year		(3,646,302)		89,228		170,379
Exchange differences arising in the year		(717)		11,588		(12,997)
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets	142,789		(159,870)		120,008	
Amortisation of loss on available-for-sale financial assets reclassified	8,564		7,453		4,602	
Net gains/(losses) on available-for-sale financial assets		151,353		(152,417)		124,610
Revaluation of property		(381)		11		314
Cash flow hedges		91		(543)		349
Share of other comprehensive income of associates		(809)		(872)		596
Income tax relating to components of other comprehensive income		(12,097)		16,402		(18,139)
Other comprehensive income/(loss) for the year, net of tax		137,440		(125,831)		94,733
Total comprehensive income for the year		(3,508,862)		(36,603)		265,112
Total comprehensive income attributable to:						
Owners of the Bank		(3,511,511)		(39,529)		267,518
Non-controlling interests		2,649		2,926		(2,406)
		(3,508,862)		(36,603)		265,112

CONSOLIDATED BALANCE SHEET

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Assets			
Cash and balances with Central Banks	1,034,086	713,579	1,964,834
Due from other banks	689,569	4,696,112	3,447,128
Financial assets at fair value through profit or loss	234,505	229,336	238,435
Advances to customers	24,778,623	26,417,333	25,082,163
Debt securities lending	1,769,185	3,960,788	3,395,068
Reinsurance assets	1,791,205	2,278,411	3,564,893
Available-for-sale financial assets	889,455	1,480,046	1,381,330
Held-to-maturity financial assets	693,234	535,782	511,898
Current income tax assets	59,061	34,056	38,662
Deferred tax asset	580,246	127,185	91,958
Investments in associates	115,741	113,600	113,071
Intangible assets	797,780	1,634,734	1,646,842
Investment property	38,056	68,322	57,626
Property and equipment	291,232	291,202	294,455
Total assets	33,761,978	42,580,486	41,828,363
Liabilities			
Due to other banks	10,301,370	10,649,850	10,470,876
Customer deposits	20,160,804	25,508,361	23,885,776
Senior debt	376,107	477,637	1,398,502
Loan capital	1,333,727	1,267,931	1,050,501
Insurance contract liabilities	557,136	592,516	840,858
Current income tax liabilities	14,673	23,203	33,707
Deferred tax liabilities	120,621	134,634	133,881
Retirement benefit obligations	296,982	284,980	255,019
Total Liabilities	33,161,420	38,939,112	38,069,120
Share capital and reserves attributable to the owners of the Bank			
Share capital	1,369,444	834,799	720,930
Share premium	2,334,583	2,252,897	2,179,146
Reserves	(3,209,867)	447,815	735,846
	494,160	3,535,511	3,635,922
Non-controlling interests	106,398	105,863	123,321
Total equity	600,558	3,641,374	3,759,243
Total equity and liabilities	33,761,978	42,580,486	41,828,363

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

	ATTRIBUTABLE TO THE OWNERS OF THE BANK					
	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUE CURRENCY TRANSLATION AND OTHER RESERVES	REVENUE RESERVES	NON- CONTROLLING INTERESTS	TOTAL
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance 1 January 2009	705,607	2,144,141	(278,653)	858,726	139,755	3,569,576
Dividend payment and re-investment	10,409	17,144	-	(124,519)	-	(96,966)
Defence tax on deemed distribution	-	-	-	(284)	(238)	(522)
Share issue costs	-	(834)	-	-	-	(834)
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	4,914	18,695	(25,124)	32,592	(31,077)	-
Transfer from fair value reserves to revenue reserves	-	-	(2,029)	2,029	-	-
Cost of share-based payments to employees	-	-	-	2,933	52	2,985
Dividend paid by subsidiaries	-	-	-	-	(1,702)	(1,702)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies and other movements	-	-	-	2,657	18,937	21,594
	720,930	2,179,146	(305,806)	774,134	125,727	3,494,131
Profit for the year	-	-	-	173,872	(3,493)	170,379
Other comprehensive income for the year, net of tax	-	-	93,646	-	1,087	94,733
Total comprehensive income for the year	-	-	93,646	173,872	(2,406)	265,112
Balance 31 December 2009	720,930	2,179,146	(212,160)	948,006	123,321	3,759,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011 (continued)

	ATTRIBUTABLE TO THE OWNERS OF THE BANK					
	SHARE CAPITAL € '000	SHARE PREMIUM € '000	FAIR VALUE CURRENCY TRANSLATION AND OTHER RESERVES € '000	REVENUE RESERVES € '000	NON- CONTROLLING INTERESTS € '000	TOTAL € '000
Balance 1 January 2010	720,930	2,179,146	(212,160)	948,006	123,321	3,759,243
Dividend payment and re-investment	8,613	4,965	-	(67,390)	-	(53,812)
Script dividend	105,256	73,952	-	(187,551)	-	(8,343)
Defence tax on deemed distribution	-	-	-	34	71	105
Share issue costs	-	(5,166)	-	-	-	(5,166)
Transfer from fair value reserves to revenue reserves	-	-	(2,017)	2,017	-	-
Cost of share-based payments to employees	-	-	-	2,480	19	2,499
Dividend paid by subsidiaries	-	-	-	-	(1,735)	(1,735)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	-	-	-	4,240	(18,739)	(14,499)
Other movements	-	-	-	(315)	-	(315)
	834,799	2,252,897	(214,177)	701,521	102,937	3,677,977
Profit for the year	-	-	-	87,080	2,148	89,228
Other comprehensive (loss)/income for the year, net of tax	-	-	(126,609)	-	778	(125,831)
Total comprehensive (loss)/income for the year	-	-	(126,609)	87,080	2,926	(36,603)
Balance 31 December 2010	834,799	2,252,897	(340,786)	788,601	105,863	3,641,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011 (continued)

ATTRIBUTABLE TO THE OWNERS OF THE BANK						
	SHARE CAPITAL € '000	SHARE PREMIUM € '000	FAIR VALUE CURRENCY TRANSLATION AND OTHER RESERVES € '000	REVENUE RESERVES € '000	NON- CONTROLLING INTERESTS € '000	TOTAL € '000
Balance 1 January 2011	834,799	2,252,897	(340,786)	788,601	105,863	3,641,374
Shares issued through exercise of rights	414,942	73,226	-	-	-	488,168
Script dividend	119,703	21,124	-	(147,028)	-	(6,201)
Share issue costs	-	(12,664)	-	-	-	(12,664)
Defence tax on deemed distribution	-	-	-	(425)	(207)	(632)
Transfer from fair value reserves to revenue reserves	-	-	(176)	176	-	-
Cost of share-based payments to employees	-	-	-	1,383	9	1,392
Dividend paid by subsidiaries	-	-	-	-	(2,212)	(2,212)
Effect of change in non-controlling interests from changes in shareholdings in subsidiary companies	-	-	-	(41)	296	255
Other movements	-	-	-	(60)	-	(60)
	1,369,444	2,334,583	(340,962)	642,606	103,749	4,109,420
(Loss)/profit for the year	-	-	-	(3,650,380)	4,078	(3,646,302)
Other comprehensive income/(loss) for the year, net of tax	-	-	138,929	(60)	(1,429)	137,440
Total comprehensive income/(loss) for the year	-	-	138,929	(3,650,440)	2,649	(3,508,862)
Balance 31 December 2011	1,369,444	2,334,583	(202,033)	(3,007,834)	106,398	600,558

Main Performance Indices

The table below summarises the main performance indices of the Group for the years 2009, 2010 and 2011.

	31.12.2011	31.12.2010	31.12.2009
Net Interest Margin	2.27%	1.82%	1.72%
Loans/Deposits	122.9%	103.6%	105.0%
Provisions to Loans (basis points)	425	100	100
Cost/Income Ratio	62.6%	63.2%	58.1%

Source: Financial data processed by the Bank.

4.6.2 Auditors

Auditors for the Bank is PricewaterhouseCoopers Limited, Julia House, 3 Themistokli Dervi Street, 1066 Nicosia (Association of Chartered Certified Accountants Certificate Number for Professional Practice (SELK) S048/012) and Grant Thornton (Cyprus) Limited, Block C, Nimeli Court, 41-49 Agiou Nikolaou Street, Egomi, Nicosia (Association of Chartered Certified Accountants Certificate Number for Professional Practice (SELK) S005/054), both houses being appointed co-auditors for the Bank based on the decision made by the General Shareholders' Meeting taken place on 18 April 2007.

PricewaterhouseCoopers Limited are auditors for the Bank as of December 2002 through the decision of the Board of Directors validated at the General Shareholders' Meeting on 21 May 2003, having audited years 2002 - 2009. PricewaterhouseCoopers Limited have replaced Deloitte & Touche, the then auditors of the Bank. The financial statements for the years 2009, 2010 and 2011 have been jointly audited by both PricewaterhouseCoopers Limited and Grant Thornton (Cyprus) Limited.

The auditors report for the year ended 31 December 2011 includes an emphasis of matter which draws the attention to the significant impact on the Group's regulatory capital of the impairment losses on Greek Government Bonds and loans and advances, the planned actions to restore the capital adequacy of the Group, the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process and the confirmed commitment of the Republic of Cyprus to provide the necessary support to the Bank, if the need arises, to enable the Bank to continue as a going concern.

4.7 Analysis of Results and Recent Trends

Below is an analysis of the Group's historical results and data on recent trends.

4.7.1 Analysis of historical results

ANALYSIS OF RESULTS FOR 2009

During 2009, the Group's total assets exceeded €41.8 billion, recording an annual increase of 9% compared to 31 December 2008, despite the adverse market conditions. Despite the continuing adverse economical conditions in all geographical regions that the Group is active in, the loan portfolio increased by 7% on an annual basis to €25.9 billion as a result of the annual increase by 9% in loans in Cyprus, 7% in Greece and 4% in international markets. The housing loans increased by 12% on an annual basis to €4.4 billion, and represented 17% of the total loan portfolio compared to 16% in 2008. On the contrary the consumer loans decreased by 1% on an annual basis and amounted to €3.9 billion with their share of the total loan portfolio decreasing by 15% in 2009 compared to 17% in 2008. The total retail bank loans increased

by 5% to €8.3 billion. Business loans increased by 8% to €17.6 billion, representing 68% of the total loan portfolio. The Group managed to increase its market share for loans in Greece to 5.4% by the end of 2009, compared to 5.1% in 2008.

Deposits recorded a margin decrease by 4% on an annual basis and amounted to €23.9 billion, reflecting the Group's defensive policy in attracting deposits. Despite the marginal decrease in deposits by 4% in Cyprus and 7% in Greece on an annual basis, the international operations increased by 20%, reflecting the success of effort made to improve the loan to deposit ratio in other geographical regions. The loan to deposit ratio was 105% in December of 2009, compared to 94% in December of 2008 and continued to be one of the most satisfactory ratios compared to other banks. International banking deposits (IBB) decreased by 4% on an annual basis to €4.4 billion due to the euro's appreciation against the US dollar, during 2009, as well as because of adverse market conditions.

Assets under management approached €8.6 billion in December of 2009 compared to €7.9 billion in December of 2008. The total private banking capitals increased by €200 million in Greece and Cyprus during 2009, and it reached €4.2 billion.

The Group's net profits attributable to shareholders for 2009 amounted to €173.9 million compared to €394.6 million in 2008. Profits per share amounted to €0.208. The net interest income amounted to €635.8 million, reduced by 15% on an annual basis. The income from fees and commissions amounted to €227.9 million decreasing by 21% on an annual basis, while financial and other income amounted to €211.2 million, significantly increased compared to financial year 2008, due to the improvement noted in the bond markets. Therefore for financial year 2009 and despite the adverse market conditions, the total income from operations amounted to 1,074.9 million, i.e. approximately at the same levels as in 2008, proving the Group's ability to return to pre-crisis profitability levels. Finally, the operating expenses increased by 6% to €624.5 million. The small increase in operating expenses resulted from the Group's restructuring plan that aimed at increasing performance.

The net interest income from international operations increased by 18% on an annual basis and amounted to €117.3 million in 2009, due to the significant improvement in operations in Romania, Ukraine, Russia, the United Kingdom and Malta. The net interest margin showed a clear improvement during the year and increased from 3.07% in the 1st quarter of 2009, to 3.42% in the 4th quarter of 2009. The assets structure of the Group's international operations improved further, as reflected by the low loan to deposit ratio, which decreased from 144% in December 2008 to 123% in December 2009.

ANALYSIS OF RESULTS FOR 2010

Revenues & operating expenses

Net interest income (NII) rose 12% y/y to €709.5 million in FY 2010, due to the combined impact of expanding balance sheet and improving NIM. Net interest margin rose by 10 basis points y/y from 1.72% in FY 2009 to 1.82% in FY 2010. The margin expansion has been primarily driven by further asset repricing in Greece. FY 2010 fee & commission income was 12% lower y/y to €200.5 million, mainly driven by low activity in both equity capital markets and commercial banking. Core banking revenues increased by 5% y/y to €910.0 million in FY 2010, reflecting a sustainable improvement of revenue quality. Total revenues dropped by 6% y/y to €1,012.4 million in FY 2010, mainly due to a 52% drop in financial & other income. Financial & other income amounted to €102.4 million in FY 2010 from €211.2 million in FY 2009, as 2010 proved a very difficult year for fixed income markets. Operating expenses grew by 3% y/y to €645.8 million. The decelerating growth rate of operating expenses from 8% y/y in June 2010, to 7% y/y in September 2010, and 3% y/y in December 2010, reflects the effectiveness of the adoption of a tight restructuring program aiming to realise further cost efficiencies. The completion of the Marfin Popular Bank merger with Marfin Egnatia Bank led to a materially improved level of Group integration and further cost reduction.

Profitability

FY 2010 Group net profit reached €95.3 million, excluding the €8.2 million one-off tax charge paid in 2Q 2010. FY 2010 Group net profit attributable to shareholders amounted to €87.1 million versus €173.9 million in FY 2009, impacted mainly by lower financial & other income, which registered a 52% drop.

Loans and Deposits

The Group gross loan portfolio grew by 5% in FY 2010, outpacing the respective Hellenic system growth rates, with the main drivers being: on product basis, corporate loans & mortgages, and on regional basis, Cyprus and international operations, especially Serbia, Russia and Ukraine. The Greek loan book expanded marginally on an annual basis in line with the growth of the system. The Cypriot loan book grew by a solid 12%, significantly outpacing the 6% growth of the Cypriot market lending growth, and being primarily driven by a 16% rise in both business and mortgage loans. Group loan book consisted of 69% business loans and 31% loans to households. Mortgages accounted for 18% of the total loan book in FY 2010 versus 17% in 9M 2010, while the respective ratio for consumer loans was 13% in FY 2010 versus 14% in 9M 2010. On an annual basis, deposits registered a 7% increase to €25.5 billion, mainly as a function of strong deposit gathering in international business banking (IBB) in Cyprus (IBB deposits 35% higher y/y) and an 18% increase in deposits at the Group's international operations.

Liquidity profile

The liquidity of the Group was amongst the healthiest within the broader Hellenic banking sector. Despite constrained liquidity conditions, loan-to-deposit ratio improved by 100 basis points y/y to 104%, as of 31 December 2010. The funding structure of Cyprus Popular Bank is 67% deposit driven, while it is characterised by limited reliance on ECB funding and covered bonds. The new covered bond law in Cyprus, enacted in December 2010, provides an additional source of contingent liquidity for the Group, with incremental liquidity standing at €2bn in 2011 alone. The Group has successfully redeemed over one billion euro in senior debt during the course of 2010, while wholesale redemptions for 2011 amount to only €500 million.

Asset quality

For the FY 2010, average quarterly NPL formation dropped by 21% y/y to €107 million, driven by improving asset quality trends across Cyprus and international operations, primarily in Ukraine and Romania. FY 2010 NPL ratio stood at 7.3%, showing an increase of 20 basis points versus 9M 2010 and 120 basis points versus FY 2009, but well below the 30 basis points average quarterly increase of NPL ratio over the last four quarters. The NPL ratio has also been affected by the deleveraging of the lending portfolio, particularly in consumer lending across all regions. Provisions for loan impairment amounted to €266.1 million in FY 2010, a 6% increase on an annual basis. Provision coverage stood at 51%, as of 31 December 2010, and has been maintained stable over the last four quarters. The coverage ratio increased to 150%, if we take into account tangible collaterals and personal & corporate guarantees, reflecting a very comfortable situation given the conservative structure of loan portfolio. Cost of credit rose by 6 basis points on a sequential basis to 95 basis points in 4Q 2010 from 89 basis points in 3Q 2010. However, it demonstrated a decreasing trend on an annual basis, which is reflected by a 10 basis points decline, supported by decelerating NPL formation on an annual basis.

ANALYSIS OF RESULTS FOR 2011

The Group registered profit before impairments of €388 million for the year ended 31 December 2011, increased by 3.2% year on year. Net interest income reached €799 million, increased by 12.6% year on year. Total operating income reached €1,037 million registering a net increase of just 1.5% due to one-off losses in investment positions. Operating expenses,

including staff costs, remained flat year on year. Profit before impairments from Cypriot operations reached €312 million, increased by 55.3% and representing 80.4% of the total.

The prolonged and escalating sovereign debt crisis in Greece severely affected the Group's financial performance in 2011. The transparent and comprehensive reflection of the impact of Greek related risk at all levels had as a result the following:

- Greek Government Bonds (GGBs): Full year results include €2.331million impairment loss against the Group's GGBs holding, representing 76.4% of their nominal value. The Group held GGBs with a nominal value of €3.052 million. This impairment loss of GGBs is a result of the private sector involvement programme (PSI+) announced on 24 February 2012. The preliminary results announced by the Group on 29 February 2012 included an amount of €1,969 million impairment loss for the Group's GGBs holding, representing 65% of their nominal value. Following the announcement of the finalisation of the accounting treatment for the PSI+ programme, this amount has been increased to €2.331 million.
- Loan portfolio provisions: The Group initiated an independent diagnostic review of its loan portfolio undertaken by two specialised external consultants, targeting the timely diagnosis and preservation of its portfolio quality and the decisive confrontation of potential impairment risks. This review formed the basis for strengthening the cumulative provisions and the current position reflects a scenario of a continuation of the negative environment. Loan loss provisions amounted to €868 million in the fourth quarter of 2011 reaching €1.151 million for the full year 2011, compared to €266 million in 2010. Accumulated provisions reached €1,930 million representing 52% coverage of nonperforming loans, compared to 46% in third quarter of 2011.

The above have resulted in a loss attributable to the owners of the Bank of €2.830 million.

- Goodwill impairment related to Greek operations: As a result of the ongoing difficult macroeconomic conditions in Greece, the Group following the appointment of an external specialised consultant, has reviewed the carrying value of goodwill related to Greek operations, which had been created from the triple merger of Egnatia Bank, Marfin Bank and Laiki Bank, back in 2006. As a result, an impairment charge of €796 million has been recognised in the fourth quarter of 2011. It is noted that the goodwill impairment charge does not affect the Group's regulatory capital position according to the regulations of the Central Bank of Cyprus.

Taking into account the impairment of goodwill and other intangibles loss attributable to the owners of the Bank for 2011 reached €3,650 million.

It is noted that the auditors report for the year ended 31 December 2011 includes an emphasis of matter which draws the attention to the significant impact on the Group's regulatory capital of the impairment losses on Greek Government Bonds and loans and advances, the planned actions to restore the capital adequacy of the Group, the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process and the confirmed commitment of the Republic of Cyprus to provide the necessary support to the Bank, if the need arises, to enable the Bank to continue as a going concern.

The new capital required for the Group to comply with the Core Tier I capital ratio of 9% by 30 June 2012 set by the European Banking Authority was submitted to the Central Bank of Cyprus in a capital plan which has been agreed with them and the appropriate regulatory authorities.

The capital plan includes 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. More specifically, the plan provides for the following:

- The raising of up to €1.8 billion via new ordinary equity from shareholders through a rights issue and/or private placement.
- Approximately €600 million to be raised through exchanging into Core Tier I capital, of part of the Group's outstanding capital securities and subordinated debt (Tier II capital).
- Approximately €400 million through the management of the Group's risk weighted assets including divestment of non-core positions.

For the implementation of the capital plan, the Board of Directors presented to the Shareholders' Extraordinary General Meeting held on 2 April 2012, specific, relevant Resolutions. The Extraordinary General Meeting approved the Resolutions as stated below on the current Section.

The management of the Bank assesses that this interest will be clarified over the next few months in line with achieving the targets of the submitted capital plan. The successful completion of the capital enhancement plan, estimated to take place by June 2012, will align the Group's capital position with the regulatory requirements.

In assessing the Group's ability to continue as a going concern and in view of the uncertainties that exist until the completion of the Group's recapitalisation process, the Board of Directors has in addition taken into consideration, the confirmed commitment of the Republic of Cyprus to support the Bank if the need arises. In accordance with a letter received by the Board of Directors from the Ministry of Finance dated 27 April 2012, the Republic of Cyprus has affirmed its commitment 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.

The Directors, having considered the factors set out above, have a reasonable expectation that the recapitalisation of the Group will be successfully completed and hence are satisfied that the consolidated financial statements can be prepared on a going concern basis.

The Bank is repositioning itself strategically on its Cyprus home base which will constitute the growth and development platform of the Group across geographical areas. The Group's refocused strategic direction encompasses controlled risk exposures, resilient returns from key business sectors focusing on the financing of the core of the economy, businesses and households, and also further growth based on the successful developed model of Group operations in international business banking and international operations. The recalibration of the Greek operations aims to improve performance and reduce exposures ultimately positioning the Group to benefit from a future recovery of the Greek economy.

An integrated organisational model with experienced executives heading the geographical areas and enhanced local and group control functions has been already put in place since December 2011 to deliver the Group's new strategic direction.

A thorough set of operating initiatives has been further applied to improve the Group's risk profile and operating performance. These initiatives include:

- **Asset & Liability Management:** Ongoing portfolio rebalancing away from non-core exposures, including large wholesale loan exposures, and active yield management of assets and deposits to support net interest income.

- Cost control: Extensive cost control initiatives including branch network rationalisation, adjusting costs for current activity levels, cost reductions, and processes reengineering aiming at sustained productivity gains.

Over a three to five year horizon the Group is aiming at a net interest margin in excess of 2.75%, cost income ratio below 50% and return on tangible equity around 15% provided the economic conditions do not deteriorate.

Underlining the Group's new strategic direction the Board of Directors has decided to change the Group's trade name in Cyprus to "Laiki Bank" and propose to the Shareholders' Extraordinary General Meeting the change of the Group's registered name to "Cyprus Popular Bank Public Co Ltd". The change of the registered name has been approved by the Shareholders' Extraordinary General Meeting on 2 April 2012.

Post balance sheet events 31.12.2011

On 3 January 2012, the Bank announced that General Manager Mrs. Rodoula Hadjikyriacou, who until this day had the responsibility of Retail Banking and the Branch Network in Cyprus, takes over the responsibility of General Manager of the Group's operations in Greece. Deputy Group Chief Executive Officer Mr. Panayiotis Kounnis continues to be responsible for the operations of the Group in Cyprus and in addition takes over the supervisory responsibility at Group level of the Corporate, Commercial and Shipping Lending portfolios.

On 12 January 2012, the collective agreement was signed between the Cyprus Union of Bank Employees and the Cyprus Bankers Employers' Association for the years 2011-2013. The main change of the agreement is the conversion of the defined benefit plan to a defined contribution plan, with monthly contributions of 14% by the Bank and from 3% to 10% by the employee based on monthly salaries. The conversion of the plan does not affect in any way the 2011 consolidated financial statements. Moreover, for 2012 and 2013 annual increases in salaries and Cost of Living Adjustment (COLA) increases will not be granted. On 1 July 2012, the banks will contribute a total additional lump sum of €1 million to the Welfare Fund of the Cyprus Union of Bank Employees. Management still assesses the effect of the conversion of the defined benefit plan to a defined contribution plan on 2012 consolidated financial results. However, they do not expect that this change will have a material impact on the equity and regulatory capital of the Group.

On 18 January 2012, the Bank announced that the Board of Directors was constituted as follows: Michalis Sarris – Chairman, Independent Non Executive Member, Neoclis Lysandrou – Vice Chairman, Non Executive Member, Constantinos Mylonas – Vice Chairman, Independent Non Executive Member, Christos Stylianides – Group Chief Executive Officer, Executive Member, Panayiotis Kounnis – Deputy Group Chief Executive Officer, Executive Member, Vassilis Theocharakis – Non Executive Member, Platon E. Lanitis – Non Executive Member, Chris Pavlou – Independent Non Executive Member, Stelios Stylianou – Non Executive Member, Markos Foros – Non Executive Member, Fadel Al Ali – Non Executive Member, Hesham Al Qassim – Independent Non Executive Member, Peter Baltussen – Non Executive Member.

The Board of Directors after its constitution elected Mr. Constantinos Mylonas as Senior Independent Non Executive Director.

The Board of Directors has also appointed the Members of the following Committees as follows:

- Audit Committee: Chris Pavlou – Chairman, Neoclis Lysandrou and Constantinos Mylonas – Members.
- Compensation Committee: Constantinos Mylonas – Chairman, Platon E. Lanitis, Chris Pavlou and Hesham Al Qassim – Members.

- Nominations Committee: Michalis Sarris – Chairman, Platon E. Lanitis, Neoclis Lysandrou, Markos Foros and Fadel Al Ali – Members.
- Risk Management Committee: Chris Pavlou – Chairman, Neoclis Lysandrou, Christos Stylianides and Markos Foros – Members.

The Board of Directors also appointed the Executive Committee of the Group as follows: Christos Stylianides – Chairman, Panayiotis Kounnis, Rodoula Hadjikyriacou, Samuel David and Annita Philippidou – Members.

On 20 January 2012 the Bank announced that it has concluded the process of devising its capital enhancement plan as per related regulatory requirements of the Central Bank of Cyprus and the recent Directive from the European Banking Authority. The plan aims to address the Group's capital needs given the benchmark 9% Core Tier I Capital Ratio set by the European Banking Authority and was presented to the Bank's Board of Directors and was approved for submission to the Central Bank of Cyprus. J.P. Morgan Limited and Houlihan Lokey act as financial advisers to the Bank in relation to the capital plan.

The Board of Directors at its meeting held on 28 February 2012, announced the convergence of an Extraordinary General Meeting on 2 April 2012 which approved the following resolutions relating primarily to the capital plan:

Special Resolution 1

Approval was granted that, the authorised share capital of the Company which is €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 Company which is €1,369,443,974.30 divided into 1,611,110,558 ordinary fully paid shares of €0.85 each, are 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 €161,111,055.80 divided into 1,611,110,558 ordinary fully paid shares of €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, and immediately after the above reduction the authorised share capital of the Company is re-increased to the amount of €2,465,000,000.00 which will be divided into 24,650,000,000 ordinary shares of €0.10 each.

The afoerementioned decision was confirmed by a Court Order dated 12 April 2012, which was filed with the Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies in Cyprus and a new Certificate of Share Capital dated 20 April 2012 has been issued. The Athens Stock Exchange was notified of the change of the nominal value of each ordinary share of the Bank on 30 April 2012. Following the above, as from 3 May 2012, the shares of the Bank are traded on the Cyprus Stock Exchange and the Athens Stock Exchange with the new nominal value, €0.10 per share.

Special Resolution 2

Approval was granted that, the share premium balance which is maintained under article 55 of the Companies Law, CAP 113, amounting up to €1,900,000,000 is utilised for writing off losses of the Company.

The afoerementioned decision was confirmed by a Court Order dated 12 April 2012.

Special Resolution 3

Approval was granted that the Board of Directors is authorised to issue and allot such number of shares for raising share capital of up to €1,800,000,000 as follows:

(A) to investors of its choice as follows:

(i) up to 50% of the amount of €1,800,000,000 at an issue price which will not be lower than €0.30 per share, without these shares being firstly offered to the shareholders of the Company, or

(ii) up to 50% of the amount of €1,800,000,000 with the issue and allotment by the Board of Directors at par of a Mandatory Convertible Bond (“MCB”) into shares, at a conversion price not less than €0.30 and any other additional conditions to be determined by the Board of Directors and will be issued and converted into shares at their nominal value before the 31st December 2012, without the MCB and the shares that will result from the mandatory conversion to be offered to the existing shareholders of the Company,

and/or

(B) a Rights Issue up to the amount of €1,800,000,000 to be offered pro-rata to existing shareholders with an exercise price lower than €0.30 per share and with any other conditions determined by the Board of Directors and are included in the present Prospectus.

The Board of Directors was authorised to decide and take action for the allotment, including the allotment to third parties, of any Rights offered to the shareholders and not taken up.

Special Resolution 4

Approval was granted that the Board of Directors is authorised to proceed with the issue of Enhanced Capital Securities (“ECS”) of a total nominal value of €737,753,000 which will be issued to the holders of the capital securities (i) issued in 2008 (200,000 capital securities of nominal value €1,000 each), (ii) issued in 2009 (242,229 capital securities of nominal value €1,000 each) and (iii) issued in 2010 (295,524 capital securities of nominal value €1,000 each), referred to as “Eligible Capital Securities”, who will accept the offer of the Company for the voluntary exchange of the Capital Securities Under Exchange with ECS at their nominal value.

The Board of Directors was authorised to proceed with the issue and allotment of the required number of shares, in the framework of the ECS conversion into ordinary shares of the Company which is activated under certain conditions to be determined in the issue terms of the ECS, as these will be defined by the Board of Directors and are included in the present Prospectus, without these shares being firstly offered to the shareholders of the company but be allotted to the holders of the ECS.

Special Resolution 5

Approval was granted that the Board of Directors is authorised to proceed with the issue and allotment of new ordinary shares to the holders of capital securities (i) issued in 2008 CPBCS (200,000 capital securities of nominal value €1,000 each), (ii) issued in 2009 CPBCB (242,229 capital securities of nominal value €1,000 each) and (iii) issued in 2010 CPBCC (295,524 capital securities of nominal value €1,000 each), referred to as “Eligible Capital Securities”, who will accept the offer of the Company, under such terms that will be determined by the Board of Directors and are included in the present Prospectus, for the voluntary exchange of Eligible Capital Securities they hold, at their nominal value, with ordinary shares of the Company at a conversion price to be determined during the Rights Issue in accordance with Special Resolution 3 (B). The maximum amount of Eligible Capital Securities that could be exchanged with shares will not exceed 50% of the total nominal value of €737,753,000, while in case of oversubscription of the available amount, the allotment will be made pro rata. The shares that might be issued and allotted in the framework of such an offer for a voluntary exchange of the Eligible Capital Securities, will not be firstly offered to the existing shareholders of the Company

Special Resolution 6

Approval was granted that the Special Resolution 1, as approved by the Extraordinary General Meeting dated 28 September 2011, is cancelled.

Special Resolution 7

Approval was granted that the Board of Directors is authorised to issue Share Warrants to (i) the acquirers of new shares to be issued by the Company under Special Resolutions 3(B) and/or 5 and (ii) at its absolute discretion to the acquirers of new shares to be issued by the Company under Special Resolution 3(A), in the ratio of one (1) free Share Warrant for every five (5) new shares to be acquired and with the exercise of one (1) Share Warrant one (1) new share will be allotted and with any other terms to be decided by the Board of Directors as included in the present Prospectus. The above mentioned Share Warrants and the new shares resulting from the exercise of the Share Warrants will be issued to the beneficiaries without being firstly offered to the existing shareholders of the Company.

Special Resolution 8

Approval was granted that the name of the Company is changed to Cyprus Popular Bank Public Co Ltd.

On 7 March 2012 the Bank announced its intention to participate in the voluntary exchange of the Greek Government Bonds it holds, in accordance with the terms of the Private Sector Involvement (PSI) offer of the Hellenic Republic.

On 23 March 2012 the Bank announced that the Information Memorandum dated 19 March 2012, which was issued based on Article 15 (1)(e) of the Public Takeover Bids Law 2007 (41(I)/2007) and includes the Independent Opinion of Deloitte Ltd, is available on the website of the Group (www.laiki.com), as well as on the websites of the Cyprus Stock Exchange (www.cse.com.cy) and the Athens Exchange S.A. (www.ase.gr).

On 29 March 2012 the Bank announced that the sale of its total shareholding of 70,54% in Marfin Pank Eesti AS was completed. The total consideration of the transaction reached €6.6 million, while the profit reached approximately €2.8 million.

On 5 April 2012, the Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies in Cyprus approved the change of the Bank's name, while the relevant authorities were informed.

It is noted that the Board of Directors has decided to propose to an Extraordinary General Meeting the cancellation of Special Resolution 7 of the Extraordinary General Meeting held on 2 April 2012, concerning the issue of share warrants (i) to those who shall acquire new shares to be issued by the Bank under Special Resolutions 3(B) and/or 5 and (ii) in its sole discretion to those who shall acquire new shares to be issued by the Bank under Special Resolution 3(A).

On 15 May 2012, the Bank announced exchange and tender offers for existing €450,000,000 Callable Step-up Floating Rate Subordinated Notes due 2016 (ISIN XS0255675794), to:

- offer to exchange their existing notes for Euro-denominated Fixed Rate Senior Notes due 2016 (the New Notes) to be issued by the Bank (the Exchange Offer); or
- tender their existing notes for purchase by the Issuer for cash (the Tender Offer and, together with the Exchange Offer, the Offers).

The Bank made the Offers as part of its ongoing capital management strategy. In particular, the Bank would like to improve its core tier 1 capital base. The Bank does not currently intend to exercise its call rights in respect of the existing notes.

The Offers were made on the terms and subject to the conditions set out in the Offer Memorandum dated 14 May 2012 (the Offer Memorandum). Copies of the Offer Memorandum are available from the Joint Dealer Managers and the Exchange and Tender Agent.

The Exchange Offer

Exchange Consideration

Each Noteholder whose existing notes are accepted for exchange pursuant to the Exchange Offer will receive, on the Settlement Date, an aggregate nominal amount of New Notes (rounded down to the nearest €1,000) equal to the product of (i) the aggregate nominal amount of Existing Notes accepted for exchange from such Noteholder and (ii) the Exchange Ratio.

In the event of any such rounding, Noteholders shall be eligible to receive on the Settlement Date, in lieu of the fractional nominal amount of New Notes so rounded down, a cash rounding amount.

New Notes

The New Notes will be Euro-denominated Fixed Rate Senior Notes due 2016 issued pursuant to the Bank's €3,000,000,000 Medium Term Note Programme. The rate of interest payable on the New Notes will be 8.0% per annum and the issue price will be 100.0%. The minimum denomination of the New Notes will be €100,000.

The Tender Offer

The cash amount payable, on the Settlement Date, by the Issuer to each Noteholder whose Existing Notes are accepted for purchase pursuant to the Tender Offer will be equal to 55% of the nominal amount of such Existing Notes (the Tender Price).

Accrued Interest

The Issuer will also pay each Noteholder whose Existing Notes are (i) accepted for exchange pursuant to the Exchange Offer or (ii) accepted for purchase pursuant to the Tender Offer, an Accrued Interest Payment on the Settlement Date.

Participation in the Offers

In order to:

- participate in, and be eligible to receive New Notes pursuant to, the Exchange Offer, Noteholders must validly offer existing notes for exchange by delivering, or arranging to have delivered on their behalf, a valid Exchange Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline; or
- participate in, and be eligible to receive the Tender Price pursuant to, the Tender Offer, Noteholders must validly tender existing notes for purchase by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline.

Exchange Instructions and Tender Instructions must be submitted in respect of a minimum nominal amount of existing notes of €50,000, being the minimum denomination of the Existing Notes, and may thereafter be submitted in integral multiples of €1,000.

Tender Instructions and Exchange Instructions which relate to a nominal amount of existing notes of less than €50,000 will be rejected.

In addition, to participate in the Exchange Offer, Noteholders must validly offer for exchange sufficient Existing Notes (the Minimum Exchange Offer Amount) to be eligible to receive, in accordance with the terms of the Exchange Offer, a nominal amount of New Notes of at least the minimum denomination of the New Notes of €100,000. In the case of any Noteholder who offers Existing Notes for exchange in an amount which is less than the Minimum Exchange Offer Amount but more than €50,000, such Noteholder will not be eligible to participate in the Exchange Offer and will instead be deemed to have tendered such Existing Notes for purchase pursuant to the Tender Offer.

Save as described in the previous paragraph, the Exchange Offer and the Tender Offer are alternative options available to Noteholders, and Noteholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Notes, without first validly revoking their original instruction.

Exchange Instructions and Tender Instructions will be irrevocable from the time of their submission, except in the limited circumstances described in the Offer Memorandum.

4.7.2 Recent Trends and Prospects

As discussed in Sections 4.7 and 4.8.4, the Bank incurred significant losses due to (a) an impairment of €2,331 million in the Group's investment portfolio in GGB, representing 76.4% of nominal value of €3,052 million as a result of the private sector involvement program (PSI+), (b) loan loss provisions of €868 million for the loan portfolio in the fourth quarter of 2011 and €1,151 million for the full year 2011 (compared to €266 million in 2010), as a result of an independent diagnostic review of the loan portfolio - mainly aimed at Greek portfolio- undertaken by two specialised external consultants and (c) an impairment charge of €796 million recognised in the fourth quarter of 2011, following the appointment of an external specialised consultant to review the carrying value of goodwill relating to Greek operations, which had been created from the triple merger of Egnatia Bank, Marfin Bank and Laiki Bank, back in 2006. It is noted that the goodwill impairment charge does not affect the Group's regulatory capital position according to the regulations of the Central Bank of Cyprus.

The Board of Directors estimates that the Group remains in a good position to handle major macroeconomic, financial and other serious uncertainties that have arisen in the geographical areas of the Bank's operations, particularly in Greece, where the crisis of the Greek public debt has escalated, provisions for doubtful debts has increased substantially, while a large goodwill impairment has occurred. The Group's strategic priorities are the following:

- Maintaining and ensuring the necessary liquidity
- Compliance with the required capital adequacy ratios
- Improving operational efficiency and containing costs, with a focus on cost containment and revenue maximization, all in the context of an effective management of the risks involved.
- Creating a framework for achieving satisfactory recurring profitability

Regarding capital base, at this stage, the priority is to comply with the required adequacy ratios in accordance with the exercise of the European Banking Authority, through the implementation of the recapitalization plan submitted to the Central Bank of Cyprus, which includes, apart from raising funds through the issue of Rights, proposals for exchange of existing securities, the effective management of risk weighted assets and the strengthening of reserves with profits. At the same time, the Bank aims to comply with the stricter prudential requirements of the Central Bank of Cyprus, on the same basis, within a reasonable time.

It is noted that according to a letter received by the Board of Directors from the Ministry of Finance on 27 April 2012, the Republic of Cyprus reaffirmed its commitment to provide the necessary support to the Bank in order to deal with its liquidity, solvency and capital adequacy problems, so as the for the Bank to continue to operate as a going concern.

The Minister of Finance in the exercise of the powers vested on him by articles 6, 7 and 14 of the Management of Financial Crises Laws of 2011 to (No.2) 2012, subsequent to the recommendation of the Central Bank of Cyprus and with its concurring opinion, issues the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the Bank in order to strengthen its capital base. The major terms of the underwriting are presented in Section 5.3.2

It is emphasized that the conduct of the Group's operations will be carried out carrying out within the framework of the Decree, as described in Section 7 ("State Aid").

4.7.3 Group's Strategy

For a certainty, the roadmap for 2012 is very similar to that of 2011; unfortunately, the change in calendar year did not bring any change to the prevailing economic and political conditions. Macro-economic concerns and uncertainty continue to dominate not only in the Hellenic market, but also in the European zone.

In the Cyprus economy, the mild contraction of 2009 was followed by a modest recovery in 2010 with the GDP growing by 1.1%. The recovery continued also into the first half of 2011, but stalled in the second half with GDP growth turning negative in the third quarter of the year. The deterioration in economic conditions in the second half of the year was attributable to developments in the secondary sectors of the economy, trade and transport. Tourism, banking and business services continued to grow. Economic activity was adversely affected by the destruction of the country's biggest power plant at Vasilico area, a worsening of the external environment especially in relation to the ongoing debt crisis in Greece, and tightening of financial and fiscal conditions. In total for the year 2011, GDP growth settled at 0.5%. According to February 2012 estimates by the European Commission, Cyprus' economy is expected to contract by -0.5% in 2012, while the International Monetary Fund in its report «World Economic Outlook», April 2012, is forecasting a decline in GDP of 1.2% in 2012.

The intensifying Greek Sovereign debt crisis and the implemented drastic austerity measures have given rise to an unabated deterioration across all market sectors of the Greek economy, which calls for prudent provisioning policy, to be applied by Cyprus Popular Bank.

As a result, provisions for loan impairments for the financial year 2011, especially those related to the Greek operations, were increased compared to the previous year by 332.5% at Group level and, thereby, the goodwill in connection with the Group's activities in Greece, has been negatively affected reflecting these developments. It is noteworthy that as per Central Bank of Cyprus's regulations, goodwill is already deducted from the Group's capital base and, as a result, any impairment of goodwill does not affect the existing regulatory capital of the Group.

In response to the effect on profitability arising from the increased provisions, Cyprus Popular Bank has applied decisive controls for 2012 on costs and is planning reformation of its branch network across all geographical areas, whilst a recalibration plan for the Greek operations is under study. More specifically, the re-organization plan of the network includes the merger of 10 branches in Cyprus and about 25 to 30 in Greece out of a total of 116 and 175 respectively. Regarding the Group's presence overseas, the number of branches will remain unchanged, in order to boost profitability of the existing

network. At the same time, the Group's management has already agreed with the employees in Cyprus on a new collective agreement which provides for wage stabilization throughout the next two years. Correspondingly in Greece, the Administration will proceed with a review of salaries and benefits primarily to senior executives. The implementation of the plan during 2012 is expected to deliver significant cost rationalization on the ground and crystallize synergies and savings at Group level, while giving the opportunity for the Group to benefit from the growth of the Greek economy in the near future.

In parallel to the accelerated cost cutting efforts, Cyprus Popular Bank is refocusing its efforts on its own domestic market which constitutes the bulk of its strong franchise value.

The Group feels confident that its core business sectors, International Business Banking, Retail Banking and Corporate and Commercial Banking will continue to deliver strong operating profitability underpinned by the significant potential arising from the established hydrocarbon reserves and the prospects of the island becoming a regional energy hub and an alternative gateway to Europe.

Thus, Group Strategy is based on the following five pillars:

1. Consolidate and strengthen the Group's banking franchise in Cyprus:

The Bank holds a well-established and secure position in the highly concentrated and profitable Cypriot market and is accordingly well positioned to capture a significant share of the increased business banking associated with continued strong economic growth in Cyprus and its evolution into a regional financial and energy hub. Management sees particularly attractive opportunities, in the areas of mainstream residential lending, infrastructural projects and premium property development. As part of strengthening the Company as a Cyprus entity, the Group's management proposed at the Extraordinary General Meeting on 2 April 2012 changing the name to Cyprus Popular Bank Public Co Ltd.

2. Expand its international business banking (IBB):

The Group enjoys a strong market position in the growing market of international business banking (IBB), whereas the increasing demand for IBB services has been expanding on the back of the ongoing integration of key global emerging markets to the global economy. MPB has heavily invested in both human capital and infrastructure in order to be able to accommodate significant volume growth, in view of the Group's strong positioning, as well as the market's size and profitability potential. It is among the management's targets to continue to invest heavily in this line of business, where low level of capital investment is required to enhance potential returns.

3. Leverage existing IBB customer base to expand higher value-added business lines:

Through Cyprus-based international business banking and the shipping franchise in Greece, the Group has direct and ongoing access to an expanding and highly attractive customer base and counts on the potential to leverage this customer base to achieve profitable growth in higher value-added business lines. The Group plans to develop a comprehensive service offering, aimed at such customers, including wealth and asset management, extension of credit, as well as capital market products. The combination of such a comprehensive product offering in association with selective local presence, should enable the Bank to maximize client penetration and profitability.

4. Enhance operational efficiency:

The Bank was formed through a combination of organic expansion and acquisitions. Despite significant progress made so far with regard to recently acquired entities, the management believes that significant opportunities exist to further streamline the Group's operations, thus enhancing efficiency and reducing operating costs.

Over the last two years, the Bank has made significant progress towards an integrated structure along global functions. That process has taken place in parallel with significant investments in Risk Management with a view to fully adopting an enterprise risk-based approach, by improving organisational structure, enhancing integration and moving towards a more

effective risk management framework.

5. Further strengthening of capital in order to comply with the new capital requirements:

In a rapidly changing financial environment and with the discussions in progress for the Private Sector Involvement (PSI +) in the restructuring of Greece's public debt, the European banks are called upon to prepare capital enhancement plans with a target to effect compliance with the increased regulatory Core Tier I capital requirements by 30 June 2012.

Cyprus Popular Bank has proceeded with the creation of a comprehensive recapitalization plan which has been already approved by the Central Bank of Cyprus and the supervisory authorities. The recapitalization programme of the Group includes three main pillars on which the strengthening of capital will be based. Specifically, the plan includes:

- The raising of up to €1.8 billion via new ordinary equity from shareholders through a rights issue and/or private placement.
- Around €600 million to be raised through exchanging into Core Tier 1 capital, of part of the Group's outstanding capital securities and subordinated debt (Tier 2 capital) totaling €1.15 billion.
- Approximately €400 million through the management of the Group's risk weighted assets including divestment of non-core positions. Over the course of the last two months, 20% of this target has already been achieved.

Successful completion of the Capital Assistance Programme, which is expected to be completed in June 2012, will boost the capital position of the Group and, thus, comply with regulatory and supervisory requirements of both Cyprus and the European Union.

It is noted that the issue of Rights is fully underwritten by the Republic of Cyprus, as defined by the Decree.

The conduct of the Group's operations will be carried out within the framework of the Decree, as described in Section 7 ("State Aid").

Based on article 10 (Restructuring Plan) of the Decree, a restructuring plan whereby are specified the measures that the bank intends to take in order to achieve, the soonest possible, the safeguarding and strengthening of its solvency, by the further increase of its capital and/or the restoration or enhancement of its profitability, the reduction of costs and risks, the support from other companies of the group or otherwise, including provisions for the reduction of operating costs, staff remuneration and benefits.

Based on article 11(12) (Terms and Conditions) of the Decree, the Bank shall not exercise aggressive market strategies, including advertising of the support it receives, to the detriment of competitors that do not receive similar support, in order to avoid undue distortions in the competition and the market. Especially, the average annual rate of growth of the Bank's balance sheet shall not exceed 12.4% (the average rate of growth of the size of the balance sheets of the financial sector in the Republic during the ten years prior to the entry into force of this Decree).

4.8 Major Investments

Information as well as activity in the related accounts are listed below, including additions per year regarding the major investments of the Bank, which are included in the following elements of the consolidated balance sheet:

- Property and equipment,
- Investment property,
- Investments in associates,
- Available-for-sale assets,

- Debt securities lending,
- Held-to-maturity financial assets,
- Financial assets at fair value through profit or loss.

Furthermore, there is additional information regarding the following:

- Investments in progress,
- Capital Commitments,
- Business acquisitions, business disposals and investments in subsidiary companies.

It is noted that the information listed regarding the major investments for the years 2009, 2010 and 2011 is based on the annual audited consolidated financial statements for the years 2009, 2010 and 2011. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the information regarding the major investments in available-for-sale financial assets.

It is emphasized that, if the Rights issue underwriting is activated for a substantial amount, then there will be a respective investment on bonds of the Republic of Cyprus.

4.8.1 Property and Equipment

The following table lists data on Group's property and equipment for the years 2009, 2010 and 2011 is based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the investments on property and equipment.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Net Book Value at the beginning of the year/period	291,202	294,455	274,858
Property and equipment from:			
Business acquisitions	-	-	13,672
Business disposals	(2,418)	(6,967)	-
Transfer between the categories "Property" and "Equipment"	-	-	(2,764)
Transfer to the category "Intangible assets"	(2,206)	(1,228)	(3,247)
Additions	30,486	31,818	42,657
Disposals	(1,139)	(1,107)	(5,447)
Revaluation of property	(423)	11	(57)
Continuing operations	(24,619)	(25,509)	(25,271)
Discontinued operations	-	-	-
Exchange differences	349	(271)	54
Net book value at the end of the year	291,232	291,202	294,455

The investments of the Group in property and equipment are mainly related to the development of its infrastructure and the expansion of its operations.

4.8.2 Investment Property

Listed below is the information for investment property for the years 2009, 2010 and 2011 is based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the investment property.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Net book value at the beginning of the year	68,322	57,626	42,819
Investment property from:			
Business acquisitions	-	-	3,246
Business disposals	-	-	-
Additions	20,879	13,257	8,219
Disposals	(447)	(928)	(709)
Transfer from the category "Non-current assets Held for sale"	(49,616)	-	1,147
Transfer from the category "Property and equipment"	-	-	2,764
Fair value gains:			
Continuing operations	(1,042)	(1,669)	121
Discontinued operations	-	-	-
Exchange differences	(37)	36	19
Net book value at the end of the year	38,056	68,322	57,626

4.8.3 Investments in Associates

Listed below is the information for investments in Associates of the Group for the years 2009, 2010 and 2011 based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the investments in associates.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Balance 1 January	113,600	113,071	99,473
Share of profit after tax	9,774	14,177	18,014
Dividend from associates	(6,736)	(12,829)	(4,739)
Exchange differences	(809)	(872)	(273)
Transfer due to disposal of insurance companies	-	-	-
Share in fair value reserves	(88)	53	596
Transfer to available-for-sale financial assets	-	-	-
Balance 31 December	115,741	113,600	113,071

Investments in associates relate to a 30% interest (2010: 30%) in the share capital of JCC Payment Systems Ltd, a 30% interest (2010: 30%) in the share capital of Aris Capital Management LLC and a 49.9% interest (2010: 49.9%) in the share capital of CNP Marfin Insurance Holdings Ltd.

CNP Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd, Laiki Insurance Ltd, Marfin Life S.A. and Marfin Insurance Brokers S.A.

4.8.4 Available for Sale Financial Assets (AFS)

Listed below is the information for available-for-sale financial assets of the Group for the years 2009, 2010 and 2011 based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the investments in available-for-sale financial assets.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Investments in Available for Sale Financial Assets	1,791,205	2,278,411	3,564,893
Movement for the year:			
Balance 1 January	2,278,411	3,564,893	3,606,173
Available-for-sale assets from:			
Business acquisitions	-	-	961
Business disposals	-	-	-
Transfer from investments in associated companies due to loss of significant influence	-	-	-
Transfer of subsidiary due to reduced shareholding	18,579	-	-
Transfer from financial assets at fair value through profit or loss	1,223	7,295	-
Transfer to held-to-maturity financial assets	118,667	-	-
Transfer to debt securities lending	-	(228,536)	(1,428,349)
Additions	1,102,945	1,115,721	4,201,894
Redemptions and disposals	(1,410,056)	(2,094,600)	(2,960,600)
Revaluation for the year	(340,463)	(131,710)	120,625
Amortisation of premium/discount	12,861	22,079	39,185
Exchange differences	9,038	23,269	(14,996)
Balance 31 December	1,791,205	2,278,411	3,564,893

As of 31 December 2011 until 31 March 2012, total investments in available-for-sale financial assets have been reduced from €1,791 million to €1,205 million.

Available-for-sale financial assets include debt securities amounting to €1,186,200,000 (2010: €613,495,000) which have been pledged in relation to funding from Central Banks.

4.8.5 Financial Assets at Fair Value through Profit or Loss

Listed below is the information for financial assets at fair value through profit or loss of the Group for the years 2009, 2010 and 2011 based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the investments in financial assets at fair value through profit or loss.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Investments in debt securities	9,610	8,385	36,970
Investments in government bonds and treasury bills	7,908	29,219	4,024
Investments in equity securities and funds	87,805	97,113	122,901
Derivative financial instruments with positive fair value	129,182	94,619	74,540
Net book value at the end of the year	234,505	229,336	238,435

As of 31 December 2011 until 31 March 2012, the following changes occurred:

- Decrease in investments in debt securities from €9.6 to million €4.6 million
- Decrease in investments in government bonds and treasury bills from €7.9 million to €0.1 million

- Decrease in derivative financial instruments with positive fair value of €129.2 million to €92.2 million.

4.8.6 Debt Securities Lending

The Group adopted the amendments to IAS 39 and IFRS 7 “Reclassification of Financial Assets” and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Group identified the financial assets for which on 1 July 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. The reclassification was made with effect from 1 July 2008 pursuant to the amended IAS 39 at the fair value of the investments on that date. In 2009 and 2010 the Group made additional reclassifications of available-for-sale bonds to debt securities lending.

Listed below is the information for debt securities lending of the Group for the years 2009, 2010 and 2011 based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the debt securities lending.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Investments in debt securities	964,895	1,172,391	1,156,373
Investments in government bonds and treasury bills	1,126,728	2,788,397	2,238,695
	2,091,623	3,960,788	3,395,068
Current	132,296	90,536	2,255
Non-current	1,959,327	3,870,252	3,392,813
	2,091,623	3,960,788	3,395,068
Movement for the year:			
Balance 1 January	3,960,788	3,395,068	938,295
Debt securities lending and business acquisitions	-	-	-
Transfer from financial assets at fair value through profit or loss	-	-	-
Transfer from available-for-sale assets	-	228,536	1,428,349
Revaluation of hedged debt securities lending in relation to hedged risk	39,931	28,264	(25,087)
Additions	61,637	481,256	1,218,748
Redemptions	(304,660)	(197,117)	(190,126)
Accrued interest and amortisation of premium/discount	(7,672)	16,298	29,328
Impairment loss of debt securities lending	(1,662,795)	-	-
Exchange differences	4,394	8,483	(4,439)
Balance 31 December	2,091,623	3,960,788	3,395,068
Allowance for impairment			
Balance 1 January	-	-	-
Charge for the year	1,985,233	-	-
Balance 31 December	1,985,233	-	-

As of 31 December 2011 until 31 March 2012, total investments in debt securities loan portfolio declined from €1,769 million to €1,229 million.

Debt securities lending amounting to €1,661,002,000 (2010: €2,342,925,000) have been pledged in relation to funding from Central Banks.

4.8.7 Held-to-maturity Financial Assets

Listed below is the information for held-to-maturity financial assets of the Group for the years 2009, 2010 and 2011 based on the annual audited consolidated financial statements for the reporting years. From 31 December 2011 up to the date of this Prospectus, there has been no material change in the listed data regarding the held-to-maturity financial assets.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Investments in debt securities	585,591	770,200	847,741
Investments in government bonds and treasury bills	303,864	709,846	533,589
	889,455	1,480,046	1,381,330
Listed on the Cyprus Stock Exchange	167,039	97,176	246,710
Listed on other Stock Exchanges	722,416	1,382,870	1,134,620
	889,455	1,480,046	1,381,330
Current	201,868	500,804	375,840
Non-current	687,587	979,242	1,005,490
	889,455	1,480,046	1,381,330
Movement for the year:			
Balance 1 January	1,480,046	1,381,330	1,164,036
Held-to-maturity financial assets from			
Business acquisitions	-	-	-
Business disposals	(101,695)	-	-
Transfer from available-for-sale assets	(118,667)	-	-
Additions	376,799	1,358,538	1,140,813
Redemptions	(716,921)	(1,287,803)	(926,122)
Amortisation of premium/discount	11,303	9,653	(7,457)
Impairment loss of held-to-maturity financial assets	(41,764)	(4,490)	-
Exchange differences	354	22,818	10,060
Balance 31 December	889,455	1,480,046	1,381,330
Allowance for impairment			
Balance 1 January	4,490	-	-
Charge for the year	41,355	4,493	-
Exchange differences	409	(3)	-
Balance 31 December	46,254	4,490	-

Held-to-maturity financial assets amounting to €788,329,000 (2010: €1,001,241,000) have been pledged in relation to funding from Central Banks.

4.8.8 Greek Government Bonds

Throughout the year, various plans for the voluntary exchange of the existing Greek Government Bonds (GGBs) were agreed by the Heads of State or Government of the Euro Area, regarding the need for private sector involvement to strengthen further the sustainability of the Greek public debt.

The first plan was agreed on 21 July 2011, and involved the voluntary replacement of existing securities issued by the Greek Government with new securities of extended maturities and revised coupons. A revised plan was agreed on 26 October 2011, which invited Greece, private investors and all parties concerned to develop a voluntary bond exchange with a 50% discount on the nominal value of Greek debt held by private investors. On 24 February 2012, the Hellenic Republic announced its invitation to holders of Designated Securities to tender any and all Designated Securities in exchange for New Bonds, Gross Domestic Product (GDP) linked Securities and EFSF notes. In more detail, subject to the terms and conditions of the invitation (i.e. the PSI+ offer for the exchange of GGBs) the Hellenic Republic has invited holders of each series of Designated Securities to tender each €1,000 face amount of Designated Securities in exchange for: (a) 31.5% of new GGBs split into 20 new bonds carrying a step-up coupon rate and maturing between 2023 and 2042, (b) GDP-linked securities paying up to 1% interest per annum contingent on GDP growth reaching pre-specified levels, (c) 15% 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.

Following the 2011 impairment provision of GGBs as a result of the PSI+ programme, the GGBs carrying value has been impaired. The aggregate write-off on GGBs reached €2,331 million, representing 76.4% of their nominal value, whereby part of this relates to the hedging cost of the GGBs upto their impairment date as well as changes in the fair value of derivatives used to hedge their interest rate risk.

As at 31 December 2011, the Group holds GGBs of a total nominal value of €3,071 million whose maturity and accounting classification is analysed below:

	Up to 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 2 years € '000	Over 2 years but less than 5 years € '000	Over 5 years but less than 10 years € '000	Over 10 years € '000	Total € '000
Financial assets at fair value through profit or loss	12,397	99	265	4,498	420	1,811	19,490
Debt securities lending	6,000	10,000	1,399,500	455,063	614,933	94,476	2,579,972
Held-to-maturity financial assets	-	-	18,570	30,000	-	20	48,590
Available-for-sale financial assets	198,755	26,628	11,850	10,000	80,250	95,471	422,954
	217,152	36,727	1,430,185	499,561	695,603	191,778	3,071,006

The methodology followed for the calculation of the impairment losses differs depending on the accounting classification adopted. The methodology followed for each portfolio is described as follows:

▪ **GGBs classified as available-for-sale financial assets carried at fair value**

For GGBs that were classified as available-for-sale financial assets carried at fair value that were considered to be actively traded, fair value was derived using quoted market prices as at 31 December 2011 (i.e. Level 1 measurement). For GGBs whose quoted market prices were not available as at 31 December 2011, fair value was estimated using prices of bonds with similar characteristics (currency, maturity, coupon) and adjusted accordingly (i.e. Level 2 measurement).

The total impairment loss relating to GGBs classified as available-for-sale financial assets recognised in the consolidated income statement for the year ended 31 December 2011 is summarised as follows:

	Original acquisition cost € '000	Impairment loss € '000	Fair value as at 31 December 2011 € '000
Available-for-sale financial assets – Level 1 measurement	266,904	181,870	85,034
Available-for-sale financial assets – Level 2 measurement	157,874	108,908	48,966
	424,778	290,778	134,000

▪ **GGBs classified in the debt securities lending and held-to-maturity financial assets portfolios carried at amortised cost**

In relation to the Group's bond portfolio, classified as debt securities lending and held-to-maturity financial assets, which is measured at amortised cost, the Group measured the impairment loss as the difference between each bond's carrying amount as at 31 December 2011 and the present value of the revised estimated future cash flows.

In determining the estimated future cash flows the Group has exercised significant judgment. The Group has determined that the terms and conditions of the proposed plan have significantly altered the nature of the contractual rights to the cash flows from the existing bonds which have been assessed as expired. Hence, the impairment test was performed on the basis of de-recognition of the existing holding of the Group. The discount rate used in discounting the expected future cash flows was 11.9% and relates to the current yield of the bonds resulting from the terms of the proposed plan.

In line with IAS 39, the impairment loss has therefore been calculated as follows:

	Carrying amount as at 31 December 2011 before impairment € '000	Impairment loss € '000	Carrying amount as at 31 December 2011 after impairment € '000
Debt securities lending	2,656,009	1,985,233	670,776
Held-to-maturity financial assets	49,178	36,544	12,634
	2,705,187	2,021,777	683,410

The carrying amount after impairment as at 31 December 2011 represents 26% of the nominal amount of the GGBs.

▪ **GGBs reclassified from the available-for-sale financial assets**

All the unamortised revaluation loss remaining in the available-for-sale fair value reserve as at 31 December 2011, amounting to €18 million for the Group, on GGBs that were originally included in the balance sheet as available-for-sale financial assets and were subsequently reclassified to debt securities lending has been transferred out of the available-for-sale revaluation reserve and recognised in the consolidated income statement. Furthermore, these bonds were tested for impairment in the context of the impairment of the GGBs in the debt securities lending category as described above.

4.8.9 Investments in Progress

On 31 March 2011, the Bank announced that it has entered into an agreement for the acquisition of the remaining 49.96% in its Russian subsidiary Closed Joint-Stock Company RPB Holding, the parent company of Rossiysky Promyishlenny Bank Company Ltd ("Rosprombank"), for a consideration of €51.6 million. The current transaction will increase the Bank's participation in Rosprombank to 99.93%. Completion of the transaction is subject to all regulatory approvals from relevant authorities in Cyprus and the Russian Federation.

The Group will finance the investments in progress from cash.

It is noted that up to the date of this Prospectus, there has been no material change in the listed data regarding the investments in progress.

4.8.10 Capital Commitments

On 31 December 2011 the commitments for the capital expenditure of the Group in Cyprus amounted to €5.2 million (2010: €6.4 million). Up to the date of this Prospectus, there has been no material change in the listed data regarding the investments for which the Group has been committed to.

4.8.11 Business Acquisitions, Business Disposals, Investments in Subsidiary Companies

(a) Acquisition of CLR Capital Public Ltd and change in the shareholding of Marfin CLR Public Co Ltd According to the terms of the Reorganisation and Merger Plan dated 1 August 2008 CLR Capital Public Ltd merged with Laiki Investments (Financial Services) Public Company Ltd (renamed to Marfin CLR Public Co Ltd on 5 January 2009). On 9 January, 2009 Marfin CLR Public Co Ltd decided to issue and allocate 85,713,000 new ordinary shares of Marfin CLR Public Co Ltd to the shareholders of CLR Capital Public Ltd. As a result of this new issue the Bank's shareholding in Marfin CLR Public Co Ltd decreased to 52.97%.

Details regarding the net assets of CLR Capital Public Ltd that were acquired in 2009 are as follows:

	€ '000
Consideration for acquisition:	
Fair value of shares issued	29,142
Acquisition expenses	320
Total consideration for acquisition	29,462
Fair value of net assets acquired	(10,558)
Goodwill	18,904

The goodwill is attributable to the acquisition of a well established company with significant market share in the brokerage industry, which has contributed to the creation of the largest brokerage company in the Cyprus Stock Exchange (following the merger with Laiki Investments (Financial Services) Public Company Ltd). The merger will improve the profitability of the Group and give it the necessary platform to expand its global operations.

The assets and liabilities acquired at the acquisition date in 2009 were as follows:

	FAIR VALUE	BOOK VALUE
	€ '000	€ '000
Cash and cash equivalents	5,362	5,362
Financial assets at fair value through profit or loss	2,387	2,387
Available-for-sale assets	961	961
Other assets	8,581	8,581
Intangible assets	7,935	35
Investment property	3,246	3,246
Property and equipment	13,672	13,672
Due to other banks	(19,385)	(21,019)
Other liabilities	(9,299)	(10,274)
Current income tax liabilities	(183)	(183)
Deferred tax liabilities	(2,719)	(1,929)
Net assets acquired	10,558	839
Acquisition expenses		(320)
Cash and cash equivalents acquired		5,362
Cash inflow from acquisition		5,042

In December 2009, Marfin CLR Public Co Ltd completed the fair valuation and purchase price allocation for the acquisition of CLR Capital Public Ltd. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the period ended 31 March 2009, the Group recognised in these consolidated financial statements €7.9 million intangible assets, which relate to the estimated fair value of the brand name and the relationship with trading customers (brokerage activities). The results were charged with amortisation of the intangible assets recognised amounting to €586,000. A deferred tax liability of €790,000 in relation to the aforementioned intangible assets has also been recognised.

In March 2009, the Bank acquired an additional 4.2 million shares of Marfin CLR Public Co Ltd for €1.4 million. This acquisition brought the Bank's holding to 54.45%. Goodwill arising on the additional shares acquired was €224,000. In December 2010, the Bank acquired an additional 25.2 million shares for €3.5 million. This acquisition brought the Bank's holding to 63.27%.

It is noted that up to the date of this Prospectus, there has been no material change in the above information.

(b) Acquisition of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank)

On 31 March 2011, the Bank announced that it has entered into an agreement for the acquisition of the remaining 49.96% in its Russian subsidiary Closed Joint-Stock Company RPB Holding, the parent company of Rossiysky Promyishlenny Bank Company Ltd ("Rosprombank"), for a consideration of €51.6 million. The current transaction will increase the Bank's participation in Rosprombank to 99.93%. Completion of the transaction is subject to all regulatory approvals from relevant authorities in Cyprus and the Russian Federation.

	€ '000
Consideration for acquisition	83,992
Acquisition expenses paid in 2008	1,224
Acquisition expenses paid in 2009	495
Total consideration for acquisition	85,711
Fair value of net assets acquired	(32,655)
Goodwill	53,056

Goodwill is attributable to the acquisition of a base of operations in an emerging, large market with attractive spreads and revenue growth, that favours the expansion of international business banking, which is one of the Group's strategic objectives.

The assets and liabilities acquired at the acquisition date were as follows:

	FAIR VALUE € '000	BOOK VALUE € '000
Cash and cash equivalents	50,095	50,095
Restricted balances with Central Bank	4,938	4,938
Due from other banks (due in more than 3 months)	2,759	2,759
Advances to customers	184,719	187,636
Debt securities lending	18,853	18,853
Available-for-sale assets	5,251	5,251
Held-to-maturity financial maturity	2,242	2,242
Other assets	13,061	13,061
Current tax asset	1,011	1,011
Intangible assets	11,140	516
Property and equipment	3,939	3,939
Due to other banks	(3,091)	(3,091)
Customer deposits	(152,986)	(152,986)
Senior debt	(61,722)	(61,722)
Loan capital	(8,128)	(8,128)
Other liabilities	(2,462)	(2,462)
Current income tax liabilities	(43)	(43)
Deferred tax liabilities	(4,278)	(2,153)
Net assets	65,298	59,716
Non-controlling interests	(32,643)	(29,852)
Net assets acquired	32,655	29,864
Consideration for acquisition		(83,992)
Acquisition expenses paid in 2008		(1,224)
Cash and cash equivalents in subsidiary acquired		50,095
Cash inflow from acquisition		(35,121)

In September 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Rosprombank. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31

December, 2008, the Group recognised in 2009, with a restatement of comparative figures, €10.6 million intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to €764,000. A deferred tax liability of €2.1 million in relation to the aforementioned intangible assets has also been recognised.

(c) Acquisition of Lombard Bank Malta Plc

On 28 February 2008 the Bank acquired 42.86% of the share capital of Lombard Bank Malta Plc for €50.2 million. During 2008 Lombard Bank Malta Plc paid a dividend of €2,243,000. The amount attributable to the Bank, which was re-invested, was €962,000. This re-investment brings the Bank's holding to 43.08% and the goodwill arising was €98,000.

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 Group.

Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of seven branches. Lombard Bank Malta Plc also offers services via MaltaPost Plc, in which it is a major shareholder.

Details regarding the net assets acquired are as follows:

	€ '000
Redemption price	49,663
Acquisition expenses paid in 2008	424
Acquisition expenses paid in 2009	95
Total consideration for acquisition	50,182
Fair value of net assets acquired	(25,397)
Goodwill	24,785

Goodwill is attributable to the acquisition of a base of operations in a European Union and Euro zone country, which favours the expansion of international business banking, which is one of the Group's strategic objectives.

The assets and liabilities acquired at the acquisition date were as follows:

	FAIR VALUE	BOOK VALUE
	€ '000	€ '000
Cash and cash equivalents	132,251	132,251
Restricted balances with Central Bank	8,810	8,810
Due from other Banks (due in more than 3 months)	3,020	3,020
Advances to customers	263,072	263,072
Available-for-sale assets	8,175	8,175
Held-to-maturity financial assets	63,717	63,717
Other assets	11,611	11,611
Deferred tax asset	3,060	3,060
Goodwill	856	856
Intangible assets	10,976	504
Investment property	745	745
Property and equipment	10,329	10,329
Due to other banks	(344)	(344)
Customer deposits	(401,782)	(401,782)
Other liabilities	(44,591)	(44,591)
Current income tax liabilities	(2,483)	(2,483)
Deferred tax liabilities	(4,508)	(843)
Net assets	62,914	56,107
Non-controlling interest	(37,517)	(33,628)
Net assets acquired	25,397	22,479
Consideration for acquisition		(49,663)
Acquisition expenses paid in 2008		(424)
Cash and cash equivalents in subsidiary acquired		132,251
Cash inflow from acquisition		82,164

In March 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Lombard Bank Malta Plc. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December 2008, the Group recognised in 2009, with a restatement of comparative figures, €10.5 million intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to €745 thousand. A deferred tax liability of €3.7 million in relation to the aforementioned intangible assets has also been recognised.

In April 2009, Lombard Bank Malta Plc paid a dividend of €2,278 thousand. The amount attributable to the Bank, which was re-invested, was €981 thousand. Additionally, in April 2009, the Bank acquired 500,000 shares of Lombard Bank Malta Plc for €1.3 million. The aforementioned brings the Bank's holding to 44.9% and the goodwill arising was €462 thousand.

(d) Cash Inflow from Business Acquisitions

Details presented below refer to the total cash inflow and the goodwill arising from business acquisitions:

	AUDITED 31.12.2009 € '000
Cash inflow from the acquisition of CLR Capital Public Ltd (a)	5,042
Cash outflow from acquisition of Rosprombank (b)	(495)
Cash (outflow)/inflow from the acquisition of Lombard Bank Malta Plc (c)	(95)
Cash outflow from the acquisition of Marine Transport Bank, Investment Lease Company Renta, Premier Capital and Sintez Autoservice	-
Business acquisition net of cash and cash equivalents acquired per consolidated statement of cash flows	4,452

(e) Goodwill from Business Acquisitions

	AUDITED 31.12.2009 € '000
Goodwill arising from the acquisition of CLR Capital Public Ltd (a)	18,904
Goodwill arising from the acquisition of Rosprombank (b)	495
Goodwill arising from the acquisition of Lombard Bank Malta Plc (c)	109
Goodwill acquired from the acquisition of Lombard Bank Malta Plc (c)	-
Goodwill from acquisition and shareholding increase in Marfin Bank a.d.	-
Goodwill arising from the acquisition of Marine Transport Bank and Premier Capital	-
Total	19,508

4.8.11.1 Investments in Subsidiary Companies

Listed below there is information regarding investments in subsidiary companies. It is noted that up to the date of this Prospectus, there has been no material change in the above information.

i. Increase in shareholding in Investment Bank of Greece S.A.

In May 2009, Marfin Egnatia Bank S.A. acquired 3,000 shares in its subsidiary Investment Bank of Greece S.A. for €233 thousand. Goodwill from this increase was €36 thousand. In October 2009, Marfin Egnatia Bank S.A. acquired 20,000 additional shares for €1,597 thousand. These acquisitions increased the holding of Marfin Egnatia Bank S.A. to 92.80%. An amount of €104,000 representing the excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the acquisition cost was recognised in the consolidated income statement.

In February 2010, Marfin Egnatia Bank S.A. acquired 59,897 shares in its subsidiary Investment Bank of Greece S.A. for €3.9 million. These acquisitions increased the holding of Marfin Egnatia Bank S.A. in its subsidiary was increased from 92.8% to 94.4%. In June 2010, an additional 52,737 shares were acquired for €3.6 million, increasing the Bank's shareholding to 95.8%.

ii. Increase of share capital of Marfin Leasing S.A.

In December 2009, Marfin Leasing S.A. increased its share capital by €16 million with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A..

iii. Increase of share capital of Marfin Bank JSC Belgrade

In September 2009, an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of €15 million, which was fully covered by the Bank. As a result the Bank's holding increased from 98.21% to 98.71% and an additional goodwill of €29,000 was recognised.

In March 2010, an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of €15 million, which was fully covered by the Bank. As a result the Bank's holding has increased from 98.7% to 99%.

iv. Increase of share capital of Marfin Bank (Romania) S.A.

In July 2009, Marfin Bank (Romania) S.A. increased its share capital by €10 million. This increase, which was approved by the Central Banks of Greece and Romania, was fully covered by Marfin Egnatia Bank S.A. as the remaining shareholders waived their rights. As a result, the shareholding of Marfin Egnatia Bank S.A. increased to 99.23%.

In April 2010, Marfin Bank (Romania) S.A.'s share capital was increased by €5 million, which was fully paid by Marfin Egnatia Bank S.A. As a result, the shareholding of the Bank increased from 99.2% to 99.3%.

v. Increase of share capital of IBG Investments S.A.

During 2009, an increase of the share capital of IBG Investments S.A. was made, for the amount of €1,553,000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings.

vi. Synergatis Plc

In April 2009, Synergatis Plc was incorporated in the United Kingdom with principal activities the issue of debentures with tangible securities. Synergatis Plc is a special purpose entity and is accounted for as a subsidiary, as its activities wholly serve specific needs of the Group.

In August 2009, the securitisation of bonds and other corporate loans by Marfin Egnatia Bank S.A. for the total amount of €2.3 billion was completed. The issue of the debentures from the securitisation was delivered by Synergatis Plc. All the debentures are held by Group companies.

vii. Increase of share capital of Marfin Pank Eesti AS

In March 2010, an increase of the share capital of Marfin Pank Eesti AS was made for the amount of €2.8 million, which was fully covered by the Bank. As a result of the above, the Bank's holding increased from 52.8% to 63.0%.

In April 2011, an increase of the share capital of Marfin Pank Eesti AS in Estonia was made for the amount of €1.6 million. An amount of €1.5 million was paid by the Bank. As a result the Bank's holding increased from 63% to 70.54%.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6.6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2.8 million approximately.

viii. Increase of share capital of Lombard Bank Malta Plc

In April 2010, Lombard Bank Malta Plc paid a dividend of €2.3 million. The amount attributable to the Bank, which was re-invested into company's shares, was €1 million. Additionally, during 2010, the Bank acquired 1,309,186 shares of Lombard Bank Malta Plc for €3.9 million. Following the above, the Bank's holding increased from 44.9% to 48.9%.

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 Group.

ix. Disposal of shareholding in Egnatia Properties S.A.

In July 2010, Obafemi Holdings Ltd disposed of its shareholding (99.96%) in Egnatia Properties S.A. with registered offices in Romania, to MIG Real Estate with registered offices in Greece.

x. Increase of share capital of Marfin Egnatia Fin S.A.

In August 2010, Marfin Egnatia Bank S.A. participated in the share capital increase of its subsidiary Marfin Egnatia Fin S.A. amounting to €1.5 million, thus increasing its shareholding from 99% to 99.84%.

xi. Disposal of shareholding in Marfin Travel Ltd

In October 2010, Marfin Egnatia Fin S.A. sold its shareholding (100%) in Marfin Travel Ltd to Amathus Hellas Tourism S.A., established in Greece.

xii. Increase of share capital of Dynamic Asset Operating Leasing S.A.

In September 2010, Dynamic Asset Operating Leases S.A. increased its share capital by €1 million, which was fully covered by its only shareholder, Marfin Leasing S.A.

xiii. Renaming of Open Joint-Stock Company Marine Transport Bank

In November 2010, an increase of the share capital of Marfin Leasing S.A. was made, for the amount of €14 million, which was fully paid by Marfin Egnatia Bank S.A..

xiv. Increase of share capital of Marfin Leasing S.A.

In November 2010, an increase of the share capital of Marfin Leasing S.A. was made, for the amount of €14 million, which was fully paid by Marfin Egnatia Bank S.A..

xv. Increase in shareholding in Marfin CLR Public Co Ltd

In December 2010 the Bank acquired 25.2 million shares in Marfin CLR Public Co Ltd for €3.5 million, thus increasing its shareholding from 54.45% to 63.27%.

xvi. Sale of a majority stake in Laiki Bank (Australia) Ltd

On 10 March 2011, MPB announced that the sale of 85% of Laiki Bank (Australia) Ltd to the Bank of Beirut s.a.l. has been completed, after Bank of Beirut s.a.l. has obtained the necessary approval of the Central Bank of Beirut, which was pending. Laiki Bank (Australia) Ltd has been renamed to Beirut Hellenic Bank Ltd.

xvii. Increase of share capital of Public Joint-Stock Company Marfin Bank

In March 2011, an increase of the share capital of Public Joint-Stock Company Marfin Bank in the Ukraine was made for the amount of €9.8 million, which was fully covered by the Bank. As a result the Bank's holding increased from 99.88% to 99.91%.

xviii. Disposal of shareholding in Laiki Bank (Australia) Ltd

On 28 February 2011, the Bank completed its agreement with the Bank of Beirut s.a.l. concerning the sale of 85% of its shareholding in Laiki Bank (Australia) Ltd. The Bank will remain as a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From that date onwards, the Bank will have the option to sell its remaining stake to the Bank of

Beirut s.a.l. The total cash consideration of the transaction reached AU\$ 142.9 million, while the profit from the sale reached €53.4 million.

xix. Incorporation of Axia Nova Property Holdings SRL

In June 2011, Axia Nova Property Holdings SRL was incorporated in Romania with principal activities buying and selling of real estate.

xx. Change of name of Paneuropean Insurance Co Ltd

In November 2011, Paneuropean Insurance Co Ltd was renamed to Paneuropean Ltd.

xxi. Change of name of Philiki Insurance Co Ltd

In November 2011, Philiki Insurance Co Ltd was renamed to Philiki Ltd.

xxii. Agreement for the acquisition of the remaining shareholding in Closed Joint-Stock Company RPB Holding

On 31 March 2011, the Bank announced that it has entered into an agreement for the acquisition of the remaining 49.96% in its Russian subsidiary Closed Joint-Stock Company RPB Holding, the parent company of Rossiysky Promyshlenny Bank Company Ltd ("Rosprombank"), for a consideration of €51.6 million. The current transaction will increase the Bank's participation in Rosprombank to 99.93%. Completion of the transaction is subject to all regulatory approvals from relevant authorities in Cyprus and the Russian Federation.

4.9 Exposure to public debt in countries that have joined the European Support Mechanism (Greece, Ireland)

	Investments available for sale	Investments held for trading	Investments held to maturity		Loans and receivables		Total			
			Book and Fair value	Book and Fair Value	Book value	Fair value	Book value	Fair value	Book value	Fair value
			€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Greece*	134,000	7,908	37,534 ¹	30,475	670,776	642,791	850,317	815,175		
Ireland	40,931	-	-	-	-	-	40,931	40,931		
Total	174,931	7,908	37,534	30,475	670,776	642,791	891,248	856,106		

Source: Financial data processed by the Bank

*Values after private sector involvement (PSI).

1. The amount includes Greek government Treasury bills with book value of €24.9 million.

The Bank's exposure to public debt and other assets in countries that have joined the European Support Mechanism is presented below. The countries for which disclosures are made is Greece and Ireland. The Bank had no exposure to the public debt of Portugal.

Credit Risk

The Bank's exposure to public debt includes government bonds and other assets owed by governmental, semi-governmental and other organizations to which the State owns more than 50%.

The table below summarises the Group's exposure to the public debt of Greece and Ireland as at 31 December 2011.

	Nominal Value € εκ.	Carrying amount before impairment € εκ.	Total impairment loss € εκ.	Carrying amount as at 31 December 2011, after impairment € εκ.
GREECE*				
Greek Government Bonds (GGB)				
Debt securities	2,580.0	2,656.0	1,985.2	670.8
Held-to-maturity	48.6	49.2	36.5	12.7
Available-for-sale	423.0	424.8 ¹	290.8	134.0
Total exposure to GGB	3,051.6²	3,130.0	2,312.5³	817.5
Other assets				
Loans and receivables: Exposure in Greek Government (gross) ⁴	-	145.7	-	145.7
Deposits with the Bank of Greece	-	-	-	320.1
Total exposure to Greece	3,051.0	3,275.7	2,312.5	1,283.3
IRELAND				
Ireland Government Bonds- Available-for-sale	50.0	40.6	0.0	40.6

Source: Financial data processed by the Bank.

*Values after private sector involvement (PSI).

1. Represents initial cost and not a book value.

2. The total exposure on GGB amounts to €3,071.0 million and includes the amount of €19.5 million that represents the bonds which are valued at fair value through P&L.

3. The aggregate write-off on GGBs reached €2.331 million and includes the amount of €18 million that represents all the unamortised revaluation loss remaining in the available-for-sale fair value reserve subsequently reclassified to debt securities lending and transferred out of the available-for-sale revaluation reserve and recognised in the consolidated income statement

4. Greek public sector includes all companies that belong / controlled by the Greek government. It also includes, The Public Utility Organizations (ΔΕΚΟ), local municipalities and municipal enterprises.

Fair values

The Group uses 3 Levels for determining and disclosing fair value:

Level 1, where valuation takes place using quoted prices in active markets.

Level 2, where valuation takes place using models for which all inputs which have a significant effect on fair value are market observable.

Level 3, where valuation takes place using models for which inputs with a significant effect on fair value are not based on observable market data.

Investments available-for-sale and investments at fair value through profit or loss on Greek government bonds are measured at Level 1.

Liquidity risk

The table below presents the Group's exposure in public debt based on remaining contractual maturities of financial assets. The analysis in periods was based on the remaining days for the contractual maturity of assets as of 31 December 2011. In particular, in the case of GGB, the table has been prepared without taking into account the restructuring and exchange of the Greek public debt.

	Up to 3 months € '000	From 3 months to 12 months € '000	From 1 year to 2 years € '000	From 2 years to 5 years € '000	From 5 years to 10 years € '000	Over 10 years € '000	Total € '000
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GREECE*
Nominal Value of GGBs

Financial assets at fair value through Profit and Loss	12,397	99	265	4,498	420	1,811	19,490
Debt securities lending	6,000	10,000	1,399,500	455,063	614,933	94,476	2,579,972
Held-to-maturity financial assets	-	-	18,570	30,000	-	20	48,590
Available-for-sale financial assets	198,755	26,628	11,850	10,000	80,250	95,471	422,954
Aggregate maturity breakdown of GGBs	217,152	36,727	1,430,185	499,561	695,603	191,778	3,071,006

Other assets

Loans and Advances: Exposure in Greek public sector (sector)	5,424	172	124	2,804	36,188	100,969	145,682
Deposits with the Central Bank of Greece	320	-	-	-	-	-	320
Total exposure in Greece	222,896	36,899	1,430,309	502,365	731,791	292,747	3,217,008

IRELAND

Government Bonds - Available for Sale						40,646	40,646
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Source: Financial data processed by the Bank.

*Values before private sector involvement (PSI).

Exposure of other assets

On 31 December 2011 the Bank's exposure to other assets in the above countries consists of interbank placements, loans and advances and investments in bonds and is presented below.

	Loans and Advances to customers € '000	Investment s Available for Sale € '000	Financial assets at fair value through Profit and Loss € '000	Loans and Receivable s € '000	Investment s Held to Maturity € '000	Total € '000
Interbank Placements	61,600	-	-	-	-	61,600
Other corporate bonds (excluding GGBs)	-	12,524	6,260	313,790	187,240	519,814
Loans and advances (after provisions)	10,547	-	-	-	-	10,547
Total on-balance sheet						591,962
Acceptances and guarantees						406,332
Amount of unutilised credit facilities						12
Total off-balance sheet						406,344
Total exposure in credit risk						998,306

Source: Financial data processed by the Bank.

4.10 Risk Management

The Group operates in several countries in an ever-changing and competitive environment. The Group recognises its exposure to various risks, which may adversely affect its profitability and its strategic goals. For this reason, risk management plays a key role in ensuring sustainable and high returns for its shareholders, while the continuous upgrading of a reliable risk management framework is of utmost importance.

Risk Management is mainly carried out on a unified basis, using an integrated framework of procedures, policies and methodologies. This framework is based on domestic and international regulatory guidelines such as the Basel II Accord and the corresponding Directives of the European Union (Capital Requirements Directive), as well as best international banking practices. The Group uses various methodologies and procedures to continuously monitor the risks stemming from its operations and sets acceptable limits to exposures, in order to avoid the concentration of excessive risks.

The Board of Directors is responsible for the formulation of the Group risk strategy, through the Group Risk Management Committee (GRMC) and the Executive Committees. The responsibilities of these committees include, amongst others, the formulation of the risk undertaking strategy, the supervision of the implementation of the strategy through the development of procedures and risk management systems, the assessment of the risks undertaken, the adequacy of provisions and the effectiveness of the risk management policy. The GRMC meets, at least, on a quarterly basis. The Group Assets and Liabilities Committee (ALCO) and the local ALCOs also play an important role in the optimal management of assets and liabilities, credit and market risks.

The Committees meet on a regular basis, examine the latest market developments and the level of the risks undertaken, and set the strategy for the implementation of medium-term objectives. The Risk Management Division (RMD) is responsible for the identification, assessment, management/control, monitoring and reporting of risks.

Within the framework of setting exposure and maximum acceptable loss limits, the Executive Committees and the Group Market Risk Management Committee constitute the main approving authorities for the relevant suggestions of the RMD and other divisions. These bodies are informed accordingly about the level, duration and form of the risks undertaken. The Group's policy provides that all limits are revised on an annual basis, whereas certain specific limits may be revised on a more frequent basis, whenever such a need arises.

During 2011, the Group, like the rest of the banking sector faced the ongoing credit and economic crisis, and particularly the European public debt crisis, with the economic environment remaining unstable with continued challenges in relation to liquidity and capital adequacy issues. The expanding debt crisis has also created further challenges in relation to the public finances of states and the macroeconomics of countries, including Cyprus, Greece and other countries where the Group has presence.

In Greece, an important event during the year was the agreement of the Summit of EU Council Members, which took place on the 26th of October, regarding the new support measures for Greece, in the context of which PSI+ negotiations are continuing in relation to the agreement of the Greek government and representatives of private institutional investors, holders of Greek government bonds, for the gradual write-off of Greek debt. Regarding Cyprus, during the year, various targeted economic and fiscal measures were enacted, including measures for the freezing of salary increments and API (Automatic Price Indexation), aiming at the reduction of the public deficit.

On 20 February 2012, on the basis of the approval of the new aid package to Greece by the Eurogroup and the implementation of the program for private sector involvement (PSI), impairment loss for GGB was set at 53.5%. Given, however, the net present value of the GGB after the PSI, the impairment losses based on the nominal value, tend to fluctuate between 70-75%.

On the basis of accountin for impairment loss for GGB in the final results of 2011, as a result of private sector involvement (PSI+), impairment loss for GGB accounted for 76.4% of their nominal value, i.e. a loss of €2,331 million.

Right from the beginning of the ongoing global economic crisis, the Group has adopted a more conservative credit policy through the application of various measures aiming at the containment of the impact on the quality of its loan portfolio. These include tighter monitoring of credit limits, reduction of maximum loan-to-value ratios and stricter loan proposal evaluation. At the same time, the Group increased the provision charge for loan impairment. A total provision of €1,151 million has been recognized in 2011, part of which relates to exposure in Greece. Accumulated provisions reached €1,930 million representing 7.2% of loans.

The capital exercise proposed by the European Banking Authority (EBA) and agreed by the Council on 26 October 2011 requires banks to strengthen their capital positions against sovereign debt exposures. In addition, it requires them to establish a capital buffer such that the core Tier 1 ratio reaches a level of 9% by the end of June 2012. A total of 71 European banks, including the Group, were subject to the capital exercise whose objective is to create an exceptional capital buffer to address current market concerns over sovereign risk and other residual credit risk related to the current difficult market environment and the negotiations which are under development for the participation of the private sector in the restructuring of Greek public debt. Following completion of the capital exercise conducted by the EBA, in close co-operation with the Central Bank of Cyprus, the additional capital shortfall for Marfin Popular Bank is estimated at €1,971 million which should be addressed by the Bank by end June 2012.

Finally, on the 20th January 2012, Marfin Popular Bank has submitted to the Central Bank of Cyprus the capital plan for the Group's substantial capital strengthening, in accordance with Central Bank of Cyprus regulations and the recent EBA directive. International houses JP Morgan and Houlihan Lokey act as economic

4.10.1 Credit Risk

Credit risk stems from the possibility of non-prompt repayment of existing and contingent obligations of the Group's counterparties, resulting in the loss of funds and profits.

Credit risk management

The credit risk management function covers a wide range of activities that commence at the stage of credit risk undertaking, continue at the stage of credit risk management and end up at the management of problematic cases and at the collection stage. Credit risk management focuses on ensuring a disciplined risk culture, risk transparency and rational risk taking, based on internationally recognised practices.

Credit risk management methodologies are adjusted to reflect the changing financial environment. The various credit risk assessment methods used are revised at least annually or whenever deemed necessary and are adjusted to be in line with the Group's overall strategy and objectives.

The Group's lending portfolio is split into retail, commercial and corporate. The primary lending criterion is the borrower's repayment ability. Additionally, emphasis is placed on the quality of collateral, either in the form of tangible collateral or

guarantees.

The Group conducts stress tests in order to assess the impact of exceptional but possible scenarios on the quality of its loan portfolio, profitability and capital adequacy.

Credit limits of authority indicate the hierarchy of approving credit facilities to the Group's customers, so that the higher the credit risk involved in the transaction, the higher the level of authority required to approve the transaction. The structure of the credit limits is based on: (a) the creditworthiness of the customer, (b) total customer facilities, (c) the level and the quality of the collateral/security, (d) the type and duration of the facility.

The methods for assessing credit quality vary according to the counterparty type, which falls in one of the following categories: central governments (for buy and hold strategies with respect to bonds), financial institutions, small, medium and large businesses and private individuals.

Private individuals are being assessed by two different internal rating systems. The first system is applicable to existing customers and is based on their past credit behaviour and overall cooperation with the Group. The second system includes: (a) credit scoring that utilizes both demographic factors and other objectively defined criteria, such as income and property owned, and (b) credit scorecards for different product types. The internal rating systems vary depending on the Group subsidiary to which they belong, as well as the availability of data.

For the assessment of small, medium and large businesses, the Group uses both the behavioral system and the Moody's Risk Analyst system, which assesses the financial strength of a business based on both financial and qualitative data, as well as on the industry sector in which the business operates.

The collateral policy followed enables the Group to better manage credit risk. In general, common principles exist for all subsidiaries, with minor differences with regard to the acceptable collaterals due to the different environments and country specific conditions.

The collateral policy principles determine: (a) the desired cover per collateral type, (b) the types of acceptable collaterals, which vary depending on the country specific environment, and (c) that periodic revaluations should be performed, either by credit officers or by external official valuers.

Problematic credit exposures are identified and monitored at an early stage through the internal rating system, the credit facilities approval procedures and controls and lending portfolio evaluation. These exposures are closely monitored at both the divisional management level and at head office level.

IRB programme implementation

In the context of efforts for the continuous upgrading of risk management methods and procedures and further enhancement of liquidity and capital adequacy ratios, the Group has made steps towards the future adoption of the Internal Ratings Based Approach for the calculation of capital requirements, under the Basel II Directive.

The most important benefits for the Group are:

- Enhancement of organisational structure and operations
- Upgrading of policies and processes to promote robust and prudent risk management practices across the Group
- Improvement of risk modelling capabilities and methodologies

- Enhancement of system capabilities so as to ensure that accurate risk management related data is captured and made available for various purposes.

Concentration risk

Concentration risk arises from the uneven distribution of exposures to individual borrowers, specific industries or economic sectors, geographical regions or product types. The Group recognises that concentration of exposures in credit portfolios is an important aspect of credit risk. Concentrated portfolios imply volatile returns and have to be supported by capital buffers. Therefore, the effective management and limit setting for this risk are of fundamental importance.

The Risk Management Division ensures that exposures to individual borrowers, groups, geographic areas and other concentrations do not become excessive in relation to the Group's capital base and that they are in accord with the limits set by the Executive Committees. The Risk Management Division is also responsible for reporting concentrations of risks to the Group Risk Management Committee, the Assets and Liabilities Committee, the Central Bank of Cyprus and the Central Banks of the countries in which the Group is operating.

4.10.2 Market Risk

Market risk is defined as the current or potential risk of financial loss on earnings and capital which stems from adverse fluctuations in interest rates, foreign exchange rates, bond prices, prices of equity securities and of other assets which are held in the trading and banking book.

Market risk arises from the uncertainty and volatility of prices and rates as they change in the relevant markets over time, including interest rates, equity prices and foreign exchange rates. The trading activities of the Group are relatively limited and do not include investments in structured products or other complex trading strategies. Group priority is to implement an effective and efficient framework which is consolidated into a comprehensive risk management framework.

Identification and categorisation of market risks

The most important market risks to which the Group is exposed are the following:

- a) Interest rate risk: stems from the exposure of the Group's financial condition to adverse movements in interest rates on its financial positions and cash flows.
- b) Currency risk: relates to the risk arising from fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates.
- c) Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden and potentially protracted increase in net cash outflows. It also includes the risk of securing these financial resources only at excessive cost.
- d) Counterparty risk: the possibility that a counterparty (i.e. a bank or a financial institution) with which the Group enters into a specific transaction defaults before the final settlement of the transaction.
- e) Country risk: involves various risks that may be generated at country level as a result of political or economic events (these include political risk, risk of government default, inability to convert local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk).
- f) Risk from changes in the prices of equity and other debt securities: the risk in relation to adverse changes in the current prices of equity and other debt securities owned by the Group.

The Group has established a Market Risk Management framework, where the accurate assessment of financial risks has become a very important function. The Group's aim is to continuously improve this framework in order to minimize the potential adverse consequences of market risks.

The most important activities undertaken in 2011 by the Risk Management Division, as far as the Market Risk Management Department is concerned, were the following:

- Group Internal Capital Adequacy Assessment Process (ICAAP)
- Revision of Group Liquidity Policy
- EBA stress testing for sovereign risk
- Frequent revision of established limits based on existing market conditions
- Further improvement in the risk management methods, assessments and monitoring of counterparty, country and market risks at Group level

Roles and responsibilities

The management of market risk is primarily the responsibility of Market Risk Management Department. The Board of Directors (BoD), Group Risk Management Committee (GRMC), Group Market Risk Committee (GMRC) and Group Assets and Liabilities Committee (GALCO) assume a supervisory role in the process. The GRMC supervises all Group activities associated with risk management aiming to identify, assess and manage all major business risks.

RMD operates independently of any other management functions, reports to GRMC and GMRC is responsible for setting prudent and appropriate procedures and methodologies for controlling, evaluating and measuring all major sources of market risk embedded in the Group's operations, based on Group Policies. The Risk Management Division informs higher authorities on the levels and types of market risks undertaken.

The responsibilities for the approval of acceptable limits, the types of market risks undertaken, the methodologies for their measurement, the risk management strategies and the evaluation of the capital adequacy levels belong to the Board of Directors, the Group Risk Management Committee, the Group Assets and Liabilities Committees (GALCO) and the Group Market Risk Committee (GMRC). The Committees meet at regular intervals during the year as well as on an ad hoc basis when it is deemed necessary.

Group Market Risk Committee (GMRC) convenes monthly, or earlier if necessary, but at least quarterly. The GMRC reviews and approves limits supporting the Group Market Risk Management Framework, within the risk tolerance level determined by the Board. The limits reviewed and approved include, amongst others, market risk limits, counterparty limits for financial institutions, issuer limits for sovereigns, financial institutions and corporations, country limits, market sector concentration limits for fixed income portfolios and limits for covered bonds. GMRC also reviews and recommends policies related to the Group Market Risk Management (GMRM) Framework, and approves procedures and methodologies related to the GMRM Framework. Additionally, it reviews and evaluates breaches of risk limits and decides upon the appropriate course of action, it reviews stress testing results on a semi-annual basis, whilst at the same time it monitors the effectiveness of the Market Risk Management function throughout the Group. It finally ensures that infrastructure, resources and systems are in place for market risk management and are adequate to maintain a satisfactory level of market risk management discipline for the identification, measurement, monitoring and management of market risks at Group level.

Policies, Procedures and Limits

The Group is in a continuous process of developing and upgrading common policies, procedures and risk methodologies in relation to the measurement and evaluation of the major market risks across the Group. For each type of market risk, the appropriate methodology is applied for its assessment and the setting of relevant limits.

The Group Market Risk Manual describes the principles and procedures for market risk management, sets out the responsibilities of the MRMD and the overseas Risk Management Units, describes the procedure of setting/approving limits and/or excesses. MRMD also developed a Trading Book Policy Document that describes the procedures for the proper and timely allocation and measurement of the trading positions and the accurate evaluation of the inherent risks. In addition, a Group Liquidity Policy and Group Interest Rate Risk Policy are in place.

Systems, measurement and monitoring

The monitoring, control and confirmation of the positions and limits of the Treasury is carried out, in all cases, by an independent support unit (e.g. Treasury Back Office or Risk Management). The Group uses two main systems (AG-Quantum and AG-Risk) for the measurement and reporting of its positions, which encompass all the trading and banking activities, except equity transactions. These systems are used by the Treasury operations for limit monitoring and accounting support and the evaluation and management of risk. The Value at Risk (VaR) model has been installed to collect and quantify maximum expected losses in foreign currency, interest rate and equity risks, credit risk in bonds in major trading activities and the available for sale portfolios for the Group and major subsidiaries.

Stress Testing

Stress testing is performed at Group level and for the subsidiaries exposed to market risks. MRMD is responsible for conducting the Group stress tests analysis in relation to market risk exposures. For the estimation of consequences/losses which the Group may incur in exceptional situations, stress tests are conducted on a regular basis, in order to estimate the impact on capital level and profit in the event of extreme movements in the capital markets, liquidity risk and foreign exchange risk. The scenarios implemented are based on the suggestions of the Central Bank of Cyprus, as well as on internally developed stress test scenarios.

4.10.3 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes (including lack of or inadequate procedures or errors), people (including deliberate negligence or internal fraud), systems and external events (including external fraud and natural disasters). The definition also includes legal risk.

This does not include strategic or reputational risk or other risks leading to indirect losses/opportunity costs. These risks are, however, taken into serious consideration in the various Group procedures, such as risk assessment and loss collection, due to the potentially significant impact on the Group.

The Group has adopted an operational risk management framework and procedures for the identification, assessment, management, monitoring and reporting of operational risks. Operational risks are identified and assessed mainly through Risk and Control Self Assessment (RCSA) workshops on a periodic and ad-hoc basis. Action plans are then put in place for managing the major operational risks identified (mainly as part of RCSA Workshops or on an ad-hoc basis) for control/mitigation, transfer, avoidance or retention of operational risk. The Group also retains insurance to cover important operational risks. Operational Risks are monitored by setting up Key Risk Indicators and by recording Operational Loss events on the electronic Operational Loss Database.

The Operational Risk Management Department also participates in the evaluation of new and amended procedures, group policies and standards, new technology systems, new products and services as well as other important decisions and developments, in a consultative capacity, with the objective of assisting in the identification and assessment of any risks that might result. ORMD is also responsible for understanding the operational risks associated with outsourcing arrangements and ensuring that effective risk management policies and practices are in place to manage the risk of

outsourcing activities. Furthermore, ORMD is involved in the review of Business Continuity Plans and testing results to ensure that the Bank has business resiliency and continuity plans in place to ensure an ability to operate on an ongoing basis and limit losses in the event of severe business disruption. Finally, ORMD is involved in the handling and management of fraud incidents and ensures that policies and methodologies have been established and are implemented on a Group basis for combating fraud in an effective and cost efficient way in liaison with Internal Audit and Compliance departments.

As in previous years, the Operational Risk Department has contributed to the continuous effort of further strengthening the overall internal control environment through the adoption or enhancement of procedures and controls aimed at further reducing operational risk, including fraud risk. All Operational Loss events including actual, potential or near miss events (subject to a minimum amount) are recorded in the Loss Database. Credit and market risk events are considered Operational Losses and included in the above fields only to the extent that they result from operational causes. Any indirect costs (e.g. reputational cost) or opportunity costs associated with a loss event are not included in the Operational Loss fields and are reported separately, in the Indirect/Opportunity Cost field only. Selected Key Risk Indicators (KRI) have also been implemented to allow continuous monitoring of risk levels focusing on selected high risks.

Internal operational risk reports are compiled on a periodic basis and communicated to senior management and the Group Risk Management Committee (GRMC). These reports cover all major issues and the results of operational risk procedures including RCSA results immediately after the completion of the periodic RCSA workshop or after any ad hoc re-evaluation of risks, progress reports regarding the implementation of Action Plans for identified risks, Major Operational Losses and KRI breaches.

To further enhance staff awareness about operational risk management issues, training sessions are carried out on a periodic basis.

4.10.4 Information Security

Information security risks stem from the weaknesses of technology systems and processes that have an impact on the Bank's information (including confidentiality, integrity and availability). Because information security is highly significant, the Bank has set up an Information Security Department staffed with specialised personnel and reporting to the Risk Management Division, aiming at an integrated management of risks.

Information Security Management is responsible for managing the security policies of the organization in order to ensure proper governance of information management. The secure deployment of the technology used within the Bank is another major responsibility, attempting to reduce any gaps emerging from the use of new and existing technology deployed.

Information Security conducts Risk Assessments in an effort to identify risks on the various business units, processes and systems. To this end, it works closely with management so that best practices are followed. The Bank's security posture is monitored by conducting Internal and External Penetration Tests throughout the year together with various specialised Security Reviews. Because people are one of the most important pillars in securing the Bank's information, the Group follows a continuous security awareness program to keep awareness high at all times.

The various Information Security issues are overseen by an Information Security Committee composed of members from relevant Divisions (including Risk Management, IT, Compliance, Audit and Organisation).

4.11 Capital and Capital Structure

The information regarding Group's capital and capital structure is provided below.

4.11.1 Share Capital and Reserves

Below there are listed data on Group's capital and capital structure for the years 2009, 2010 and 2011, in accordance with the annual audited consolidated financial statements for the reporting years.

	31.12.2011 SHARES '000	31.12.2010 SHARES '000	31.12.2009 SHARES '000
Authorised			
Ordinary shares of €0.85 each	2,900,000	2,090,000	1,100,000
Issued and fully paid-up			
Balance in the beginning of the year	982,116	848,153	830,126
Shares in the process of being issued	-	-	5,781
Issuance of shares	488,168	-	-
Dividend re-investment	-	10,133	12,246
Script dividend	140,827	123,830	-
Share capital at the end of the year	1,611,111	982,116	848,153

	31.12.2011 € '000	31.12.2010 € '000	31.12.2009 € '000
Authorised			
Ordinary shares of €0.85 each	2,465,000	1,776,500	935,000
Issued and fully paid			
Balance in the beginning of the year	834,799	720,930	705,607
Shares in the process of being issued	-	-	4,914
Issuance of shares	414,942	-	-
Dividend re-investment	-	8,613	10,409
Script dividend	119,703	105,256	-
Share capital at the end of the year	1,369,444	834,799	720,930
Share Premium	2,334,583	2,252,897	2,179,146
Revenue reserves	(3,007,834)	788,601	948,006
Property fair value reserves	48,610	47,681	49,759
Available-for-sale financial assets fair value reserves	(188,137)	(326,187)	(189,460)
Currency translation reserves	(65,932)	(65,571)	(76,130)
Cash flow hedges reserve	-	(135)	245
Difference from conversion of share capital into Euro reserve	3,426	3,426	3,426
Total reserves in the end of year	(3,209,867)	447,815	735,846
Capital and Reserves in the end of year	494,160	3,535,511	3,635,922
Non-controlling interests in the end of year	106,398	105,863	123,321
Capital, Reserves and Non-Controlling interests in the end of year	600,558	3,641,374	3,759,243

For more information see Section 4.17, where information regarding changes in share capital for 2012 are shown.

4.11.2 Loan Capital

Below there are listed data on Group's loan capital for the years 2009, 2010 and 2011, in accordance with the annual audited consolidated financial statements for the reporting years.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Debentures 2005/2015	-	-	80,000
Eurobonds due 2016	413,598	414,793	424,724
Debentures 2009/2019	107,790	106,308	95,138
Capital securities	737,872	737,870	442,229
Subordinated debt 2004/2014	9,272	8,960	8,410
Convertible Enhanced Capital securities	65,195	-	-
	1,332,727	1,267,931	1,050,501
Current	1,402	-	-
Non-current	1,332,325	1,267,931	1,050,501
	1,332,727	1,267,931	1,050,501

Debentures 2005/2015

In May 2005, Egnatia Finance Plc issued €80 million debentures due in 2015. In May 2010, upon approval from the Bank of Greece, Egnatia Finance Plc called in and repaid the debentures in their totality before their maturity, at an amount of €80 million, according to their terms of issuance and an amount equal to their nominal value plus accrued interest was paid to the holders of the said debentures. The debentures were repayable within ten years from their issue and pay interest every three months. The interest rate is set at the three-month rate of Euro (Euribor) plus 1.10% until their call in date and 2.40% until maturity. The issuing company had the right to call in the debentures after the end of the fifth year.

The debentures constituted direct, unsecured, subordinated obligations (Tier II Capital) but were guaranteed by Marfin Egnatia Bank S.A. and they ranked for payment after the claims of depositors and other creditors. The debentures were listed on the Luxembourg Stock Exchange.

Eurobonds due 2016 and Debentures 2009/2019

During 2004, the Bank set up an EMTN Programme (the "Programme") for a total amount of €750 million. In May 2006, an increase of the size of the Programme to €1 billion was approved and in May 2007 a further increase to €3 billion was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs. In December 2008, the Programme was revised to enable Marfin Egnatia Bank S.A. and Egnatia Finance Plc, guaranteed by Marfin Egnatia Bank S.A., to issue senior and/or subordinated debt.

In May 2006, the Bank issued €450 million of subordinated debt. The issue was in the form of subordinated bonds, maturing in ten years. The Bank has the right to call in the bonds after five years from their issue. The interest rate is set at the three-month rate of Euro (Euribor) plus 0.75% for the first five years, increased by 1% if the bonds are not called in. Part of the debentures is held by Group companies. In June 2010, the Bank repurchased and cancelled bonds of € 23 m, which were held by Group companies.

On 15 May 2012, the Bank announced exchange and tender offers for existing €450.000.000 Callable Step-up Floating Rate Subordinated Notes due 2016 (ISIN XS0255675794), to:

- offer to exchange their existing notes for Euro-denominated Fixed Rate Senior Notes due 2016 (the New Notes) to be issued by the Bank (the Exchange Offer); or
- tender their existing notes for purchase by the Issuer for cash (the Tender Offer and, together with the Exchange Offer, the Offers).

The Bank made the Offers as part of its ongoing capital management strategy. In particular, the Bank would like to improve its core tier 1 capital base. The Bank does not currently intend to exercise its call rights in respect of the existing notes.

The Offers were made on the terms and subject to the conditions set out in the Offer Memorandum dated 14 May 2012 (the Offer Memorandum). Copies of the Offer Memorandum are available from the Joint Dealer Managers and the Exchange and Tender Agent.

The Exchange Offer

Exchange Consideration

Each Noteholder whose existing notes are accepted for exchange pursuant to the Exchange Offer will receive, on the Settlement Date, an aggregate nominal amount of New Notes (rounded down to the nearest €1,000) equal to the product of (i) the aggregate nominal amount of Existing Notes accepted for exchange from such Noteholder and (ii) the Exchange Ratio.

In the event of any such rounding, Noteholders shall be eligible to receive on the Settlement Date, in lieu of the fractional nominal amount of New Notes so rounded down, a cash rounding amount.

New Notes

The New Notes will be Euro-denominated Fixed Rate Senior Notes due 2016 issued pursuant to the Bank's €3,000,000,000 Medium Term Note Programme. The rate of interest payable on the New Notes will be 8.0% per annum and the issue price will be 100.0%. The minimum denomination of the New Notes will be €100,000.

The Tender Offer

The cash amount payable, on the Settlement Date, by the Issuer to each Noteholder whose Existing Notes are accepted for purchase pursuant to the Tender Offer will be equal to 55% of the nominal amount of such Existing Notes (the Tender Price).

Accrued Interest

The Issuer will also pay each Noteholder whose Existing Notes are (i) accepted for exchange pursuant to the Exchange Offer or (ii) accepted for purchase pursuant to the Tender Offer, an Accrued Interest Payment on the Settlement Date.

Participation in the Offers

In order to:

- participate in, and be eligible to receive New Notes pursuant to, the Exchange Offer, Noteholders must validly offer existing notes for exchange by delivering, or arranging to have delivered on their behalf, a valid Exchange Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline; or
- participate in, and be eligible to receive the Tender Price pursuant to, the Tender Offer, Noteholders must validly tender existing notes for purchase by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline.

Exchange Instructions and Tender Instructions must be submitted in respect of a minimum nominal amount of existing notes of €50,000, being the minimum denomination of the Existing Notes, and may thereafter be submitted in integral multiples of €1,000.

Tender Instructions and Exchange Instructions which relate to a nominal amount of existing notes of less than €50,000 will be rejected.

In addition, to participate in the Exchange Offer, Noteholders must validly offer for exchange sufficient Existing Notes (the Minimum Exchange Offer Amount) to be eligible to receive, in accordance with the terms of the Exchange Offer, a nominal amount of New Notes of at least the minimum denomination of the New Notes of €100,000. In the case of any Noteholder who offers Existing Notes for exchange in an amount which is less than the Minimum Exchange Offer Amount but more than €50,000, such Noteholder will not be eligible to participate in the Exchange Offer and will instead be deemed to have tendered such Existing Notes for purchase pursuant to the Tender Offer.

Save as described in the previous paragraph, the Exchange Offer and the Tender Offer are alternative options available to Noteholders, and Noteholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Notes, without first validly revoking their original instruction.

Exchange Instructions and Tender Instructions will be irrevocable from the time of their submission, except in the limited circumstances described in the Offer Memorandum.

In May 2009, Egnatia Finance Plc, subsidiary of Marfin Egnatia Bank S.A. issued USD 60 million (€41 million) of subordinated debt under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 5.5% over their whole duration. Part of the debentures is held by Group companies.

In July 2009, Egnatia Finance Plc, issued €60 million of subordinated debt under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 6.5% over their whole duration.

The debentures constitute direct, unsecured, subordinated obligations (Tier II Capital) and they rank for payment after the claims of depositors and other creditors. The bonds are issued based on the Programme and are listed on the Luxembourg Stock Exchange. Their market value at 31 December 2011 was €238.6 million (2010: €330.1 million) for Eurobonds due 2016 and €52.3 million (2010: €106.3 million) for Debentures 2009/2019.

Subordinated debt 2004/2014

In December 2004, Rossiysky Promyishlenny Bank Company Ltd received a deposit maturing in 2014. Interest rate is set at 8% annually. The deposit constitutes a direct obligation and ranks for payment after the claims of other creditors.

Capital securities 2008, 2009 and 2010 (“Eligible Capital Securities”)

On 17 March, 2008 the Board of Directors of the Bank approved the issue of capital securities up to the amount of €200 million which are included in the Tier I Capital of the Bank (Hybrid Tier I Capital). Capital securities of €116 million (1st Tranche) that were offered to a limited group of individuals, professional investors and individuals who each invested at least €50,000, were issued on 14 April, 2008 at a nominal value of €1,000 each. During the second phase (2nd Tranche), capital securities of €84 million that were offered to the general public through a public offer, were issued on 30 June, 2008

at a nominal value of €1,000 each. The capital securities of the 1st Tranche paid 6.50% fixed interest rate for the first four quarters and the capital securities of the 2nd Tranche paid 6.50% fixed interest rate for the first three quarters, and subsequently a floating rate, which is reviewed on a quarterly basis. The interest rate is equal to the three-month rate of Euro (Euribor) at the beginning of each quarter plus 1.50% and interest is payable every three months, at 31 March, 30 June, 30 September and 31 December.

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of €250 million which are included in the Tier I Capital of the Bank. The issue, which was addressed to a limited group of individuals, professional investors and individuals who invested at least €50,000 each, was completed on 13 May 2009 and amounted to €242.2 million. The capital securities bear a fixed interest rate of 7% and the interest is payable every three months.

On 30 March, 2010 the Board of Directors of the Bank approved the issue of capital securities, in one or more series, up to the amount of €300 m which would be included in the Hybrid Tier I Capital of the Bank. The first tranche, which was addressed to a limited group of individuals, professional investors and individuals who invested at least €50,000 each, was completed on 19 May 2010 and amounted to €250.5 million. The second tranche, which was addressed to the general public, was completed on 25 June, 2010 and amounted to € 45.1 million. The interest rate was set at 7% and the interest is payable every three months.

The capital securities do not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities constitute direct, unsecured, subordinated obligations of the Bank and they rank for payment after the claims of depositors and other creditors. The capital securities are listed on the Cyprus Stock Exchange.

Convertible enhanced capital securities 2011

On 29 July 2011 the Bank issued €65,2 million convertible enhanced capital securities (CECS). The CECS were offered to all existing shareholders through pre-emption rights in exchange for a cash consideration of €1.00 per CECS and at an exchange ratio of one (1) CECS for every five (5) shares of the Bank.

The CECS qualify as Tier I Capital under Basel III and bear a fixed interest rate of 7% per annum. The interest is payable on a quarterly basis: 31 March, 30 June, 30 September and 31 December of each year. The first payment on 30 September, 2011 was covering the period 2 July 2011 (included) until 30 September 2011 (not included).

Conversion price was set at €1.80 per ordinary share and is subject to customary adjustments for corporate actions with a minimum being the nominal value of the Bank's ordinary share (presently €0.10). The conversion price was adjusted to €1.54 from €1.80, as a result of the dividend distribution for the year 2010 of € 0,10 per share of nominal value €0.85 in the form of shares issued by the Bank. The conversion periods are between 1-15 of September and November of years 2011-2015 and 1-15 of March and May of years 2012-2016. No conversion rights were exercised neither on September, nor on November 2011. If a Contingency Event or Viability Event occurs, the CECS shall be mandatorily converted into ordinary shares at a mandatory conversion price. The CECS are perpetual but may be redeemed all, but not part, at the Bank's discretion, at par together with any accrued interest, five years after the date of issue and on any subsequent interest payment date, subject to the approval of the Central Bank of Cyprus.

The CECS constitute direct, unsecured and subordinated securities of the Bank and will rank senior only to the Bank's ordinary shares. The CECS are listed on the Athens Exchange and the Cyprus Stock Exchange.

4.11.3 Senior Debt

Below there are listed data on Group's senior debt for the years 2009, 2010 and 2011, in accordance with the annual audited consolidated financial statements for the reporting years.

	AUDITED 31.12.2011	AUDITED 31.12.2010	AUDITED 31.12.2009
	€ '000	€ '000	€ '000
Debentures 2007/2010	-	-	612,711
Debentures 2009/2012	332,194	376,953	377,280
Debentures 2009/2014	22,988	22,813	23,185
Debentures 2009/2010	-	-	7,552
Debentures 2009/2013	20,481	17,756	15,390
Bond loan (Schuldschein) 2007/2010	-	-	50,000
Bond loan (Schuldschein) 2008/2011	-	50,220	50,000
Syndicated loan 2008/2010	-	-	250,000
Promissory Notes due 2012	444	9,895	12,384
	376,107	477,637	1,398,502
Current	332,763	60,115	932,647
Non-current	43,344	417,522	465,855
	376,107	477,637	1,398,502

Senior debt constitutes obligation of higher ordinance and is not included in the loan capital.

Debentures 2007/2010, Debentures 2009/2012, Debentures 2009/2014, Debentures 2009/2010 and Debentures 2009/2013

During 2004, the Bank set up a Euro Medium Term Note (EMTN) Programme (the "Programme") for a total amount of €750 million. In May 2006, an increase of the size of the Programme to €1 billion was approved and in May 2007 a further increase to €3 billion was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs. In December 2008, the Programme was revised to enable Marfin Egnatia Bank S.A. and Egnatia Finance Plc, guaranteed by Marfin Egnatia Bank S.A., to issue senior and/or subordinated debt.

In September 2009, the Bank issued €500 million of senior debt, due in 2012. In August 2011, the Bank repurchased and cancelled debentures of €55 million. The debentures are repayable within three years from their issue and pay interest once a year, on 21 September. The interest rate is set at 4.375%. Part of the debentures is held by Group companies.

In November 2009, the Bank issued €25 million of senior debt, due in 2014. The debentures are repayable within five years from their issue and pay interest once a year, on 20 November. The interest rate is set at 4.35%. Part of the debentures is held by Group companies

In March 2009, Egnatia Finance Plc subsidiary company of Marfin Egnatia Bank S.A., issued €10 million debentures due in 2010. The debentures are repayable within one year from their issue and paid interest every six months. The interest rate was set at 12%. In March 2009, the debentures matured and Egnatia Finance Plc, paid an amount of €10 million for the entirety of the debentures, according to the terms of their issuance, and an amount equal to their nominal value plus accrued interest was paid to the holders of the said debentures. Part of the debentures was held by Group companies.

In September 2009, Egnatia Finance Plc issued USD 30 million (€21 million) of senior debt, due in 2013. The debentures are repayable within four years from their issue and pay interest every three months. The interest rate is set at the three-month rate of United States Dollar with a minimum interest rate of 3.1%. Part of the debentures is held by Group companies.

The debentures are issued based on the Programme and are listed on the Luxembourg Stock Exchange. The market value at 31 December, 2011 was €250.8 million (2010: €368.4 million) for the debentures 2009/2012 and €15.6 million (2010: €17.8 million) for the debentures 2009/2013.

Bond loan (Schuldschein) 2007/2010

In December 2007, Marfin Egnatia Bank S.A. issued €50 million three year bond loan (Schuldschein) due in 2010. In December 2010, the debentures matured and Marfin Egnatia Bank S.A. repaid the full amount of €50 million debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders. Interest was paid monthly, quarterly or half yearly, based on the decision of Marfin Egnatia Bank S.A., with the interest rate of Euro (Euribor) of the respective period (month, quarter, half year) plus 0.25%.

Bond loan (Schuldschein) 2008/2011

In March 2008, Marfin Egnatia Bank S.A. issued €50 million three year bond loan (Schuldschein), due in 2011. In March 2011 the debentures matured in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders.

Syndicated loan 2008/2010

In September 2008, Marfin Egnatia Bank S.A. issued €250 million two year syndicated loan due in 2010. In September 2010, the €250 million syndicated loan matured and Marfin Egnatia Bank S.A. repaid the full amount of €250 million syndicated loan in accordance with its term of issue and an amount equal to the nominal value of the syndicated loan plus accrued interest was paid to the holders. Interest was paid every three months, with the three-month rate of Euro (Euribor) plus 0.60%.

Promissory Notes due 2012

Rossiysky Promyishlenny Bank Company Ltd issued promissory notes to customers due in 2012. As at 31 December 2011 the issued promissory notes bore interest rates for Russian Roubles up to 7.5% and maturity up to March 2012. These promissory notes were issued at a discount and will be repaid at face value on their maturity.

Covered bonds

During the year ended 31 December 2011 the Bank issued €1.5 billion covered bonds in three tranches (24 May 2011: €1 billion, 22 July 2011: €300 million and 26 August 2011: €200 million), with a maturity of two years, an extension period of one year, an annual interest rate equal to the three month Euribor plus 2.00% and in accordance with the rest of the terms of the Covered Bond Programme (the "Programme"). The bonds are wholly owned by the Bank. The covered bonds are rated B1 by the international rating agency Moody's Investors Services and BBB- by Fitch Ratings.

This was the first issue of covered bonds in Cyprus and it has been completed under a €5 billion Programme, in accordance with the Covered Bond Law of 2010 (130(I)/2010) (the "Law"), which came into force on 23 December 2010, and the Central Bank of Cyprus Directive (526/2010) which was issued under the provisions of the above Law.

The issue was completed following the approval of the Central Bank of Cyprus. The “cover” of the covered bonds, in the context of article 2 of the Law, is comprised of residential loans plus additional complementary assets (predominantly bonds issued by third parties), all of which are eligible with the terms and conditions of the legal framework in force. The covered bonds are listed on the Irish Stock Exchange.

Information for the covered bonds is available on the Group website www.laiki.com/EN/InvestorRelations/DebtInvestors.

The obligation arising from the issue of covered bonds does not appear in “Senior Debt” as the corresponding securities are held by the Bank.

4.11.4 Covered Bonds Marfin Egnatia Bank S.A.

On 4 August 2010 Marfin Egnatia Bank S.A., issued the third series of covered bonds for the amount of €1 billion, while it cancelled the second series of covered bonds amounting to €500 million, which was issued in March 2010. The bonds mature on 20 August 2012 and have an issuer extension option of one year. The issuance was effected as part of a programme for the issuance of covered bonds of up to €3 billion. The cover pool assets constituting the “cover” for the bonds are comprised of residential mortgage loans. The first series of covered bonds amounting to €1 billion, was issued on 17 November 2008 with maturity date (as amended in 2011) of 19 November 2012 and the option of one year extension. Following the issuance of the third series, the total amount of the covered bonds of Marfin Egnatia Bank S.A. is €2 billion. The bonds are listed for trading on the Irish Stock Exchange and, upon issuance, were retained by Marfin Egnatia Bank S.A. at the price of issuance, for the purpose of placing them to institutional investors when the right market conditions prevail. Until their disposal, the bonds are used as security for obtaining liquid funds from the European Central Bank through the Bank of Greece. The covered bonds are rated B1 by the international rating agency Moody’s Investors Services and BBB- by Fitch Ratings.

The above €2 billion outstanding covered bonds of Marfin Egnatia Bank S.A. have been “grandfathered” to the Bank following the cross-border merger on 31 March 2011.

On 19 August 2009 the securitisation of corporate bond loan and other corporate loans by Marfin Egnatia Bank S.A. for the total amount of €2.3 billion was completed. The respective amount as at 31 December 2011 amounts to €1.8 billion. The issuer of the bonds for the purposes of the securitisation was Synergatis Plc. The bonds are wholly owned by the Bank. The bonds are rated B2 by the international rating agency Moody’s Investors Services.

Obligations to Central Banks include financing of €560 million (2010: €672 million) from the Central Bank of Cyprus secured through the pledging of €744 million (2010: €744 million) special government titles of a three year duration which were issued by the Republic of Cyprus for this purpose. The aforementioned financing was solely used for providing housing loans and loans to small and medium size enterprises.

4.11.5 Securitisation

On 19 August 2009 the securitisation of bonds and other corporate loans by Marfin Egnatia Bank S.A. for the total amount of €2.3 billion was completed. The issue of the debentures from the securitisation was delivered by Synergatis Plc. An amount of €1.4 billion of the total bonds portfolio, which was fully covered by Marfin Popular Bank Public Co Ltd, received an AAA rating from Moody’s rating agency. In July 2010, Moody’s rating stood at A3.

4.11.6 Senior debt, Loan capital and Equity

The following tables set out senior debt, loan capital and equity data for the years 2009, 2010 and 2011.

	AUDITED 31.12.2011 € '000	AUDITED 31.12.2010 € '000	AUDITED 31.12.2009 € '000
Liabilities			
Senior Debt			
Current	332,763	60,115	932,647
Non-current	43,344	417,522	465,855
	376,107	477,637	1,398,502
Loan Capital			
Current	1,402	-	-
Non-current	1,332,325	1,267,931	1,050,501
	1,333,727	1,267,931	1,050,501
Total senior debt and loan capital	1,709,834	1,745,568	2,449,003
Equity			
Share capital	1,369,444	834,799	720,930
Share premium	2,334,583	2,252,897	2,179,146
Reserves	(3,209,867)	447,815	735,846
Non-controlling interests	106,398	105,863	123,321
Total Equity and Non-controlling interests	600,558	3,641,374	3,759,243

Source: Financial data processed by the Bank.

Senior debt is unsecured and its rank for payment is the same as the rank for claims of depositors and other creditors of the Group. Loan capital is unsecured and it ranks for payment after the claims of depositors, other creditors of the Bank and the senior debt, but it ranks first for payment in respect of claims of the shareholders of the Bank.

It should be noted that the Bank through a decision ratified by a court order dated 12 April 2012, has reduced its share capital by €1,208.3 million as well as its share premium by €1,900 million, so as to write-off losses incurred as a result of the Bank's exposure in the Greek market and as a result of the impairment of Greek Government Bonds.

Apart from the above changes, there were no significant changes in the senior debt, loan capital and equity of the Bank as at 31 December 2011, up to the date of this Prospectus.

4.11.7 Capital Structure

The Bank monitors its capital structure and its needs for new share and/or loan capital on the basis of the ongoing development of its operations, having also in mind to the capital adequacy regulations of the Central Bank of Cyprus (see Section 9.7).

In the opinion of the Bank, its working capital is sufficient for its current activities and for the next twelve months as of the date of this Prospectus. The Bank has taken into account the existing access of the Group in funding programs of the ECB and of the eurosystem. It is noted that as at 31 December 2011, the Group's total funding through various programs of the European Central Bank and of the eurosystem reached €9.3 billion. The Bank expects to continue having access to the above programs.

The Bank has also taken into account the commitment of the Republic of Cyprus to support the Bank in case of an emergency event. According to a letter received by the Board of Directors by the Ministry of Finance dated 27 April 2012,

the Republic of Cyprus reaffirmed its commitment to provide the necessary support to the Bank in order to deal with its liquidity, solvency and capital adequacy problems, so as the for the Bank to continue to operate as a going concern.

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of €250 million which are included in the Tier I Capital of the Bank. The issue, which was addressed to a limited group of individuals, professional investors and individuals who invested at least €50,000 each, was completed on 13 May 2009 and amounted to €242.2 million. The capital securities bear a fixed interest rate of 7% and the interest is payable every three months.

In May 2009, Egnatia Finance Plc, subsidiary of Marfin Egnatia Bank S.A. issued USD 60 million (€41 million) of subordinated debt under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 5.5% over their whole duration. Part of the debentures is held by Group companies

In July 2009, Egnatia Finance Plc, issued €60 million of subordinated debt under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 6.5% over their whole duration.

On 30 March 2010 the Board of Directors of the Bank approved the issue of capital securities up to the amount of €300 million, in one or more tranches, which would be included in the Tier I Capital of the Bank. The first tranche, which was addressed to a limited group of individuals, professional investors and individuals who invested at least €50,000 each, was completed on 19 May 2010 and amounted to €250.5 million. The second tranche, which was addressed to the public, was completed on 25 June 2010 and amounted to €45.1 million. The capital securities bear a fixed interest rate of 7% and the interest is payable every three months. The capital securities were listed on the Cyprus Stock Exchange on 18 June 2010 and on 3 August 2010, respectively.

In May 2010, upon approval from the Bank of Greece, Egnatia Finance Plc called in and repaid the subordinated bonds in their totality before their maturity, at an amount of €80 million, according to their terms of issuance and an amount equal to their nominal value plus accrued interest was paid to the holders of the said bonds.

In July 2011 the Bank completed the issuance of convertible enhanced capital securities of €65.2 million. The convertible enhanced capital securities bear a fixed annual interest rate of 7%. The interest is payable on a quarterly basis, 31 March, 30 June, 30 September and 31 December of each year. The Cyprus Stock Exchange and the Athens Stock Exchange approved on 10 August 2011 the admission for trading of 65.2 million convertible enhanced capital securities of the Bank.

The following table lists data for the Bank's net financial debt. There has been no significant change in the amounts up to the date of this Prospectus.

	31.12.2011	31.12.2010	31.12.2009
	€ '000	€ '000	€ '000
Cash	221,123	200,920	175,047
Cash equivalent	812,963	512,659	1,789,787
Investments for trading	154,593	146,304	156,273
Liquidity	1,188,678	859,883	2,121,107
Current account receivable	2,685,078	7,429,051	7,230,582
Current bank loan	10,048,099	10,307,966	11,296,465
Current financial loan	10,048,099	10,307,966	11,296,465
Net current financial debt	6,174,343	2,019,032	1,944,776
Long-term loans	586,034	401,999	107,058
Issued debt securities	1,377,071	1,685,453	1,516,356
Long-term financial debt	1,963,105	2,087,452	1,623,414
Net financial debt	8,137,448	4,106,484	3,568,190

Source: Financial data processed by the Bank.

As of 31 December 2011 until 31 March 2012, the following changes occurred:

- Reduction in liquidity from €1,188 million on 31 December 2011 to €761 million as at 31 March 2012
- Reduction in the current account receivable from €2,685 million as at 31 December 2011 to €2,206 million as at 31 March 2012
- Reduction the current bank loan from €10,048 million as at 31 December 2011 to €8,131 million as at 31 March 2012
- Reduction in long-term loans from €0.6 million as at 31 December 2011 to €0.5 million as at 31 March 2012.

On 31 March 2012, net financial debt of the Bank amounted to €7,039 million.

The above data presented as at 31 March 2012 are based on preliminary data and are not considered as final.

In addition to the above, there were no other significant changes in the Bank's financial debt as of 31 December 2011 until 31 March 2012.

4.11.8 Capital Resources

The Bank's activities are primarily funded through its equity and through client deposits (sight, savings and term deposits). Furthermore, the Bank resorts to the interbank market for the payment of its direct obligations (mainly client deposits and in general immediately due obligations), as well as to mid-term borrowing through the issue of debentures (loan securitizations, covered bonds and notes), in order to fund the growth of its activities.

Additionally, the Bank used its ability to draw liquidity from the European Central Bank, by using special government securities which have been issued by the Republic of Cyprus for the purpose of supporting the liquidity of the Cypriot financial system.

Since 2010, the reduced access to interbank and capital markets, which affects all peripheral banks, have led the Bank to utilise European Central Bank repurchase agreements and other Eurosystem programs, in order to draw funding. As a response to the global financial crisis, ECB has extended significantly the range of repurchase agreements, thus allowing

the full performance of all the offers, instead of the fixed duration auction procedure, by extending the duration of the repurchase agreements and by broadening the types of accepted collaterals.

On 31 December 2010, net funding from ECB amounted to €6.945 billion, while the funding from the interbank market amounted to €3.71 billion. The respective funding on 31 December 2009 amounted to €5.99 billion and €4.48 billion. On 31 December 2010, the additional funding resources of the Bank from own issuances and borrowing amounted to €1.75 billion.

4.11.9 Origin and Use of Cash Flows

Data on Group's cash flows for the years 2009, 2010 and 2011 are presented below, in accordance with the annual audited consolidated financial statements for the reporting years.

CASH FLOWS	31.12.2011	31.12.2010	31.12.2009
	€ '000	€ '000	€ '000
Net cash from/(used in) operating activities	(4,511,473)	(355,466)	(408,533)
Net cash (used in)/from investing activities	832,661	1,044,565	(1,251,073)
Net cash from/(used in) financing activities	335,203	(842,467)	644,569
Effect of exchange rate change on cash and cash equivalents	(282)	10,513	1,578
Net decrease in cash and cash equivalents	(3,343,891)	(142,855)	(1,013,459)

CASH AND CASH EQUIVALENTS	31.12.2011	31.12.2010	31.12.2009
	€ '000	€ '000	€ '000
Cash and non-restricted balances with Central Banks	369,419	280,552	1,516,497
Due from other banks-up to three months	414,148	3,846,906	2,753,816
	783,567	4,127,458	4,270,313

Analysis of Financing Activities

In March 2009, Egnatia Finance Plc, subsidiary company of Marfin Egnatia Bank S.A., issued €10 million debentures due in 2010. The debentures are repayable within one year from their issue and pay interest every six months. The interest rate was set at 12%. In March 2009, the debentures matured and Egnatia Finance Plc, paid for the debentures their total amount of €10 million, according to the terms of their issuance, and an amount equal to their nominal value plus accrued interests was paid to their holders. Part of the debentures was held by Group companies.

In May 2009, Egnatia Finance Plc, subsidiary company of Marfin Egnatia Bank S.A., issued subordinated debt of USD 60 million (€41 million), maturing in ten years. The interest rate is set at 5.5%. Part of the debentures is held by Group companies.

In May 2009, the Bank issued capital securities of €242 million, which bear fixed interest rate set at 7%.

In May 2009, the Bank repurchased and cancelled bonds amounting to €100 million which were issued in May 2007, through the EMTN Programme.

In June 2009 a dividend of €124.5 million was paid out. Part of the dividend amounting to €27.6 million has been reinvested in shares of the Bank.

In July 2009, Egnatia Finance Plc issued subordinated debt of €60 million, maturing in ten years. The interest rate is set at 6.5%.

In September 2009, Egnatia Finance Plc issued USD 30 million (€21 million) of debentures due in 2013. The debentures are repayable within four years from their issue and pay interest quarterly. The interest rate is set at the three-month rate of the United States Dollar. Part of the debentures is held by Group companies.

In September 2009, the Bank issued €500 million debentures due in 2012. The debentures are repayable within three years from their issue and pay interest annually, on 21 September. The interest rate is set at 4.375%. Part of the debentures is held by Group companies.

In November 2009, the Bank issued €25 million debentures due in 2014. The debentures are repayable within five years from their issue and pay interest annually, on 20 November. The interest rate is set at 4.35%. Part of the debentures is held by Group companies.

In March 2010, the debentures 2009/2010 matured and Egnatia Finance Plc repaid the total amount of the debentures, of €10 million, according to the terms of their issuance, and an amount equal to their nominal value plus accrued interests was paid to their holders. Part of the debentures was held by Group companies.

In May and June 2010, the Bank completed the issuance of capital securities in Cyprus, amounting to €295.6 million.

In May 2010, the debentures 2007/2010 matured and the Bank repaid the rest of the debentures amounting to €650 million according to their terms of issuance and an amount equal to their nominal value plus accrued interests was paid to their holders. Part of the debentures was held by Group companies.

In May 2010, upon approval from the Bank of Greece, Egnatia Finance Plc called in and repaid in full the debentures before their maturity, at an amount of €80 million, according to their terms of issuance and an amount equal to their nominal value plus accrued interests was paid to their holders.

In June 2010, a dividend of €53.8 million was paid out by the Bank.

In September 2010, the two year syndicated loan 2008/2010 amounting to €250 million matured and Marfin Egnatia Bank S.A. repaid it according to its terms of issuance.

In December 2010, the debentures (Schuldschein) 2007/2010 matured and Marfin Egnatia Bank S.A. repaid the full amount of €50 million debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders.

In March 2011, the debentures (Schuldschein) 2008/2011 matured and Marfin Egnatia Bank S.A. repaid the full amount of €50 million debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders.

4.12 Use of Proceeds of Previous Share Capital Increase

At its meeting held on 11 November 2010, the Board of Directors of the Bank decided the increase of the share capital of

the Bank in the form of a rights issue. The rights were issued and allotted to the existing shareholders at a ratio of one nil paid right for every ordinary share price. Every two (2) nil paid rights which were exercised at a total exercise price of €1.00 were converted into one (1) fully paid share of the Bank. The proceeds from the above issue amounted to €488,167,604 and 488,167,604 new shares were issued. The proceeds have been used to strengthen the Group's capital adequacy of the Group and were included in the Tier 1 capital of the Bank, as stated in the Prospectus dated 21 December 2010 and in the Supplementary Prospectus dated 1 February 2011.

4.13 Other Information

There was no restriction in the use of funds, which affected or is expected to have a significant affect in a direct or indirect manner, the Bank's activities.

Cash will be used for the payment of the liabilities stated in Section 4.8.9 and Section 4.8.10 (namely investments in progress or for investments that have the Bank's commitment).

On the issue date of the present Prospectus, the Bank had not issued any other essential loans, aside those included in the consolidated financial statements for the year ending on 31 December 2011.

4.14 Management and Supervision

The main administrative, management and supervisory bodies are the members of the Board of Directors, the Executive Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee and the Compensation Committee.

An extract of the Decree with references to the powers of the Republic of Cyprus on the operation of the Bank's Board of Directors is given below:

- “11. (1) *The Minister with the concurring opinion of the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives appoints, from the date of publication of this Decree, up to five members on the Board of Directors of the bank.*
- (2) *With the concurring opinion of at least two of the five members of the Board of Directors that are appointed by the Minister, the right of veto is exercised to all decisions of the Board of Directors.*
- (3) *Upon the acquisition of the new shares by the Republic, the Minister with the concurring opinion of the Central Bank and the Finances and Budget Parliamentary Committee of the House of Representatives, may appoint the majority on the Board of Directors, without prejudice to the amount of participation of the Republic in the ownership structure of the bank.*
- (4) *The members of the Board of Directors that are appointed by the Minister, have inter alia, the following rights:*
- (a) *to convene the General Meeting of the shareholders of the bank;*
 - (b) *to postpone for three (3) working day the meetings of the Board of Director of the bank, in order to receive instruction by the Minister, who for this purpose shall consult the Central Bank of Cyprus,*
 - (c) *to interrupt the meeting of the Board of Directors of the bank and to postpone the same as per point (b) above,*
 - (d) *to have free access to the books and data of the bank and*
 - (e) *to exercise a veto at any decision of the Board of Directors of the bank as per the provisions of subparagraph (2) of paragraph 11 of this Decree.”*

As at the date of this Prospectus and following the implementation of the Decree's terms, fermentations are underway for the appointment of Cypriot government representatives in the Board of Directors.

4.14.1 Members of the Board of Directors

On the date of the present Prospectus, the composition of the Bank's Board of Directors is the following:

- Michalis Sarris Chairman, Independent Non-Executive Member (appointed as a Member on 12.12.2011 and as Chairman of the Board of Directors on 01.01.2012)
- Neoclis Lysandrou Vice Chairman, Non-independent Non Executive Member
- Constantinos Mylonas Vice Chairman, Independent Non Executive Member
- Christos Stylianides Group Chief Executive Officer, Executive Member (appointed as Group Chief Executive Officer on 05.12.2011)
- Panayiotis Kounnis Deputy Group Chief Executive Officer, Executive Member
- Vassilios Theocharakis Non-Independent Non-Executive Member
- Platon Lanitis Non-Independent Non-Executive Member
- Chris Pavlou Independent Non-Executive Member (appointed on 12.12.2011)
- Stelios Stylianou Non-Independent Non-Executive Member
- Markos Foros Non-Independent Non-Executive Member
- Fadel Al Ali Non-Independent Non-Executive Member
- Hesham Al Qassim Independent Non-Executive Member
- Peter Baltussen Non-Independent Non-Executive Member (appointed on 4.11.2011)

The business address of all Directors is the Bank's registered office at 154, Limassol Avenue, 2025 Nicosia, Cyprus (P.O. Box 22032, 1598 Nicosia, Cyprus).

4.14.2 Members of the Executive Committee

On the date of the present Prospectus, the Executive Committee comprises of:

- Christos Stylianides (Chairman)
- Panayiotis Kounnis
- Rodoula Hadjikyriacou
- Samuel David
- Annita Philippidou

4.14.3 Audit Committee, Risk Management Committee, Nomination Committee and Compensation Committee.

On the date of this Prospectus, the members of the Audit Committee, the Risk Management Committee, the Nomination Committee and the Compensation Committee are the following:

4.14.3.1 Audit Committee

- Chris Pavlou (Chairman)
- Neoclis Lysandrou
- Constantinos Mylonas

Information on the Audit Committee can be found in Section 4.15.2 of the present Prospectus.

4.14.3.2 Risk Management Committee

- Chris Pavlou (Chairman)
- Neoclis Lysandrou
- Christos Stylianides
- Markos Foros

4.14.3.3 Nomination Committee

- Michalis Sarris (Chairman)
- Platon Lanitis
- Neoclis Lysandrou
- Markos Foros
- Fadel Al Ali

The Nomination Committee is accountable to the Board and meets with such frequency as it may consider appropriate.

The terms of reference of the Nomination Committee are the following:

- Identifies and nominates to the Board candidates to fill Board vacancies as and when they arise.
- Assesses on an annual basis the structure, size, composition, performance and effectiveness of the Board and makes recommendations to the Board with regard to any changes.
- Assesses on an annual basis the skills, knowledge and experience of the Members of the Board of Directors and reports this to the Board.
- Consider issues relating to succession planning and reviews the leadership needs of the Group.

4.14.3.4 Compensation Committee

- Constantinos Mylonas (Chairman)
- Platon Lanitis
- Chris Pavlou
- Hesham Al Qassim

Information on the Compensation Committee can be found in Section 4.15.2 of the present Prospectus.

4.14.4 Statements of the members of the administrative, management and supervisory bodies.

The members of the administrative, management and supervisory bodies made the following statements:

- i. There is no family relationship with any members of the administrative, management or supervisory bodies of the Bank or any executives of the Bank.
- ii. They have not been convicted in relation to fraudulent offences during the previous five years.
- iii. They have not been associated with any bankruptcies, receiverships or liquidations for at least the previous five years.
- iv. No official public incrimination and/or sanctions have been made against them by statutory or regulatory authorities (including designated professional bodies) and they have never been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory body or from acting in the management or conduct of an issuer's affairs.
- v. There has been no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of them was selected as a member of the Board of Directors and/or senior management.
- vi. There are no conflicts of interests between their duties toward the Bank and their private interests or other duties they may have (it should be noted that transactions with related parties are set out in Section 4.18).
- vii. With the exception of any restrictions deriving from the current legislation, they do not have any contractual restriction on the disposal within a certain period of time of their holdings in the Bank's securities.

4.14.5 Curricula Vitae and Properties of the members of administrative, management, and supervisory bodies
MEMBERS OF THE BOARD OF DIRECTORS

Michalis Sarris	<p>He received his B.Sc. in Economics at the London School of Economics and continued his studies in the United States where he obtained his Doctorate in Economics. In 1972, he joined the research department of the Central Bank of Cyprus. In early 1974, he moved to the Bank of Cyprus to work on planning and project analysis. As from 1975, Michalis Sarris worked at the World Bank. In the course of his career, his work covered a broad range of sectors in Africa, Latin America and East Asia. His duties included, supervision of the design of the overall country strategies of the World Bank, the provision of advice on policy issues for economic and social development, the elaboration of programmes for structural reforms and the development of economic policy dialogue, between the Bank and the national authorities of countries seeking World Bank assistance. At the end of 2004, he retired from the World Bank as a Department Director. In September 2005, the President of the Republic of Cyprus, appointed him as Minister of Finance, where he served until the change of government in March 2008. During his tenure, Cyprus prepared for and successfully introduced the Euro as its national currency. In December 2011 he was appointed member of the Board of Directors and appointed as Chairman on 1 January 2012.</p>
Neoclis Lysandrou	<p>Mr Lysandrou studied Business Administration at the University of Bristol, where he also obtained a Postgraduate Diploma. He then studied in Corporate Finance and Management in Manchester Business School and London Business School. Within the Laiki Group, he managed the Correspondent Banking and Treasury departments. He also managed the Lending and Credit Risk Management departments and set up the Corporate and Institutional Department. In 1996, he was appointed General Manager of Corporate and Institutional Banking Services. In 1999, he assumed the position of General Manager for all Domestic Banking Services of the Bank. Since 2003, he served as a General Manager in charge of several departments within the Group, including the Debt Collection Division, the Corporate Management Department, the Legal Department, the Group Organization and Methods Department, and the Centralized Services Division. In July 2006, he was appointed a member of the Board of Directors and assumed the position of Non-Executive Chairman. He presently serves as a Non-Executive Vice Chairman.</p>
Constantinos Mylonas	<p>He is a member of the Chartered Institute of Bankers. He worked at the Limassol branch of the National Bank of Greece and, since 1969, at Laiki Group, where he served for a long period of time as Banking Operations Manager. He retired in 1991 under the title of General Manager. He then served as consultant and member of the Board of Directors at the insurance companies of the Group and Laiki Bank (Hellas) S.A. until 2003. He is a business consultant and member of the Board of Directors at a number of companies. He has served as a member of the Board of Directors of the Cyprus Broadcasting Corporation (1980-1988) and the Cyprus Tourism Organization (1988-1992). In July 2006 he was appointed member of the Board of Directors and as Non-Executive Vice Chairman in January 2012.</p>

MEMBERS OF THE BOARD OF DIRECTORS

Christos Stylianides	<p>He holds a BSc Economics degree from the London School of Economics and is a member of the Institute of Chartered Accountants in England & Wales. He worked in the United Kingdom in various managerial positions within the auditing, hotel and banking sector. He works for the Group since 1989. After serving in Cyprus and the United Kingdom, from 1996 to early 2002, he served as Deputy General Manager and, afterwards, as General Manager of the Group in Greece. He also served as a member of the Board of Directors at both Laiki Bank (Hellas) S.A. and the other companies of the Group in Greece. In 2002 he returned to Cyprus and served as Director of Banking Activities of Cyprus and then as Director of the Group's Financial Services and Technology. In 2004, he was promoted to General Manager of the Group. In June 2006, he was appointed Member of the Board of Directors and in July Chief Executive Officer of Cyprus Popular Bank, a position which he served until the completion of the merge with Marfin Financial Group and Egnatia Bank, where he was appointed Deputy Chief Executive Officer of the Group's operations in Cyprus. In July 2007 he was appointed Deputy Chief Executive Officer of the Group's International Activities. As of 5 december 2011 he holds the position of the Group's Chief Executive Officer.</p>
Panayiotis Kounnis	<p>He holds a degree and postgraduate diploma in Business Administration and is a member of the Association of Chartered Certified Accountants. In 1980, he joined Laiki Group, where he served in several managerial positions, including Manager of Laiki Finance and head of the Commercial Operations Division. In 2001, he was appointed Manager of Laiki Bank in the United Kingdom and, upon returning to Cyprus, he was promoted to General Manager of Domestic Banking Operations. After that, he was appointed General Manager of Commercial Operations and member of the Cyprus Executive Committee. He also served as Chairman of the Board of Directors at the subsidiary Laiki Finance Ltd. In July 2007, he was appointed member of the Board of Directors of Marfin Popular Bank and Deputy Chief Executive Officer in charge of the Group's operations in Cyprus. In January 2009, he was also appointed Chairman of Marfin CLR Public Co Ltd.</p>
Vasilis Theocharakis	<p>Mr Theocharakis is a graduate of the Law School of the University of Athens. Along with his studies at the University, he attended painting classes for five years at the atelier of painter Spiros Papaloukas. He joined the family business at the age of 17. Since 1980, he is the president and Managing Director of the Theocharakis Group of Companies. Under his leadership and management, the Group has grown and expanded with the establishment of several public limited companies. For more than 40 years now, he maintains a continuous and consistent business and artistic presence in Greece, enjoying several distinctions. He has participated in several Government Committees and is a member of the Chamber of Commerce and Industry as well as of the Fine Arts Chamber. He is also a well-known painter and has exhibited his works in many occasions both in Greece and abroad. He served as Chairman of the Board of Directors of Marfin Egnatia Bank S.A. and he presently serves as Non-Executive Vice Chairman of Cyprus Popular Bank.</p>

MEMBERS OF THE BOARD OF DIRECTORS

Platon Lanitis	<p>He studied Economics at Reading University in the United Kingdom. Since 1992, he is the Chairman of the Lanitis Group of companies. He is also Chairman of Amathus Public Ltd and member of the Board of Directors for several other public and private companies. He is the Honorary Counsel of the Netherlands in Cyprus.</p>
Chris Pavlou	<p>He studied Business Studies in London. In 1966 he joined Barclays Bank, London, and moved up to the position of Deputy Chief Manager. He spent five years in New York as Senior Vice President running Barclays Foreign Exchange and Money Markets in North America. In February 1987 he joined the Hong Kong and Shanghai Banking Corporation Ltd (HSBC) as Chief Treasury Manager responsible for all Treasury activities. In August 1992 he was appointed Treasurer of HSBC with responsibility for all treasury centres of Asia and Hang Seng Bank. By 1995, HSBC was recognised as the leading treasury Bank in Asia with the exception of Japan. In September 1995 he was posted to Tokyo as Treasurer HSBC Midland in order to develop the Bank's business there. Within three years this goal was achieved and he retired in May 1998. On retirement, in 1998 he joined Cyprus Popular Bank (23% then owned by HSBC) as a consultant and then as a member of its board of directors. He retired at the end of 2004. In 2006, he joined TFI, a Cyprus based financial company and after a successful three year term he retired in October 2009, but remained as non executive chairman until 2011. He also served on the board of the National Bank of Greece (Cyprus) as a non executive director and chairman of the audit committee. He is non executive director and member of the audit committee of TEMENOS, a Geneva based banking software systems developer and of PROSAFE a leading owner and operator of semi-submersible accommodation and service rigs. He is an honorary member of ACI, a member of the Guild of International Bankers and a Freeman of the City of London.</p>
Stelios Stylianou	<p>He holds a degree in Marine Engineering from the Higher Technological Institute and is a Fellow of the Chartered Institute of Bankers. In 1988, after working in the maritime and industrial sectors for six years, he began his career in the Group. He worked as Credit Officer and bank branch manager. Since 2000, he is assigned to the Cyprus Union of Bank Employees (ETYK). He served as Organizing General Secretary and Deputy Secretary and is currently a member of the Presidium. He is Chairman of the Cyprus Union of Bank Employees' Health Fund, member of the Bank's Provident Fund Management Committee and member of the Cyprus Cooperative Savings Bank of Bank Employees. He has also served as ETYK's Head of International Relations and a deputy member of the Executive Committee of the European Trade Union UNI-EUROPA, as well as currently representing Cyprus at the European Social Dialogue in the Banking Sector.</p>
Markos Foros	<p>He studied Economics at the London School of Economics and holds an MBA from Harvard Graduate School of Business Administration (Boston). He has worked at the First National Bank of Chicago, Chandris Group, and at Celebrity Cruises Inc, where he has held the position of Managing Director. He currently serves as Managing Director of the Chandris Company (Hellas). He is also a member of the Board of Directors of the Hellenic Chamber of Shipping.</p>

MEMBERS OF THE BOARD OF DIRECTORS

Fadel Al Ali	<p>He holds a B.Sc. Degree in Industrial and System Engineering from the University of Southern California and also holds a Certificate of Finance from the American University of Sharjah. Since 1989, he worked in several managerial positions at Citibank, where he was appointed Retail Banking Manager in 2001 and Branch Network Manager for the United Arab Emirates in 2004. Since 2004, he has worked at Dubai Holding, first as Chief Financial Officer and, since 2007, as Executive Chairman of Operations. He currently serves as Chairman of Dubai Bank and member of the Executive Committee of Dubai Holding.</p>
Hesham Al Qassim	<p>He holds a Diploma in Banking and Finance from the Higher College of Technology, Dubai, as well as a Master's Degree in International Business from the University of Wollongong, Dubai. He has also attended the Mohammed Bin Rashid Programme for Leadership Development. From 1994 to 2007, he worked in several managerial positions and the National Bank of Dubai. Since 2007, he serves as Managing Director of the Dubai Real Estate Corporation, a company that owns and manages substantial real estate properties in Dubai.</p>
Peter Baltussen	<p>He received a Masters Degree in Business Economics from the Erasmus University in Rotterdam, Netherlands. In 1988 he joined ABN Amro Bank as an international management trainee and served in different functional areas and countries and then as Regional Manager, Private Banking. In 2002 he was appointed Managing Director and Chief Executive Officer of Saudi Hollandi Bank, a listed Bank 40% owned by ABN Amro Bank and based in Riyadh, Saudi Arabia. In 2005 he was appointed Managing Director and Chief Executive Officer of Banque de Neuflyze OBC, a Bank 100% owned by ABN Amro Bank, and also a Member of the Top Executive Group at ABN Amro Bank. His duties included the implementation of the merger of two French banks with the objective to become the largest private bank in France. In 2006 he was appointed Chief Executive Officer and Member of the Executive Committee of the Commercial Bank of Dubai, a bank listed on the Dubai Financial Market. He is also Chairman of its Management, Business, Credit, ALCO, IT Steering and Investment Committees.</p>

MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

Christos Stylianides	See above
Panayiotis Kounnis	See above
Rodoula Hadjikyriacou	She graduated from the London School of Economics with BSc (Economics) and MSc (Monetary Economics) and from the University of Chicago with MBA (Business Administration). She participated in training programmes for top executives at the London Business School, while in 1981 she was recruited by the Laiki Bank Group. During her career at the Bank, she had the responsibility of several important services of the Bank, such as Credit Cards, Corporate Banking, Electronic Banking, Investment Banking, Leasing, Retail Banking and Branch Distribution Network in Cyprus. She served as Chief Executive Officer of the Laiki Bank in Serbia for two years (2009 – 2010). She served as Chairman of the Radiomathon Co-ordinating Committee and continues to be actively involved in the biggest charity event in Cyprus. She also represents Laiki Bank in the Board of Directors of JCC as Vice Chairperson. Presently she is General Manager of the Group's operations in Greece
Samuel David	Mr David was born in 1971. He studied Business Management and Finance at the London School of Economics and Political Science. From 1994 to 1999 he worked at the Bank of America as Head of Sales to U.S. institutional investors (Hedge Funds), and as Primary Dealer of Greek government bonds. From 1999 to 2002, he worked at Hellenic Securities S.A. as Market Maker in the derivatives market (ADEX). In 2002, he was appointed Treasurer at Marfin Bank S.A., where he assumed the position of Global Treasurer for the Marfin Popular Bank Group after the merger of the three banks in 2007 (Marfin Bank, Laiki Bank and Egnatia Bank). In February 2010, he also became a member of the Executive Committee of the Cyprus Popular Bank Group.
Annita Philippidou	She graduated from the London School of Economics with BSc (Economics). She is a Fellow of the Institute of Chartered Accountants in England and Wales and Member of the Institute of Certified Public Accountants in Cyprus. In 1990 she was employed by the KPMG in London, in the Banks and Financial Institutions Audit Unit and in 1993 she was transferred to the Financial Sector Consulting Unit. In 1995 she was employed by the Laiki Bank in London in the position of Chief Accountant of UK operations. In 2000 she returned to Cyprus and was appointed Assistant Chief Accountant and in 2002 was promoted to Manager of Group Financial Control. Following the merger of Marfin, Laiki and Egnatia Banks in 2006, she was appointed Group Chief Financial Officer of the Laiki Bank Group.

Members of the Audit Committee, the Risk Management Committee, the Nomination Committee and the Compensation Committee

The curricula vitae of the members of the Audit Committee, the Risk Management Committee, the Nomination Committee and the Compensation Committee are detailed above.

4.14.6 Participation of administrative, management and supervisory bodies in the management of other companies or partnerships

The following table presents the participation of administrative, management and supervisory bodies in the boards of other companies or partnerships during the last five years (participations in the boards of the Group's subsidiaries are not included).

NAME OF THE MEMBER OF THE BOARD OF DIRECTORS AND NAMES OF COMPANIES OR PARTNERSHIPS	COMPANY STATUS (LISTED OR NOT LISTED)	CURRENT PARTICIPATION
Michalis Sarris		
Logicom Public Ltd	Listed	Yes
FX Pro Financial Services Ltd	Not Listed	Yes
Centaur Financial Services Ltd	Not Listed	Yes
Navios Maritime Holdings	Listed	Yes
Afi Developments	Not Listed	Yes
Neoclis Lysandrou		
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Constantinos Mylonas		
Petsas & Sons Ltd	Not Listed	Yes
Lanitis E.C. Holdings Ltd	Not Listed	Yes
N.P. Lanitis Ltd	Not Listed	Yes
Cybarco Ltd	Not Listed	Yes
Christos Stylianides		
CNP Marfin Insurance Holdings Ltd	Not Listed	Yes
Laiki Cyprialife Ltd	Not Listed	Yes
Laiki Insurance Company Ltd	Not Listed	Yes
Marfin Life Insurance S.A.	Not Listed	Yes
Marfin Insurance Brokers S.A.	Not Listed	Yes
Panayiotis Kounnis		
CNP Marfin Insurance Holdings Ltd	Not Listed	Yes
Laiki Cyprialife Ltd	Not Listed	Yes
Laiki Insurance Company Ltd	Not Listed	Yes
Marfin Life Insurance S.A.	Not Listed	Yes
Marfin Insurance Brokers S.A.	Not Listed	Yes
Vasilis Theocharakis		
Nik. I. Theocharakis S.A.	Not Listed	Yes
Theocharakis S.A.	Not Listed	Yes
Praxis S.A.	Not Listed	Yes
Tekom S.A.	Not Listed	Yes
Teocar S.A.	Not Listed	Yes
Teoros S.A.	Not Listed	Yes

NAME OF THE MEMBER OF THE BOARD OF DIRECTORS AND NAMES OF COMPANIES OR PARTNERSHIPS	COMPANY STATUS (LISTED OR NOT LISTED)	CURRENT PARTICIPATION
Teodomi S.A.	Not Listed	Yes
Talanton Inc.	Not Listed	Yes
Perseus Health Care S.A.	Not Listed	Yes
Platon E. Lanitis		
Amathus Public Ltd	Listed	Yes
Air Promotion Group Cyprus Ltd	Not Listed	Yes
Amathus Hotels Ltd	Not Listed	Yes
Amathus Travel Ltd	Not Listed	Yes
Amathus Maritime Services Ltd	Not Listed	Yes
Aphrodite Hills Property Management Ltd	Not Listed	Yes
Aphrodite Hotels Ltd	Not Listed	Yes
The Aphrodite Tennis & Spa Ltd	Not Listed	Yes
Amathus Vacation Ownership Ltd	Not Listed	Yes
Amathus Corporation Ltd	Not Listed	Yes
Let's Go Tours Ltd	Not Listed	Yes
FLC Leisure Ltd	Not Listed	Yes
Fassouri Producers' Group Lionheart Ltd	Not Listed	Yes
Fertilan Ltd	Not Listed	Yes
Lanitis Electrics Ltd	Not Listed	Yes
Carob Mill Restaurants Ltd	Not Listed	Yes
Claridge Public Ltd	Listed	Yes
Cybarco (Property Management) Ltd	Not Listed	Yes
Cybarco Holdings Ltd	Not Listed	Yes
Cybarco Development Ltd	Not Listed	Yes
Cybarco Ltd	Not Listed	Yes
E.C.L. New Transport & Investments Ltd	Not Listed	Yes
Goldair Handling (Cyprus) Ltd	Not Listed	Yes
Heaven's Garden Waterpark Ltd	Not Listed	Yes
Hephaestus Mining Co. Ltd	Not Listed	Yes
C.E. Lanitis Holdings Ltd	Not Listed	Yes
Landa A.X.T.E.	Not Listed	Yes
Lanitis (Lakkos Tou Frangou) Ltd	Not Listed	Yes
Lanitis Development Public Ltd	Not Listed	Yes
Lanitis E.C. Holdings Ltd	Not Listed	Yes
Lanitis Entertainment Ltd	Not Listed	Yes
Lanitis Energy Ltd	Not Listed	Yes
Lanitis Farm Ltd	Not Listed	Yes
Lanitis Green Energy Group Ltd	Not Listed	Yes
Lanitis Oil & Gas Ltd	Not Listed	Yes
P.E. Lanitis Holdings Ltd	Not Listed	Yes
N.P. Lanitis Investments Ltd	Not Listed	Yes
NPS Multimedia Attractions Ltd	Not Listed	Yes
R.S.L. Radio Super (FM) Ltd	Not Listed	Yes

NAME OF THE MEMBER OF THE BOARD OF DIRECTORS AND NAMES OF COMPANIES OR PARTNERSHIPS	COMPANY STATUS (LISTED OR NOT LISTED)	CURRENT PARTICIPATION
N.P. Lanitis Electrics Ltd	Not Listed	Yes
Clover Trading Ltd	Not Listed	Yes
Skyfly Investments Ltd	Not Listed	Yes
Parasall Holdings Ltd	Not Listed	Yes
Lanitis Farm Golf Ltd	Not Listed	Yes
Grand Hill Estates Ltd	Not Listed	Yes
Goldair Handling (Cyprus) Ltd	Not Listed	No
KEX Ltd	Not Listed	No
Lanitis Airports Ltd	Not Listed	No
Lanitis Computer Center Ltd	Not Listed	No
Lanitis Energy Ltd	Not Listed	No
Lanitis Solar Ltd	Not Listed	No
LCA Domiki Ltd	Not Listed	No
NP Lanitis Finance Ltd	Not Listed	No
Star Manufacturing & Exporting Co. Ltd	Not Listed	No
Toxon Ltd	Not Listed	No
United Insurance Co. Ltd	Not Listed	No
Chris Pavlou		
Temenos Group AG	Listed	Yes
Prosafe SE	Listed	Yes
National Bank of Greece (Cyprus) Ltd	Not Listed	No
Universal Savings Bank	Listed	No
Stelios Stylianou		
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Markos Fors		
Marfin Investment Group Holdings S.A.	Listed	Yes
Attica Holdings S.A.	Listed	Yes
Chandris (Hellas) Inc.	Not Listed	Yes
Chandris Hotels (Hellas) S.A.	Not Listed	Yes
International Cruises S.A.	Not Listed	Yes
Millennium Maritime, Brokerage and Construction Operations Ltd.	Not Listed	Yes
EVEK Real Estate S.A.	Not Listed	Yes
Mathilde Real Estate S.A.	Not Listed	Yes
Aphrodite Property and Commercial S.A.	Not Listed	Yes
Cambi Property and Commercial S.A.	Not Listed	Yes
New Imports S.A.	Not Listed	Yes
Ammos & Nirvana Tourist and Property Operations S.A.	Not Listed	Yes
Chandris Group Maritime Company	Not Listed	No
Komvos S.A.	Not Listed	No
Marfin Classic A.E.E.X.	Not Listed	No
Proton Bank S.A.	Listed	No

NAME OF THE MEMBER OF THE BOARD OF DIRECTORS AND NAMES OF COMPANIES OR PARTNERSHIPS	COMPANY STATUS (LISTED OR NOT LISTED)	CURRENT PARTICIPATION
Fadel Al Ali		
Emirates Integrated Telecommunications Company	Listed	Yes
Dubai Bank PJSC	Not Listed	Yes
Dubai First PJSC	Listed	Yes
Jumeirah Group LLC	Not Listed	Yes
TAIB Bank BSC	Listed	Yes
Bank Islam / Malaysia Berhard	Not Listed	Yes
DH Investor Limited	Not Listed	Yes
Dore Limited	Not Listed	Yes
Dubai Banking Group PJSC	Not Listed	Yes
Dubai Capital Management Limited	Not Listed	Yes
Dubai Energy Limited	Not Listed	Yes
Dubai Finanacial (MFG) Limited	Not Listed	Yes
Dubai Group Limited	Not Listed	Yes
Dubai Hotels Limited	Not Listed	Yes
Dubai Investment Group Limited	Not Listed	Yes
Dubai Ventures Group Limited	Not Listed	Yes
Silber Limited	Not Listed	Yes
Dubai Holding	Not Listed	No
DFFC Alternatives Limited	Not Listed	Yes
DIG EH Holdings LLC	Not Listed	Yes
DIG EH Hotel LLC	Not Listed	Yes
DIG Investment Holdings Ltd	Not Listed	Yes
DIG Mezz Holdings LLC	Not Listed	Yes
Dubai Financial Fund Company Limited	Not Listed	Yes
Dubai First Stakeholders Limited	Not Listed	Yes
Hanse Holdings Sarl	Not Listed	Yes
Hanse Investments Limited	Not Listed	Yes
Longwing Incorporated	Not Listed	Yes
MZ Holdings Sarl	Not Listed	Yes
MZ Investments Limited	Not Listed	Yes
Hesham Al Qassim		
AMLAK Finance PJSC	Listed	Yes
Emirates NBD PJSC	Listed	Yes
Emirates Islamic Bank PJSC	Listed	Yes
Dubai Bank PJSC	Not Listed	Yes
Dubai Real Estate Corporation (DREC)	Not Listed	Yes
Gulf Finance Corporation PJSC	Not Listed	Yes
Shuua Capital PSC	Listed	No
Dubai Mercintile Exchange	Not Listed	No
Peter Baltussen		

NAME OF THE MEMBER OF THE BOARD OF DIRECTORS AND NAMES OF COMPANIES OR PARTNERSHIPS	COMPANY STATUS (LISTED OR NOT LISTED)	CURRENT PARTICIPATION
-		
Rodoula Hadjikyriacou		
JCC Payments Systems Ltd	Not Listed	No
Samuel David		
-		
Annita Philippidou		
-		

Note: The aforementioned companies do not include the Group's subsidiaries or affiliates.

4.14.7 Compensation of members of the Board of Directors and other Group key management personnel

Information on the compensation of the members of the Board of Directors and other Group key management personnel for 2011 is detailed below.

	EMPLOYER'S					TOTAL € '000
	FEES € '000	SALARIES AND OTHER SHORT-TERM BENEFITS € '000	SOCIAL INSURANCE CONTRIBUTIO NS € '000	RETIREMENT BENEFITS SCHEME EXPENSE € '000	SHARE OPTIONS SCHEME EXPENSE ⁹ € '000	
Year ended 31 December 2011						
Executive Directors						
Christos Stylianides	-	241	24	63	35	363
Panayiotis Kounnis	-	242	27	63	35	367
Efthimios Bouloutas ¹	-	1,083	13	-	70	1,166
Eleftherios Hiliadakis ²	-	162	11	-	25	198
Non Executive Directors						
Michalis Sarris ³	2	-	-	-	-	2
Andreas Vgenopoulos ⁴	-	-	-	-	120	120
Neoclis Lysandrou ⁵	30	-	-	-	6	36
Vassilis Theocharakis	30	-	-	-	6	36
Platon E. Lanitis	30	-	-	-	6	36
Constantinos Mylonas	50	-	-	-	6	56
Stelios Stylianou	30	74	11	20	4	139
Markos Foros	30	-	-	-	10	40
Chris Pavlou ³	2	-	-	-	-	2
Hesham Al Qassim	30	-	-	-	-	30
Fadel Al Ali	30	-	-	-	-	30
Abdulrazaq Al Jassim ⁶	25	-	-	-	-	25
Peter P.M. Baltussen ⁷	5	-	-	-	-	5
	294	74	11	20	158	557
Other key management personnel⁸	-	1,777	76	38	190	2,081
	294	3,579	162	184	513	4,732

¹ Resigned on 5 December 2011. Upon resignation he received an additional amount of €1,543,000, which includes an amount of €941,000 (€689,000 net of tax), paid in accordance with the provisions of Greek Labour Law.

² Resigned on 31 December 2011. Upon resignation he received an additional amount of €12,000.

³ Appointed on 12 December 2011.

- 4 Resigned on 4 November 2011.
- 5 Received additional fees for consultancy services of €200,000.
- 6 Resigned on 3 November 2011.
- 7 Appointed on 3 November 2011.
- 8 Includes the 4 members of the Group Executive Committee as at 31 December 2011 that are not Directors and the Group Chief Financial Officer. One member of the Group Executive Committee who resigned in January 2012 received, in accordance with the provisions of the Greek Labour Law, an additional amount of €154,000 (€82,000 net of tax).
- 9 The share option scheme expense is the amount charged to the consolidated income statement 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.

The Bank has introduced a Restricted Stock Scheme for management personnel. The Scheme provides for the purchase of Bank's shares in the name of the management personnel based on 2009 performance. These shares are released gradually between 2011 and 2013 based on performance. After release they should not be sold for one year.

Based on the Scheme, Christos Stylianides and Panayiotis Kounnis were allocated a total of 229,000 shares each at a cost for 2011 of €99,000 and €97,000 respectively. The number of shares that were allocated to the Directors who resigned and were "clawed back" were as follows: Efthimios Bouloutas 401,000, Eleftherios Hiliadakis 115,000 and Andreas Vgenopoulos 573,000. The total number of shares that other key management personnel were awarded and the related cost for 2011 were 86,000 shares and €50,000 respectively.

The number of Share Options for each Director, none of which was exercised up to 31 December 2011, was as follows: Christos Stylianides and Panayiotis Kounnis 1,750,000 each, Markos Foros 500,000, Neoclis Lysandrou, Vassilis Theocharakis, Platon E. Lanitis and Constantinos Mylonas 300,000 each and Stelios Stylianou 200,000. The number of Share Options that was allocated to the Directors who resigned and were "clawed back" were as follows: Andreas Vgenopoulos 6,000,000, Efthimios Bouloutas 3,500,000 and Eleftherios Hiliadakis 1,250,000. The number of Options for other key management personnel, none of which was exercised up to 31 December, 2011, was 7,000,000. The number of Share Options that was allocated to other key management personnel who resigned in 2011 were 2,500,000 and were "clawed back".

Based on article 11(7) of the Decree, the remuneration of each Board Member and staff member shall not exceed the annual earnings of a General Manager.

Key management personnel as at 31 December 2011, include the 13 members of the Board of Directors, 2 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer. Key management personnel for 2010 included the 14 members of the Board of Directors, 4 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

4.14.8 Contracts for Members of Administrative, Management or Supervisory Bodies

The Board of Directors has no expiration date. The members of the Board of Directors retire by rotation every three years and may offer themselves for re-election.

There are no service contracts connecting the members of the administrative, management or supervisory bodies to the Bank or any subsidiary thereof and providing for the provision of benefits upon their expiration.

No member of the administrative, management or supervisory bodies has or has had any financial interest in non-regular transactions with the Bank or any subsidiary thereof during the last and current fiscal year.

At the date of this Prospectus, no member of the administrative, management or supervisory bodies has any financial interest, directly or indirectly, in any property acquired within the two years preceding this Prospectus or to be acquired by the Bank, or any material interest in a contract or agreement with special conditions concerning the Bank's operations, unless in relation to listed or public company shares that they may own as investors.

There are no substantial contracts that exist or existed at the date of this prospectus, in which the members of the administrative, management and supervisory bodies of the Bank and its subsidiaries had any material interest, directly or indirectly.

It should be noted that the transactions of members of administrative, management or supervisory bodies with the Bank in relation to banking transactions within the framework of the Group's regular operations are set out in Section 4.18.

4.15 Operation of the Board of Directors and Corporate Governance Issues

Based on article 12 of the Decree (Participation of the Republic of Cyprus in the ownership structure of the Bank), the participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Takeover Bids for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced. Additionally, based on article 11 of the Decree, the Republic of Cyprus possesses powers regarding the appointment and operation of the Board of Directors as well as obligations for the Bank as stated in Section 7 ("State Aid").

4.15.1 Term and Operation of the Board of Directors

The Board of Directors has no expiration date. The members of the Board of Directors retire by rotation every three years and may offer themselves for re-election.

Under section 83 of the Company's Articles of Association, all Company operations and activities are managed by the Company's Directors. The Company's Directors may pay for all expenses related to the Company's development and may exercise all Company powers not required by the Law or said Articles of Association to be exercised by the Company in a General Assembly.

4.15.2 Corporate Governance

The Cyprus Stock Exchange (CSE) had adopted in September 2002 a Corporate Governance Code (the "Code") for companies, which are listed on the Stock Exchange. The Code requires listed companies to include a Report on Corporate Governance in their Annual Report. The Board of Directors of Cyprus Popular Bank Public Co Ltd had taken the necessary decisions for its full implementation.

The CSE has issued in January 2007 a revised Corporate Governance Code (2nd Edition) replacing the Code issued in September 2002 and the Supplement issued in November 2003.

The CSE has issued in September 2009 a new Revised Corporate Code (3rd Edition), which replaces the Code issued in January 2007. In March 2011 the CSE has issued the Revised 3rd Edition.

In accordance with the 3rd Edition (Revised) of the Code part of the provisions will be included in the annual reports which will be submitted by listed companies as from April 2012.

The Board of Directors of Cyprus Popular Bank Public Co Ltd states that it had adopted and fully complies with the provisions of the Revised CSE Code with the exception of Provision A2.3 for the number of independent non executive directors for which the Code allows an exception by giving the necessary explanations.

Information on the implementation of the Code's Principles and Provisions in relation to the Audit Committee and the Compensation Committee can be found below.

Audit Committee

The Board has appointed for the first time an Audit Committee with written terms of reference before the adoption of a Corporate Governance Code. The Committee comprises exclusively of non executive directors, the majority of which are independent, namely:

- Chris Pavlou (Chairman)
- Neoclis Lysandrou
- Constantinos Mylonas

The Audit Committee is accountable to the Board and shall meet with such frequency as it may consider appropriate and shall report to the Board once a year or as the Board may otherwise determine. During 2011 it met eight times.

The main terms of reference of the Audit Committee are the following:

- To consider the appointment and the termination of the appointment of the external auditors, the audit fee, the scope and the costeffectiveness of the auditors' work, and any related issues.
- To evaluate the independence and objectivity of the external auditors by, among other things, monitoring the nature and extent of any non-audit services provided (either directly or through a related entity).
- To review the Annual Report and the Financial Statements of the Group with Senior Management and with the company's external auditors to ensure that the information that they contain, has been fairly and accurately stated, and is in accordance with approved accounting principles including the International Financial Reporting Standards (IFRSs).
- To give to the Board such additional assurance as it may reasonably require regarding the reliability of financial information submitted to it and of financial statements issued by the Group.
- To discuss with the Group's external auditors their general approach to and the scope of their audit including, in particular, the nature of any significant unresolved accounting and auditing problems and reservations arising from their interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- To review the external auditors' management letter and the response of management.
- To appoint, at least every three years, external auditors to carry out an overall evaluation of the internal control system in compliance with the relevant Central Bank of Cyprus Directive.
- To ensure that the Group, its subsidiary companies and those of its associates for which it provides management services comply with all supervisory and other regulations to which they are subject.
- To review the Group Internal Audit Report on internal control systems prior to presentation to the Board.
- To keep under general review the system of internal audit in operation within the Group, to assess its effectiveness and to consider the major findings of internal investigations and management's response.
- To liaise with the Audit Committees of subsidiary companies of the Group which must submit to it, at least once a year, a report on their internal control systems.

- To review the internal audit programme, ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.
- To review whether transactions between the Group and Board Members, Senior Management, the Secretary, the external auditors and major shareholders, were on an arm's length basis.
- To prepare the Corporate Governance Report with the assistance of the officer responsible for Compliance with the Code.
- To undertake any other related tasks as the Board may from time to time entrust to it.

Compensation Committee

The Compensation Committee is accountable to the Board and meets with such frequency as it may consider appropriate. During 2011 it met three times.

The terms of reference of the Compensation Committee are the following:

- Determines and agrees with the Board the Compensation Policy applicable to all employees of the Group.
- Reviews the Group Compensation Policy on an annual basis and ensures its implementation within the terms of the agreed policy, considers and makes recommendations to the Board for the total individual compensation package of the Executive Members of the Board and other Members of Management (Executive Management) as defined in the Policy, including where appropriate, bonuses, incentive payments and share schemes (Variable Compensation Schemes).
- Ensures that the compensation of Executive Management and other key personnel is consistent with the Bank's culture, objectives, strategy and control environment as reflected in the formulation of the Compensation Policy.
- Ensures, in the recommendation to the Board, that the compensation of Executive Management is adequate to attract, retain and give incentives to people who have the required knowledge and experience, while at the same time avoiding having to pay more than is necessary for the purpose.
- Reviews annually the Variable Compensation Schemes to ensure their effectiveness.
- Has access to both internal and external professional advice to evaluate with caution the position of the Bank in matters of compensation in relation to other companies.

The Compensation Committee comprises of non executive directors, the majority of which are independent, namely:

- Constantinos Mylonas (Chairman)
- Chris Pavlou
- Platon E. Lanitis
- Hesham Al Qassim

4.16 Group Personnel

The Group places great importance on human resources, both through the recruitment of qualified personnel and by training and developing its existing workforce.

The Group's personnel participate in a large number of seminars in the fields of professional training and skill development. The training is conducted both internally and through the participation in external Groups.

The Group's personnel on 31 December 2009, 2010 and 2011, was as follows:

COUNTRY	31.12.2011	31.12.2010	31.12.2009
Cyprus	2,530	2,599	2,614
Greece	3,146	3,265	3,259
United Kingdom	161	165	156
Australia	-	122	118
Serbia	389	461	462
Romania	377	369	358
Estonia	39	46	47
Ukraine	1,212	1,228	1,332
Russia	559	556	544
Malta	763	802	759
Representative Offices	11	7	-
Total	9,187	9,620	9,649

Cyprus personnel includes, together with the Bank and its subsidiaries, the cleaners, employees of Laiki Sporting Club and seasonal employees. Cyprus and Greece do not include insurance companies personnel. Malta includes the personnel of the Malta Post (2011: 613 people).

On 28 February 2011, the Bank completed the sale of 85% of Laiki Bank Australia Ltd (LBA) to the Bank of Beirut s.a.l. (BOB), after BOB obtained the necessary approvals from the Central Bank of Lebanon, which was pending.

On 28 December 2011, the Bank announced the signing of a share purchase 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 €6,6 million. The sale was completed on 29 March 2012, after obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. The profit from sale reached €2.8 million approximately.

As of the date of the present Prospectus, no substantial change in the aforementioned numbers had occurred. The Group does not use a significant number of part-time employees.

On 12 January 2012, the collective agreement was signed between the Cyprus Union of Bank Employees and the Cyprus Bankers Employers' Association for the years 2011-2013. The main change of the agreement is the conversion of the defined benefit plan to a defined contribution plan, with monthly contributions of 14% by the Bank and from 3% to 10% by the employee based on monthly salaries. The conversion of the plan does not affect in any way the 2011 consolidated financial statements. Moreover, for 2012 and 2013 annual increases in salaries and Cost of Living Adjustment (COLA) increases will not be granted. On 1 July 2012, the banks will contribute a total additional lump sum of €1million to the Welfare Fund of the Cyprus Union of Bank Employees.

In the United Kingdom the pension plan is optional in which both the Bank and the staff contribute.

In «Marfin Egnatia Bank» («MEB») there is defined contribution scheme. Employee participation in this program is optional and currently approximately 57% of MEB's staff is participating. Those participating in the program pay 2.5% of their gross monthly salary, while 2.5% is paid by the Bank.

The Group's personnel in Cyprus, Greece, Serbia and the United Kingdom belong to a union.

Based on article 10 (Restructuring Plan) of the Decree, as set forth in Section 7 ("State Aid") a restructuring plan will be established and implemented that will include amongst others, provisions for the reduction of operating costs as well as staff costs and benefits. In particular, it provides for (a) the reduction of the Bank's staff costs by at least 10% in 2012 and a further 8% in 2013 (b) the reduction of remuneration and benefits of the staff in Cyprus will reach an average of at least

12.5% on an annual basis and will be applied commensurately with the relevant pay scale, following consultation with the trade unions.

4.17 Share Capital, Main Shareholders and Shares owned by Management and Personnel

4.17.1 Information on Share Capital

Listed below is the Bank's share capital on 31 December 2009, 2010 and 2011 as well as on the issue date of the Prospectus.

SHARE CAPITAL	PROSPECTUS DATE	31.12.2011	31.12.2010	31.12.2009
Authorised (shares)	24,650,000,000	2,900,000,000	2,090,000,000	1,100,000,000
Authorised	€2,465,000,000	€2,465,000,000	€1,776,500,000	€935,000,000
Issued (shares)	19,611,110,558	1,611,110,558	976,335,208	842,371,440
Issued	€1,961,111,055.80	€1,369,443,974.30	€829,884,926.80	€716,015,724
Fully paid shares	1,611,110,558	1,611,110,558	976,335,208	842,371,440
Fully paid capital	€1,369,443,974.30	€1,369,443,974.30	€829,884,926.80	€716,015,724
Share nominal value	€0.10	€0.85	€0.85	€0.85

Source: Financial data processed by the Bank

At the Extraordinary General Assembly of the shareholders of the Bank which was held on 19 May 2009 approval was granted for the increase of the authorised nominal share capital of the Bank from €807,500,000 to €935,000,000 by the creation of 150,000,000 additional shares of €0.85 nominal value each.

Also during the same General Assembly approval was granted for the authorisation of the Board of Directors of the Bank within the framework of the terms of issuing Capital Securities up to the amount of €250 million in one or more tranches that were approved by the Bank's Board of Directors during the meeting held on 19 March 2009, and specifically in the framework of the Alternative Mechanism for the Payment of Non-performing Interest, to issue 103,000,000 ordinary or preferred Bank shares with a nominal value of €0.85 each, without these shares been initially offered to existing Bank shareholders pursuant to the Bank's Articles of Incorporation and the law.

In June 2009, the Bank issued 12,246,000 new ordinary shares, of nominal value €0.85, which resulted from the re-investment of the dividend for the year 2008 in accordance with the Dividend Re-investment Plan. Based on the Plan the Bank's shareholders had the option of part or full re-investment of the net 2008 dividend that was paid, into shares of the Bank. The exercise price of the re-investment right of the 2008 dividend for Bank shares was set at €2.25 per share, that was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Stock Exchange for the period from 26 May to 1 June 2009. Trading of the new shares commenced on 25 June 2009.

On 23 December, 2009 the Extraordinary General Assembly of the shareholders of the Bank approved the authorisation of the Board of Directors to issue 5,781,000 new ordinary shares of the Bank of €0.85 nominal value each, in the framework of the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. by the Bank, to be exchanged with 8,594,000 ordinary common shares of Marfin Egnatia Bank S.A. The Bank's shares to be issued, in exchange for the above common ordinary shares, will not be offered at first to existing shareholders of the Bank, as provided by the Articles of Association of the Bank, but will be offered to the existing shareholders of Marfin Egnatia Bank S.A. (except from the Bank itself) according to the provisions of the Common Terms of the Cross-Border Merger and the decisions of the Board of Directors of the

merging companies. The new shares that are under issuance, in the context of the completion of the cross border merger, as mentioned above, shall rank pari passu with existing, fully paid, ordinary Bank shares.

During the General Assembly on 25 May 2010, approval was granted for the authorisation of the Board of Directors of the Bank within the framework of the terms of issuing Capital Securities up to the amount of €300 million in one or more tranches that were approved by the Bank's Board of Directors during the meeting held on 30 March 2009, and specifically in the framework of the Alternative Mechanism for the Payment of Non-performing Interest, to issue 123,500,000 ordinary or preferred Bank shares with a nominal value of €0.85 each, without these shares been initially offered to existing Bank shareholders pursuant to the Bank's Articles of Incorporation and the law.

During the same General Assembly, an Ordinary Vote was approved which was submitted for increase of the Bank's share capital from €935,000,000 to €1,062,500,000 with the creation of 150,000,000 of additional shares with a nominal value €0.85 each.

In June 2010, the Bank issued 10,133,067 new ordinary shares, of nominal value €0.85, which resulted from the re-investment of the dividend for the year 2009 in accordance with the Dividend Re-investment Plan. Based on the Plan the Bank's shareholders had the option of part or full re-investment of the net 2009 dividend that was paid, into additional shares of the Bank. The exercise price of the re-investment right of the 2009 dividend for Bank shares was set at €1.34 per share that was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Stock Exchange for the period from 1 June to 7 June 2010.

The Bank's Board of Directors, during its meeting on 11 November 2010, approved the increase of the Bank's share capital for the purpose of drawing €488.6 million through the issuance of new shares in favour of existing shareholders at a ratio of one new share for every two old shares with a subscription price of €1.00 per share. Furthermore, during the same meeting, the BoD decided to issue convertible capital securities up to the total amount of €660 million with a minimum conversion value of €1.80 per share. However, following a request by Dubai Financial Group and other Bank shareholders, the issuance of convertible capital securities will be available first for existing shareholders. It should be noted, however, that this issuance will take place in 2011.

During the Extraordinary General Meeting of the Bank's shareholders on 18 November 2010, a vote was passed on the amendment of the Bank's Articles of Incorporation, so that explicitly stipulates the option for the Bank's BoD to decide on the payment of interim dividends in full or partially, by distributing certain assets and in particular with the distribution of shares or other forms of securities. After completing the amendment of the Articles of Incorporation, the Board of Directors decided to distribute an interim dividend amounting to €0.22 per share in the form of Bank issued shares with an issue price of €1.4472, which is 10% lower than the share's average closing price on the Cyprus Stock Exchange and the Athens Stock Exchange during the period from 11 to 15 October 2010.

During the same Extraordinary General Meeting, a decision was made to increase the Bank's approved capital from €1,062,500,000 divided by 1,250,000,000 ordinary shares with a nominal value of €0.85 each, to €1,776,500,000 divided by 2,090,000,000 ordinary shares with a nominal value of €0.85 each, through the issuance of 840,000,000 new ordinary shares with a nominal value of €0.85, which will bear the same rights as with existing common Bank shares. With the above increase of the approved share capital, the Bank's approved share capital was enough for the issuance of new shares of the current issue and the dividend shares in the form of shares as stated in the next paragraph.

It is noted that the Extraordinary General Meeting of the Bank's shareholders, held on 18 November 2010, did not approve the vote that concerned the issuance of Convertible Capital Securities with exclusion of rights to existing shareholders, for a total amount up to €660 million with a minimum conversion price of €1.80 per share.

Following the vote on the relevant amendment of the Articles of Incorporation on 18 November 2010, as stated above, and decision of the Bank's Board of Directors, dated 25 November that concerned the distribution of an interim dividend amounting to €0.22 per share in the form of Bank issued shares, on 16 December 2010 a total of 123,830,701 new shares were issued. The issuance price of the new shares was set at €1.4472, which is 10% lower than the share's average closing price on the Cyprus Stock Exchange and the Athens Stock Exchange during the period from 11 to 15 October 2010. The trading of the newly issued shares commenced on 22 December 2010.

On 31 December 2010, the approved share capital of the Bank amounts to €1,776,500,000 divided into 2,090,000,000 shares of a nominal value of €0.85 each, while the issued share capital of the Bank amounts to €829,884,926.80 subdivided into 976,335,208 shares of a nominal value of €0.85 each.

On 14 February 2011, the Bank issued 488,168,000 new ordinary shares, of nominal value of €0.85 each, which resulted from the share capital increase through payment in cash and exercise of nil paid rights in favour of existing shareholders of the Bank, in accordance with the terms and procedures of the Approved Prospectus dated 21 December 2010, as applicable. The nil paid rights were issued and allotted to the existing shareholders at a ratio of one nil paid right for every ordinary share and every two nil paid rights which were exercised at a total exercise price of €1 were converted into one new fully paid share of the Bank. The trading of the new shares commenced on 23 February 2011.

In June 2011, the Bank issued 140,827,000 new ordinary shares, of nominal value of €0.85, which resulted from the distribution of a dividend for the year 2010 in the form of shares. The issue price was set at €1. The trading of the newly issued shares commenced on 27 June 2011.

On 31 May 2011 the Extraordinary General Meeting of the shareholders of the Bank approved the increase of the authorised nominal share capital of the Bank from €1,776,500,000 to €1,870,000,000 by the creation of 110,000,000 additional ordinary shares of €0.85 nominal value each.

On 28 September 2011 the Extraordinary General Meeting of the shareholders of the Bank approved the increase of the authorised nominal share capital of the Bank from €1,870,000,000 to €2,465,000,000 by the creation of 700,000,000 additional ordinary shares of €0.85 nominal value each. The same Extraordinary General Meeting approved a resolution authorizing the Board of Directors to proceed with the issue and allotment of up to €738,000,000.00 new Capital Securities in replace of older issues of the Company 2008, 2009 and 2010. As the aforementioned resolution was not implemented, it was canceled by special resolution 6 approved at the Extraordinary General Meeting dated 2 April 2012.

On 31 December 2011, the authorised share capital of the Bank amounted to €2,465,000,000 divided into 2,900,000,000 shares of a nominal value of €0.85 each, while the issued share capital of the Bank amounts to €1,369,443,974.30 subdivided into 1,611,110,558 shares of a nominal value of €0.85 each.

Information on share capital after 31.12.2011

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 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.

The afoerementioned decision was confirmed by a Court Order dated 12 April 2012, which was filed with the Ministry of Commerce, Industry and Tourism, Department of Registrar of Companies in Cyprus and a new Certificate of Share Capital dated 20 April 2012 has been issued. The Athens Stock Exchange was notified of the change of the nominal value of each ordinary share of the Bank on 30 April 2012. Following the above, as from 3 May 2012, the shares of the Bank are traded on the Cyprus Stock Exchange and the Athens Stock Exchange with the new nominal value, €0.10 per share.

On the date of this Prospectus, the authorised share capital of the Bank amounts to €2,465,000,000.00 divided into 24,650,000,000 shares of a nominal value of €0.10 each, while the issued share capital of the Bank amounts to €161,111,055.80 divided into 1,611,110,558 shares of a nominal value of €0.10 each.

All the issued ordinary shares are fully paid and have the same rights.

4.17.2 Shareholder Composition

Following below is the Bank's shareholder composition on the date of the current Prospectus (total 1,611,110,558 shares).

CATEGORY OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES	PERCENT %
Public or Private Companies, Insurance Companies, Partnerships, Business Names, Municipalities	1,028	851,156,283	52.83
Private Individuals	90,001	600,632,972	37.28
Welfare Funds, Trusts, Pension Schemes, etc.	249	49,487,609	3.07
Unions, Churches, Institutions	47	9,320,382	0.58
Cyprus Popular Bank Staff	2,393	39,531,766	2.45
Investment Schemes registered in the name of companies, Mutual Funds	110	60,981,546	3.79
Total	93,828	1,611,110,558	100.00

4.17.3 Major Shareholders

As of the date of this Prospectus, the shareholders who own, directly or indirectly, more than 5% of the issued share capital of the Bank are the following:

SHAREHOLDER	PERCENTAGE OF SHARES (DIRECTLY)	PERCENTAGE OF SHARES (INDIRECTLY)	TOTAL PERCENTAGE OF SHARES
Dubai Financial Limited Liability Company	18.69%	0.00%	18.69%
Marfin Investment Group Holdings S.A.	9.49%	0.00%	9.49%
Total (of 1,611,110,558 shares)			28.18%

All the shareholders have the same voting rights.

As of 15 May 2012, the total number of shareholders was 93,488.

The Bank does not acknowledge the existence of direct or indirect control from any party or parties.

The Bank is not aware of any agreement, the implementation of which could, at a later date, bring about changes regarding the Bank's control.

4.17.4 Main Owners of Securities Convertible to Shares

Share Options

In April 2007, the Extraordinary General Assembly of the shareholders of the Bank approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. The shares to be issued with the application of this Scheme will have the same nominal value as the existing issued shares, that is, €0.85 each. The price for exercising the options right (the Right) was set at €10.

Following the aforementioned approval and the ensuing decision of the Bank's Board of Directors on 9 May 2007, 70,305,000 Options were granted to the beneficiaries with a maturity date 15 December 2011. The Options could be exercised by the holders during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Compensation Committee, based on the holders' performance being up to the Bank's expectations.

The fair value of the Options granted was measured during the year 2007 using the Black and Scholes model. The significant inputs used in the model were: share price of €8.48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4.15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3.82%.

On 23 December 2009 the Extraordinary General Meeting of the shareholders of the Bank approved the amendment of the terms of the Scheme originally approved by the Extraordinary General Meeting held in April 2007. In particular, it approved the amendment of the exercise price from € 10 to €450 and the extension of the Scheme by two years with 2013 as the last exercise period instead of 2011. The incremental fair value arising from the modification of the terms of the Scheme was calculated based on the following: share price as at 23 December 2009 of €2.32, the Euro swap rate curve as the discount rate for the duration of the Scheme 1.9% (average), implied share price volatility of 27.3% and dividend yield 3.45%. This incremental fair value is recognised over the period from the modification date until the date when the Options vest.

On 31 May 2011 the Extraordinary General Meeting of the shareholders of the Bank approved the amendment of the terms of the Scheme originally approved by the Extraordinary General Meeting held in April 2007 and the amendment approved by the Extraordinary General Meeting held on 23 December 2009. In particular, it approved the amendment of the exercise price from €4.50 to €1.80 and confirmed the authorisation to the Board of Directors to issue in the framework of the implementation of the Scheme up to 80,000,000 shares of the Bank of nominal value €0.85 without the shares first being offered to the existing shareholders of the Bank as provided by the Articles of Association of the Bank and the law. The incremental fair value arising from the modification of the terms of the Scheme was calculated based on the following: share price as at 31 May 2011 of €0.63, the Euro swap rate curve as the discount rate for the duration of the Scheme 2.1% (average), implied share price volatility of 40.85% and dividend yield 12.70%. This incremental fair value is recognised over the period from the modification date until the date when the Options vest.

The total expense recognised in the consolidated income statement for the year ended 31 December, 2011 for Options granted amounts to €1,392,000 (2010: €2,499,000). During the years 2007, 2008, 2009, 2010 and 2011 no Options were exercised and as at 31 December 2011 and 31 December 2010 the number of Options outstanding was 70,305,000.

4.17.5 Participation in Share Capital by Members of Management, Administration, Supervision and Employees

On the date of the present Prospectus, the percentage owned, directly or indirectly, by Members of Management, Administration and Supervision executives (of a total 1,611,110,558 shares), pursuant to the Public Offer and Prospectus Law of 2005, is as follows:

NAME OF MEMBER	DIRECT PERCENTAGE OF SHARES	PERCENTAGE OF SHARES (INDIRECTLY)	TOTAL PERCENTAGE OF SHARES
Michalis Sarris	0.00%	0.00%	0.00%
Neoclis Lysandrou	0.01%	0.00%	0.01%
Constantinos Mylonas	0.03%	0.00%	0.03%
Christos Stylianides	0.03%	0.00%	0.03%
Panayiotis Kounnis	0.04%	0.00%	0.04%
Vasilis Theocharakis	0.15%	1.75%	1.90%
Platon E. Lanitis	0.11%	4.59%	4.70%
Chris Pavlou	0.00%	0.00%	0.00%
Stelios Stylianou	0.00%	0.00%	0.00%
Markos Foros	0.00%	0.00%	0.00%
Fadel Al Ali	0.00%	0.00%	0.00%
Hesham Al Qassim	0.00%	0.00%	0.00%
Peter Baltussen	0.00%	0.00%	0.00%
Total			6.71%

Source: Financial data processed by the Bank

Note: A list displaying the origin of the indirect share percentage of each BoD Member is available for review at the Groups Shareholder Department.

The members of the Group's Executive Committee owned, directly or indirectly, 0.10% of the Bank's issued share capital.

The Group's personnel, aside from members of the Group's Board of Directors and the Executive Committee, owned 2.33% of the issued share capital (of a total 1,611,110,558 shares).

Agreement for the Participation in the Bank's Capital by Members of Management, Administration, Supervision and Employees

As stated in Section 4.17.4, in April 2007, the Extraordinary General Assembly of the shareholders of the Bank approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. On 9 May 2007, by decision of the Bank's Board of Directors, 70,305,000 Options were granted to the beneficiaries, with an exercise right price of €10.00 and maturity date 15 December 2011. The Options rights could be exercised by the holders during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Compensation Committee, based on the holders' performance being up to the Bank's expectations. On 31 May 2011 the Extraordinary General Meeting of the shareholders of the Bank approved the amendment of the terms of the Scheme originally approved by the Extraordinary General Meeting held in April 2007 and the amendment approved by the Extraordinary General Meeting held on 23 December 2009. In particular, it approved the amendment of the exercise price from €4.50 to €1.80 and confirmed the authorisation to the Board of Directors to issue in

the framework of the implementation of the Scheme up to 80,000,000 shares of the Bank of nominal value €0.85 without the shares first being offered to the existing shareholders of the Bank as provided by the Articles of Association of the Bank and the law. The incremental fair value arising from the modification of the terms of the Scheme was calculated based on the following: share price as at 31 May 2011 of €0.63, the Euro swap rate curve as the discount rate for the duration of the Scheme 2.1% (average), implied share price volatility of 40.85% and dividend yield 12.70%. This incremental fair value is recognised over the period from the modification date until the date when the Options vest.

Aside from the said Scheme, there is no agreement on participation of members of Management, Administration, Supervision bodies and employees in the Bank's capital.

4.18 Related Party Transactions

The related party transactions for the years 2009, 2010 and 2011, which are certified to have been carried out in the normal course of the Group's business, on commercial terms, upon approval from the Board of Directors, are listed in the following table. There were no significant related party transactions as from 31 December 2011 and until the date of this Prospectus.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL	NUMBER OF DIRECTORS			UNAUDITED	AUDITED	AUDITED
	2011	2010	2009	2011 €'000	2010 €'000	2009 €'000
Advances to Directors and their connected persons:						
More than 1% of the net assets of the Group	3	2	2	395,169	323,610	307,732
Less than 1% of the net assets of the Group	10	12	11	5,201	12,721	9,073
	13	14	13	400,370	336,331	316,805
Advances to other key management personnel and their connected persons				18,238	12,653	12,926
Total Advances				418,608	348,984	329,731
Contingencies and commitments for guarantees and letters of credit:						
Guarantees to Directors and their connected persons:						
More than 1% of the net assets of the Group				32,169	39,420	38,418
Less than 1% of the net assets of the Group				2	1	-
Total guarantees				32,171	39,421	38,418
Letters of credit to Directors and their connected persons:						
More than 1% of the net assets of the Group				678	2,898	9
Total letters of credit				678	2,898	9
Total loans, advances and commitments				451,457	391,303	368,158
Tangible securities				466,610	426,975	406,041
Interest income				18,248	14,873	10,210
Deposits				22,382	33,559	119,118
Interest expense				569	993	3,238

There are no contingencies and commitments relating to other Executives of the Group.

The amount of tangible securities is presented in aggregate in the preceeding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that are unsecured at 31 December 2011, amounts to €95,401,000 (2010: €67,979,000).

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 2011, the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to €83,000 (2010: €194,000), purchased goods and received services amounting to €122,000 (2010: €243,000) from companies connected to Lanitis group, provided services amounting to €107,000 (2010: nil) to companies connected to Lanitis group, received services amounting to €252,000 from a law firm connected to Mr. Andreas Vgenopoulos, and purchased goods and received services amounting to €213,000 from companies connected to Mr. Vassilis Theocharakis.

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

Main Key Management's Personnel Fees

	31.12.2011	31.12.2010	31.12.2009
	€'000	€'000	€'000
Fees paid to Directors as members of the Board	294	187	110
Remuneration of Directors under executive role:			
Salaries and other short-term benefits	1,728	1,403	1,396
Employer's social insurance contributions	75	74	71
Retirement benefits scheme expense	126	126	118
	1,929	1,603	1,585
Fees for consultancy services of Directors under non executive role	165	297	290
Compensation of other Executives:			
Salaries and other short-term benefits	1,777	1,628	1,214
Employer's social insurance contributions	76	76	53
Retirement benefits scheme expense	38	36	31
	1,891	1,740	1,298
Share-based payment compensation for Main Executives	513	922	1,026
Total compensation of other Executives	4,792	4,749	4,309

Source: Financial data processed by the Bank

Additionally, in 2009 Key Management Personnel received a bonus of total of €2.2 million based on the results of 2008 and charged on the results of 2008.

The Bank has introduced a Restricted Stock Scheme for management personnel. The Scheme provides for the purchase of Bank's shares in the name of the management personnel based on 2009 performance. These shares are released gradually between 2011 and 2013 based on performance. After release they should not be sold for one year.

Based on the Scheme, Christos Stylianides and Panayiotis Kounnis were allocated a total of 229,000 shares each at a cost for 2011 of €99,000 and €97,000 respectively. The number of shares that were allocated to the Directors who resigned and were "clawed back" were as follows: Efthimios Bouloutas 401,000, Eleftherios Hiliadakis 115,000 and Andreas Vgenopoulos 573,000. The total number of shares that other key management personnel were awarded and the related cost for 2011 were 86,000 shares and €50,000 respectively.

The number of Share Options for each Director, none of which was exercised up to 31 December 2011, was as follows: Christos Stylianides and Panayiotis Kounnis 1,750,000 each, Markos Foros 500,000, Neoclis Lysandrou, Vassilis Theocharakis, Platon E. Lanitis and Constantinos Mylonas 300,000 each and Stelios Stylianou 200,000. The number of Share Options that was allocated to the Directors who resigned and were "clawed back" were as follows: Andreas Vgenopoulos 6,000,000, Efthimios Bouloutas 3,500,000 and Eleftherios Hiliadakis 1,250,000. The number of Options for other key management personnel, none of which was exercised up to 31 December, 2011, was 7,000,000. The number of Share Options that was allocated to other key management personnel who resigned in 2011 were 2,500,000 and were "clawed back".

Furthermore, the Directors who have retired received:

	AUDITED 31.12.2011	AUDITED 31.12.2010	AUDITED 31.12.2009
	€'000	€'000	€ '000
Fees paid as members	25	-	-
Fees for consultancy services	-	-	-
Remuneration under executive role:			
Salaries and other short-term benefits	1,245	-	-
Employer's social insurance contributions	24	-	-
Retirement benefits scheme expense	-	-	-
Retirement (including employer's social insurance contributions)	-	-	-
Payments upon termination of services	1,555	-	-
	215	-	-
Total salaries	3,064	-	-

Source: Financial data processed by the Bank

Key management personnel for 2009, included the 13 members of the Board of Directors, 5 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Key management personnel for 2010 included the 14 members of the Board of Directors, 4 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Key management personnel as at 31 December 2011, included the 13 members of the Board of Directors, 2 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Transactions with other related parties

On 31 December, 2011, the balances with other related parties were as follows:

	2011		2010		2009	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Consolidated balance sheet						
CNP Marfin Insurance Holdings Ltd group (associate)	6,925	236,420	7,412	227,922	6,656	205,077
JCC Payment Systems Ltd (associate)	13,215	9,908	60	9,117	-	23,294
Provident Funds of the employees of the Group in Cyprus	5	21,353	5	28,788	-	17,429
	20,145	267,681	7,477	265,827	6,656	245,800

Additionally, CNP Marfin Insurance Holdings Ltd group held at 31 December, 2011, senior debt and loan capital of the Group of nominal value of €44.9 m (2010: €39.9 m).

During the year ended 31 December, 2011, the following transactions were realised with other related parties:

	2011		2010		2009	
	INCOME	EXPENSE	INCOME	EXPENSE	INCOME	EXPENSE
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Consolidated Income statement						
CNP Marfin Insurance Holdings Ltd group (associate)	2,945	12,871	1,668	11,626	3,733	12,955
JCC Payment Systems Ltd (associate)	38	289	4	862	3	1,140
Provident Funds of the employees of the Group in Cyprus	19	852	41	694	20	700
Dubai Financial Limited Liability Company (major shareholder)	-	-	-	-	560	-
	3,002	14,012	1,713	13,182	4,316	14,795

Additionally, during 2011, the Group received a dividend of €6,736,000 (2010: €5,329,000) from CNP Marfin Insurance Holdings Ltd group and during 2010 €7,500,000 from JCC Payment Systems Ltd.

From 31 December 2011 and up to the date of this Prospectus, there has been no material change in the information provided above.

4.19 Dividend Policy

The Bank's dividend policy is set by the Board of Directors, and takes into consideration the Group's turnover, its financial condition, any expansion plans, its adherence to regulatory capital requirements, its capital adequacy ratios and the relevant regulatory framework of the Central Bank, the tax factors, its liquidity conditions and its profitability prospects.

There are restrictions on dividend distribution, aside from the maintaining of adequate reserves in the Company's audited financial statements, prepared in accordance with International Financial Reporting Standards and as per the relevant provisions of the Law on Companies, Chapter 113, of Cyprus and the directives of the Central Bank of Cyprus.

Listed below are the data on dividend payment for 2009, 2010 and 2011:

FINANCIAL YEAR	AMOUNT	ADJUSTED AMOUNT *
2009	€0.08	€0.07
2010	€0.22	€0.22
2011	-	-

* The adjustments relate to the dividend paid in 2010 in the form of new shares of the Bank

For the year 2009, during its 30 March 2010 meeting, the Bank's Board of Directors decided to recommend to the Shareholders' General Assembly the payment of dividend amounting to amounting to €0.08 in cash for the fiscal year 2009. The dividend corresponds to 40% of the Group's net profits for 2009. The Board of Directors approved the plan in order to give shareholders the right to re-invest the dividend. According to the plan, the re-investment price of the 2009 dividend into shares was set at €1.34 per share, i.e. 10% below the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Stock Exchange during the first five days, during which the Bank's share would be negotiated ex-dividend. The Shareholders' Annual General Assembly of the Bank's of 25 May 2010, approved the payment of that dividend, amounting to €0.08 per share with nominal value of €0.85. The dividend was paid to the shareholders on 21 June 2010.

The Bank's Articles of Association were amended by the Shareholders' Extraordinary General Assembly of 18 November 2010 to include the option for the Bank's Board of Directors to propose the payment of interim dividends by distributing shares or other forms of securities. The Board of Directors decided accordingly on 25 November 2010 to distribute an interim dividend of €0.22 per share in the form of Bank issues shares. The issuance price of the new shares was set at €1.4472, which is 10% below the share's average closing price on the Cyprus Stock Exchange and the Athens Stock Exchange during the period from 11 to 15 October 2010.

The Annual General Meeting of the shareholders of the Bank, held on 18 May 2011, approved the payment of a dividend of €0.10 per share in the form of shares issued by the Bank at an issue price of €1 per share in accordance with the decision of the Board of Directors of 29 March 2011. The dividend amounting to €147,028,000 was paid on 17 June 2011, and the trading of the new shares began on 27 June 2011.

Based on article 11(9) of the Decree dividend distributions to the shareholders of the bank are not allowed.

4.20 Memorandum and Articles of Association

4.20.1 Incorporation and Corporate Purpose

Marfin Popular Bank Co. Ltd is a limited public company, registered in Cyprus since 1924 under number "1", pursuant to Chapter 113 of the Cyprus Company Law. In Cyprus it operates in the banking sector under the trade name "Marfin Laiki Bank". It also operates in a number of other countries and sectors, either directly or through its subsidiaries.

The registered office and the headquarters of the Bank are at 154, Limassol Avenue, 2025 Nicosia (PO Box 22032, 1598 Nicosia).

The main objectives of the Bank are described in article 3 of its Memorandum. Its main objectives include, among other, the set up and undertaking of banking, stock exchange and trading activities of every kind as well as the incorporation, operation and running of branches both in Cyprus and abroad. The Bank has obtained a license to provide banking services pursuant to Law 66(I)/1997 on Banking, as amended; it is subject to the supervision of the Cyprus Central bank.

4.20.2 Classes of Shareholders

Existing Bank shares are not divided into classes, they rank *pari passu*.

With the implementation of the Decree, differences arise on the shares' rights of the Republic of Cyprus that may be acquired through activation of the Rights underwriting as set out in article 11 of the Decree (See Section 7).

4.20.3 Change of Rights

Shareholders' rights are defined in the Cypriot Law on Companies, Chapter 113, as well as in the Bank's Articles of Association. As long as it is not provided otherwise by the Cypriot Law on Companies, Chapter 113, the rights specified in the Articles of Association may be changed by an amendment of the Bank's Articles of Association, for which a special resolution during a shareholders' meeting is required (increased 75% majority).

If at any time, the Bank's share capital is divided into different classes of shares, observing the provisions of Article 70 of Cypriot Law on Companies, Chapter 113, and irrespective of whether the Bank is under dissolution or not, the rights attached to any class (unless it is otherwise provided in the terms of issuance of that particular class), may be amended or abolished by a written consent of the holders of three fourths of the issued shares of that particular class, or by the approval of a regular resolution that is approved during an extraordinary general meeting of the holders of the said class.

It is noted that the relevant terms in the Articles of Association regarding the change of shareholders' rights are not more restricting than existing legislation.

4.20.4 Invitation to General Meetings

The procedures for the invitation and participation in the Bank's general meetings are specified in articles 51-77 and 135-137 of the Bank's Articles of Association.

It is noted that the relevant changes in accordance with the Decree are stated in Section 7.

4.20.5 Restrictions in the Shareholder's Change of Control and Notification of Changes

There is no provision in the Memorandum, the Articles of Association or in any other internal bank regulation, the application of which may delay, postpone or prevent changes in the control status of the Bank.

It is noted that, pursuant to article 3 of the Articles of Association, by observation of any instructions to the opposite that may be included in a special resolution approved by the bank's general meeting or under the Decree's terms, any new shares that are issued must first be offered to existing Bank shareholders, *pro rata* to the shares they are in hold of. This provision is common to companies listed in Cyprus.

Under Article 17(1) of the Banking Law (66 (1)/1997) it is prohibited to anyone, whether with a partner or partners, to have control of any bank established in the Republic of Cyprus or its parent company, unless it has a prior written approval of the Central Bank of Cyprus (control means (i) ownership of 10% or more of voting rights at any general meeting of the company or its parent company, or (ii) the ability of a person to designate in any manner the election of the majority of the board members of the company or its parent company) (see Section 9.6).

It is also noted that the acquisition of a significant number of Bank shares is subject to the 2007 Law (41 (I) /2007) on Public Takeover Bids, which regulates Public Takeover Bids for the Acquisition of securities of companies and relevant issues and which also imposes time limitations or the obligation to submit a Public Takeover Bid for the acquisition of a significant percentage or the majority of shares of a company listed in the CSE.

Further changes in the percentage control of the Bank shall, where appropriate, notified in accordance with the provisions of the Companies Law Cap. 113 of Cyprus, of the Public Takeover Bids Law of 2007 (41(I)/2007), of the Cyprus Stock Exchange Law of 1993 (14(I)/1993), of the Transparency Requirements (Transferable Securities. Admitted to Trading on a Regulated Market) Law of 2007 (190 (I)/2007), of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005 (116 (I)/2005) and of the Directives and Regulations issued under the aforementioned laws.

4.20.6 Changes at Share Capital Level

Pursuant to article 43 of its Articles of Association, the Bank is entitled, from time to time, to increase its capital, by ordinary resolution, by an amount divided into shares of such value as shall be specified in the resolution.

This provision is not more restrictive than the relevant legislation in force.

4.20.7 Selected Articles from the Articles of Association

The Bank's Articles of Association are available at its registered office. The Articles of Association include, among other, the following provisions:

3. Notwithstanding any provisions to the contrary which may be included in a special resolution approved by the Company in General Meeting, all new shares issued, as well as any other securities which provide an option to purchase Company shares or which may be converted into company shares, shall before their issue be offered to the Company's shareholders pro rata to each shareholder's participation to the company's capital on a specific date to be designated by the Board of Directors. Any such offer shall be made by written notice, designating the number of shares and / or other securities which provide an option to purchase company shares, or which may be converted into Company shares, which the shareholder is entitled to acquire and the time-period during which offer, must be accepted for it not to be considered as rejected. If by the expiration of such time period a written reply is not received from the person to whom the offer is being made or to whom such right has been assigned, that he accepts all or part of the offered shares or other securities which provide an option to purchase Company shares or which may be converted into Company shares, the Board of Directors may distribute these shares in the way it considers is most beneficial to the Company.

If, for any reason, a problem appears in the distribution of the shares and / or other securities amongst the shareholders, such problem shall be resolved by a decision of the Board of Directors unless different instructions by the Company in General Meeting exist.

5. Subject to the provisions of section 57 of the Law, any preference shares may, with the sanction of a special resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on

- such terms and in such manner as the Company before the issue of such shares may by special resolution determine.
- 5A. Without prejudice to the provisions of Section (3) of Article 47A of Companies Act (Cap. 113) and in accordance with the provisions of the legislation valid at the time, the Company can purchase its own shares, either directly or through a person acting in its own name but on behalf of the Company.
6. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, subject to the provision of section 70 of Cypriot Law on Companies, Chapter 113, whether or not the Company is being wound up or not be amended or abolished with the consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every separate general meeting, the provisions of these Articles relating to general meetings shall apply, mutatis mutandi, but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and if at any previously postponed general meeting of these holders there is not a quorum the shareholders or shareholder present shall be deemed to form a quorum.
7. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.
28. The Directors may also decline to recognise any instrument of transfer if:
- (a) The instrument of transfer document is not accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require, to show the right of the transfer or to make the transfer, and
 - (b) The instrument of transfer is in respect of more than one class of shares.
43. The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount as the resolution shall prescribe.
44. The Company may by ordinary resolution:
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
 - (b) Subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law,
 - (c) Cancel any shares, which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
51. The Company shall, each year, hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual meeting of the Company and that of the next. The annual general meeting shall be held at such time and place, as the Board of Directors shall appoint.
57. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of the declaration of a dividend, the examination of the accounts, balance sheets and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.
66. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person or by proxy shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.
82. (1) The Directors shall exercise all the powers of the Company to give guarantees and to borrow money, in such manner and on such terms as the Directors may from time to time consider right and expedient. The

Directors shall also have the right to charge or mortgage the whole or part of the undertaking, the movable or immovable property of the Company, present or future, including the whole or part of the uncalled capital, and to issue debenture stock with floating charge, debentures and debenture stock and mortgage debentures and other bonds and securities whether they are payable to the bearer or otherwise and whether they are perpetual and redeemable, repayable, or whether outright or as security or in any other way and under any conditions for any debt, liability or obligation of the Company or of any third party.

- (2) The above mentioned debenture stock with floating charge, debentures or debenture stock, mortgage debentures, bonds or other securities may be issued at a discount, at a premium, or in any other manner and with such powers as to redemption, surrender, issue of shares or otherwise, as the Directors may consider right and expedient.
83. The business of the Company shall be managed by the Directors, who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not, by the Law or by these Regulations, required to be exercised by the Company in general meeting, subject nevertheless to any of these Regulations, to the provisions of the Law and to such regulations, being not inconsistent with these Regulations or the provisions of the Law, as may be prescribed by the Company in general meeting; but no regulation made, by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that Regulation had not been made.
117. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
118. The Directors may from time to time pay to the members such interim dividends on any shares, as appear to the Directors to be justified by the profits of the Company.
119. No dividend shall be paid otherwise than out of profits.
139. If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

It is noted that through a special resolution which was approved at the Extraordinary General Meeting of Shareholders held on 28 September 2011, Regulation 84 of the Bank's Articles of Association was replaced as follows:

«84. The Board of Directors may from time to time and at any time by its resolution appoint any company, firm, physical person or body of physical persons, whether nominated directly or indirectly by the Directors, to be the representative (or representatives) or attorney (or attorneys) of the Company for such purposes and with such powers, authorities, limits, restrictions and discretions (not exceeding those vested in or exercisable by the Directors under these Regulations) and for such period and subject to such conditions as they may think fit; and any such resolution may contain such provisions for the protection or convenience of third persons dealing with any such representative or attorney as the Board of Directors may think fit and may also authorise by power of attorney any such representative or attorney to delegate all or any of the powers, authorities and discretions vested in him.

Without prejudice of the generality of the above, in case that, according to Greek legislation, the Company is required to appear in person before a Court, Prosecution Authority or any other Judicial Authority (even conducting a preliminary

examination or pre-inquisition or interrogation) within Greek territory, indicatively in case of signing, filing, oath giving with regard to a complaint or indictment, waiver of the right to file an indictment and recall of an indictment, as well as in case of appearance as civil plaintiff before the criminal courts during preliminary proceedings and hearings and waiver thereof, and also in case of filing of remedies against criminal decisions and decrees and waiver thereof, and in all cases requiring the personal appearance before a Court, Prosecution Authority or any other Judicial Authority (within Greek territory), the Company is duly represented by the Chairman of the Board of Directors, the Vice Chairmen, the Chief Executive Officer, the Deputy Chief Executive Officers, the responsible and legal representative of the Greek Branch of the Company, as well as other persons appointed by a resolution of the Board of Directors, acting severally and without co-action of the others and being entitled to delegate all or part of the above powers to Directors, employees of the Company or third persons.»

Based on article 12 of the Decree (Participation of the Republic of Cyprus in the ownership structure of the Bank), the participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Takeover Bids for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced. Additionally, based on article 11 of the Decree, the Republic of Cyprus possesses powers regarding the appointment and operation of the Board of Directors as well as obligations for the Bank as stated in Section 7 (“State Aid”).

4.21 Other Statutory Information

4.21.1 Material Contracts

During the two years preceding preceding publication of the Prospectus, there was no material contract other than contracts entered into in the ordinary course of the Bank’s business, which can create for any Group member a right or obligation seriously affecting the issuer’s ability to fulfil his obligations towards the holders of the issued stock.

4.21.2 Judicial And Arbitration Procedures

During the last twelve months and on the date of this Prospectus there are pending motions against the Group in relation to its business activity. On the basis of a legal advice, the Board of Directors believes that there exists sufficient defence against any pursued claim and that it is not likely that the Group shall incur any serious damage. As a consequence in the audited consolidated financial accounts there was no provision concerning the said claims.

Based on the Decree, the present issue of Rights is underwritten by the Republic of Cyprus as stated in Sections 7 and 5.3.2.

On the basis of the above and the provisions of paragraph 20.8 of Addendum I, Regulation 809/2004, a relevant negative statement is attached to this Prospectus (see Section 4.24.2).

On 4 March 2009 the co-Trustees of the AremisSoft Corporation Liquidation Trust (the “Trustees”), filed a civil action against the Bank in the United States (United States of District Court for the District of New Jersey) for the amount of up to USD 80 million (€59.9 million). AremisSoft was a company that purported to sell computer software technology and, as alleged, was involved in a significant international fraud perpetrated by the company’s main principals and operating officers. The Trustees alleged that the Bank, in breach of its obligations to AremisSoft permitted the principal of AremisSoft to execute transactions resulting to the appropriation by him of significant amounts which belonged to AremisSoft. On 1 June 2009, the Bank filed a motion to dismiss, requesting dismissal of the complaint, among other reasons, for lack of personal jurisdiction and under the doctrine of forum non conveniens. On 1 March 2010, the District Court granted the

Bank's motion to dismiss the Trustees' complaint on the ground that it lacked personal jurisdiction over the Bank and such decision was unanimously upheld by the United States Court of Appeals for the Third Circuit, on 10 March 2010, dismissing the Trustee's appeal. The Trustees have exhausted most of the avenues of appeal available to them. The only remaining path available to the Trustees with respect to this action is a request for permission to appeal to the United States Supreme Court (a writ of certiorari). The deadline for filing a petition for writ of certiorari expired on 7 April 2011. There is no automatic right to appeal to the Supreme Court and a petition for review will be granted only for compelling reasons. In particular, in the circumstances of this case, petitions for review are rarely granted because there is no clear important question of federal law on which the Supreme Court would have jurisdiction to decide. After the deadline (April 7 2011), any legal proceedings against the Bank in the U.S. has exhausted and the case is considered closed.

4.21.3 Material Changes in the Financial or Commercial Status of the Company

The Bank's Board of Directors believes that, from the date of the latest published audited consolidated financial statements (31 December 2011) until the date of this Prospectus, no material change has emerged in the commercial position and activities, in the financial condition and prospects, that is not already described in this document, especially in Section 2 "Risk Factors".

On the date of this Prospectus there have been no disruptions in the activities, or existed in the immediately preceding period, that has or had an important impact on its financial status.

There is no dependence of the Bank from patent licenses or exploitation permits connected to industrial, commercial or financial agreements.

4.22 Incorporations by Reference

The audited consolidated financial statements of the Group for the years 2009, 2010 and 2011, are incorporated in this Prospectus by reference, pursuant to Article 28 of the Commission Regulation (EC) No 809/2004.

Incorporations by Reference	Document	Page
Independent Auditor's Report for the period ended 31.12.2009	Annual Report 2009	7-8
Financial Statements for the period ended 31.12.2009	Annual Report 2009	9-140
Independent Auditor's Report for the period ended 31.12.2010	Annual Report 2010	17-18
Financial Statements for the period ended 31.12.2010	Annual Report 2010	19-126
Independent Auditor's Report for the period ended 31.12.2011	Annual Report 2011	18-19
Financial Statements for the period ended 31.12.2011	Annual Report 2011	20-136
Main issue terms of Capital Securities 2008 (CPBCS)	Prospectus Dated 6 June 2008	139-161
Main issue terms of Capital Securities 2009 (CPBCB)	Prospectus Dated 3 July 2009	160-180
Main issue terms of Capital Securities 2010 (CPBCC)	Prospectus Dated 28 May 2010	124-152
Content of the resolutions of the Extraordinary General Meeting held on 2 April 2012	Information Memorandum Dated March 19, 2012	1-34

Investors may obtain free copies of the above documents, which are incorporated in this Prospectus by reference, during normal Business Days and hours, between 8:30 and 13:30, at the Bank's registered office, during the time that the Prospectus shall be valid as well as on the Group's website (www.laiki.com).

The parts of the Prospectuses dated 6 June 2008, 3 July 2009 and 28 May 2010, which are not incorporated in this Prospectus, contain information that have been changed but is included updated in the present Prospectus.

4.23 Documents on Display

Copies of the following documents of the Bank may be inspected during Business Days, between 08:30 a.m. and 13:30 p.m., at the Bank's registered office during the period that the Prospectus is valid:

- Memorandum and Articles of Association of the Bank
- Prospectus dated 22 May 2012
- Audited consolidated financial statements of the Group for 2009, 2010 and 2011
- Written consents and confirmations, as set out in Section 4.24.1
- Trust Deed
- Decree

It is noted that the Group's financial statements are also available on the Group's website (www.laiki.com).

4.24 Consents, Confirmations and Statements

4.24.1 Consents and Confirmations

The following consents and confirmations exist:

- a. The Bank's Statutory Independent Auditors, namely PricewaterhouseCoopers Limited and Grant Thornton, who have audited the Bank's consolidated financial statements on 31 December 2009, 2010 and 2011, have given and have not withdrawn their written consent for the inclusion of their reports in Prospectus of CPB, dated 22 May 2012, in the form and context in which they are included.
- b. The Prospectus drawing up Lead Manager, namely Marfin CLR (Financial Services) Ltd has granted and has not withdrawn its written consent for the issuance of the Prospectus of CPB, dated 22 May 2012, with reference to it's name in the form and the context presented herein.
- c. The Lead Manager, namely Investment Bank of Greece S.A. has granted and has not withdrawn its written consent for the issuance of the Prospectus of CPB, dated 22 May 2012, with reference to it's name in the form and the context presented herein.
- d. The Underwriter of the Issue, namely the Republic of Cyprus has granted and has not withdrawn its written consent for the issuance of the Prospectus of CPB, dated 22 May 2012, with reference to it's name in the form and the context presented herein.
- e. This Prospectus has been presented to the Bank's Board of Directors, Messrs. Michalis Sarris, Neoclis Lysandrou, Constantinos Mylonas, Christos Stylianides, Panayiotis Kounnis, Chris Pavlou and Stelios Stylianou, and has been approved. The abovementioned members of the Bank's Board of Directors have taken every reasonable care to ensure the collection and registration of all data required by the Law and they assume responsibility for the accuracy, correctness and completeness of the information and data contained in this Prospectus. The above Directors, having taken every reasonable measure to that end, state that information contained in the Prospectus is, to the best of their knowledge, true and that there are no omissions that could distort its contents.

Letters of Consent**a. From PricewaterhouseCoopers Limited**

22 May 2012

Board of Directors
Cyprus Popular Bank Public Co Ltd
Nicosia

Honourable Sirs,

We are the Auditors of Cyprus Popular Bank Public Co Ltd ("Company") for the years 2009, 2010 and 2011.

The Company's consolidated financial statements for the years that ended on 31 December 2009, 31 December 2010 and 31 December 2011 have been examined and audited by us and the auditors pursuant to the International Auditing Standards 30 March 2010, 29 March 2011 and 30 March 2012, respectively. In our reports for the years ended 31 December 2009 and 31 December 2010 we have expressed our opinion without reservations as to those financial statements. Our report for the year ended 31 December 2011 includes an emphasis of matter, which draws the attention to the significant impact on the Group's regulatory capital of the impairment losses on Greek Government Bonds and loans and advances, the planned actions to restore the capital adequacy of the Group, the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process and the confirmed commitment of the Republic of Cyprus to provide the necessary support to the Bank, if the need arises, to enable the Bank to continue as a going concern.

Hereby, we grant and we do not withdraw our consent as to the references to our name and the inclusion of our reports in the Prospectus, dated 22 May 2012, concerning Cyprus Popular Bank Public Co Ltd, in the form and the context in which they are contained.

Yours faithfully

PricewaterhouseCoopers Limited
Auditors

b. From Grant Thornton

22 May 2012

Board of Directors
Cyprus Popular Bank Public Co Ltd
Nicosia

Honourable Sirs,

We are the Chartered Accountants-Auditors of Cyprus Popular Bank Public Co Ltd ("Company") for the years 2009, 2010 and 2011.

The Company's consolidated financial statements for the years that ended on 31 December 2009, 31 December 2010 and 31 December 2011 have been examined and audited by us and the auditors pursuant to the International Auditing Standards 30 March 2010, 29 March 2011 and 30 March 2012, respectively. In our reports for the years ended 31 December 2009 and 31 December 2010 we have expressed our opinion without reservations as to those financial statements. Our report for the year ended 31 December 2011 includes an emphasis of matter, which draws the attention to the significant impact on the Group's regulatory capital of the impairment losses on Greek Government Bonds and loans and advances, the planned actions to restore the capital adequacy of the Group, the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process and the confirmed commitment of the Republic of Cyprus to provide the necessary support to the Bank, if the need arises, to enable the Bank to continue as a going concern.

Hereby, we grant and we do not withdraw our consent as to the references to our name and the inclusion of our reports in the Prospectus, dated 22 May 2012, concerning Cyprus Popular Bank Public Co Ltd, in the form and the context in which they are contained.

Yours faithfully

Grant Thornton (Cyprus) Limited
Auditors

c. **Marfin CLR (Financial Services) Ltd**

22 May 2012

Board of Directors
Cyprus Popular Bank Public Co Ltd
Nicosia

Honourable Sirs,

Hereby, we grant and we do not withdraw our consent as to the references to our name in the form and the context in which they are contained in the Prospectus Cyprus Popular Bank Public Co Ltd, dated 22 May 2012.

Yours faithfully

Marfin CLR (Financial Services) Ltd
Prospectus drawing up Lead Manager

d. Investment Bank of Greece S.A.

22 May 2012

Board of Directors
Cyprus Popular Bank Public Co Ltd
Nicosia

Honourable Sirs,

Hereby, we grant and we do not withdraw our consent as to the references to our name in the form and the context in which they are contained in the Prospectus of Cyprus Popular Bank Public Co Ltd, dated 22 May 2012.

Yours faithfully

Investment Bank of Greece S.A.
Lead Manager

e. Republic of Cyprus

22 May 2012

Board of Directors
Cyprus Popular Bank Public Co Ltd
Nicosia

Honourable Sirs,

Hereby, we grant and we do not withdraw our consent as to the references to the name of the Republic of Cyprus in the form and the context in which they are contained in Sections 1.11, 1.18.3, 5.3.2 and 7 of the Prospectus of Cyprus Popular Bank Public Co Ltd, dated 22 May 2012. We undertake the full responsibility for the said references.

Yours faithfully

Republic of Cyprus
Underwriter of the Rights Issue

4.24.2 Declarations

According to the provisions of Regulation 809/2004, Addendum I, paragraph 20.8, the following declaration has been made.

The Board of Directors of Marfin Popular Bank Public Co Limited declares that, during the period of the last twelve months minimum, there were nor are any administrative, judicial or arbitration procedures which could have or have had, recently, any material impact on the Issuer's and/or the Group's financial situation or the profitability.

5 NOTE REGARDING THE ISSUE AND LISTING OF RIGHTS TO THE CYPRUS AND THE ATHENS STOCK EXCHANGES

5.1 Indicative Rights' Timetable

DATES	EVENTS
16 May 2012	Date of the Board of Directors' decision regarding the Rights issue.
22 May 2012	Date of approval for the publication of this Prospectus by the Cyprus Securities and Exchange Committee.
25 May 2012	Last cum date of the Bank's share, i.e. date by which the persons who shall acquire shares of the Bank shall be entitled to participate in the allotment of Rights.
28 May 2012	Ex-rights Date
30 May 2012	Registration/Record Date Rights, at the end of which the shareholders entitled to take part in the allotment of Rights are registered in the records of the CSE and the ASE.
7 June 2012	Dispatch date of Informative Letters (Rights) to the shareholders registered as at the Record Date Rights.
15 June 2012	First day of trading period for Rights on the CSE and the ATHEX, beginning of exercise period regarding for Rights, as well as beginning of period regarding applications submission for Subscription Rights.
22 June 2012	Last day of Rights' trading period.
29 June 2012	End of period regarding the exercise of Rights and of applications submission period regarding Subscription Rights.
30 June 2012	Date of the Board of Directors' decision regarding the allotment of unexercised Rights.
30 June 2012	Date of issue of the New Shares (Rights).

The Bank will file all relevant applications relating to the listing of the New Shares (Rights) with both the CSE and the ATHEX within eight (8) Business Days from the last date for the exercise of Rights. The date of the introduction for trading of the New Shares (Rights) will be announced on both the CSE and the ATHEX and will be within five (5) Business Days from the date that such listing is approved by both Exchanges.

Allotment letters for the New Shares (Rights) will be dispatched until 11 July 2012.

Once the approval has been obtained for the listing of the New Shares (Rights) from both the CSE and the ATHEX, such shares will be credited to the applicants' accounts in the Central Depository and Central Registry of the CSE and the Dematerialised Securities System (DSS) of the Hellenic Exchanges ("HELEX"). The credit of the New Shares (Rights) is expected to be registered the Business Day preceding the introduction for trading of the New Shares (Rights) in the two exchanges.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and/or through the press, and/or through the issue of a supplementary prospectus, if deemed necessary, under any applicable law. In the case of a supplementary prospectus issue, the approval of the Cyprus Securities and Exchange Commission will be needed.

5.2 Key Elements of the Rights Issue

Issuer:	Cyprus Popular Bank Public Co Ltd (“Bank”, “CPB”).
Nil Paid Rights’ Issuance (“NPR”, “Rights”):	<p>Issuance of Rights offered to Cyprus Popular Bank Public Co Ltd shareholders who shall be registered in the Central Depository/ Registry of the Cyprus Stock Exchange (“CSE”) or in the Dematerialised Securities System (“DSS”) of the Hellenic Stock Exchanges S.A. (“HELEX”), on 30 May 2012 (Record Date Rights).</p> <p>Rights shall be issued and allotted to the Shareholders at a ratio of one (1) Nil Paid Right for each (1) ordinary share owned as at the Record Date Rights. Ex-rights date is 28 May 2012. That is, the persons entitled to the allotment of Rights shall be those who acquire Cyprus Popular Bank Public Co Ltd shares by 25 May 2012 (last cum date).</p> <p>It is noted that all shareholders shall have Subscription Rights, which shall be exercised concurrently with their Rights for the acquisition of additional Rights, in case they remain undisposed at the end of the exercise period of Rights.</p> <p>The Rights cannot be exercised by residents of any country, in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation (“Exempt Countries”) (i.e. the United States, Canada, Australia, South Africa, Japan).</p>
Rights’ Ratio to new shares:	<p>Every six (6) Rights that shall be exercised at a total price of €6.70 shall be converted to sixty seven (67) fully paid new shares of the Bank. The Rights and the New Shares (Rights) shall be listed in the CSE and the ASE, provided that the relevant approvals shall be given by the CSE and the ASE. During the exercise of Rights any arising fractional new shares shall be ignored.</p>
Size of Issue:	Rights issue of up to €1.8 billion.
Subscription Rights:	<p>Subscription Rights with regard to Rights which have not been exercised shall be given to shareholders entitled thereto and persons who shall acquire Rights while trading in the CSE and the ATHEX, up until the Record Date Rights. Additionally, Subscription Rights will be provided to all interested investors who would not hold any number of Rights. The Board of Directors will make the final decision of acceptance or rejection of applications for subscription amounts of more than €100,000,000. Subscription Rights shall be exercised concurrently with the exercise of Rights throughout the exercise period of Rights, in accordance with the procedure set out in Section 5.7.</p> <p>Subscription Rights will not be provided to residents of any country, in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation (“Exempt Countries”) (i.e. the United States, Canada, Australia, South Africa, Japan).</p>
Allocation of any undisposed Rights:	<p>If the number of undisposed Rights is not sufficient to fully cover the demand expressed by those entitled thereto by a written statement submitted for the exercise of their Subscription Rights, those shares shall be distributed pro rata on the basis of the demand expressed, and/or shall be undertaken by the</p>

	Republic under the terms of the Decree.
Authorised share capital:	As at the date of the present Prospectus the Bank's authorised share capital amounts to €2,465,000,000 divided into 24,650,000,000 shares of a nominal value of €0.10 each.
Issued share capital:	As at the date of the present Prospectus the Bank's issued share capital amounts to €161,111,055.80 divided into 1,611,110,558 shares of a nominal value of €0.10 each.
Price of NPR per new share:	€0.10, in accordance with article 5(1) of the Decree.
Partial exercise of NPR / Sale of NPR / purchase of additional NPR:	The holders of Rights may exercise in whole or in part the Rights they are entitled to. The holders may trade in the stock exchange market (CSE and ASE) the Rights that they do not intend to exercise, at their current trading price. The holders of Rights, as well as the rest of the investors may also purchase additional Rights from the stock exchange (CSE and ASE).
Terms of payment:	The exercise price is payable in full at the time of exercise of the respective Rights.
Classification of new shares resulting from the exercise of NPR:	The New Shares (Rights) that will be issued shall rank pari passu with existing shares to all intents and purposes.
Listing and Trading:	The Rights shall be listed and traded on the CSE and the ATHEX following the approval by the competent authorities.
Underwriting of the issue of Rights:	The issue of Rights is fully underwritten by the Republic of Cyprus. The major terms of the underwriting are presented in Section 1.18.3.
Issuance Managers:	<p>Marfin CLR (Financial Services) Ltd (Cyprus) Marfin CLR House, 26 Vironos Avenue, 1096 Nicosia</p> <p>Investment Bank of Greece S.A. (Greece) 24B Kifissias Avenue, Maroussi 15125, Athens</p>
Prospectus Lead Manager:	Marfin CLR (Financial Services) Ltd
Collection Agent:	Cyprus Popular Bank Public Co Ltd

The decision regarding a potential investment in Rights and, by extension, to the New Shares (Rights) of the Bank that will be issued upon the exercise of the Rights is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

5.3 Main Terms of the Rights Issue

5.3.1 Issue and Allotment of Rights

According to the decision taken by the Board of Directors of the Bank on 16 May 2012, the Bank shall proceed to issue new shares of the Bank in favour of existing shareholders, through the issuance of Rights. Rights shall be issued and allotted gratis to the Bank's shareholders who shall be registered in the Central Depository/Registry of the Cyprus Stock Exchange ("CSE") as well as in the Dematerialised Securities System ("DSS") of the Hellenic Exchanges ("HELEX"), on 30 May 2012 (Record Date Rights), at a ratio of one (1) Right for every one (1) ordinary share held. Ex-rights date is 28 May 2012. That is, the persons entitled to the allotment of Rights shall be those who acquire shares of Cyprus Popular Bank Public Co Ltd until 25 May 2012 (last cum date).

The issue of Rights is fully underwritten by the Republic of Cyprus. The major terms of the underwriting are presented in Section 5.3.2.

All shareholders shall have Subscription Rights, which shall be exercised concurrently with their Rights for the acquisition of additional unsubscribed Rights, in case they remain undisposed at the end of the exercise period of Rights, as described in Section 5.7.

Every six (6) Rights exercised at a total price of €6.70 shall be converted into sixty seven (67) fully paid new share of the Bank. The New Shares (Rights) shall be listed in the CSE and the ATHEX, on the assumption that the relevant approvals shall be given by the CSE and the ATHEX. During the exercise of Rights any fractional shares arising shall be ignored.

For the unexercised rights a Subscription Right will be given to the Beneficiary Shareholders and to persons who will acquire Rights during their trading on the CSE and the ASE. Additionally, Subscription Right will be given to interested investors that will not be holders of any Rights. For more information see Section 5.7.

In case that there are Rights that have not been exercised after the end of the exercise period of Rights and the fulfilment of Subscription Rights, the Board of Directors of the Bank, at its sole discretion, shall proceed to their allocation, to the benefit of the Bank, until 30 June 2012, under the same terms and at the same price that the offer is made.

This issuance and allotment of Rights refers to new securities, it does not include existing securities allocation.

The holders of Rights who will not exercise their Rights in a timely manner and according to the relevant procedure will not receive any compensation.

The Board of Directors reserves the right to defer or cancel the issue, if such an action is deemed necessary, by issuing a notice or by issuing a supplementary prospectus.

5.3.2 Rights Issue Underwriting

The issue of Rights is fully underwritten by the Republic of Cyprus, as defined by the Decree. It is noted that the approval of the terms of the Decree are subject to the approval of the European Commission. The major terms of the underwriting are the following:

- The Republic of Cyprus undertakes to fully underwrite the issue of Rights, provided that until the 25th May 2012 the Bank's Prospectus is published. The said term is met through the approval of the present prospectus.
- The underwriting involves all the shares arising from the issue of Rights. Consequently, the Republic of Cyprus will exercise all unexercised Rights which shall remain from (a) the exercise of Rights during the exercise period including those from Subscription applications (b) the exercise of Rights that would not have been exercised by Beneficiaries

during the exercise period and shall be allocated by the Board of Directors.

- The Republic of Cyprus will exercise the unallocated Rights at the exercise price of the issue, that is €0.10 per share. This price is defined by the Decree.
- Unallocated Rights will be covered by the Republic of Cyprus through the issue of one-year government bonds, automatically renewed at their expiration.
- The underwriting fee is set at 2% on the amount of the issue of €1,799,073,456.43, that is €36 million.
- All New Shares (Rights) will be issued on 30 June 2012.

More information can be found in Section 7 ("State Aid").

5.3.3 Time Schedule Regarding the Rights' Offer

Rights shall be offered to the Bank's shareholders that shall be registered in both the Central Depository/ CSE Registry as well as in the DSS of HELEX, on 30 May 2012 (Record Date Rights).

The share shall trade without the right to the acquisition Rights as of 28 May 2012.

That is, those entitled to the allotment of Rights shall be the ones that acquire the Bank's shares by 25 May 2012 (last cum date).

The exercise of Rights by investors from Exempt Countries is prohibited. In case the said investors exercise Rights and this becomes known, the Bank shall cancel the said exercise of Rights and refund any paid amounts to the investor, with no interest.

The holders of Rights who do not exercise these Rights in a timely manner and following the relevant procedure will not receive any compensation.

5.3.4 Announcement of Offer

The Bank shall announce the offer of Rights by announcement to the CSE and the ATHEX as well as through the press, according to the applicable legislation.

5.3.5 Rights' Exercise Price

The total exercise price has been set at the amount of six euros and seventy cents (€6.70) for every six (6) Rights, which shall be converted into sixty seven (67) fully paid new share of the Bank. During the exercise of Rights any arising fractional shares shall be ignored.

The examples given in the following table can be used as a reference guide for the procedure:

NUMBER OF EXISTING SHARES	NUMBER OF CORRESPONDING RIGHTS TO THE SHAREHOLDER	NUMBER OF RIGHTS THAT SHALL BE EXERCISED	NEW RESULTING SHARES ⁽¹⁾	COST OF EXERCISE PER EACH NEW SHARE	TOTAL AMOUNT PAYABLE
600	600	600	6,700	€0.10	€670
612	612	612	6,834	€0.10	€680
3,000	3,000	3,000	33,500	€0.10	€3,350

⁽¹⁾ Number of existing shares divided by 6/67.

The exercise price of Rights was set by decision of the Board of Directors of the Bank on 16 May 2012.

5.3.6 Terms of Payment

The payable amount (number of shares x Rights' exercise price) is payable at the time of the Rights exercise, as mentioned in Sections 5.4.1 and 5.4.2, otherwise it shall be deemed that the offer has not been accepted by the holder and the Rights shall be deemed not to have been exercised and they shall remain at the Bank's jurisdiction.

5.3.7 Concurrent Trading on the CSE and the ATHEX

Rights for the acquisition of new shares shall be transferrable and traded concurrently in the CSE and the ATHEX.

Trading of Rights in the CSE and the ATHEX shall begin on 15 June 2012 and last until 22 June 2012 inclusive. From the ex-rights date onwards, i.e. as of 28 May 2012, the Bank's shares shall be traded in the CSE and the ATHEX without Rights with regard to the present increase of share capital.

Trading on the CSE

After the listing of the Rights on the CSE, they shall be transferrable either in whole or in part through the opening of a statement of exercise naming an operator/trustee and by giving to the specific CSE operator/trustee access to those securities. If the holder has already made a statement of exercise to a specific operator/trustee, a new statement is not necessary, as long as the specific operator/trustee is given access to transfer in whole or in part the holder's Rights. In order for the operator /trustee to proceed with the statement of exercise, an Investor's Account number must already exist. Every transfer shall be registered in the Central Registry and the Rights shall be registered in the name of the beneficiary three days after the transaction.

Trading on the ATHEX

The Rights of the beneficiaries who shall have their shares registered in the DSS of HELEX shall be kept in the DSS electronically and they shall be traded in the same way in the Stock Exchange.

5.3.8 Transfer of Rights from the Central Depository/CSE Registry to the Hellenic Exchanges DSS

If the Rights arise from shares registered in the Central Depository/CSE Registry and the shareholder wishes to sell them through the ATHEX, s/he shall have to:

- Be a registered investor in the ATHEX, i.e. have a DSS Investor's Account and have specified an operator for his/her Account, and
- Ask from the operator of his/her Account at the CSE where the Rights are registered to transfer them. In case the Rights are registered in the Special Account of his/her portfolio, the investor shall fill in a relevant transfer request and submit it directly to the CSE, which shall proceed to the necessary steps

It is noted that the the transfer of Rights will not be possible after the end of the trading period.

5.3.9 Transfers of Rights from the Central Depository/CSE Registry to the Hellenic Exchanges DSS

If the Rights result from shares registered in the DSS and the shareholder wishes to sell them through the CSE, s/he shall have to:

- Be a registered investor in the CSE, i.e. have an Investor's Account with the CSE Central Depository/Registry and have specified an operator for his/her Account, and

- Ask from the operator of his/her Account at the DSS where the Rights are registered to transfer them. In case the Rights are registered in the Special Account of the DSS Investor's Account, the investor shall submit a transfer request directly to HELEX, which shall execute the relevant instructions.

It is noted that the the transfer of Rights will not be possible after the end of the trading period.

5.4 Procedure for the Exercise of Rights

Cyprus Popular Bank Public Co Ltd is the Sponsor Responsible for the Collection of the Subscription monies of the exercised Rights.

The exercise of Rights by investors from Exempt Countries is prohibited. In case the said investors exercise Rights and this becomes known, the Bank shall cancel the said exercise of rights and refund any paid amounts to the investor.

5.4.1 Procedure for the exercise by shareholders registered in the Central Depository/CSE Registry

The exercise period of Rights for shareholders registered in the Central Depository/CSE Registry is set from 15 June 2012 to 29 June 2012. The last date of exercise is 29 June 2012.

The Informative Letters (Rights) shall be dispatched on 7 June 2012.

Holders of Rights who shall acquire such Rights while they are being traded in the CSE shall have to contact Cyprus Popular Bank Public Co Ltd in Cyprus or Marfin Egnatia Bank in Greece during the period specified for the exercise of Rights, in order to exercise their Rights. Rights acquired at the time they are traded in the CSE may be exercised five business days after their acquisition date.

In order to exercise their rights, holders of Rights must fill in and sign a relevant application form, stating the number of shares for which the Rights are exercised; they must also hand it in to any Cyprus Popular Bank Public Co Ltd branch of in Cyprus and in Greece.

Exercise of Rights in Cyprus Popular Bank Public Co Ltd branches

The subscription application form must be delivered during business days and hours to any Cyprus Popular Bank Public Co Ltd branch and in any case only within the exercise period (Monday to Friday 8:30 - 13:30). At the same time, the value of the new shares which they are entitled to and they wish to subscribe for shall be paid:

- By cheque of any Bank or Credit Institution to the order of "Cyprus Popular Bank Public Co Ltd".
- By banker's draft to the order of "Cyprus Popular Bank Public Co Ltd".
- By instruction to debit the bank account kept with Laiki Bank by the person who makes the request.
- In cash.

Exercise of Rights in Marfin Egnatia Bank branches

The subscription application form must be delivered during business days and hours to any Marfin Egnatia branch and in any case only within the exercise period (Monday to Thursday 8:00 - 14:30 and Friday 8:00 - 14:00). At the same time, the value of the new shares which they are entitled to and they wish to subscribe for shall be paid:

- By banker's draft to the order of "Cyprus Popular Bank Public Co Ltd".
- By instruction to debit the bank account kept with Marfin Egnatia Bank by the person who makes the request.
- In cash.

Shareholders who shall exercise their Rights shall get a relevant receipt (subject to any check's clearance), which is neither a security, nor a temporary stock option and it cannot be traded in the CSE or the ATHEX.

It is noted that the holders of Rights may exercise the Rights in whole or in part that they are in hold of. In both cases they shall have to present the application form, after they have previously filled it in and signed it for the number of shares they want; they shall also have to pay the price corresponding to the number of Rights they wish to exercise.

If the application form for the Rights is signed and submitted and the exercise amount is cleared, the acceptance is irrevocable. In case the exercise of rights is paid by a cheque that bounces for any reason, it shall be deemed that the specific holder of Rights has not exercised the relevant Rights.

If on the basis of the CSE data and/or the subscriber's demographic particulars more than one subscriptions are found concerning the same physical or legal persons, the total of such subscription shall be deemed to be a sole integrated one, and in any case, if the shareholder has been subscribed for more shares than those corresponding to his rights, the surplus subscription shall be null and void.

Upon the exercise of Rights, these shall cease to exist and shall be converted into share capital of the Bank, at a ratio of sixty seven (67) new shares for every six (6) Rights exercised.

The exercise of Rights and the payment of the respective price (for total or partial exercise) by their holder shall be deemed as an acceptance of the offer under the terms of this Prospectus and the Bank's Articles of Association.

It is noted that in order for investors to be able to take part in the increase of the Bank's share capital they must keep an active Investor Account number as well as a Securities Account number with the CSE, so that the New Shares (Rights) acquired shares can be credited to their account. The Investor's Account number and the Securities' Account number must be written in the application form that they shall submit for the exercise of their rights. Further on, investors must specify their Operator with regard to the shares distributed to them, by filling the Operator's code number in the application form. In case an investor has not specified an Operator, the shares distributed to him/her shall be credited in the CSE Special Account.

5.4.2 Procedure of exercise concerning shareholders registered with the DSS of the Hellenic Exchanges S.A.

The exercise period of Rights for shareholders registered in the DSS of the Hellenic Exchanges S.A. is set from 15 June 2012 to 29 June 2012. The last date of exercise is 29 June 2012.

The Informative Letters (Rights) shall be dispatched on 7 June 2012.

Holders of Rights who shall acquire such Rights while they are being traded in the ATHEX during the period specified for the exercise of Rights, in order to exercise their Rights shall have to contact:

- Marfin Egnatia Bank, or
- Cyprus Popular Bank Public Co Ltd, or
- Their operator.

In order to exercise their rights, holders of Rights must fill in and sign the relevant application form, stating the number of shares for which the Right is exercised, as well as submit the following:

- The relevant certificate that they have blocked their Rights in order to exercise them. To obtain such certificate they should contact (a) the Operator of their Securities' Account (a stock exchange company or trustee) or (b) HELEX, in case their shares are kept in the DSS Special Account.
- Their tax registration number (TRN).
- Their identity card or passport.
- A copy of the DSS data.

Also, they must state:

- The DSS Investor Account Number,
- The DSS Securities' Account Number, and
- The authorised operator of their securities' account

The exercise of Rights shall be performed during the above period of time in the following manner:

- At any branch of the Bank in Cyprus and in Greece
- Through their securities' accounts Operators (stock exchange companies or trustees, other than HELEX) by submitting the necessary supporting documents as long as the operator consents thereto.

It is emphasised that holders of Rights may duly authorise their securities' account operator to proceed to all the necessary steps on their behalf, with the purpose of exercising their Rights for them, as far as their participation in the share capital increase is concerned.

The application form must be delivered during business days and hours at the branch network of:

Marfin Egnatia Bank

In any case within the exercise period (Monday to Thursday 8:00 - 14:30 and Friday 8:00 - 14:00). At the same time, the value of the new shares which they are entitled to and they wish to subscribe for shall be paid:

- By banker's draft to the order of "Cyprus Popular Bank Public Co Ltd".
- By instruction to debit the bank account kept with Marfin Egnatia Bank by the person who makes the request.
- In cash.

Cyprus Popular Bank Public Co Ltd

In any case within the exercise period (Monday to Friday 8:15 - 13:30). At the same time, the value of the new shares which they are entitled to and they wish to subscribe for shall be paid:

- By cheque of any Bank or Credit Institution to the order of "Cyprus Popular Bank Public Co Ltd".
- By banker's draft to the order of "Cyprus Popular Bank Public Co Ltd".
- By instruction to debit the bank account kept with Laiki Bank by the person who makes the request.
- In cash.

Shareholders who shall exercise their rights shall get a relevant receipt (subject to any check's clearance), which is neither a security nor a temporary stock option and it cannot be traded in the CSE or the ATHEX.

It is noted that the holders of Rights may exercise in whole or in part the Rights that they are in hold of. In both cases they shall have to present the application form for the Rights, after they have previously filled it in and signed it for the number of

shares they want to accept; they shall also have to pay the price corresponding to the number of Rights they wish to exercise.

If the application form for the exercise of the Rights is signed and submitted, the acceptance is irrevocable.

If on the basis of the DSS data and/or the subscriber's demographic particulars, more than one subscriptions are found concerning the same physical or legal persons, the total of such subscriptions shall be deemed to be a sole integrated one, and in any case, if the shareholder has been subscribed for more shares than those corresponding to his rights, the surplus subscription shall be null and void.

Upon the exercise of Rights, these shall cease to exist and shall be converted into share capital of the Bank, at a ratio of sixty seven (67) new shares for every six (6) Rights exercised.

The exercise of Rights and the payment of the respective price (for total or partial exercise) by their holder constitutes an acceptance of the offer under the terms of this Prospectus and the Bank's Articles of Association

It is noted that in order for investors to be able to take part in the increase of the Bank's share capital they must keep an active Investor Account number as well as a Securities Account number with the DSS, so that the New Shares (Rights) acquired shares can be credited therein. The Investor Account number and the Securities Account number must be written in the application form to be submitted for the exercise of their rights. Further on, investors must specify their Operator with regard to the shares that shall be distributed to them, by filling the Operator's code number in the application form. In case an investor has not specified an Operator, the shares distributed to him/her shall be credited in the ATHEX Special Account.

5.5 Rights / Dividends

The New Shares (Rights) arising from the exercise of Rights shall rank immediately *pari passu* with existing ordinary shares of a nominal value of €0.10 each and they shall be entitled to participate in any payment of dividend, being registered at a date later than the date of allotment of the new shares. Those shares shall not be entitled to dividends that were paid before their Record Date (Rights).

Additionally, the above ordinary fully paid New Shares (Rights) shall be treated in the same manner with regard to issues of participation in the Bank's profits and in any surplus upon liquidation of the Bank, as existing ordinary shares of the Bank.

It is noted that article 11(9) of the Decree states that: "Dividend distributions to the shareholders of the bank are not allowed".

It is noted that there are no buy-back or conversion clauses with regard to those shares.

5.6 Information with regard to the Rights and the transferable securities being offered

The Rights will be traded on the CSE and the ATHEX (as Rights). Upon their exercise they shall be converted into New Shares (Rights) that shall be listed on the CSE and the ATHEX and shall be traded along with the existing shares of the Bank. In the table that follows, basic information is set out with regard to the Rights and the ordinary New Shares (Rights) arising from the exercise of Rights.

	Nil paid right	Ordinary New Shares (Rights) to be issued as a result of the Rights exercise
Securities' Classification	Nil paid rights	Ordinary shares with the same rights as all existing shares of the Bank
Legislation pursuant to which they were issued / they shall be issued	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee
Type of transferable securities	Ordinary and dematerialised	Ordinary and dematerialised
Record keeping	Central Depository and Central CSE Registry as well as HELEX Dematerialised Securities' System (DSS)	Central Depository and Central CSE Registry as well as HELEX Dematerialised Securities' System (DSS)
Currency of Issuance	EURO (€)	EURO (€)
Currency of Trading	EURO (€)	EURO (€)
ISIN	It shall be given by the CSE upon approval of listing Rights	CY0000200119
Trading	CSE and ATHEX	CSE and ATHEX
Dividend Rights	No	Yes
Voting rights	No	Yes (one vote per share)
Preference right to register for securities of the same category	Not applicable	Yes
Right of participation in the issuer's profits	No - See dividend rights	See dividend rights
Right to any surplus in case of liquidation	No	Yes
Decisions pursuant to which they are issued	On the basis of Board of Directors' Decision dated 16 May 2012	On the basis of Board of Directors' Decision dated 16 May 2012
Restrictions on Free Transfer	No*	No*

* Rights under issuance are freely transferable by their holders.

There are no binding acquisition offers for the Bank's share capital. During the last and the current year there were no Public Takeover Bids for the acquisition of the Bank's share capital.

It is noted that, subject to the Decree's terms, when a Public Takeover Bid regarding a merger or acquisition is submitted, the provisions of Public Takeover Bids Law 2007 are in force, including clauses intended to secure the equal treatment of shareholders. Also, relevant provisions of the Cyprus Company Law are in force in the event of acquisition of a percentage higher than 90%, as a result of a Public Takeover Bid, where it is possible to activate clauses providing for the mandatory acquisition of the remaining percentage as well.

5.7 Subscription Rights to non-exercised Rights by beneficiary shareholders and persons that will acquire Rights and other interested investors

Subscription Rights with regard to Rights which have not been exercised shall be given to Beneficiary Shareholders and persons who shall acquire Rights while trading in the CSE and the ATHEX. Additionally, Subscription Rights will be provided to all interested investors who would not hold any number of Rights. The Board of Directors will make the final decision of acceptance or rejection (wholly or partially) of applications for subscription amounts of more than €100,000,000. Subscription Rights shall be exercised concurrently with the exercise of Rights throughout the exercise period of Rights either through the operators' of the stocks' accounts or directly through the Bank's branches.

Subscription Rights will not be provided to residents of any country, in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation (“Exempt Countries”) (i.e. the United States, Canada, Australia, South Africa, Japan).

The exercise of Subscription Rights shall be effected by written statement submitted to the Bank’s branches by payment of the sum, (namely €0.10 X number Rights) as mentioned below:

- In Cyprus the amount shall be paid:
 - By banker’s draft to the order of “Cyprus Popular Bank Public Co Ltd”.
 - By instruction to debit the bank account kept with Laiki Bank by the person who submits the request.
 - In cash.

The amounts paid that shall not be used for the acquisition of unassigned shares shall be returned interest-free to the persons who exercised relevant Subscription Rights.

- In Greece the written statement shall be attached to an irrevocable order given by the subscribed shareholder to have the deposits account kept by the shareholder with Marfin Egnatia Bank frozen by an amount equal to the total price for the purchase of unassigned nil-paid Rights for which she exercises a Subscription Right and at the same time an irrevocable order towards the Bank to proceed, at the date of full or partial fulfilment of the said right, to debit said account by an amount equal to the total price for the purchase of the shares that shall finally be assigned to the subscribed shareholder and accordingly to an equivalent crediting of the above share capital increase special account. Upon exercise of subscription rights, the persons exercising such shall get a relevant receipt, which shall not be a temporary security and cannot be traded.

With regard to the Rights granted in the context of the said procedure, New Shares (Rights) shall be issued for those who shall submit said request.

If the number of unassigned Rights is not sufficient to fully cover the demand expressed by each applicant, according to the written statement submitted for the exercise of their Subscription Rights, those shares shall be distributed pro-rata on the basis of the demand expressed, abide by the Board of Directors’ final decision of acceptance or rejection (wholly or partially) of applications for subscription amounts of more than €100,000,000.

The Bank shall inform the public with regard to the coverage of the increase and the allocation of any unassigned Rights through an announcement published on the CSE and the ATHEX.

In case there is an supplementary Prospectus published, investors that shall have subscribed to participate in unassigned Rights, or have already acquired shares through them, may withdraw their subscriptions, within a maximum of three business days from the publication of the supplementary Prospectus. Withdrawal is not possible in the event that the shares have already been issued.

5.8 Non exercised nil-paid Rights

In the event that after the end of the exercise period of Rights and Subscription Rights, there are still non exercised Rights, the Bank’s Board of Directors, at its sole discretion, shall proceed to allocate the unsubscribed Rights to the benefit of the

Bank, until 30 June 2012, under the same terms and at the same price that the offer is being made. The Bank's share capital shall be increased by the percentage of the final coverage. If until 30 June 2012, Rights remain unallocated, then the terms of the Decree will apply.

For the aforementioned procedure, the Board of Directors may request the services of consultants from Cyprus, Greece or elsewhere.

The issue and listing dates of the New Shares (Rights) (and the New Shares (Exchange)) may differ from the respective dates of the New Shares (Rights) that will result from the actions of the Board of Directors.

5.9 Announcement of Result

The results of the Offering will be announced to the CSE and the ATHEX, as derived from the current legislation, within three (3) Business Days.

5.10 Allotment Letters of New Shares (Rights)

The allotment letters for the New Shares (Rights) shall be dispatched to the shareholders by 11 July 2012.

6 NOTE REGARDING THE ISSUE AND LISTING OF ENHANCED CAPITAL SECURITIES ON THE CYPRUS STOCK EXCHANGE

6.1 Issue of Enhanced Capital Securities and/or New Shares (Exchange)

The Bank's Extraordinary General Meeting, held on 2 April 2012, approved the issue of €737,753,000 Enhanced Capital Securities ("Capital Securities Under Issue", "ECS") and/or up to €368,876,500 new ordinary shares ("New Shares (Exchange)") to be issued in exchange of older capital securities issues of the Bank issued in 2008 (CPBCS/ΛAIKA), 2009 (CPBCB/ΛAIKΘ) and 2010 (CPBCC/ΛAIKΛ) ("Eligible Capital Securities"), with a minimum conversion price equal to the nominal value of each share and with any other issue terms that may be determined, that are not to be initially offered to the Bank's shareholders but instead be allocated to holders of existing capital securities of the Bank.

The maximum value of new ordinary shares that may arise from the exchange is €368,876,500. In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation. There is no maximum amount for the exchange of Eligible Capital Securities with ECS. Voluntary exchange applications for ECS can be accepted only in case that, at the completion of both Rights issue and the voluntary exchange of Eligible Capital Securities with New Shares (Exchange), the Bank's Core Tier 1 Ratio, as defined by the Central Bank of Cyprus, will be at least equal to 7%.

With the exchange of each Eligible Capital Security of nominal value €1,000, the Bank shall be deemed to have totally replaced it with the issue of one (1) ECS of nominal value €1,000 or ten thousand (10,000) New Shares (Exchange) of the Bank of nominal value €0.10 and issue price of €0.10 each without paying any additional amount.

Acceptance forms for the offer of voluntary exchange will be sent to the Bank's Eligible Capital Securities holders who will be registered in the Central Depository/Registry of the CSE and the Dematerialised Securities System of the Hellenic Exchanges on 30 May 2012 (Record Date ECS). Right to participate in the voluntary exchange will be granted to the Eligible Capital Securities holders up to 22 June 2012. Those Eligible Capital Securities that will not be exchanged with ECS and/or New Shares (Exchange) will continue to possess their existing rights under their relevant terms of issue.

The Extraordinary General Meeting held on 2 April 2012 has also authorized the Board of Directors to proceed with the issue and allotment of the required number of shares, under the Mandatory Conversion of ECS into ordinary shares of the Bank, which is activated under certain conditions to be specified in the issue terms of ECS, without the aforementioned shares first being offered to the Bank's shareholders as per the Bank's Articles of Association and the relative legislation, but instead be offered to the holders of such Capital Securities.

The Eligible Capital Securities holders who will be registered in the Central Depository/Registry of the CSE and the Dematerialised Securities System (DSS) of the Hellenic Exchanges ("ATHEX"), on 30 May 2012 (Record Date ECS), will be granted a participation right, which will correspond (a) to one (1) Enhanced Capital Security for every one (1) Eligible Capital Security they hold, or (b) to ten thousand (10,000) New Shares (Exchange) for every one (1) Eligible Capital Security they hold. Additionally, exchange forms will be sent to the aforementioned holders.

It should be noted that the participation right will be determined by transactions in Eligible Capital Securities that may occur between 25 May 2012 and 22 June 2012.

The Record Date for document dispatchment is set on 30 May 2012, i.e. the investors who will acquire Eligible Capital Securities up to the end of the CSE session on 25 May 2012 will be granted a participation right in the issue of ECS / New

Shares (Exchange) of the Bank. Participation right will also be granted to persons who will acquire Eligible Capital Securities until 22 June 2012. Such persons may obtain conversion documents from the conversion points.

In case that the total issue of ECS is not covered by the ECS Beneficiaries, then no application process will follow from interested investors (shareholders or not), to acquire ECS.

The amount of the issue will be determined in accordance with the percentage of the final coverage.

The Board of Directors reserves the right to defer or prevent the issue if such an action is deemed necessary, by issuing a notice or by drafting a supplementary prospectus.

6.2 Main Terms of Exchange

Issuer:	Cyprus Popular Bank Public Co Ltd.
Securities offered in exchange:	<ul style="list-style-type: none"> ▪ Enhanced Capital Securities (ECS) ▪ New Shares (Exchange)
Offer for the voluntary exchange of Eligible Capital Securities:	<p>The voluntary exchange offer is addressed to all capital securities holders of the Bank and specifically includes the following issues:</p> <ul style="list-style-type: none"> ▪ Capital Securities 2008 (CPBCS/ΛAIKA) amounting to €200,000,000 ▪ Capital Securities 2009 (CPBCB/ΛAIKΘ) amounting to €242,229,000 ▪ Capital Securities 2010 (CPBCC/ΛAIKΛ) amounting to €295,524,000 (“Eligible Capital Securities”) <p>The offer for voluntary exchange concerns the partial or total exchange of Eligible Capital Securities of nominal value of €1,000 each, with ECS and/or New Shares (Exchange). Eligible Capital Securities holders will be able to choose both options for any amount they wish, subject to the following.</p> <p>The maximum value of new ordinary shares that may arise from the process of exchange is €368,876,500. In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation.</p> <p>There is no maximum amount for the exchange of Eligible Capital Securities into ECS.</p> <p>The offer for voluntary exchange is not addressed in any way or form to Eligible Capital Securities holders within or to the United States, Canada, Australia, South Africa, Japan (“Exempt Countries”) in which, according to its laws this offer is illegal or constitutes a breach of any applicable law, rule or regulation.</p>
Exchange terms:	<p>Available options:</p> <ul style="list-style-type: none"> ▪ One (1) ECS with nominal value of €1,000 for every (1) Eligible Capital Security of €1,000. ▪ Ten thousand (10,000) New Shares (Exchange) with nominal value of €0.10 for every (1) Eligible Capital Security of €1,000, with an issue price of €0.10.
Form of exchange:	<p>Eligible Capital Securities holders may participate in the voluntary exchange of Eligible Capital Securities with ECS and/or New Shares (Exchange) with the exchange of Eligible Capital Securities held with ECS of equivalent nominal value and/or with ten thousand (10,000) New Shares (Exchange) for each Eligible Capital Security held at an issue price of €0.10.</p> <p>Eligible Capital Securities that will be given for the exchange and will be accepted for subscription to the issue of ECS and/or New Shares (Exchange), will be canceled and the Bank shall cease to have any obligations on them.</p> <p>On 30 June 2012, the Bank will pay the full interest for the April-June quarter of 2012 as defined by the terms of Eligible Capital Securities, unless it is not paid or cancelled under article 11(11) of the Decree or under their terms of issue (ie, for the period from 31 March until 29 June, based on the applicable rate which applies under their terms of issue).</p>
Size of issue:	<ul style="list-style-type: none"> ▪ Enhanced Capital Securities amounting up to €737,753,000

	<ul style="list-style-type: none"> ▪ New Shares (Exchange) amounting up to €368,876,500 <p>It is noted that the total amount of the two (2) exchanges cannot exceed €737,753,000.</p>
Distribution in case of oversubscription for New Shares (Exchange):	<p>The maximum number of New Shares (Exchange) that may arise from the process of exchange is 3,688,765,000 (€368,876,500 at a price of €0.10 per share). In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation. Also, in case of oversubscription, Eligible Capital Securities holders will have the option to request transfer of the amount not allocated to the exchange with ECS.</p>
Repayment of Eligible Capital Securities into ECS and/or New Shares (Exchange) and effects:	<p>With the exchange of each Eligible Capital Security, of nominal value of €1,000, the Bank considers that it has fully replaced it with one (1) ECS of nominal value of €1,000 and/or ten thousand (10.000) of New Shares (Exchange) of the Bank of nominal value of €0.10 and a price of €0.10 each, without paying any additional amount.</p> <p>The exchange of Eligible Capital Securities (a) with New Shares (Exchange) involves an equal increase of the issued share capital of the Bank, (b) with ECS implies an equal increase in the Bank's loan capital.</p>
Ranking of New Shares (Exchange):	<p>The New Shares (Exchange) resulting from the replacement of Eligible Capital Securities with shares will rank <i>pari passu</i>, from all views, with the issued fully paid shares of the Bank as at the date of exchange with shares and will participate in any payment of dividend with record date following the date of issue and allocation of New Shares (Exchange). The New Shares (Exchange) will not be eligible to participate in dividends paid and bear a record date prior to the aforementioned allocation date.</p>
Purpose of the voluntary exchange:	<p>The funds to be raised from the replacement of Eligible Capital Securities with ECS and/or New Shares (Exchange) are designated for the strengthening of the Group's capital adequacy and in particular the strengthening (a) of Core Tier 1 and (b) of Total Tier 1 of the Group.</p>
Listing and Trading:	<p>The ECS will be listed and traded on the Cyprus Stock Exchange subject to the prior approvals of the relevant competent authorities.</p> <p>The New Shares (Exchange) will be listed and traded on the Cyprus Stock Exchange and the Athens Stock Exchange subject to the prior approvals of the relevant competent authorities.</p>

Based on article 11(11) of the Decree, the payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the Bank obtains the prior approval of the Central Bank and has consulted with the European Commission; a prohibition from which capital funds complying with the requirements of the Central Bank are exempt. It is noted that the Central Bank has granted its approval on the ECS terms and by extension the ECS are excluded from the aforementioned prohibition of the Decree. Nevertheless, the necessary conditions for the payment of interest, as provided by the terms of issue, must be abided.

The decision regarding a potential investment in Enhanced Capital Securities and/or New Shares (Exchange) of the Bank is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

6.3 Indicative Timetable for the Exchange of Eligible Capital Securities

DATES	EVENTS
16 May 2012	Date of the Board of Directors' decision regarding the offer and exchange of capital securities.
22 May 2012	Date of approval for the publication of this Prospectus by the Cyprus Securities and Exchange Committee.
25 May 2012	Last cum date of the Bank's Eligible Capital Securities on the CSE, including the right to participate in the exchange.
28 May 2012	Ex-right date.
30 May 2012	Registration/Record Date Exchange for Eligible Capital Securities holders.
7 June 2012	Dispatch date of Informative Letters (ECS) to beneficiaries.
15 June 2012	Commencement of application submission period for participation in the exchange of Eligible Capital Securities with ECS and/or New Shares (Exchange).
29 June 2012	End of application submission period.
30 June 2012	Date of issue of the New Shares (ECS) and of the Enhanced Capital Securities.

The Bank will file all relevant applications relating to the listing of the New Shares (Exchange) and the ECS with both the CSE and the ATHEX within eight (8) Business Days as of the last day of application submission period.

Allotment letters for the New Shares (Exchange) and for the ECS will be dispatched until 11 July 2012.

The date of the introduction for trading of the Enhanced Capital Securities will be announced to the CSE and through the Cypriot press.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and/or through the press, and/or through the issue of a supplementary prospectus, if deemed necessary, under any applicable law. In the case of a supplementary prospectus issue, the approval of the Cyprus Securities and Exchange Commission will be needed.

6.4 Key Elements and Terms of Perpetual Enhanced Capital Securities Issue

6.4.1 Key Terms of Perpetual Enhanced Capital Securities

Securities offered	Non-cumulative perpetual enhanced capital securities ("Enhanced Capital Securities" – "ECS").
Trustee	By a Trust Deed dated 22 May 2012, the Bank appointed Themis Nominees Limited, 16 Kyriakos Matsis Avenue, Eagle House, 10 th floor, Ayioi Omologites, 1082 Nicosia, as Trustee of the ECS under issue. The Trustee is responsible for the safeguarding of the rights of the ECS holders and the Interest Beneficiaries. The provisions of the Trust Deed are binding for every person who will purchase ECS.
Issue price / Nominal value	At par / €1,000 per ECS and multiples thereof.
Use of proceeds	The enhancement of the Bank's capital base, by the replacement of existing Capital Securities in issue with Tier 1 Capital, compatible with the requirements and rules of original own funds as defined in the announcement of EBA dated 8th December 2011 and as they will be implemented on the basis of the proposed Capital Requirements Directive IV ("CRD IV") and Capital Requirements Regulation (Regulation on prudential requirements for credit institutions and investment firms – "CRR") of the European Union, as will be implemented and will be put into force.
Offer	<p>Offer to holders of capital securities of the Bank issued in (i) 2008 (CPBCS), (ii) 2009 (CPBCB), and (iii) 2010 (CPBCC) ("Eligible Capital Securities") to voluntarily exchange with the securities offered.</p> <p>This public offer for voluntary exchange is conducted exclusively in Cyprus, Greece and the United Kingdom and it is addressed only to persons who can legally accept it. This public offer for voluntary exchange is not addressed in any way or form (in writing or otherwise), directly or indirectly, within or to the United States, Canada, Australia, South Africa, Japan or to any other exempt country ("Exempt Countries").</p> <p>The Board of Directors reserves the right to defer or cancel the issue, if such an action is deemed necessary, by issuing a notice or by issuing a supplementary prospectus.</p>
Ratio and size of issue	<ul style="list-style-type: none"> One (1) ECS of nominal value of €1,000 for every one (1) capital security 2008 (CPBCS), 2009 (CPBCB), and 2010 (CPBCC) of the Bank of the same nominal value. Total issue amount of up to €737,753,000 (up to 737,753 ECS of nominal value €1,000 each). <p>This offer for voluntary exchange relates to the exchange of Eligible Securities of nominal value €1,000 each, for ECS of equal nominal value and it is addressed to all holders of Eligible Securities who will be registered in the Central Depository/Registry of the CSE on 30 May 2012 (Record Date ECS). The right of participation in the voluntary exchange may be varied by transactions in Eligible Securities that may be carried out until 22 June 2012. Any Eligible Securities that will not be exchanged for Enhanced Capital Securities will continue to carry the existing rights in accordance with the relevant issue terms.</p>
Duration	Perpetual, without maturity.
Interest rate and interest payment	<ul style="list-style-type: none"> The ECS will bear an annual fixed interest rate of 8.75%. The interest will be calculated based on a 360-day year and will be paid quarterly, after the

	<p>deduction of the relevant contributions and/or taxes according to the applicable laws.</p> <ul style="list-style-type: none"> • The interest will be paid only out of distributable reserves. • ECS will cease to accrue interest (i) in the case of redemption from the redemption date or (b) in the case of Mandatory Conversion, from the previous relevant Interest Payment Date. • In case of Interest Payment Cancellation, no payment will be made in relation to the Cancelled Interest Payment.
<p>Call Option</p>	<p>The Bank may, at its discretion and on its own initiative, elect to redeem all, but not part, of the ECS, at their principal amount together with accrued interest, on the first Interest Payment Date following the fifth anniversary of their issue or on any other Interest Payment Date thereafter, subject to the prior approval of the Central Bank of Cyprus and provided that:</p> <ul style="list-style-type: none"> • the ECS will be replaced by Tier 1 Capital of equal or better quality or, • The Bank has demonstrated to the satisfaction of the Central Bank of Cyprus that its own funds would, following the call, exceed by a margin that the CBC considers to be significant and appropriate: <ul style="list-style-type: none"> ○ A Core Tier 1 Ratio of at least 9% by reference to the EBA Recommendation EBA/REC/2011/1 published on 8 December 2011 or ○ In case the Recommendation of EBA referred to point (i) above has been repealed or cancelled, the minimum capital requirements in accordance with the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the Directive CRD IV and/or in accordance with the final provisions of Regulation CRR on prudential requirements for credit institutions and investment firms as it will be adopted in the European Union (when they enter into force). <p>ECS that will be redeemed by the Bank will be cancelled and the Bank will cease to have any obligations regarding the cancelled ECS.</p>
<p>Subordination</p>	<p>The perpetual ECS constitute direct, unsecured and subordinated securities of the Bank and rank pari passu without any preference among themselves. They are fully issued and paid in.</p> <p>The rights and claims of the holders of Enhanced Capital Securities:</p> <ul style="list-style-type: none"> (iv) rank pari passu with the rights and claims of other existing or future issues of the Bank qualifying as Tier 1 Capital or meet the criteria for inclusion in the Tier 1 Capital or are expressed as ranking pari passu with the ECS, including, but not limited, to capital securities that have already been issued by the Bank and which will be included as part of Tier 1 Capital according to the transitional provisions of the Directive CRD IV and the Regulation CRR. (v) are subordinated to the rights and claims of the Creditors of the Bank who are: <ul style="list-style-type: none"> – depositors or other unsubordinated creditors of the Bank – subordinated creditors, except those creditors whose claims rank pari passu with the claims of the holders of the ECS – holders of subordinated Bonds of the Bank (vi) have priority over the ordinary shareholders of the Bank. <p>The amount ECS holders may claim in the event of a winding – up or administration of the Bank is an amount equal to the principal amount plus accrued interest but no amount of Cancelled</p>

	<p>Interest Payments will be payable.</p> <p>Cancellation of any payment relevant to ECS does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p> <p>In the event of conversion of ECS into Shares, the holders of ECS will be shareholders of the Bank and their claims will rank pari passu with the rights and claims of the Bank's ordinary shareholders.</p>
<p>Optional Interest Payment Cancellation</p>	<p>The Bank may, prior to any Interest Payment Date, at its sole discretion and at all times elect to cancel an Interest Payment on a non cumulative basis.</p> <p>Any Cancelled Interest Payment is no longer due and payable by the Bank. Interest Payment Cancellation does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p>
<p>Mandatory Interest Payment Cancellation</p>	<p>Upon breach of applicable minimum solvency requirements as defined by the Central Bank of Cyprus or/ and the Companies Law Cap. 113, or in the case of insufficient Distributable Reserves (as defined below), and prior to any Interest Payment Date, the Bank will be required to cancel Interest Payments on the ECS.</p> <p>The Bank may, prior to any Interest Payment Date, at its sole discretion and at all times elect to cancel an Interest Payment on a non cumulative basis.</p> <p>Additionally, the Central Bank of Cyprus, in its sole discretion, may require the bank to cancel Interest Payments.</p> <p>Any Cancelled Interest Payment is no longer due and payable by the Bank. Interest Payment Cancellation does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.</p>
<p>Mandatory Conversion of ECS into ordinary shares of the Bank</p>	<p>If a Contingency Event or Viability Event (described below) occurs, the ECS shall be mandatorily fully converted into ordinary shares at the Mandatory Conversion Price (defined below).</p> <p>Contingency Event means that the Bank has established and has given notice that either:</p> <ul style="list-style-type: none"> (iii) Its "Core Tier I Ratio" is below 7% by reference to the European Banking Authority (EBA) recommendation EBA/REC/2011/1. Core Tier I is as per the definition used in the EBA's 2011 EU-wide stress test. The definition excludes all private hybrid instruments which encompass all the ECS to be issued under this term sheet; or (iv) on or after 1 January 2013, its "Common Equity Tier I Capital Ratio," in accordance with the final provisions of the Regulation on prudential requirements for credit institutions and investment firms (CRR) to be adopted by the European Union and taking into account the transitional arrangements, is below 5.125%; <p>The Common Equity Tier I Capital Ratio Contingency Event is applicable as of 1 January 2013. In addition, the Core Tier I Ratio Contingency Event remains applicable after 1 January 2013 as long as the EBA Recommendation EBA/REC/2011/1 has not been repealed or cancelled.</p> <p>Viability Event: occurs if:</p> <ul style="list-style-type: none"> ▪ a decision that a conversion of the ECS is required, without which the Bank may become non-viable as the term non-viable is determined by the Central Bank of Cyprus and/or ▪ the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable as the term non-viable is determined by the Central Bank of Cyprus.

	<p>Mandatory Conversion Price: The Mandatory Conversion price will be calculated as 90% of the weighted average price of the Bank's share, for a period of 20 Business Days prior to the Contingency Event or Viability Event notice. The minimum Mandatory Conversion Price is the nominal value per ordinary share at the date of conversion (currently €0.10). The conversion ratio will be determined by dividing the principal amount of the relevant ECS by the Conversion Price at the time of conversion.</p> <p>The Bank will undertake all necessary measures to ensure that before the issue of ECS it has sufficient authorised share capital in the case all ECS are mandatorily converted into Shares.</p> <p>Any new ordinary shares, resulting from the conversion of ECS, will rank pari passu with the already issued and fully paid ordinary shares of the Bank and will have the same rights.</p>
Additional Issues	<p>The Bank reserves the right to proceed, without the consent of the holders of Enhanced Capital Securities, with issuing additional perpetual capital securities that rank pari passu in all respects with Enhanced Capital Securities and the existing capital securities of the Bank. The additional capital securities can constitute an extension of the ECS issue so as to be considered as a single issue. Any such additional issue will be covered by the relevant addition in the Trust Deed which will govern the ECS issue. The Bank has the right, without the consent of the ECS holders, to proceed with the issue of any other capital securities or bonds or other securities with terms as to the subordination, interest, premium/ discount, or redemption/ repayment or any other manner, as the Bank may deem appropriate. It is noted that any additional issue will be effected on the basis of the regulations and procedures in effect which may include, if deemed necessary, the publication of a prospectus.</p>
Statutory / regulatory changes	<p>If, in the opinion of the Bank, any variation or proposed variation in the legislation or relevant regulations applicable in the Republic of Cyprus, including tax laws and regulations, leads to adverse financial consequences for the Bank in respect of the issue of Enhanced Capital Securities or the Enhanced Capital Securities do not qualify after the 1st of January 2013 as additional Tier 1 capital in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union, the Bank may, at any time, subject to the prior approval of the Central Bank of Cyprus (and without any requirement for the consent or the approval of the ECS holders), but after giving notice to the Trustee and the ECS holders, proceed to the following:</p> <ul style="list-style-type: none"> (iv) redeem in cash all of the ECS at their nominal value together with any accrued interest outstanding, or (v) exchange the ECS with an issue of new Tier 1 in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union, or (vi) vary the terms of these ECS so that they continue to be considered as Tier 1 in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union. <p>Any change in the terms as described in (ii) and (iii) above should not lead to terms materially less favourable to the investors except where these changes are required by reference to the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the CRD IV and the final provisions of the CRR (when they enter into force) and/or in accordance with the legislation in force.</p>

Set-off	Subject to applicable law, no ECS holder may exercise, or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the ECS and each ECS holder shall, by virtue of his holding of any ECS, be deemed to have waived all such rights of setoff.
Listing	The Bank proceeds with actions for the listing of the ECS with the Cyprus Stock Exchange.
Applicable Legislation	The laws and regulations of the Republic of Cyprus
Court jurisdiction	The courts of the Republic of Cyprus

The decision regarding a potential investment in Enhanced Capital Securities of the Bank is subject to a number of risks which are described in Section 2 of the present Prospectus. Each investor must take into account all the information contained in the present Prospectus. Additionally, risks and uncertainties described in Section 2 may not be the only ones which might be faced by the Group. Additional risks and uncertainties not currently known, or considered insignificant, can unfavourably affect the business activities of the Group.

6.4.2 Terms of Perpetual Enhanced Capital Securities Issue

6.4.2.1 Size of Issue, Securities, Nominal Value and Denomination of ECS

- **Size of Issue**

Up to €737,753,000 (737,753 Enhanced Capital Securities).

- **Issue price/Nominal Value**

At par / €1,000 for each Enhanced Capital Security.

- **Securities**

The Bank takes all necessary steps and it has submitted the necessary documentation for the listing of the Enhanced Capital Securities on the CSE. Provided that the relevant approvals are obtained from the competent authority, the Enhanced Capital Securities will be listed and traded on the CSE.

Once the Enhanced Capital Securities are listed, the register of holders of Enhanced Capital Securities will be maintained in dematerialised form by the Central Registry/ Depository of the CSE.

6.4.2.2 Status and Subordination

(a) Status and Subordination of the Enhanced Capital Securities

The perpetual Enhanced Capital Securities constitute direct, unsecured and subordinated securities of the Bank and rank pari passu without any preference among themselves. They are fully issued and paid in.

The rights and claims of holders of Enhanced Capital Securities are subordinated, as described in term (b) below:

- (i) rank pari passu with the rights and claims of other existing or future issues of the Bank qualifying as Tier 1 Capital or fulfilling the criteria for inclusion in the Tier 1 Capital or expressed as ranking pari passu with the Enhanced Capital Securities, including but not limited, to the capital securities that have already been issued by the Bank, which will qualify as Tier 1 Capital in accordance with the transitional conditions of the Directive CRD IV and the Regulation CRR.
- (ii) are subordinated to the rights and claims of the Creditors of the Bank, who are:
 - depositors or other unsubordinated creditors of the Bank

- subordinated creditors, except those creditors whose claims rank or are expressed to rank pari passu with the claims of the holders of the Enhanced Capital Securities
 - Holders of subordinated bonds of the Bank
- (iii) have only priority over the shareholders of the Bank.

(b) (i) Condition for Payment by the Bank

The rights and claims of the ECS holders and Interest Beneficiaries are subordinated to the claims of the Creditors of the Bank. Accordingly payments in respect of or arising from the Enhanced Capital Securities are subject to the availability of reserves for payment and the Bank's solvency on the Interest Payment Date. No principal or Interest Payment shall be payable, except to the extent that the Bank could make such payment from distributable reserves and maintain the required solvency as defined by the Central Bank of Cyprus and/or the Companies Law Cap. 113 and be solvent immediately after such payment date.

In addition, the Central Bank of Cyprus may, at its discretion, require that the Bank should cancel Interest Payments.

For the purposes of the Companies Law Cap. 113, the Bank shall be considered to be solvent if (a) it is able to pay its debts to its Creditors as they fall due and (b) the value of its Assets exceeds that of its Liabilities (other than its liabilities to persons who are not Creditors).

In the event of Mandatory Conversion of the Enhanced Capital Securities, in accordance with the terms of this Prospectus, ECS holders will thereafter be shareholders of the Bank and their claims will rank pari passu with the rights and claims of the Bank's shareholders.

The definitions of 'Assets' and 'Liabilities' are provided in the Glossary.

(ii) Set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off in respect to any amount owed to it by the Bank arising under or in connection with the Enhanced Capital Securities and each ECS holder shall, by virtue of his holding of any Enhanced Capital Securities, be deemed to have waived all such rights of set-off.

(c) Reserve to be put towards the losses

It is hereby clarified that if the terms set out in Term 1.1.2.2(b)(i) are not fulfilled, any sums which would otherwise have been payable in respect of the Enhanced Capital Securities but are not paid by reason of such condition to payment, will be available to be put towards the losses of the Bank.

(d) Solvency reports

Any report as to the solvency of the Bank by the Board of Directors or its Auditors or the Central Bank or, if the Bank is in liquidation, its liquidator shall, in the absence of proved error, be treated and accepted by the Bank, the Trustee and the holders of ECS as correct (with the exception of a proved error) and sufficient evidence thereof.

6.4.2.3 Claims in the Event of Dissolution

The claims of ECS holders in the event of dissolution, where the Bank has retained its solvency, shall be limited to the nominal value of the Enhanced Capital Securities (including amounts in respect of accrued interest which has not been paid

but not including any Cancelled Interest Payments).

In case of dissolution of the Bank, there may be no surplus assets available to meet the claims of the ECS holders after the claims of the parties ranking senior to the ECS holders have been satisfied.

It should be noted that in case of a dissolution of the Bank and in the event that there are surplus assets available to meet the claims of ECS holders, the claims of the ECS holders will be the lower of (i) the principal amount of the Enhanced Capital Securities (plus accrued interest but not including any Cancelled Interest Payments) and (ii) the residual value of such surplus assets on a pro rata basis with other pari passu ranking securities of the Bank. In case there are no surplus assets, the ECS holders will not have any claims.

In the event of a Mandatory Conversion, the new ordinary shares to be issued will rank pari passu with the existing issued fully paid ordinary Shares.

6.4.2.4 Interest Payment Cancellation

The Bank will not proceed with the payment of any Interest Payments payable as set forth in Section 6.4.2.7, in cases described under paragraphs (a) and (b) below, concerning Interest Payment Cancellation at the sole discretion of the Bank and Mandatory Interest Payment Cancellation, respectively.

(a) Interest Payment Cancellation at the Discretion of the Bank

The Bank may, prior to any Interest Payment Date, at its sole discretion and at all times, elect to cancel an Interest Payment on a non-cumulative basis.

(b) Mandatory Interest Payment Cancellation

The Bank will not proceed with the payment of any interest payable on any Interest Payment Date and it will proceed to a Mandatory Interest Payment Cancellation, if:

- (i) the Bank does not satisfy the minimum solvency requirements as defined by the Central Bank of Cyprus and/or the Companies Law Cap. 113, and/or
- (ii) the Bank has insufficient distributable reserves for such Interest Payment. Distributable reserves on any Interest Payment Date means, the retained earnings of Bank or any other reserves indicated by the Central Bank.
- (iii) the Central Bank of Cyprus, at its sole discretion, requires the Bank to cancel Interest Payments.

Interest Payment Cancellation does not constitute an event of default and does not entitle ECS holders to petition for the insolvency or dissolution of the Bank.

The Bank may pay Interest at a subsequent Interest Payment Date, provided that it satisfies the conditions of solvency and on the basis of its financial condition, without the obligation to pay any previous Cancelled Interest Payment.

Any Cancelled Interest Payment under conditions (a) and (b) above (i) will be fully and irrevocably cancelled and forfeited and will no longer be payable by the Bank, (ii) is not considered a breach of the terms for interest payment and (iii) does not entitle Holders of Enhanced Capital Securities to petition for the insolvency or dissolution of the Bank.

An Interest Payment may be cancelled and not paid provided that the Bank gives notice to the Trustee and the ECS holders at least ten (10) Business Days prior to the relevant Interest Payment Date. Interest Payments may be cancelled on a non-

cumulative basis for an unlimited time period.

In the event of Mandatory Conversion, the interest payable shall cease to be calculated and payable as from the previous relevant Interest Payment Date.

Based on article 11(11) of the Decree, the payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the Bank obtains the prior approval of the Central Bank and has consulted with the European Commission; a prohibition from which capital funds complying with the requirements of the Central Bank are exempt. It is noted that the Central Bank has granted its approval on the ECS terms and by extension the ECS are excluded from the aforementioned prohibition of the Decree. Nevertheless, the necessary conditions for the payment of interest, as provided by the terms of issue, must be abided.

6.4.2.5 Determination of Interest

(a) Interest Rate

The perpetual Enhanced Capital Securities will bear a fixed interest rate of 8.75% per annum.

The actual annual return may exceed the above nominal interest rate, due to the quarterly payment of interest and their calculation on the basis of a 360-day year.

(b) Interest Payment Dates

Interest for each Interest Payment Period is payable (in accordance with the Terms of Sections 6.4.2.2(b)(i), 6.4.2.7(d) and 6.4.2.4) on a quarterly basis at the end of each Interest Period.

The first Interest Payment falls due on 30 September 2012 for the period from 30 June 2012 (inclusive) until 29 September 2012 (inclusive). Each Enhanced Capital Security will cease to bear Interest (i) in the case of redemption from the redemption date or (ii) in case of Mandatory Conversion, from the previous relevant Interest Payment Date. In case of Interest Payment Cancellation, no payment will be made in relation to the Cancelled Interest Payment.

Interest will be paid to the ECS holders registered on the Registry of Enhanced Capital Securities as at the Record Date for Interest Beneficiaries of the relevant Interest Payment Date.

(c) Interest Calculation Basis

Interest will be calculated on the basis of actual days elapsed for every Interest Period divided by 360.

6.4.2.6 Call Option, Exchange with Tier 1 Securities and Change of the Terms of Issue due to legislative / normative / regulatory changes

(a) Perpetual duration

The Enhanced Capital Securities are perpetual securities with no fixed maturity date, but the Bank shall (subject to the provisions of this Section 6.4.2.6) have the right to redeem them on the first Interest Payment Date following the fifth anniversary of their issue or on any other Interest Payment Date thereafter, with the prior approval of the Central Bank of Cyprus, in accordance with the provisions of Term 6.4.2.6(b), or in the event of activation of Term (c) of this Section.

(b) Bank's Call Option

Subject to the Term 6.4.2.2(b)(i), the Bank may, at its discretion and on its own initiative, elect to redeem all, but not part, of the Enhanced Capital Securities, at their principal amount together with any amount due, on the first Interest Payment Date following the fifth anniversary of their issue or on any other Interest Payment Date thereafter, subject to notice to the ECS

holders and to the Trustee, in accordance with Section 6.4.3. Any notice of redemption shall specify the redemption date.

The redemption of the Enhanced Capital Securities shall be subject to the prior approval of the Central Bank of Cyprus and will take place under the condition that:

- The Securities will be replaced by Tier 1 Capital of equal or better quality, or
- The Bank has demonstrated to the satisfaction of the Central Bank of Cyprus that its own funds would, following the call, exceed by a margin that the CBC considers to be significant and appropriate:
 - (i) A Core Tier 1 Ratio of at least 9% by reference to the EBA Recommendation EBA/REC/2011/1 published on 8 December 2011 or,
 - (ii) in case the Recommendation of EBA referred to in point (i) above has been repealed or cancelled, the minimum capital requirements in accordance with the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the CRD IV and/or in accordance with the final provisions of the Regulation CRR on prudential requirements for credit institutions and investment firms as it will be adopted by the European Union (when they enter into force).

(c) Statutory / regulatory changes

If, in the opinion of the Bank, any variation or proposed variation in the legislation or relevant regulations applicable in the Republic of Cyprus, including tax laws and regulations, leads to adverse financial consequences for the Bank in respect of the issue of Enhanced Capital Securities or the Enhanced Capital Securities do not qualify, after the 1st of January 2012, as additional Tier 1 capital in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union, (except where such disqualification is solely a result of the principal amount of the Enhanced Capital Securities exceeding any applicable limits on Tier 1-qualifying securities specified in the Relevant Applicable Banking Regulations), the Bank may, at any time, subject to the prior approval of the Central Bank of Cyprus (and without any requirement for the consent or the approval of the ECS holders), but after giving notice to the Trustee and the ECS holders in accordance with Section 6.4.3, proceed to the following:

- (i) redeem all, but not part, of the ECS at their nominal value together with accrued interest outstanding on any Interest Payment Date, by giving not more than 60 days and not less than 45 days notice, or
- (ii) exchange all, but not part, of the ECS with an issue of new Tier 1 securities of equal or better quality, or
- (iii) vary the terms of these ECS so that they continue to be considered as Tier 1 in accordance with the final provisions for a Regulation on prudential requirements for credit institutions and investment firms to be adopted by the European Union,

provided that any change in the terms as described in (ii) and (iii) above should not lead to terms materially less favourable to the investors except where these changes are required by reference to the final provisions of the Cyprus law which will bring the Cyprus legislation in line with the CRD IV and the final provisions of the Regulation CRR (when they enter into force) and/or in accordance with the legislation in force.

Enhanced Capital Securities that will be redeemed by the Bank will be cancelled and the Bank will cease to have any obligations regarding the said Enhanced Capital Securities.

6.4.2.7 Payment

Interest is payable (after the deduction of any withholdings applied pursuant to the provisions of any law in force in the Republic of Cyprus, which are cited under Section 9.5) to the holders of the Enhanced Capital Securities, from distributable items, on a quarterly basis, falling due on 31 March, 30 June, 30 September and 31 December every year (Interest Payment Dates).

The first Interest Payment falls due on 30 September 2012 for the period from 30 June 2012 (inclusive) until 29 September 2012 (inclusive). Each Enhanced Capital Security will cease to bear Interest from the date of its redemption.

(a) Record Dates for Interest Beneficiaries / ex-interest period

Prior to the listing of Enhanced Capital Securities on the CSE, Interest Payments shall be made to ECS holders registered on the Enhanced Capital Securities Register of the Bank as at the Record Date for Interest Beneficiaries set by the Bank for determining the Interest Beneficiaries as well as to the ECS Holders who have sold Enhanced Capital Securities during an ex-interest period and hence they are not considered ECS holders but they maintain their rights in respect of the Interest Payment.

Once and if the Enhanced Capital Securities are listed on the CSE, Interest shall be paid to ECS holders registered on the Enhanced Capital Securities Register maintained by the Central Depository/ Registry of the CSE, as at the applicable Record Date for Interest Beneficiaries as well as to the ECS Holders who have sold Enhanced Capital Securities during an ex-interest period and hence they are not considered ECS holders but they maintain their rights in respect of the Interest Payment.

The Ex-interest Dates shall be announced by the Bank in a timely manner, in line with the provisions of Section 6.4.3, prior to any Interest Payment Date. During the period elapsing between each ex-interest date and the first ensuing Interest Payment Date (not inclusive), the Enhanced Capital Securities will be traded ex-interest.

Listing on the CSE

The Bank proceeds to all necessary actions for the listing of the Enhanced Capital Securities on the CSE. Once and if the Enhanced Capital Securities are listed on the CSE, the procedures followed for the Interest Payment will be those applied by the Central Depository/ Registry of the CSE. The Bank will issue a relevant announcement setting out the details of the Interest Payment procedure. In line with the above, the first subsequent Interest Payment Date, as well as the period during which the Enhanced Capital Securities will be traded ex-interest (ex-interest period), will be announced in a timely manner, except in those cases described in the Terms under Sections 6.4.2.2(b)(i), 6.4.2.4 and/or 6.4.2.6.

(b) Interest Payment Method

Interest Payments will be made either by cheque, which will be mailed to the ECS holder's address, or by transfer to a bank account maintained with the Bank, following the ECS holder's instructions. If the Enhanced Capital Securities are registered in the name of two or more persons as joint owners, the cheque will be posted to the address of the person whose name is listed first on the Holders' Register or it will be transferred to the account indicated by the joint owners. Interest Beneficiaries for any Interest Period will be deemed the ECS holders registered in the Enhanced Capital Securities Register as at the Record Date for Interest Beneficiaries, as this will be announced, as much as the ECS holders who have sold Enhanced Capital Securities during an ex-interest period and hence they are not considered ECS holders but they maintain their rights in respect of the Interest Payment. In cases of minor beneficiaries, the account indicated must be in their name and the authorisation must be signed by the persons holding legal parental custody.

As, in accordance with the trading regulations in effect at the CSE, the Record Date for Interest Beneficiaries precedes the Interest Payment Date, once and if the Enhanced Capital Securities are listed on the CSE, any investors who subscribe or invest in or otherwise purchase Enhanced Capital Securities within the ex-interest period shall not be entitled to the payment of Interest throughout the Interest Period expiring upon the first subsequent Interest Payment Date, and they shall waive any right or claim to receive Interest from the Bank during this period. For these investors, the entitlement to receive Interest shall start from the new Interest Period.

(c) Withholdings

All payments pursuant to this Term shall be made, without exception, in compliance with the provisions of the Income Tax Laws and 'Special Contribution for the Defence of the Republic' Laws of the Republic of Cyprus that are in effect (or of any other Laws that may replace them or as may be enacted to this end), and shall be subject to the applicable contribution and/or tax withholding, in accordance with Section 9.5.

(d) Merger or Acquisition or any consolidation, amalgamation or restructuring of the Bank

In the case of any consolidation, amalgamation, merger or restructuring of the Bank, the Bank has the right to notify the Trustee and the ECS holders of such event and take such steps as to suspend its Interest Payment obligation. In these cases, the Bank will evaluate the adjustments that may have to be introduced to the current issue terms (and other documents) in order to safeguard the interests of the holders of the Enhanced Capital Securities as existed before the suspension. After reaching a decision in regard to the assessment of the amendments, the Bank shall proceed to implement the relevant adjustments to the terms of the issue and to the other relevant documents, without the consent of the ECS holders.

6.4.2.8 Mandatory Conversion in the case of a Contingency Event or a Viability Event

In the event of a Contingency Event or a Viability Event at any time that there are Enhanced Capital Securities in issue, then all the Enhanced Capital Securities shall be mandatorily fully converted into ordinary shares of the Bank at the Mandatory Conversion Price. In the event of conversion of ECS into Shares, the holders of ECS will be shareholders of the Bank and their claims will rank pari passu with the rights and claims of the Bank's ordinary shareholders.

(a) CONTINGENCY EVENT: Contingency Event means the Bank has established and has given notice that either:

- (ii) Its "Core Tier I Ratio" is below 7% by reference to the European Banking Authority (EBA) recommendation EBA/REC/2011/1. Core Tier I is as per the definition used in the EBA's 2011 EU-wide stress test. The definition excludes all private hybrid instruments which encompass all the ECS to be issued under this term sheet; or
- (iii) on or after 1 January 2013, its "Common Equity Tier I Capital Ratio," in accordance with the final provisions of the Regulation on prudential requirements for credit institutions and investment firms (CRR) to be adopted by the European Union and taking into account the transitional arrangements, is below 5.125%;

The Common Equity Tier I Capital Ratio Contingency Event is applicable as of 1 January 2013. In addition, the Core Tier I Ratio Contingency Event remains applicable after 1 January 2013 as long as the EBA Recommendation EBA/REC/2011/1 has not been repealed or cancelled.

- **"Core Tier 1 Ratio"**, as defined by the EBA's 2011 EU-wide stress test, means in respect of any quarterly reporting period, the Core Tier 1 Capital, less deductions for securities of no fixed maturity that can not be included in the Core Tier Capital, divided by the risk weighted assets, as calculated by the Bank pursuant to Applicable Banking Regulations appearing in its quarterly financial reporting
- **"Common Equity Tier 1 Ratio"** means in respect of any quarterly reporting period, the ratio of common equity tier 1 capital less any deductions as this ratio will be adopted in accordance with the final provisions of the Regulation of the European Union on prudential requirements for credit institutions and investment firms (CRR), divided by the risk weighted assets, as calculated by the Bank pursuant to Applicable Banking Regulations appearing in its quarterly financial reporting

- **“Applicable Banking Regulations”** means, at any time, the capital adequacy regulations then in effect in the Republic of Cyprus (or if the Issuer becomes domiciled in a jurisdiction other than the Republic of Cyprus, such other jurisdiction) that apply for the Bank.

(b) VIABILITY EVENT: occurs if:

- (i) a decision that a conversion of the ECS is required, without which the Bank may become non-viable as the term non-viable is determined by the Central Bank of Cyprus and/or
- (ii) the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable as the term non-viable is determined by the Central Bank of Cyprus.

(c) MANDATORY CONVERSION PRICE:

In the event of a Contingency Event or a Viability Event the Enhanced Capital Securities will be converted into a number of ordinary Shares determined by dividing the principal amount of each Enhanced Capital Security to the Mandatory Conversion Price. The Mandatory Conversion price will be calculated as 90% (ninety percent) on the average weighted price of the Bank’s Share, for a period of 20 (twenty) Business Days prior to the Contingency Event or Viability Event notice, at a minimum price equal to the nominal price per ordinary Share (currently €0.10) of the Bank.

(d) NOTIFICATION OF MANDATORY CONVERSION AND DELIVERY OF SHARES: The Bank will notify the holders of Enhanced Capital Securities for the Mandatory Conversion according to the provisions of Section 6.4.3 as follows:

- (i) In case of a Contingency Event, within 5 Business Days from the date on which the financial statements are published or the Central Bank of Cyprus determines that the Bank does not satisfy the required regulatory Core Tier 1 and/or Common Equity Tier 1 ratio thresholds. This notification will specify the terms of the Mandatory Conversion.
- (ii) In case of a Viability Event, within 3 Business Days from its occurrence.

The Bank will deliver the ordinary Shares that result from the Mandatory Conversion to the ECS holders within 20 Business Days from the day of notification for the existence of a Contingency Event or a Viability Event.

(e) INTEREST PAYABLE AT MANDATORY CONVERSION: In the event of a Mandatory Conversion, the interest payable shall cease to accrue from the preceding relevant Interest Payment Date to the Mandatory Conversion date.

(f) ADEQUACY OF AUTHORISED SHARE CAPITAL:

The Bank undertakes, at any time during which the Enhanced Capital Securities may be converted to Shares, in the context of the present Term, to maintain available, authorised but not issued such a number of shares that would satisfy the Enhanced Capital Securities’ Mandatory Conversion.

6.4.2.9 Offer of Enhanced Capital Securities to non-Cypriot residents

Persons whose permanent residence is outside the Republic of Cyprus are entitled to purchase Enhanced Capital Securities pursuant to the Capital Movement Law 115(I)/2003, which came into force on the day Cyprus joined the European Union on May 1st, 2004, and to applicable regulations in general.

The Capital Movement Law (115(I)/2003) does not affect the implementation of article 17(1) of the Banking Law of 1997 until 2011 (L66(I)/1997 as amended). According to the provisions of article 17(1) of the Banking Law of 1997 until 2011 (L66(I)/1997 as amended), it is prohibited for anyone even with a partner or partners to gain control of a bank that was established in the Republic of Cyprus or its mother company, unless he has obtained before a written approval from the Central Bank of Cyprus (control means (i) ownership of 10% or more of the voting rights at any general meeting or its mother company, or (ii) the ability of that person to elect in any way the majority of the directors of the company or its

mother company). Further, the increase of control to the level or to the percentages which are defined by the Banking Laws is prohibited.

The offer of the Enhanced Capital Securities is not addressed in any way or form (in writing or otherwise), directly or indirectly, within or to residents of Exempt Countries in which, according to the laws of such a country, this offer or the mailing/distribution of the Prospectus is illegal or constitutes a breach of any applicable law, rule or regulation.

6.4.2.10 Trust Deed

By way of a Trust Deed dated 22 May 2012, the Bank has appointed Themis Nominees Limited, 16 Kyriakos Matsis Avenue, Eagle House, 10th floor, Ayioi Omologites, 1082 Nicosia, as Trustee of the issue of the perpetual Enhanced Capital Securities. In accordance with the Trust Deed, the Trustee is responsible for the safeguarding of the rights of the holders of the Enhanced Capital Securities and Interest Beneficiaries. The Trust Deed includes provisions for the indemnification of the Trustee and its discharge from liability.

Pursuant to Clause 10 of the Trust Deed, the Bank promises the Trustee and commits to undertake the following:

- (a) To fulfil each and every obligation regarding the payment of the principal and Interest of Enhanced Capital Securities or otherwise, according to the terms of issue.
- (b) To maintain, at all times, a register of holders of Enhanced Capital Securities that will include the names and addresses of all the holders of Enhanced Capital Securities, the number of securities held by each ECS holder, the day on which each holder of Enhanced Capital Securities was registered and the day on which any holder of Securities ceased to be registered in the said registry. Moreover, in the event that the Enhanced Capital Securities are listed on the CSE, then the Register of holders of Enhanced Capital Securities will be maintained by the Central Depository and Central Registry of the CSE.
- (c) To allow the Trustee to inspect from time to time, free-of-charge and during reasonable hours, the Register of holders of Enhanced Capital Securities and make copies of it.
- (d) To issue statements of securities to the holders of Enhanced Capital Securities, as provided in Clause 9 of the Trust Deed, provided that the Bank will keep the Register of holders of Enhanced Capital Securities.
- (e) To provide the Trustee with any data or information regarding the Enhanced Capital Securities, including, without limitation, any data or information regarding any payments or liabilities of the Bank according to the terms of issue, upon request of the Trustee.
- (f) To provide written notification to the Trustee, in case of and immediately after the occurrence of an event included in the provisions of Clause 11 of the Trust Deed.
- (g) Provided that it is permitted by the law, to always provide to the Trustee any other information that the Trustee, reasonably acting, will request with the aim to fulfil his duties and exercise powers, authorisations and discretions allocated to him by the Trust Deed or by the law.

The Trust Deed, the provisions of which are binding for every person who acquires perpetual Enhanced Capital Securities, will be available for review at the registered office of the Bank, by investors and/or persons who from time to time acquire

perpetual Enhanced Capital Securities and who are encouraged to review it.

6.4.3 Notices and Announcements

Notices to holders of Enhanced Capital Securities will be deemed to have been given either when they:

- (i) Will be mailed by post to the addresses as these appear in the Central Depository and Central Registry of the CSE, or when they.
- (ii) Will be published to at least one daily newspaper.

Provided that the Enhanced Capital Securities are listed on the CSE, any announcement on the CSE shall be deemed as notice to the ECS holders.

All announcements relating to the Enhanced Capital Securities will be posted on the website of the Bank (www.laiki.com). All announcements will be sent to the CSE for publication.

6.4.4 Additional Issues

The Bank reserves the right to proceed, without the consent of the holders of Enhanced Capital Securities, to issue further perpetual capital securities that rank *pari passu* with the Enhanced Capital Securities. The additional capital securities can constitute an extension of the Enhanced Capital Securities issue so as to be considered as a single issue. Any such additional issue will be covered by the relevant addition in the Trust Deed, which will govern the Enhanced Capital Securities issue, or by another, separate trust deed. It is noted that any additional issue will be effected on the basis of the valid regulations and procedures in effect which may include, if deemed necessary, the issue of a prospectus.

The Bank has also the right, without the consent of the ECS holders, to proceed with the issue of any other Enhanced Capital Securities or other securities with terms as deemed appropriate by the Bank, as to the subordination, interest, premium/ discount, or redemption/ repayment or any other manner.

6.4.5 Rights / Dividends

The new shares arising from the conversion of the Enhanced Capital Securities shall rank immediately *pari passu* with existing ordinary shares of a nominal value of €0.10 each (as at the date of the present Prospectus) and they shall be entitled to participate in any payment of dividend, being registered at a date later than the date of allotment of the New Shares. Those shares shall not be entitled to dividends that were paid before their registration date.

Additionally, the above ordinary fully paid new shares shall be treated in the same manner with regard to issues of participation in the Bank's profits and in any surplus upon liquidation of the Bank, as existing ordinary shares of the Bank.

It is noted that there are no buy-back or conversion clauses with regard to those shares.

With the implementation of the Decree, differences arise on the rights of the Republic of Cyprus shares that may be acquired through the activation of the Rights underwriting as set out in article 11 of the Decree.

Additionally, article 11(9) of the Decree states that: "Dividend distributions to the shareholders of the bank are not allowed."

6.4.6 Information with regard to the Enhanced Capital Securities and the transferable securities being offered

The Enhanced Capital Securities will be traded on the CSE. Upon their conversion, they shall be converted into new shares that, provided that the necessary approvals are received from the competent authorities, shall be listed in the CSE and the ATHEX and shall be traded along with existing shares of the Bank. In the table that follows, basic information is set out with

regard to the Enhanced Capital Securities and the ordinary new shares that will be issued as a result of conversion of the Enhanced Capital Securities.

	ENHANCED CAPITAL SECURITIES	NEW ORDINARY SHARES TO BE ISSUED AS A RESULT OF CONVERSION OF ENHANCED CAPITAL SECURITIES
Securities' Classification	Convertible Enhanced Capital Securities	Ordinary shares with the same rights as all existing shares of the Bank.
Legislation pursuant to which they were issued / they shall be issued	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee.	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee.
Type of transferable securities	Ordinary and dematerialised	Ordinary and dematerialised
Record keeping	Central Depository and Central CSE Registry	Central Depository and Central CSE Registry as well as HELEX Dematerialised Securities' System (DSS)
Currency of Issuance	EURO(€)	EURO(€)
Currency of Trading	EURO(€)	EURO(€)
ISIN	It shall be given by the CSE upon approval of the listing of the Convertible Enhanced Capital Securities	CY0000200119
Trading	CSE	CSE and ATHEX
Dividend Rights	No	Yes It is noted that article 11(9) of the Decree states that: "Dividend distributions to the shareholders of the bank are not allowed."
Voting rights	No	Yes (one vote per share)
Preference right to register for securities of the same category	Not applicable	Yes
Right of participation in the issuer's profits	No – See dividend rights	See dividend rights
Right to any surplus in case of liquidation	No	Yes
Decisions pursuant to which they are issued	On the basis of Board of Directors' Decisions dated 16 May 2012. The Board of Directors reserves the right to defer or cancel the issue, if such an action is deemed necessary, by issuing a notice or by issuing a supplementary prospectus	On the basis of Board of Directors' Decisions dated 16 May 2012. The Board of Directors reserves the right to defer or cancel the issue, if such an action is deemed necessary, by issuing a notice or by issuing a supplementary prospectus
Restrictions on Free Transfer	No*	No

* The Enhanced Capital Securities under issuance are freely transferable by their holders

There are no binding Public Takeover Bids for the acquisition of the Bank's share capital. During the last and the current year there were no Public Takeover Bids for the acquisition of the Bank's share capital.

It is noted that when a Public Takeover Bid regarding a merger or acquisition is submitted, the provisions of 2007 Law on Public Takeover Bids for Acquisitions are in force, including clauses intended to secure the equal treatment of shareholders. Also, relevant provisions of the Cyprus Company Law are in force in the event of acquisition of a percentage higher than 90%, as a result of a Public Takeover Bid, where it is possible to activate clauses providing for the mandatory acquisition of the remaining percentage as well.

6.5 Terms of New Shares (Exchange) Issue

6.5.1 Size of issue, Securities, Nominal Value and Denomination of New Shares (Exchange)

- **Size of issue**

Up to €368,876,500 (3,688,765,000 New Shares (Exchange))

- **Issue Price/Nominal Value**

At par / €0.10 per New Share (Exchange)

- **Securities**

The Bank takes all necessary steps and it has submitted the necessary documentation for the listing of the New Shares (Exchange) on the CSE and the ATHEX. Provided that the relevant approvals are obtained from both competent authorities, the New Shares (Exchange) will be listed and traded on the CSE and the ATHEX.

The exchange ratio of Eligible Capital Securities with New Shares (Exchange) was determined by decision of the Board of Directors, dated 16 May 2012.

6.5.2 Exchange Ratio of Eligible Capital Securities to New Shares (Exchange)

The exchange ratio of Eligible Capital Securities with New Shares (Exchange) was determined at ten thousand (10,000) New Shares (Exchange) of nominal value of €0.10 for each (1) Eligible Capital Security of nominal value of €1,000.

6.5.3 Subordination of New Shares (Exchange)

The New Shares (Exchange) arising from the exchange of Eligible Capital Securities with shares, shall rank pari passu with existing ordinary shares and they shall be entitled to participate in any payment of dividend, being registered at a date later than the date of allotment of the new shares. The New Shares (Exchange) shall not be entitled to dividends that were paid before their registration date.

With the implementation of the Decree differences arise on the rights of the Republic of Cyprus shares that may be acquired through activation of the Rights underwriting as set out in article 11 of the Decree.

In the table that follows, basic information is set out with regard to the New Shares (Exchange) arising from the exchange of Eligible Capital Securities.

	Selected Capital Securities	New Ordinary Shares to be issued upon the voluntary replacement of Selected Capital Securities
Securities' Classification	Perpetual Enhanced Capital Securities	Ordinary shares with the same rights as all existing shares of the Bank.
Legislation pursuant to which they were issued / they shall be issued	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee.	According to Companies Law, the Public Offer and Prospectus Law of 2005 as well as Regulation 809/2004 of the European Union Committee.
Type of transferable securities	Ordinary and dematerialised	Ordinary and dematerialised
Record keeping	Central Depository and Central CSE Registry	Central Depository and Central CSE Registry as well as HELEX Dematerialised Securities' System (DSS)
Currency of Issue	Euro (€)	Euro (€)
Currency of Trading	Euro (€)	Euro (€)
ISIN	It shall be given by the CSE upon approval of the listing of Warrants.	CY0000200119
Trading	CSE	CSE and ATHEX
Dividend Right	No	Yes It is noted that article 11(9) of the Decree states that: "Dividend distributions to the shareholders of the bank are not allowed."
Voting Right	No	Yes (one vote per share)
Preference right to register for securities of the same category	Not applicable	Yes
Right of participation in the issuer's profits	No – See dividend right	See dividend right
Right to any surplus in case of liquidation	No	Yes
Decisions pursuant to which they are issued	On the basis of Board of Directors' decisions dated March 17, 2008, March 19, 2009 and March 30, 2010	On the basis of Board of Directors' decision dated 16 May 2012
Restrictions on Free Transfer	No*	No*

* The New Shares (Exchange) under issue are freely transferable by their holders

6.6 Exchange Right (Participation) in the Issue of Capital Securities and New Shares (Exchange)

6.6.1 Issue of Enhanced Capital Securities and/or New Shares (Exchange) to the holders of the Bank's Eligible Capital Securities 2008, 2009 and 2010

On the basis of a special resolution approved by the Shareholders' Extraordinary General Meeting held on 2 April 2012, this offer is addressed exclusively to Eligible Capital Securities holders, who can exchange, if they wish, their existing capital securities with Enhanced Capital Securities and/or New Shares (Exchange). The exchange is based on the nominal value for both forthcoming and existing capital securities. The maximum number of New Shares (Exchange) and new ECS that may arise from the process of voluntary exchange is 3,688,765,000 (€368,876,500) and 737,753 (€737,753,000) respectively. In case that, through the applications of Eligible Capital Securities holders to exchange into shares, the amount of €368,876,500 is oversubscribed, then there will be a pro-rata allocation. Additionally, in case of oversubscription of applications for New Shares (Exchange), the Eligible Capital Securities holders will have the option to request transfer of the amount not allocated to the exchange with ECS.

Eligible Capital securities holders who are registered in the Central Depository/Registry of the CSE and the Dematerialised Securities System (DSS) of the Hellenic Exchanges (“ATHEX”), on 30 May 2012 (Record Date ECS), will be granted a right to participate, which will correspond (a) to one (1) Enhanced Capital Security for each (1) Eligible Capital Security they hold and/or (b) to ten thousand (10,000) New Shares (Exchange) for each (1) Eligible Capital Security they hold. The right to participate in voluntary exchange may be differentiated from any transactions made on or before 22 June 2012.

The Enhanced Capital Securities are offered at a ratio of one (1) Enhanced Capital Security of nominal value of €1,000 for each (1) Eligible Capital Security of nominal value of €1,000 or ten thousand (10,000) New Shares (Exchange) of nominal value of €0.10 for each (1) Eligible Capital Security of nominal value of €1,000. The Eligible Capital Securities holders who will be registered in the Central Depository/Registry of the CSE, on 30 May 2012 (Record Date ECS), will be granted a participation right in the issue of Enhanced Capital Securities and/or New Shares (Exchange). That is, the investors who will acquire Eligible Capital Securities up to the end of the CSE session on 25 May 2012 will be granted a participation right in the issue of Enhanced Capital Securities or and New Shares (Exchange) of the Bank. It is noted that persons that hold Eligible Capital Securities on the Record Date but proceed to their sale up to 22 June 2012, will not be eligible to apply for registration for the Eligible Capital Securities sold.

The Eligible Capital Securities that will be given as a consideration for registration to the new issue of the Enhanced Capital Securities and/or the New Shares (Exchange) of the Bank will be cancelled and the Bank shall cease to have any obligations on them.

Those Eligible Capital Securities not exchanged with Enhanced Capital Securities and/or New Shares (Exchange), will continue to have their existing rights under their terms of issue.

The ECS under issue and/or New Shares (Exchange) can only be acquired with their exchange with Eligible Capital Securities at their nominal value. Following the end of the exchange offer, any unsubscribed Enhanced Capital Securities, will not be offered to any other persons.

This offer is exclusively available in Cyprus, Greece and the United Kingdom and is solely addressed to persons who can legally accept it. The registration in Enhanced Capital Securities and/or New Shares (Exchange) is forbidden for Beneficiaries of Exempt Countries. In case that such ECS Beneficiaries submit an application, the Bank will cancel their registration and will return the funds paid to the ECS Beneficiary.

The application may be filed within the subscription period which commences on 15 June 2012 and ends on 29 June 2012. The final date of application for subscription to the Enhanced Capital Securities and/or New Shares (Exchange) issue is the 29 June 2012.

The ECS Beneficiaries can only subscribe for an integer number of units of Enhanced Capital Securities and/or New Shares (Exchange), which can be lower of their participation in Eligible Capital Securities (partial exercise of their exchange right).

In case that through the checking of applications the applied amount exceeds the actual participation of the applicant, the application will be considered to the extent of the amount of the actual participation.

On 30 June 2012, the Bank will pay the full interest for the quarterly period April - June 2012 as required by the terms of issue of Eligible Capital Securities unless it is not paid or canceled under article 11(11) of the Decree and/or under these

terms of issue (ie, for the period 31 March until 29 June, based on the rate applicable under the terms of issue). The interest of 8.75% of the new issue (ECS) will be paid for the interest period beginning on 30 June 2012.

The Underwriter responsible for the collection of subscription money for the Enhanced Capital Securities issue of the Bank, is Cyprus Popular Bank Public Co Ltd.

The exchange procedure will include the suspension of trading of all Eligible Capital Securities, while Eligible Capital Securities for which applications are submitted, may be pledged. The suspension period will be announced in due course.

6.6.2 Application procedure for registration to the issue of Enhanced Capital Securities and/or New Shares (Exchange) from Beneficiaries

6.6.2.1 Procedure for the submission of applications for subscription in Cyprus

The period for the submission of applications for subscription to the issue of Enhanced Capital Securities and/or New Shares (Exchange) by Beneficiaries in Cyprus commences on 15 June 2012 and ends on 29 June 2012. The final subscription date is the 29th of June 2012 until 13:30.

The Informative Letters (ECS) will be dispatched on 7 June 2012.

The subscription to the issue of Enhanced Capital Securities and/or New Shares (Exchange), will take place during the aforementioned period and in any case, within the exercise period (Monday to Friday 8:30 – 13:30) as follows:

Nicosia

- Nicosia central branch (001), 39 Arch. Makarios III Avenue, 1065 Nicosia, Tel. 22812294
- Ayios Antonios branch (005), 1 Griva Digeni and Callipoleos Corner, 1055 Nicosia, Tel. 22363667
- Acropoleos branch (007), 58A Acropoleos Avenue, 2012 Nicosia, Tel. 22367072
- Ayios Mamas branch (118) 1 Arch. Makarios III Avenue and Ayiou Stylianou Corner, 2324 Lakatamia, Nicosia, Tel. 22718823
- At the offices of Marfin CLR (Financial Services) Ltd, Marfin CLR House, 26 Vyronos Avenue, 1096 Nicosia, Tel. 22367367
- At the offices of the Wealth Management division, 39 Arch. Makarios III Avenue, 1065 Nicosia, 1st Floor, Tel. 22812280
- At the offices of Treasury Department, 154 Limassol Avenue, 2025 Nicosia, Tel. 22512530

Limassol

- Limassol central branch (020), 64 Anexartisias Avenue, 3040 Limassol, Tel. 25815152
- Makariou branch (021), 121-123 Arch. Makarios III Avenue, 3021 Limassol, Tel. 25854828
- At the offices of the Wealth Management Division 121-123 Arch. Makarios III Avenue, 3021 Limassol, 5th floor, Tel. 25854744

Larnaca

- Larnaca central branch (040), 3 Artemidos Avenue, 6020 Larnaca, Tel. 24814192

Famagusta

- Ayia Napa branch (036), 58 Nisi Avenue, 5330 Ayia Napa, Tel. 23813232

Paphos

- Paphos central branch (063), 10 Apostolou Pavlou, 8046 Paphos, Tel. 26816127

For the submission of the application, ECS Beneficiaries should duly complete, sign and submit the Informative Letter (ECS) already dispatched to them, or printed to them at the aforementioned locations.

They will also need to state:

- their investor Share Code,
- their DSS Securities Account, and
- the designated Operator of their Securities Account.

The ECS Beneficiaries that will submit application for participation in the issue of Enhanced capital Securities and/or New Shares (Exchange) will obtain a receipt, which will not be equivalent to capital securities/shares, or temporary Enhanced Capital Securities/New Shares (Exchange), and will also not be traded on the CSE.

Once a signed application for subscription is submitted, the acceptance of Enhanced Capital Securities and/or New Shares (Exchange) is irrevocable.

Where there are more than one subscriptions of the same natural or legal persons, on the basis of CSE's data and/or demographic data of the subscriber, all such entries will be treated as a single subscription and in every case, if the Beneficiary has subscribed for more Enhanced Capital Securities and/or New Shares (Exchange) than those attributed to him, then the additional subscription will be deemed void.

If an investor wishes to appoint an Operator for the Enhanced Capital Securities and/or the New Shares (Exchange) that will be distributed, s/he has to fill his/her code number on the subscription form. In the event that the investor does not appoint an Operator, then the Enhanced Capital Securities and/or the New Shares (Exchange) which will be distributed, will be credited to the DSS Securities Account, with the CSE being the Operator.

The submission of the application for the exchange constitutes acceptance of the offer under the terms of this Prospectus and the Bank's Articles of Association. If the application is not submitted by the ECS Beneficiary until 13:30 of the last subscription date, ie on 29 June 2012 this offer will be deemed as not being accepted.

The application's submission can also be made through Operators.

6.6.2.2 Procedure for the submission of applications for subscription in Greece

The period for the submission of applications for subscription to the issue of Enhanced Capital Securities and/or New Shares (Exchange) by Beneficiaries in Greece commences on 15 June 2012 and ends on 29 June 2012. The final subscription date is the 29th of June 2012 until 14:00.

The Informative Letters (ECS) will be dispatched on 7 June 2012.

The subscription to the issue of Enhanced Capital Securities and/or New Shares (Exchange), will take place during the aforementioned period through the Operators (other than the Athens Central Depository) of the holders' DSS Securities Accounts (brokerage firm or custodian) by submitting the relevant documents and with the prior consent of such Operator.

For the submission of the application, ECS Beneficiaries should duly complete, sign and submit the Informative Letter (ECS) already dispatched to them.

They will also need to state:

- their Tax Identification Number,
- their Identity card or passport,
- a copy of the DSS printout

Once a signed application for subscription is submitted, the acceptance of Enhanced Capital Securities and/or New Shares (Exchange) is irrevocable.

More information regarding the subscription procedure in Greece may be obtained by calling

+30 210 7755488	Xydis Efthimios (Custody & Share registry Department)
+30 210 7475143	Botonis Dionisios (Custody & Share registry Department)
+30 210 7710383	Sgagias Ioannis (Custody & Share registry Department)

6.6.3 Announcement of Result

The Bank will announce the result by written notice to the CSE and the ATHEX, in accordance with the applicable law, within three (3) Business Days.

6.6.4 Enhanced Capital Securities and New Shares (Exchange) Allotment Letters

The Enhanced Capital Securities and New Shares (Exchange) Allotment Letters will be dispatched to the Enhanced Capital Securities holders and to the New Shares (Exchange) holders on 11 July 2012.

7 STATE AID

7.1 Decree dated 18 May 2012

The Minister of Finance in the exercise of the powers vested on him by articles 6, 7 and 14 of the Management of Financial Crises Laws of 2011 to (No.2) 2012, subsequent to the recommendation of the Central Bank of Cyprus and with its concurring opinion, the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012. The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base.

This Decree enters into force from the date of its publication in the Official Gazette of the Republic, ie, as of 18 May 2012. It is also noted that the approval of the terms of the Order are subject to the approval of the European Commission.

The main provisions of the Decree, as listed in it are the following:

“Purpose

3. *The purpose of this Decree is the performance, in compliance with any requirements that may be laid down by the European Commission, of the decision of the Council of Ministers of 17 May 2012 for the underwriting of the rights issue of capital of an amount of One billion and eight hundred million euros (€1,800,000,000) by the bank in order to strengthen its capital base.*

Underwriting of issue of share capital

4. (1) *The Republic underwrites the full amount of the rights issue of the bank provided that by 25 May 2012 the prospectus of the bank is published.*
- (2) *The rights are issued with share warrants which are issued by the Republic.*
- (3) *The rights issue is addressed to the following in the following order of priority:*
 - (a) *to the existing shareholders,f*
 - (b) *to the public by public offer, and*
 - (c) *to a limited number of persons by private placement.*
- (4) *The non-subscribed rights are allotted to the Republic in consideration of the provision of government bonds of one year maturity, which are automatically renewed upon maturity.*
 - (i) *The government bonds of one year maturity are issued and provided to the bank with zero coupon, at an issue price that equals the net present value, calculated with a discount factor that equals the current yield of government bonds of one year maturity in the local market.*
 - (ii) *The government bonds are listed at the Cyprus Stock Exchange and are traded without any restrictions.*
 - (iii) *The Ministry may at any time, exchange in whole or in part the government bonds with cash.*

Price of rights

5. (1) *The rights are issued at the price of €0.10*

Share Warrants

6. (1) *The rights that are acquired by virtue of subparagraph (3) of paragraph 4 are issued with the granting by the Republic of five share warrants in proportion with the exercise (pro rata).*
- (2) *Each share warrant has duration of one year and in the case that it is not exercised it ceases to be in force. The percentage of exercise of the annual share warrants is as follows:*

- 1st year 20%
- 2nd year 20%
- 3rd year 20%
- 4th year 20%
- 5th year 20%

Provided that, the first date of exercise of the share warrant is set at the end of the second year by a statement of intent of exercise during the first year for the percentage that is applicable until the specified point in time (that is 20%). It is further noted that, if any of the share warrant holders wishes to exercise a bigger percentage compared to the one already set, s/he may do so.

Provided further that, any of the holders of the share warrants who wishes to exercise a bigger percentage from that which arises via the predetermined annual percentage, may do so.

(3) The price at which holders exercise the share warrant is the price of issue increased by 9% annually.

(4) The share warrants are freely transferable, they are not listed at the Cyprus Stock Exchange and they are registered at the Central Depository Registry of the Cyprus Stock Exchange.

Acquisition price of rights by the Republic

7. (1) *The price of acquisition by the Republic of the unsubscribed new shares is set at €0.10.*

Payment of underwriting fee

8. *The bank pays the Republic an underwriting fee of 2% on the total amount of issue of share capital.*

Termination of aid measure

9. (1) *The new shares that are acquired by the Republic may be repurchased within five years from the entry into force of this Decree by:*

- (a) The shareholders of the bank through the exercise of the share warrants;*
- (b) The bank ,*
- (c) Third parties.*

Provided that the public interest is safeguarded, in relation to subparagraph (c) above, the Republic proceeds annually to a public offer of the shares it holds and that relate to the unexercised share warrants, except if the Council of Ministers judges, following the suggestion of the Minister of Finance, that this is not appropriate, and the Committee on Financial and Budgetary Affairs of the House of Representatives is advised and its written consent is secured.

Provided further that, the Republic has the right at all times to sell the new shares it acquired. In the event of finding a strategic investor who is willing to acquire in whole or in part the participation of the Republic, the right of first option is granted to existing shareholders. If these do not accept, they have the right to sell with the Republic. If the Republic sells all its ownership position to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants cease to exist. If the Republic sells part of its ownership to a strategic investor, by the above-mentioned procedure, then all the commitments that derive from the share warrants are adjusted proportionately.

Provided even further that, the new shares that are acquired by the Republic are repurchased in whole or in part by the bank when, without taking into consideration the support that is going to be terminated by this repurchase, there are no valid grounds of insolvency risk of the bank in the foreseeable future after the repurchase. In such a case the commitments that derive from the share warrants are not adjusted, but are transferred from the Republic to the bank which will hold these shares without granting the right of first option to existing shareholders.

(2) The repurchase by the bank is subject to the approval of the Central Bank.

(3) *The new shares that are acquired by the Republic are entitled to all the rights that are attributed to other shares of the bank of the same class.*

(4) *The price that the bank repurchases in whole or in part the new shares acquired by the Republic is the issue price of the new shares increased by 5% annually for each year from the entry into force of this Decree.*

(5) *In the case of sale to third parties of all or part of the new shares acquired by the Republic, the disposal price of these shares shall be their fair value at the date of the sale agreement between the Republic and the third party or parties.*

Restructuring plan

10. (1) *The bank with the concurring opinion of the Ministry and the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives, appoints within 15 days from the date of publication of this Decree, an Independent Advisor who within 2 months from the date of appointment submits to the Central Bank:*

(a) *A Restructuring Plan, whereby are specified the measures that the bank intends to take in order to achieve, the soonest possible, the safeguarding and strengthening of its solvency, by the further increase of its capital and/or the restoration or enhancement of its profitability, the reduction of costs and risks, the support from other companies of the group or otherwise. Especially, the reduction of staff costs of the bank will be at least 10% in 2012 and by further 8% in 2013. The reduction of remuneration and benefits of the staff in Cyprus will reach an average of at least 12,5% on an annual basis and will be applied commensurately with the relevant pay scale, following consultation with the trade unions. Moreover, the remaining operational expenses will be reduced by at least 7% in 2012. The Restructuring Plan provides for the application of the terms and conditions laid down in paragraph 11(7) to (13). The Restructuring Plan also includes any prospects of a merger or absorption, or transfer of activities or units to another financial institution. The bank drafts the Restructuring Plan having due regard to the Rules of the European Union for State Aid and makes any adjustments to the Restructuring Plan as may be required by the European Commission.*

(b) *A detailed timetable of the implementation of the measures that the bank intends to take, with explicit reference to the time that the bank estimates it will be able to repurchase the new shares that are acquired by the Republic.*

(2) *The Central Bank, following consultations with the Ministry and the bank, assesses the Restructuring Plan and provided it establishes that it is appropriate and feasible with regard to the potential achievement of the aims of enhancement of the capital base of the bank and of addressing the solvency problems of the bank, it forwards it to the Ministry.*

(3) *The soonest possible and the latest within six (6) months from entry into force of this Decree, the Restructuring Plan is submitted by the Ministry to the European Commission for approval.*

Terms and conditions

11. (1) *The Minister with the concurring opinion of the Central Bank and the Committee on Financial and Budgetary Affairs of the House of Representatives appoints, from the date of publication of this Decree, up to five members on the Board of Directors of the bank.*

(2) *With the concurring opinion of at least two of the five members of the Board of Directors that are appointed by the Minister, the right of veto is exercised to all decisions of the Board of Directors.*

(3) *Upon the acquisition of the new shares by the Republic, the Minister with the concurring opinion of the Central Bank and the Finances and Budget Parliamentary Committee of the House of Representatives, may appoint the majority on the Board of Directors, without prejudice to the amount of participation of the Republic in the ownership structure of the bank.*

(4) *The members of the Board of Directors that are appointed by the Minister, have inter alia, the following rights:*

- (a) to convene the General Meeting of the shareholders of the bank;
 - (b) to postpone for three (3) working day the meetings of the Board of Director of the bank, in order to receive instruction by the Minister, who for this purpose shall consult the Central Bank of Cyprus,
 - (c) to interrupt the meeting of the Board of Directors of the bank and to postpone the same as per point (b) above,
 - (d) to have free access to the books and data of the bank and
 - (e) to exercise a veto at any decision of the Board of Directors of the bank as per the provisions of subparagraph (2) of paragraph 11 of this Decree.
- (5) The bank provides the Minister with any data or information he may require.
- (6) No decision of the General Meeting of the shareholders of the bank enters into force prior to the approval of the Minister.
- (7) The annual remuneration of each of the following persons does not exceed the annual remuneration of the post of the Permanent Secretary, as these are determined by the Budget of the Republic Law: Chairperson, Managing Director and other members of the Board of Directors of the bank, General Managers of the bank and their alternates and any other member of the staff.
- (8) All types of variable remuneration of the persons referred to in subparagraph (7) are abolished.
- (9) Dividend distributions to the shareholders of the bank are not allowed.
- (10) The purchase of own shares by the bank is not allowed, except on the basis of the provisions of paragraph 9.
- (11) The payment of any interest on or the redemption of Tier 1 and Tier 2 capital instruments is prohibited unless the bank obtains the prior approval of the Central Bank and has consulted with the European Commission.
- Provided that the capital instruments that comply with the requirements of the Central Bank are exempted.*
- (12) The bank shall not exercise aggressive market strategies, including advertising of the support it receives, to the detriment of competitors that do not receive similar support, in order to avoid undue distortions in the competition and the market. Especially, the average annual rate of growth of the bank's balance sheet shall not exceed 12,4% (the average rate of growth of the size of the balance sheets of the financial sector in the Republic during the ten years prior to the entry into force of this Decree):
- (13) The bank undertakes any cost that may arise from the involvement of the Republic in the underwriting of the whole rights issue of the bank or from the subsequent participation of the Republic in the ownership structure of the bank.
- Provided that, the Ministry, after consulting with the Central Bank, reserves the right to impose stricter behavioural terms for the purpose of the implementation of the Restructuring Plan and in general for the application of the Law and this Decree.*
- Provided further that, the powers of the Minister to lay term and conditions derive directly from the provisions of the Law and cease to be in force upon the repurchase by the bank of the new shares that are acquired by the Republic or their sale to third parties.*

Participation of the Republic in the ownership structure of the bank

12. The participation of the Republic by the virtue of this Decree in the ownership structure of the bank is notwithstanding the incompatible provisions of the Companies Law, the Public Takeover Bids for Acquisitions Law and the Investment Services and Activities and Regulated Markets Law and the incompatible provisions of the Securities and Cyprus Stock Exchange Laws and the Regulations and Compliance Provisions issued by virtue of the latter, as these are amended or replaced.

The Board of Directors is discussing with the Ministry of Finance the possibility the Republic of Cyprus to grant Put Options to persons who shall acquire shares from the issue of Rights. It is noted that there is no commitment from the Ministry of

Finance, and that probably the granting of such a Put Option to require a fee from the person concerned to the Republic of Cyprus.

7.2 Issue of Share Warrants by the Republic of Cyprus

On the basis of article 6 of the Decree, the Republic of Cyprus will proceed to the free allotment of Share Warrants to persons who shall acquire shares through the issue of Rights. Therefore, such persons shall be entitled to Share Warrants, provided they have exercised any number of Rights, in any way, that is:

- With the exercise of Rights allotted to them as at the Record Date Rights
- With the exercise of Rights acquired through stock exchange transactions during the Rights trading period on the CSE and the ATHEX
- With the exercise of unsubscribed Rights, acquired through the Subscription Rights procedure
- With the exercise of unsubscribed Rights, allotted by the Board of Directors following the Subscription Rights procedure

It is noted that the Decree's terms are subject to the approval of the European Commission. Any amendments shall be announced on the stock exchanges and/or through the issue of a supplementary prospectus, if necessary, under the applicable law. In the case a supplementary prospectus is issued, the approval of the Cyprus Securities and Exchange Commission will be needed.

The Republic of Cyprus will allot Share Warrants to every share acquired through the potential activation of the Rights underwriting agreement. Therefore, the ratio of allotment for persons acquiring shares through the Rights Issue shall be calculated as follows:

Number of new shares acquired through the exercise of Rights	A
Total number of new shares acquired by investors through the exercise of Rights*	B
Number of new shares acquired by the Republic of Cyprus through the underwriting of the Rights issue**	C

** Through the exercise of Rights allotted to them as at the record date, the exercise of Rights acquired through stock exchange transactions during the Rights trading period on the CSE and the ATHEX, the exercise of unsubscribed Rights, acquired through the Subscription Rights procedure and the exercise of unsubscribed Rights, allotted by the Board of Directors following the Subscription Rights procedure.*

*** It is noted that this number equals the 17,990,734,564 new shares under issue through the issue of Rights, minus number 'B' in the equation.*

$$X = \frac{\text{The number of new shares which each person is entitled to acquire through the Share Warrants allotted by the Republic of Cyprus}}{C \times \left(\frac{A}{B}\right)}$$

Allotment of Share Warrants: 5 Share Warrants will be allotted to every beneficiary person, with one-year duration each, for a total number of shares that corresponds to 'X' in the equation above.

Each Share Warrant will give the right to acquire an equal number of shares during the exercise period and based on the current conversion price (1/5 of 'X' in the equation with any rounding).

Duration of Share Warrants: Each Share Warrant has duration of one year and in case of no exercise shall expire.

Share Warrants exercise period: The Share Warrants can be exercised as follows:

- 1st year Share Warrants, 20% June 2014
- 2nd year Share Warrants, 20% June 2014
- 3rd year Share Warrants, 20% June 2015
- 4th year Share Warrants, 20% June 2016
- 5th year Share Warrants, 20% June 2017

The first date of exercise of the Share Warrants is set at the end of the second year. For the 1st year Share Warrants a statement of intent need to be filed during the first year for the percentage that is applicable until the specified point in time (that is 20%).

Provided further that, any of the Share Warrants holders who wish to exercise a bigger percentage from that which arises via the predetermined annual percentage, may do so. In such a case (a) the Share Warrants exercise price shall be that of the period in which the exercise takes place, and not that of the future year (b) the Share Warrants exercised will be deducted from the share warrants of the shortest duration (c) the exercise must relate to the full exercise of the Share Warrants of subsequent period (no partial exercise is allowed). It is noted that the first period is set for June 2014.

Share Warrants exercise price: The Share Warrants exercise price is the price of the Rights issue increased by 9% annually:

- 1st year Share Warrants (June 2014 exercise) €0.109
- 2nd year Share Warrants (June 2014 exercise) €0.119
- 3rd year Share Warrants (June 2015 exercise) €0.130
- 4th year Share Warrants (June 2016 exercise) €0.141
- 5th year Share Warrants (June 2017 exercise) €0.154

It is provided further that the exercise value will be equal to the applicable exercise price multiplied with the number of shares per Share Warrant exercised.

Trading: Share Warrants will not be listed for trading on a stock exchange.

Registry and Transfer: The Share Warrants will be freely transferable and shall be registered on the Central Securities Depository/Registry of the Cyprus Stock Exchange. The transfer of Share Warrants shall be made through a mechanism undertaken by the Cyprus Stock Exchange, which will make all necessary announcements regarding the procedure to be followed from persons who wish to transfer the Share Warrants.

Share warrants allotment letters: The Share Warrants allotment letters will be dispatched together with the allotment letters of the new shares resulting from the exercise of Rights.

Procedure for the exercise of Share Warrants: The exercise of Share Warrants will be taking place every June as of 2014 until 2017 through the branch network of the Bank. Related details regarding the exercise procedure will be timely announced.

Further Clarifications:

- In case the underwriting is not activated due to the coverage of the Rights amount through applications*, then no

Share Warrants will be allotted by the Republic of Cyprus.

* With the exercise of Rights allotted to them as at the record date, the exercise of Rights acquired through stock exchange transactions during the Rights trading period on the CSE and the ATHEX, the exercise of unsubscribed Rights, acquired through the Subscription Rights procedure and the exercise of unsubscribed Rights, allotted by the Board of Directors following the Subscription Rights procedure.

- If the Republic of Cyprus finds a buyer for all or part of its shareholding participation in the Bank's share capital, then its obligations arising from the Share Warrants shall be adjusted proportionally. It is noted that if the Republic of Cyprus sell its entire shareholding then all obligations arising from the Share Warrants cease to exist.
It is noted that if the Republic of Cyprus sells part or all of its shares (a) shall give priority to the Bank's shareholders at the price agreed with the acquirer and (b) if the Bank's shareholders do not exercise this right, then shall have the right to sell their shares along with the Republic of Cyprus based on the proportion of their shareholding participation.
- If the Bank acquires the shares of the Republic of Cyprus, then the obligations arising from the Share Warrants will not be adjusted, but instead will be transferred from the Republic of Cyprus to the Bank who shall then possess the new shares. In such a case, no priority shall be given to the existing shareholders by the Republic of Cyprus.
- Where applicable, the person exercising the Share Warrants will be responsible for the compliance with any provisions activated in relation to the Banking Law (10% is the activation rate for the share capital) and the Public Bids Law (30% is the activation rate for the share capital).
- All costs regarding the transfer of shares will be borne by the person exercising the Share Warrants and shall be paid along with the fee arising as at the exercise of Share Warrants.
- The Share Warrants shall not necessarily be similar to each other with reference to the number of shares arising through their exercise, since Share Warrants may give a different number of shares.
- When a Share Warrant is exercised a transfer of shares shall emerge, from the Republic of Cyprus to the person exercising the Share Warrant.
- Each share Warrant will be fully transferable (and not partially).
- Each share Warrant must be fully exercised (and not partially).
- As at the allotment of Share Warrants, roundings may arise, so that the total number of shares acquired by the Republic of Cyprus is allotted to the Share Warrants.
- Persons who shall acquire shares through the exchange of Eligible Capital Securities, will not have any right for the Share Warrants.

8 THE REPUBLIC OF CYPRUS

The Cyprus economy is a small open economy, member of the European Union and of the Eurozone. Gross Domestic Product at current market prices was €17.9 billion in 2011 whilst its population is about 820 thousand people in the government controlled areas. Per capita income thus rose to about 21,900 in 2011 which corresponds to 99% of the European Union average in purchasing parity standards.

The Cyprus economy has been affected of course by the international economic crisis but the impact remains relatively mild. The economy entered into recession in 2009 when Gross Domestic Product contracted by 1.9% in real terms. A mild rebound followed in 2010 when Gross Domestic Product rose by 1.1%. Economic recovery continued into the first half of 2011 but economic activity contracted in the second half of the year driven mainly by exogenous factors. According to the European Commission's Spring Forecasts, Gross Domestic Product will contract by 0.8% in 2012 and rise marginally by 0.3% in 2013.

In the last ten years or so, the economy diversified further into financial services and international business activities. These sectors constitute the main engines of growth with favourable prospects in the medium and long term. At the same time tourism remains an important sector of economic activity but has long ceased to be the primary engine of growth.

A combination of factors, including the income tax reform of 2002, the accession of Cyprus in the European Union in 2004 and the introduction of the Euro as the national currency in January 2008, underpinned the significant expansion of the international business sector.

The discovery of natural gas deposits in Cyprus' Exclusive Economic Zone creates new prospects for growth and regional cooperation. The American based company Noble Energy, announced on 28 December 2011 the discovery of natural gas deposits in plot 12 of Cyprus's Exclusive Economic Zone. These deposits are currently estimated at 5 to 8 trillion cubic feet.

The government of Cyprus proceeded with a second round of licensing for the 12 plots of its Exclusive Economic Zone which was concluded with the expression of interest from big energy companies including the French Total and the Italian ENI. According to a geological survey of the United States the natural gas deposits in the Levantine region can be very significant. The discovery of natural gas deposits in Cyprus' Exclusive Economic Zone will lead to multiple influences on the economy of the island and possibly have significant geopolitical influences for the countries of the Eastern Mediterranean as well.

Considerable investments will be required for the production of electric power with natural gas as the base fuel, the construction of pipelines for the transfer of natural gas onshore and the probable construction of a liquefaction plant. Particularly, the construction of a liquefaction plant in Cyprus will constitute a huge investment for the size of the economy which will also support Cyprus' position as a regional energy hub. The benefits for the Cyprus economy from the development of the energy sector will be considerable and the revenues that will be flowing to the Cyprus government on a long term basis will be significant.

The international economic crisis found Cyprus in a relatively favourable position. Following accession to the European Union in 2004 and admission into the Exchange rate Mechanism in 2005, all efforts for fiscal consolidation were intensified. As a result the deficits of the prior period were reversed to surpluses in 2007-2008. However, the international economic crisis that ensued and efforts to minimise its implications in the context of the measures agreed at the European Union level

turned the situation around and led to considerable deficits in the period 2009-2011. Thus the fiscal deficit rose from 5.3% of the Gross Domestic Product in 2010 to 6.3% in 2011 mainly due to lower revenues consequent on the slowdown of economic activity in the year. Increased budget expenditures emanating from increased unemployment benefits and the higher cost of servicing the government debt also contributed.

Public debt as a percent of Gross Domestic Product rose as a result reaching 71.6% in 2011 and expected to rise further to 76% in 2012. However, Cyprus' public debt ratio remains considerably lower than the average in the Eurozone which is almost 90% of GDP. It is noted that Cyprus' public debt is also debited with contributions to the European Financial Stability Facility and the European Stability Mechanism.

Within this context the government of Cyprus took drastic fiscal consolidation measures in the second half of 2011. As a result the fiscal deficit is expected to drop to 3.4% of Gross Domestic Product in 2012 and further to 2.5% in 2013. The government budget is expected to be fully balanced by 2014 and the public debt is expected to start to contract in relation to Gross Domestic Product from 2013 onwards barring extraordinary circumstances.

The financial environment has deteriorated significantly in 2011 due to adverse developments in relation to the Greek economy. As a result of the 'haircut' of the Greek government debt, Cypriot banks need considerable capital injections in order to meet the requirements of the European Banking Authority.

The current account of the balance of payments on the other hand, displays four basic characteristics. First, Cyprus is primarily an import economy with a small domestic goods sector and a large trade imbalance. Second, Cyprus is a distinctly services based economy with considerable tourist activity and a significant surplus in the services balance of the current account. Third, Cyprus displays a high degree of openness when services exports are taken in to account when calculating current account transactions. Fourth, the current account balance displays considerable fluctuations from year to year reflecting changes in the external environment and conditions of domestic demand.

The deterioration of the current account of the balance of payments in recent years was mainly the result of fast credit expansion, the overheating of the economy in the period 2004-2008 and competitiveness problems. Particularly, competitiveness problems are reflected in the appreciation of the real effective exchange rate, reduced rates of increase of labour productivity and rising unit labour costs in relation to other countries. The country's external position is vulnerable if the current sources of funding the current account imbalance, namely foreign direct investments and non-resident deposits in the domestic banking system, were to be reduced.

The deterioration of the economic environment and heightened risks for the Cyprus economy emanating primarily from banking exposure to the Greek economy, led to successive downgrades of its long term credit rating. Moody's Rating Agency downgraded Cyprus' long term rating three times in 2011 by a total of six notches to Baa3 in November of the same year. Likewise Fitch Ratings downgraded Cyprus also three times in 2011 and early 2012 by a total of six notches to BBB- in January. At the same time Standard and Poor's downgraded Cyprus by a notch lower to BB+ in January 2012. The downgrades were prompted by three main concerns: (a) banks' exposure to Greek government bonds and the likelihood of needing state support; (b) the loss by the Cyprus government of access to international markets thus raising the likelihood of needing funding from official sources; and (c) a weak institutional capacity domestically to implement needed budgetary and structural changes.

The fiscal consolidation measures in place and the reconstitution of the capital adequacy of the banking system would brighten the prospects for economic recovery. Despite its small size, the Cyprus economy possesses significant advantages that render it extremely viable on a long term basis, mainly the quality of its human resource base and the multifaceted development of the international business sector. In addition, the discovery of natural gas deposits in Cyprus' Exclusive Economic Zone opens new prospects for economic development given that their exploitation will happen rationally without adversely impacting on other sectors of economic activity.

Main Macroeconomic indicators and forecasts

	2008	2009	2010	2011	2012	2013
Gross Domestic Product at constant prices (% change)	3.6	-1.9	1.1	0.5	-0.8	0.3
Per capita income (Euro)	21,530	20,986	21,370	21,898	21,207	21,357
Unemployment rate (%)	3.7	5.3	6.2	7.8	9.8	9.9
Consumer Price Index (% increase)	4.7	0.4	2.4	3.5	3.3	2.5
Fiscal position						
Budget revenue (% of GDP)	43.1	40.1	41.0	41.5	43.8	44.2
Budget Expenditure (% of GDP)	42.1	46.2	46.4	48.0	47.2	46.7
Of which: debt interest payments (% of GDP)	2.8	2.6	2.3	2.8	4.1	4.4
Budget deficit (-)/surplus (+) (% of GDP)	0.9	-6.1	-5.3	-6.5	-3.4	-2.5
Primary deficit (-)/surplus (+) (% of GDP)	3.7	-3.5	-3.1	-3.7	0.7	1.9
Public debt (% of GDP)	48.9	58.5	61.5	71.6	76.5	78.1
External sector						
Current account balance (% of GDP)	-12.2	-11.0	-8.7	-11.0	-7.7	-7.2
Trade balance (% of GDP)	-32.4	-25.5	-26.9	-24.5	-24.1	-24.4
Balance of services, income & current transfers (% of GDP)	20.2	14.5	18.2	13.5	16.4	17.2

Source: European Commission; International Monetary Fund; Economic Research, Cyprus Popular Bank

9 OTHER IMPORTANT INFORMATION

9.1 Reasons for the Offers

Funds that will be raised through the Rights issue as well as through the replacement of older capital securities issues of the Bank issued (i) 2008 (CPBCS/ΛAIKA), (ii) 2009 (CPBCB/ΛAIKΘ) and (iii) 2010 (CPBCC/ΛAIKΛ) with Enhanced Capital Securities and/or New Shares (Exchange) will be destined to enhance the Group's capital adequacy and specifically to enhance the Group's (a) Core Tier 1 capital and (b) Total Tier 1 capital.

It is noted that, with regard to the Eligible Securities, due to non-compliance of their terms of issue with the current regulatory framework of the Central Bank of Cyprus, a percentage of 10% will be removed annually from the value that can be recognised in the regulatory capital, starting from 2012 ('phasing-out'). The amount of the Eligible Securities may not exceed 35% of Total Tier 1 capital.

Additionally, with regard to the ECS, it is noted that (a) they are eligible, under the proposed regulations of CRD IV and CRR as well as Subscription under the relevant provisions of the Central Bank of Cyprus, to be included as part of Tier 1 capital in the form of Additional Tier 1 capital (b) it is expected that they will be acceptable by EBA for inclusion in the capital buffer. Furthermore, Additional Tier 1 capital in the form of enhanced capital securities may not exceed 50% of Total Tier 1 capital.

Following completion of the capital exercise conducted by the EBA, in close cooperation with the Central Bank of Cyprus, the exercise has determined that the additional capital shortfall for the Bank is estimated to be €1,971 million. Assuming a full exercise of the Rights and a satisfactory acceptance rate for the replacement of the Eligible Securities, it is expected that the Bank will adhere to the 9% Core Tier 1 ratio, as required by the European Banking Authority.

It is noted that the supervisory authorities in Cyprus have substantially increased the minimum capital adequacy ratios required to 8% for Core Tier 1 ratio, 9.5% for total Tier 1 ratio and 11.5% for total capital ratio. Additionally an increment has been set for the gradual increase of the minimum level of the new ratio which is calculated based on the ratio of the Bank's assets to the Republic of Cyprus' gross domestic product. This increment has been set at zero until 30 December 2012 while there is a transitional period up to 2014. It is expected that the Bank, by implementing the measures referred to in Section 4.7, will be in a position to comply with the capital adequacy ratios in due time.

9.2 Net Proceeds of the Issues

The total cost of the Issues, including professional fees which will be paid to the Lead Managers, auditors, legal advisors and issuance consultants, fees to the competent supervisory authorities, printing and distribution expenses of the Prospectus, and advertising expenses is estimated at approximately €38 million (including the underwriting fees of the Republic of Cyprus, estimated at approximately €36 million).

In the event all the Enhanced Capital Securities are issued and exercised, about €1,799 million will be raised and the net proceeds of the issue following deduction of the issue expenses is anticipated to reach €1,761 million. The exact amount will be determined by the final rate of exercise. The maximum amount of new funds arising from the voluntary exchange of up to 737,753 Eligible Capital Securities with ECS is €737,753,000.

Additionally, taking into account the current Rights issue of €1,799 million and the voluntary exchange of up to 737,753 Eligible Capital Securities with ECS of €737,753,000 and/or up to 3,688,765,000 New Shares (Exchange) of €368,876,500, the indicative (pro-forma) ratios for Core Tier 1 and Total Tier 1 as at 31 December 2011 would have been, based on the Central Bank of Cyprus and EBA's requirements, 7.5% and 9.0% respectively and based on the assumption that all Rights

offered to the Bank's shareholders, are exercised by their holders as well as that Eligible Capital Securities of €737,753,000 million are exchanged into 50% ECS and 50% into New Shares (Exchange). The calculations above include a profit of €120 million arising from the exchange of Tier II capital for which the process started on 14 May 2012 and is expected to end on 28 May 2012. The amount of €120 million is based on the capital plan's calculations that was submitted to the Central Bank of Cyprus and agreed with the supervisory authorities.

9.3 Requirement for exchange applications to be processed

Voluntary exchange applications for ECS can be accepted only in case that, at the completion of both Rights issue and the voluntary exchange of Eligible Capital Securities with New Shares (Exchange), the Bank's Core Tier 1 Ratio, as defined by the Central Bank of Cyprus, will be at least equal to 7%.

9.4 Withdrawal Right

In the event that a supplementary prospectus is published, as provided for by Articles 14(1)(6) and 14(1)(7) of the Cyprus Public Offer and Prospectus Law of 2005, investors who have agreed or have been bound in any manner prior to the publication of the supplement to the prospectus to exercise their Rights and to purchase new shares by registration, to which this Prospectus refers, on the basis of the information therein, may back out and be released with no liability attaching to them in regards to the promise and commitment they have undertaken. The Withdrawal Right is exercised within three working days from the publication of the supplement to the prospectus. The Withdrawal Right does not apply to cases where the shares have been issued.

9.5 Tax Regime

As at the date of the present Prospectus, the following Income Tax and Special Contribution for Defence Law provisions were in effect. It is understood that, in the event of any amendment of those Laws, the amended text of the Laws will be enforced.

Investors are encouraged to receive their own professional advice regarding the tax regime of the country in which each investor is a tax resident.

9.5.1 Tax Regime for the Bank

(i) General Matters

The Bank was incorporated in the Republic of Cyprus as a legal entity (Public Company). The Bank is subject to tax in accordance with the provisions of the tax legislation of the Republic of Cyprus applicable at the time and in accordance with the tax legislation of other countries in which the Bank or its subsidiary companies carry out their business, as applicable at the time, and in compliance with Double Taxation Treaties that exist between Cyprus and some of those countries.

Moreover, where the Bank operates through subsidiary companies or associates in other countries that are Member States of the European Union, applicable EU directives are also in effect.

(ii) Deemed Distribution

According to the provisions of the Special Contribution for Defence Law N117(I)/2002, as amended, a company which is a tax resident in Cyprus, is deemed as distributing 70% of its accounting profits (as adjusted in accordance with the relative legislation) after direct taxation (both Cyprus and overseas) in the form of dividends, at the end of a two year period as of the end of the fiscal year in which the accounting profits arise and a special contribution for defence at a rate of 20% of the deemed dividend attributable to shareholders (individuals or companies) who are Cyprus tax residents, is charged.

The amount of deemed dividend is reduced by any actual dividend distributed during the year in which profits arise (interim dividend) and during the two years after the end of the fiscal year in which the profits arise. An actual dividend distributed to companies is not subject to any special contribution for defence (see above).

In the case that an actual dividend is paid after the lapse of the two years, any deemed distribution reduces the actual dividend on which the special contribution for defence is charged.

9.5.2 Investors' Tax Regime - Taxation of Dividends and Disposal of Securities

(i) Gains on Disposals of Securities

According to Income Tax Law 118(I)/2002, as amended, "gain on disposal of titles" is exempt from Income Tax. "Titles" under article 2 of the said Law and relevant circulars issued by the Inland Revenue Department on 17 December 2008 and 29 May 2009, means shares (ordinary, founder's and preference), bonds, debentures, founder's and other titles of companies or other legal entities which are legally incorporated in Cyprus or abroad and rights of titles, as well as the following investment products: short positions on titles, futures / forwards on titles, swaps on titles, depositary receipts on titles such as ADRs and GDRs, Repos on titles under certain conditions, units in open-end or close-end collective investment schemes, International Collective Investment Schemes - ICIS, Undertakings for Collective Investments in Transferable Securities - UCITS, Investment Trusts, Investment Funds, Mutual Funds, Unit Trusts, Real Estate Investment Trusts, participations in the share capital of companies provided that they are not transparent entities for tax purposes on income and index participations only if they result in titles. Note that the circular dated 29 May 2009 clarifies that "Promissory notes" and "Bills of exchange" do not fall under the term "Titles".

(ii) Dividend Taxation (in the case where rights are exercised for the acquisition of ordinary shares)

It is noted that the tax treatment of each investor's revenues depends on a number of data and parameters, and the responsibility for seeking specialised tax advice lies with the investors.

(a) Investors who are Cyprus Tax Residents

Dividends arising from a company, which is a Cyprus tax resident, are exempt from tax if they are paid to another company, while they are subject to a special contribution for defence at a rate of 20% if they are paid to an individual who is a Cyprus tax resident. The company distributing the dividend must withhold the special contribution for defence at the time of the payment of the dividend to a shareholder who is an individual and a tax resident of Cyprus, and submit it to the tax authorities by the end of the month following the month in which the withholding took place.

(b) Investors who are residents of Greece

Dividends arising from a company, which is a Cyprus tax resident, paid to a tax resident of Greece (individual or company) are exempt from tax in Cyprus. If the profits from which the dividend is paid have been subject to a deemed distribution at any time, the special contribution paid due to the deemed distribution corresponding to the dividend received by the tax resident of Greece (individual or company) is returned, upon the submission of a relevant application by the shareholder to the Cyprus tax authorities.

Individuals who are tax residents of Greece are allowed to receive dividends without any withholding of special contribution for defence, assuming that they provide to the Bank the questionnaire that confirms their status as "non-Cyprus tax residents".

(c) Other Investors who are not Cyprus Tax Residents

Dividends from a company, which is a Cyprus tax resident, paid to a non-Cyprus tax resident (individual or company) are exempt from tax in Cyprus. If the profits from which the dividend is paid have been subject to a deemed distribution at any time, the special contribution paid due to the deemed distribution corresponding to the dividend received by the non-Cyprus tax resident (individual or company) is returned, upon the submission of a relevant application by the shareholder to the Cyprus tax authorities.

Individuals who are non-Cyprus tax residents are allowed to receive dividends without any withholding of special contribution for defence, assuming that they provide to the Bank the questionnaire for verifying the term "Non-Cyprus tax residents".

(iii) Special Tax Duty on Stock Exchange Transactions

In line with the provisions of the "Imposition of Special Duty on Stock Exchange Transactions" Law of 1999 as amended (the validity of the legislation stands as of 01/01/2000 until 30/06/2012), on transactions defined in the Table and compiled based on the Securities Trading Rules (Electronic Trading System) of 1999 or otherwise, all transactions executed on the CSE or announced to CSE, are subject to a special tax duty on each transaction, in accordance with the relevant tax rates and terms. The amount corresponding to the special tax duty on the transaction is borne by the seller or the person who announces the transaction, as the case may be.

The rate of the special tax duty is set at 0.15% if the seller of the security or the person announcing the transaction is either a legal entity or an individual. The fee is calculated as follows:

- In case of transactions formed on the CSE, on the amount of the stock transaction,
- In case of any other transaction specified in the Table and announced in the CSE pursuant to Article 23 of the Securities and Stock Exchange Cyprus Laws 1993 to 1999, on the total value of the securities on the day of announcement of the transaction on the CSE, based on the closing price of the securities as at that day, or if there is no such price, based on the last existing price or based on the declared price, whichever is the highest.

(iv) Cypriot Companies Conducting International Business

Cyprus International Business Companies which are Cyprus tax residents are taxed in the same way as all other legal entities which are Cyprus tax residents.

9.5.3 Taxation on Interest Receivable

(i) Individuals – Cyprus Residents

Income tax

From January 1st, 2003, pursuant to Law 118(I)/2002 on Income Tax, as amended, interest income is income tax exempt.

However interest income arising from the ordinary conduct of business, including any interest closely connected with the ordinary conduct of the business, is not considered as interest but as trading profit and, therefore, it is not exempt from income tax.

Special Contribution for Defence

Since August 31st, 2011, pursuant to Law 117(I)/2002 on Special Contribution for the Defence of the Republic, as amended, every person who resides in the Republic and receives or is credited with interest income, is subject to a special

contribution for defence at a rate of 15%. It is noted that, pursuant to Law 117(I)/2002 on Special Contribution for the Defence of the Republic, as amended, any person paying interest, is obligated to withhold a special contribution for defence from any payment which is made or will be made and submit it to the Director of the Inland Revenue Department, together with a statement, which will contain the full information regarding the circumstances according to which the withholding took place, as well as its calculation method.

However, interest income arising in the ordinary conduct of business, including any interest closely connected with the ordinary conduct of the business, is exempt from the special contribution for defence. Consequently, a person who pays such interest is not obligated to withhold a special contribution for defence.

Individuals, whose total annual income including interest does not exceed the amount of €12,000, have the right to a refund of the tax withheld for the special contribution for defence on interest in excess of the amount, corresponding to 3%.

Individuals, whose total annual income including interest does not exceed the amount of €12,000, have the right to a refund of the tax withheld for the special contribution for defence on interest in excess of the amount, corresponding to 3%.

(ii) Legal entities – Cyprus residents

Income tax

From January 1st, 2009, pursuant to Law 118(I)/2002 on Income Tax, as amended, interest income not arising from the ordinary conduct of business or interest not closely connected with the ordinary conduct of the business, is exempt from income tax.

However, interest income arising in the ordinary conduct of business, including any interest closely connected with the ordinary conduct of the business, as well as interest acquired by open-end or close-end collective investment schemes, is not considered as interest but as trading profit and therefore, it is considered as taxable income of the company for income tax purposes. Income tax is imposed at a rate of 10%.

Special Contribution for Defence

Since August 31st, 2011, pursuant to Law 117(I)/2002 on Special Contribution for the Defence of the Republic, as amended, every legal entity which resides in the Republic and receives or is credited with interest income, is subject to a special contribution for defence at a rate of 15%. It is noted that, pursuant to Law 117(I)/2002 on Special Contribution for the Defence of the Republic, as amended, any person paying interest, is obligated to withhold a special contribution for defence from any payment which is made or will be made and submit it to the Director of the Inland Revenue Department, together with a statement, which will contain the full information regarding the circumstances according to which the withholding took place, as well as its calculation method.

However, interest income arising in the ordinary conduct of business, including any interest closely connected with the ordinary conduct of the business, as well as interest acquired by open-end or close-end collective investment schemes, are exempt from the special contribution for defence. Consequently, a person who pays such interest is not obligated to withhold a special contribution for defence.

(iii) Provident Funds and Social Insurance

Interest earned by Provident Funds and the Department of Social Insurance Services in Cyprus are subject to the special contribution for defence at the rate of 3%.

(iv) Public Law Organisations

From January 1st, 2009, Public Law Organisations are subject to taxation along with the rest of the legal entities.

(v) Cyprus Companies Conducting International Business

Cyprus International Business Companies which are Cyprus tax residents are taxed in the same way as all other legal entities which are Cyprus tax residents.

(vi) Residents of Greece (individuals and legal entities)

ECS holders who are residents of Greece will be taxed in accordance with the tax regime of Greece.

Residents of Greece are entitled to receive interest without any withholding tax and special contribution for defence, provided that they have submitted to the Bank the questionnaire for verifying the term "Non-Cyprus tax residents". This questionnaire must be submitted to the Bank every year before December 31st of the previous year for which the non resident investor wishes to submit such a declaration.

(vii) Other non-Cyprus residents (individuals and legal entities)

In case of ECS holders who are not tax residents of the Republic, the manner of taxation depends on the tax regime of each ECS holder's country of residence.

Non tax residents of the Republic are entitled to receive interest without paying any Cyprus income tax and special contribution for defence, provided that they have submitted to the Bank the questionnaire for verification of their status as "Non-Cyprus tax residents". This questionnaire must be submitted to the Bank every year before December 31st of the previous year for which the non resident investor wishes to submit such a declaration.

(viii) European Directive 2003/48/EU

Pursuant to Directive 2003/48/EU of the Council for the taxation of income in the form of interest from savings, which is applicable in the Republic according to Law 146(I)/2004 on the Assessment and Collection of Taxes and the relevant Regulations, the Bank is a payment body residing in a member-state of the European Union. Therefore, in relation to the interest paid or the payment of which are made for the benefit of the actual beneficiaries who are physical persons and reside in another member-state of the European Union, the Bank provides information regarding the identity and the residence of the real beneficiary, the account number or the data relating to the claim from which the interest income arises, the amount of the interest, as well as the name and the address of the beneficiary, to the Commissioner of Income Tax in Cyprus, who may exchange said information with the competent Authorities of the other member-states, as well as certain other countries, which have signed relevant agreements with the European Union, in respect of the residents of each one of them.

9.6 Movement of Capital and Participation by Foreign Investors

The Capital Movement Law of the Republic of Cyprus does not affect the provisions of article 17(1) of the Banking Law of the Republic of Cyprus. According to article 17(1) of the Banking Law, it is prohibited to any person, either alone or in consort with an associate or associates, to exercise the control of any bank established in the Republic of Cyprus or of its parent company, unless that person obtains the prior written approval of the Central Bank of Cyprus (control means (i) owning 10% or more of votes at any general meeting of the company or its parent company, or (ii) the ability of a person to determine, in any manner, the election of a majority of the directors of the company or its parent company).

The present Prospectus is not distributed within or to the United States, Canada, Australia, South Africa, Japan, or to any other country in which, according to the laws of such a country, this issue offering is illegal or constitutes a breach of any applicable law, rule or regulation.

9.7 Capital Adequacy Regulations

The capital adequacy of the Bank is monitored based on the Directive for the Computation of Capital Requirements and Large Exposures ("Directive") issued by the Central Bank of Cyprus in December 2006 (as amended). With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union.

In December 2010, the Basel Committee on Banking Supervision published the Basel III framework, which presents the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. Basel III is in the process of being adopted by the EU and it will then be transposed into national legislation in Cyprus.

The Central Bank of Cyprus supervises the Group on a consolidated and standalone basis. In addition, the overseas subsidiaries are supervised by the local regulators.

On 8 July 2011, the Central Bank of Cyprus amended its Directive, introducing a new ratio for core tier I capital. The minimum level of the new ratio was set at 8% plus an increment based on the ratio of the Group's assets to the Republic of Cyprus' gross domestic product. The increment was set at zero until 30 December 2012. The Directive provides for a transitional period up to 2014 for the steady increase of core tier I. The minimum levels of the tier I and total capital ratios were set at 9,5% and 11,5% respectively, plus the increment required for core tier I. The Central Bank of Cyprus may also impose additional capital requirements for risks not covered by Pillar I.

Total regulatory capital is divided into core tier I, tier I and tier II:

- Core tier I capital mostly comprises of share capital (net of the book value of any treasury shares), share premium, retained earnings net of foreseeable dividends and non-controlling interests. The book value of goodwill and other intangibles is deducted in arriving at core tier I capital;
- Tier I mostly comprises of the core tier I and any perpetual loan capital which cannot be included as part of core tier I capital;
- Tier II capital mostly comprises qualifying subordinated loan capital and unrealised gains arising on the fair valuation of property and available-for-sale financial assets.

Investments in companies in the financial sector that exceed 10% of their capital are equally deducted from core tier I and tier II capital. Investments in insurance undertakings and investments in non-banking subsidiary companies are deducted from tier I and tier II capital to arrive at the regulatory capital.

Risk-weighted assets for credit and market risk are calculated using the standardised approach. For operational risk the capital requirements are calculated in accordance with the basic indicator approach.

The Group, within the framework of the Capital Exercise conducted by the European Banking Authority, has submitted a comprehensive capital plan to the Central Bank of Cyprus with which the Group aims to comply with a Core Tier I ratio of 9% after including the Greek Government Bond impairments and loan provisions. The capital plan submitted to the Central Bank of Cyprus has been agreed with the appropriate regulatory authorities which will monitor its implementation.

The Capital Plan includes a diverse set of targeted initiatives including exchanging of outstanding capital securities and subordinated debt (Tier II capital), asset optimisation and active management of portfolio exposures and raising of new equity. More specifically, the plan provides for the following:

- The raising of up to €1.8 billion via new ordinary equity from shareholders through a rights issue and/or private placement.
- Around €600 million to be raised through exchanging into Core Tier 1 capital, of part of the Group's outstanding capital securities and subordinated debt (Tier 2 capital) totaling €1.15 billion.
- Approximately €400 million through the management of the Group's risk weighted assets including divestment of non-core positions. Over the course of the last two months, 20% of this target has already been achieved.

Successful completion of the Capital Assistance Programme, which is expected to be completed in June 2012, will boost the capital position of the Group and, thus, comply with regulatory and supervisory requirements of both Cyprus and the European Union.

9.8 Credit Rating

The credit rating of the Bank is assessed by international credit rating agencies and is classified into ratings, on the basis of the specific indicators adopted by each agency. The most recent credit rating assessments of the Bank by the international rating agencies Moody's and Fitch, are presented in the table below:

CREDIT RATING AGENCIES AND CREDIT RATING GRADES	RATING GRADE
Moody's	
Outlook	Developing
Global local currency deposit ratings	B3/Not Prime
Foreign currency deposit ratings	B3/Not Prime
Bank financial strength	E
Fitch	
Outlook	Rating Watch Negative
Long-term issuer default rating	BB+
Short-term issuer default rating	B
Individual rating	f
Support rating	3

The significance of the credit rating grades adopted by each credit rating agency is set forth below:

Moody's

- B3: B3 rating refers to the long-term credit ratings of banks, whose obligations are considered speculative and are subject to high credit risk.
- Not Prime: Not Prime rating refers to the short-term credit ratings of banks, which have a low ability to timely repay their

short-term obligations

- E: E rating refers to the financial strength of banks, which display a very modest intrinsic financial strength.

Fitch

- BB+: BB+ rating refers to the long-term credit ratings of banks, whose ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time. However, business or financial flexibility exists which supports the servicing of financial commitments.
- B: rating refers to the short-term credit rating of banks, whose ratings indicate a decreasing capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.
- f: f rating refers to the individual rating of banks, which either have defaulted or would have been defaulted had they not received extraordinary support or benefited from other extraordinary measures.
- 3: 3 rating refers to the support of the bank, for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so.

It is noted that on October, 31, 2011 Fitch Ratings and Moody's registered under the European Union Regulation on Credit Rating Agencies, as per the provisions of Regulation (EC) No 1060/2009 of the European Parliament.

9.9 Impact on dilution

Through the present document, two issues are carried out, from which ordinary shares may arise. One of the issues, that is the Rights issue, is offered pro rata to existing shareholders. Additionally an issue of Enhanced Capital Securities is carried out, from which new shares may arise as a result of a potential mandatory conversion in the future. By extension, the future participation of existing shareholders, apart from whether or not they exercise the Rights allocated to them proportionally, will depend on the total number of Rights exercised, the rate of success of the voluntary exchange of Eligible Capital Securities with New Shares (Exchange), while the rate of success of the voluntary exchange of Eligible Capital Securities with ECS should be taken into account, as new shares may arise as a result of a potential mandatory conversion in the future.

In case that an existing shareholder exercises all the Rights allocated to him, and at the same time all other Rights are exercised coupled with a 100% success rate in the exchange of Eligible Capital Securities with New Shares (Exchange), then his participation rate will decrease up to 15.8%.

In case that an existing shareholder exercises none of the Rights allocated to him, and at the same time all other Rights are exercised by the other shareholders, then his participation rate will decrease up to 91.8%.

In case that an existing shareholder exercises none of the Rights allocated to him, and at the same time all other Rights are exercised by their holders coupled with a 100% success rate in the exchange of Eligible Capital Securities with New Shares (Exchange), then his participation rate will decrease up to 93.1%.

In case that the Republic of Cyprus, through the underwriting of the Rights issue, exercises all the Rights under issue and, at the same time, no share is issued through the exchange of Eligible Capital Securities with shares, then the shareholding participation of the Republic of Cyprus will settle at 91.8%.

In case that the Republic of Cyprus, through the underwriting of the Rights issue, exercises all the Rights under issue and, at the same time, all the shares from the exchange of Eligible Capital Securities with shares are issued (3,688,765,000 shares), then the shareholding participation of the Republic of Cyprus will settle at 77.2%.

It is noted that the underwriting of the issue by the Republic of Cyprus implies that all Rights shall be exercised.

9.10 Other Information

9.10.1 Listing on the CSE, Trading, Transfer of Securities

Until the listing and the commencement of trading of the Enhanced Capital Securities on the CSE and/or of the New Shares (Rights) and/or of the New Shares (Exchange) on the CSE and the ATHEX, the Enhanced Capital Securities, the New Shares (Rights) and the New Shares (Exchange) will not be traded and their transfer will not be possible.

If, for any reason, the Enhanced Capital Securities cannot be listed on the CSE and/or the New Shares (Rights) and/or the New Shares (Exchange) on the CSE and the ATHEX, then the Enhanced Capital Securities, the New Shares (Rights) and the New Shares (Exchange) will be transferred according to the procedure set out by the Board of Directors, pursuant to Companies Law Chapter 113.

The listing of Enhanced Capital Securities on the CSE and of New Shares (Rights) and the New Shares (Exchange) on the CSE and the ATHEX requires prior approval by the CSE and ATHEX Councils, which is provided after the submission and review of a number of supporting documents, as well as receiving any additional approvals by the Securities and Exchange Commission, if necessary. As for the CSE approval, it is noted that CSE must verify that the Register of Holders of Enhanced Capital Securities has been submitted in electronic form and that it meets all the requirements set out by the CSE, pursuant to Regulation 4 on Securities and the Cyprus Stock Exchange (registration, trading and liquidation of dematerialised securities) regulations of 2001 on the listing of Enhanced Capital Securities of the Bank into the Central Depository and Central Securities Registry.

With the commencement of trading of the Enhanced Capital Securities on the CSE and of the New Shares (Rights) and the New Shares (Exchange) on the CSE and the ATHEX, the registered brokerage firms will be able to place buy and sell orders within the framework of the legislation and regulations applicable.

9.10.2 Legislation / Regulations

- The stock market in Cyprus operates pursuant to the Cyprus Securities and Stock Exchange Laws and Regulations and the Investment Services and Activities and Regulated Markets Law 144(I)/2007, as amended.
- Companies listed on the CSE, comply with the laws, directives and decisions of the Cyprus Securities and Exchange Commission and the Cyprus Securities and Stock Exchange Laws and Regulations, as well as any directives issued thereto.
- Due to the parallel listing and trading of the Bank's shares on the Athens Stock Exchange, the Bank will comply with the Greek regulatory framework. It is clarified that, provided that the necessary approvals are received from the competent authorities, the Enhanced Capital Securities will be listed on the CSE.
- The Bank's operations are governed by the Banking Law 66(1)/1997 and the Companies Law Chapter 113.
- The Group prepares annual audited consolidated financial statements in accordance with the I.F.R.S.. The annual audited consolidated financial statements are published pursuant to applicable legislation.
- The Trust Deed and the Enhanced Capital Securities are governed by the applicable Laws of the Republic of Cyprus.
- The Courts of the Republic of Cyprus are to have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Trust Deed and the Enhanced Capital Securities.

It is noted that article 12 of the Decree states: "The bank shall not exercise aggressive market strategies, including advertising of the support it receives, to the detriment of competitors that do not receive similar support, in order to avoid undue distortions in the competition and the market. Especially, the average annual rate of growth of the bank's balance sheet shall not exceed 12,4% (the average rate of growth of the size of the balance sheets of the financial sector in the Republic during the ten years prior to the entry into force of this Decree)."

9.11 Example on Share Warrants

The following example is purely hypothetical and does not constitute indication/estimation for the actual result.

- Through Rights exercise procedure, a total of 5,000,000,000 new shares will result by shareholders/investors (amount of €500,000,000) from a total of 17,990,734,564 new shares under issue.
- Person "A" acquired, through the exercising of Rights, 1,000,000 of the total 5,000,000,000 new shares, ie a percentage of 0.020% of the total (1,000,000 shares / 5,000,000,000 shares) paying the amount of €100,000 (€ 0.10 per share).
- Through the underwriting agreement, the Republic of Cyprus acquires 12,990,734,564 new shares, that is, all remaining shares under issue; since the Rights issue sums to a total of 17,990,734,564 new shares.
- The Republic of Cyprus will issue Share Warrants for the Bank's 12,990,734,564 new shares to persons participated in the acquisition of the 5,000,000,000 new shares, on the basis of proportional participation.
- In the example, person "A" will receive, free of charge, from the Republic of Cyprus five Share Warrants for a total of 2,598,147 shares of the Bank, that is 0.020% X 12,990,734,564 new shares. The rate of 0.020% results by dividing the 1,000,000 shares of person "A" to the total of 5,000,000,000 shares.
- Therefore, person "A" will receive free of charge from the Republic of Cyprus five Share Warrants for the total of 2,598,147 shares of the Bank, each of which will give him/her the right to acquire 519,629 shares of the Bank.

	Bank shares per Share Warrant	Exercise price	Exercise period
Share Warrant 1	519,629	€0.109	June 2014
Share Warrant 2	519,629	€0.119	June 2014
Share Warrant 3	519,629	€0.130	June 2015
Share Warrant 4	519,629	€0.141	June 2016
Share Warrant 5	519,629	€0.154	June 2017

- When person "A" exercises the Share Warrants allotted by the Republic of Cyprus, a transfer of shares will be made by the Republic of Cyprus to him/her.
- The exercise of Share Warrant 1, requires a statement of intent of exercise during the first year for the percentage that is applicable until the specified point in time (that is 20%).
- If any of the holders of the Share Warrants wishes to exercise a bigger percentage from that which arises via the predetermined annual percentage, s/he may do so.
- In such a case (a) the Share Warrants exercise price shall be that of the period in which the exercise takes place, and not that of the future year (b) the Share Warrants exercised will be deducted from the other Share Warrants of

the shortest duration (c) the exercise must relate to the full exercise of the Share Warrants of subsequent periods (no partial exercise is allowed). It is noted that the first period is set for June 2014.

- The transfer and exercise must be full (no partial exercise is allowed). Therefore, in the example, person "A" can exercise and transfer 519,629 shares for each Share Warrant, and not a lesser number.

In the above example roundings have been made. In large numbers of persons, roundings shall be made through a software application. Additionally, exactly the same calculations can be made based on the Rights exercised, instead of shares as above.

GLOSSARY OF TERMS

The following definitions apply to the entirety of this Prospectus, except where the text requires otherwise:

“Assets”:	This means the total consolidated and non consolidated assets of the Bank as these are presented in the balance sheet, which is included in the latest audited financial statements, adjusted for contingencies and post balance sheet events as per the decision of the Directors, the Auditors or the Receiver as the case may be.
“ATHEX”:	This means the Athens Stock Exchange S.A.
“Beneficiaries”, “Entitled Shareholders”:	This means the shareholders who are registered with both the Central Securities Depository/Registry of the Cyprus Stock Exchange (‘CSE’), as well as with the Dematerialised Securities System (‘DSS’) of Hellenic Exchanges (‘HELEX’) on 30 May 2012 (Record Date Rights).
“Board of Directors”, “BoD”:	This means the members of the Board of Directors of Cyprus Popular Bank Public Co Ltd.
“Business Day”:	This means each day when the banks in Cyprus are open to the public for usual banking transactions.
“Cancelled Interest Payment”:	This means any Interest Payment that will not be paid by the Bank according to Section 6.4.2.4.
“Capital Adequacy Regulations”:	This means the regulations and circulars of the Central Bank of Cyprus regarding capital adequacy, at any given time.
“Central Bank”:	This means the Central Bank of Cyprus.
“Central Depository/Registry of Cyprus Stock Exchange”:	This means the Central Registry of listed stocks in CSE
“Contingency Event”:	This means the event as defined in Section 6.4.2.8(a).
“CRD IV”:	This means the Capital Requirements Directive of the European Union that aims to strengthen the resilience of the banking and financial system, as will apply from 1 January 2013.
“Creditors”:	This means the Bank’s creditors, who are depositors or other creditors whose claims are unsubordinated to the claims of depositors, creditors whose claims are subordinated except those creditors whose claims rank pari passu with the claims of the holders of Enhanced Capital Securities, holders of subordinated bonds of the Bank.
“CRR”:	This means the Capital Requirements Regulation of the European Union that aims to strengthen the resilience of the banking and financial system, as will apply from 1 January 2013.
“CSE”, “Stock Exchange”:	This means the Cyprus Stock Exchange.
“Cyprus Popular Bank Public Co Ltd”	This means Cyprus Popular Bank Public Co Ltd.

<p>“Bank”, “Issuer”, “Company”, “CPB”).</p>	
<p>“DSS”:</p>	<p>This means the Dematerialised Securities System of the Hellenic Stock Exchanges.</p>
<p>“ECS Beneficiaries”:</p>	<p>This means the Eligible Capital Securities holders who will be registered with the Central Securities Depository/Registry of the Cyprus Stock Exchange (‘CSE’),) on 30 May 2012 (Record Date (ECS)), to whom participation right in the Enhanced Capital Securities issue will be allotted..</p>
<p>“Eligible Capital Securities”:</p>	<p>This means the Bank’s older capital securities issued in (i) 2008 (CPBCS), (ii) 2009 (CPBCB) and (iii) 2010 (CPBCC).</p>
<p>“ETVK”:</p>	<p>This means the Cyprus Union of Bank Employees.</p>
<p>“Exempt Countries”:</p>	<p>This means the United States, Canada, Australia, South Africa, Japan or any other country in which, according to the laws of such country, this public offer or the dispatch/distribution of this Prospectus is illegal or constitutes a breach of any applicable law, rule or regulation.</p>
<p>“Ex-interest Date”:</p>	<p>This means for every Interest Period, the day on which the Enhanced Capital Securities will be traded ex-interest.</p>
<p>“GGB”:</p>	<p>This means Greek Government Bonds.</p>
<p>“Group” or “Cyprus Popular Bank Group”:</p>	<p>This means Cyprus Popular Bank Public Co Ltd and its subsidiary companies.</p>
<p>“HELEX”:</p>	<p>This means the Hellenic Exchanges S.A. Clearing, Settlement and Registry, in the framework of which the Decentralised Securities System (DSS) functions</p>
<p>“IASB”:</p>	<p>This means the International Accounting Standards Board.</p>
<p>“IFRS / IAS”:</p>	<p>This means the International Financial Reporting Standards.</p>
<p>“Informative Letter (ECS)”:</p>	<p>This means the Informative Letter for subscription in the Enhanced Capital Securities which will serve as an application for subscription and shall be sent to the Eligible Capital Securities holders who are registered in the Central Depository / Registry of the CSE during the Record Date ECS.</p>
<p>“Informative Letter (Rights)”:</p>	<p>This means the Informative Letter regarding the Rights issue which will serve as an application for subscription and shall be sent to the Shareholders who are registered in the Central Depository/Registry of the CSE and the Dematerialised Securities System (DSS) of the HELEX during the Record Date ECS.</p>
<p>“Interest Beneficiaries”:</p>	<p>This means, apart from the Holders, also the Holders who have sold Convertible Enhanced Capital Securities during an ex-interest period and hence they are not considered Holders but they maintain their rights in respect of the Interest Payment.</p>
<p>“Interest Payment Cancellation”:</p>	<p>This means the interest payment cancellation according to Section 6.4.2.4.</p>
<p>“Interest Payment”:</p>	<p>This means, for every Interest Payment Date, the total Interest Payable for the period ending on the Interest Payment Date</p>

“Interest”:	This means the interest payable to the Enhanced Capital Securities holders for the Interest Period in reference.
“Issue Date”:	This means the date on which the Board of Directors will convene and will issue the New Shares (Rights), the ECS and the New Shares (Exchange).
“Issue/Issues”:	This means the issue of: <ul style="list-style-type: none"> • 1,611,110,558 Rights and up to 17,990,734,564 New Shares (Rights) that will result from the exercise of the Rights • Up to 737,753 ECS and/or up to 3,688,765,000 New Shares (Exchange) that will result from the exchange for Eligible Securities
“Last cum-date ECS”:	This means the last date (last cum date) that the Bank’s Eligible Capital Securities are traded, i.e. the date by which the persons who shall acquire Eligible Capital Securities of the Bank will be entitled to participate in the ECS and/or New Shares (Exchange) issuance.
“Last cum-date Rights”:	This means the last date (last cum date) that the Bank’s share is traded, i.e. the date by which the persons who shall acquire shares of the Bank will be entitled to participate in the Rights issuance.
“Liabilities”:	This means the total consolidated and non-consolidated liabilities of the Bank as these are presented in the balance sheet, which is included in the latest audited financial statements, adjusted for contingencies and post balance sheet events as per the decision of the Directors, the Auditors or the Receiver as the case may be.
“Mandatory Conversion Price”:	Will be calculated as 90% (ninety per cent) of the weighted average price of the Bank’s Share, for a period of 20 (twenty) Business Days prior to the Contingency Event or Viability Event notice. The minimum Conversion Price is the nominal value per ordinary share (currently €0.10).
“Mandatory Conversion”:	This means the event where the CECS shall be mandatorily converted into ordinary shares at a Mandatory Conversion Price, if a Contingency Event or Viability Event occurs.
“Marfin Egnatia Bank S.A.”, “MEB”	This means Marfin Egnatia Bank.
“Member of the Cyprus Stock Exchange”:	This means brokers, brokerage firms, Cypriot Investment firms (KEPEY) or general partnerships of brokers registered in the Member Registry of CSE, as well as the Greek brokerage firms that are remote members of CSE.
“New Shares (Exchange)”:	This means the new shares which will arise from the exchange of Eligible Capital Securities with shares.
“New Shares (Rights)”:	This means the new shares which will arise from the exercise of the Rights.
“Decree”:	This means the Underwriting of Rights Issue of Cyprus Popular Bank Public Co Ltd Decree of 2012, issued by the Minister of Finance in the exercise of the powers vested on him by articles 6, 7 and 14 of the Management of Financial Crises Laws of 2011 to (No.2) 2012, subsequent to the recommendation of the Central Bank of Cyprus and with its concurring opinion.
“Perpetual Enhanced Capital	This means the up to 737,753 Enhanced Capital Securities with nominal value

Securities”, “Enhanced Capital Securities”, “ECS”:	of €1,000 each which are offered in exchange for Eligible Capital Securities, in accordance with the terms of this Prospectus.
“Prospectus drawing up Lead Manager”:	This means Marfin CLR (Financial Services) Ltd, which acts as Prospectus drawing up Lead Manager regarding the offer and the listing of the securities for this issue/issues.
“Prospectus”:	This means the current Prospectus prepared in accordance with the provisions of the Prospectus Law of 2005 (L114(1)/2005) as well as the Regulation 809/2004 of the European Union Committee.
“Public Takeover Bid”:	As defined in Law 41(I)/2007 of the Republic of Cyprus or as otherwise amended.
“Record Date ECS”:	This means record date, at the end of which those persons entitled to take part in the voluntary exchange of Eligible Securities for Enhanced Capital Securities are registered in the records of the CSE.
“Record Date for Interest Beneficiaries”:	This means, for every Interest Period: <ul style="list-style-type: none"> - Before the listing of Enhanced Capital Securities on the CSE, the record date for Interest Beneficiaries, as set by the Bank - Once the Enhanced Capital Securities are listed on the CSE, record date for Interest Beneficiaries at which the ECS holders will be registered in the records of CSE.
“Record Date Rights”:	This means record date, at the end of which those persons entitled to take part in the Rights issue are registered in the records of the CSE.
“Registry of Shareholders”:	This means the registry of the Bank’s shareholders.
“Rights owners”:	This means the owners of Rights who are registered in the Rights Registry after the last cum date of the Rights on the CSE and the ATHEX.
“Rights”:	This means the Rights offered to shareholders through this Prospectus.
“Securities and Exchange Commission”, “SEC”:	This means the Cyprus Securities and Exchange Commission.
“Shareholders”:	This means the registered shareholders of the Bank.
“Shares”, “Existing Shares”, Issued Shares”:	This means the 1,611,110,558 ordinary shares of nominal value of €0.10 each, which constitute the issued share capital of the Bank.
“Share Warrants”:	This means the share warrants as mentioned in the Decree.
“Subscription Right”:	This means the right of shareholders, of persons who will acquire Rights from the CSE and the ATHEX and of interested investors who would not hold any number of Rights, to acquire unexercised Rights pursuant to Section 5.7.
“The Sponsor responsible for the collection of the subscription monies”:	This means Cyprus Popular Bank Public Co Ltd.
“Tier I Capital”:	As defined in the Capital Adequacy Regulations. The same applies for Core Tier I Capital.

"Tier II Capital":	As defined in the Capital Adequacy Regulations.
"Trust Deed":	This means the trust deed regarding the Enhanced Capital Securities dated 22 May 2012 between the Bank and the Trustee.
"Underwriter of the Right's Issue":	This means the Republic of Cyprus.
"Viability Event":	This means the event as defined in Section 6.4.2.8(b).
"£", "CP":	This means the Cypriot Pound, which upon the accession of Cyprus in the Eurozone on 1 January 2008 has been replaced by the Euro (€) based on the formal exchange rate €1 = £0.585274.
"€":	This means the Euro.

INTERPRETATION OF DOCUMENT

The headings and the references to headings shall not be taken into account in the interpretation of the Prospectus

The reference to law, directive, regulation, agreement or other documents shall be construed as a reference to this law, directive, regulation, agreement or document as currently supplemented, amended, assigned, renewed or replaced.

The reference to the singular tense includes the plural tense and vice versa and the reference to the male gender includes the female gender and vice versa.

The "person" includes natural person, legal person, as well as organization or entity without a legal personality.

This Prospectus of Cyprus Popular Bank Public Co Ltd, dated 11 May 2012, was signed by the following Members of the Board of Directors of Cyprus Popular Bank Public Co Ltd. The Bank and its Directors state that, after having taken all reasonable care, the information contained in the Prospectus is, to the best of their knowledge, true and accurate and does not contain any omissions likely to affect its content.

Michalis Sarris, Chairman, Non-Independent Non-Executive Member

Neoclis Lysandrou, Vice Chairman, Non-Independent Non-Executive Member

Constantinos Mylonas, Vice Chairman, Non-Independent Non-Executive Member

Christos Stylianides, Chief Executive Officer, Executive Member

Panayiotis Kounnis, Deputy Chief Executive Officer, Executive Member

Chris Pavlou, Independent, Non-Executive Member

Stelios Stylianou, Non-Independent, Non-Executive Member

This Prospectus of Cyprus Popular Bank Public Co Ltd, dated XX XX 2012, was signed by the Lead Manager of the Prospectus, Marfin CLR (Financial Services) Ltd, which states that, after having taken all reasonable care to that end, the information contained in the Prospectus is, to the best of its knowledge, true and accurate and does not contain any omissions likely to affect its content:

Marfin CLR (Financial Services) Ltd