MARFIN POPULAR BANK

Press release

25 February 2010

Marfin Popular Bank: Full-year 2009 preliminary financial results

- Group 4Q 2009 net profit attributable to shareholders amounted to €30.0 million; full-year 2009 recurring net profit adjusted for the impact of the €12.8 million one-off tax charge stood at €186.7 million, while full-year 2009 net profit attributable to shareholders was €173.9 million versus €394.6 million a year earlier; earnings per share (EPS) for 2009 stood at €20.8 cents
- Group 4Q 2009 net interest income rose 6% q/q to €179.9 million, reflected on an expanding NIM from 1.79% in 3Q 2009 to 1.90% in 4Q 2009; Fee & commission income was 5% higher q/q to €63.4 million, supported by higher banking and asset management related fees & commissions
- Group full-year 2009 total operating revenues stood at €1,074.9 million almost flat on an annual basis, demonstrating the Group's capacity to return to its pre-crisis performance levels
- NPL formation declined further in 4Q 2009 to €36 million at Group level versus €74 million in 3Q 2009; decelerating NPL formation for a second consecutive quarter led to a reduction of Group NPL ratio of 4 basis points on a sequential basis to 6.10% from 6.14% in 3Q 2009; coverage ratio improved by 90 basis points to 51.4% in 4Q 2009, with cost of credit rising to 105 basis points in 4Q 2009 from 96 basis points in 3Q 2009 (cost of credit reached 100 bps for the FY 2009)
- The Group sustained a strong balance sheet; Tier I and capital adequacy ratio stood at 9.7% and 11.8% respectively at the end of 2009; core Tier I capital represents 67% of total regulatory funds and 82% of total Tier I capital
- The Board of Directors will approve the final 2009 financial results and decide on the dividend policy at the next Board Meeting
- The Board of directors proceeded with a restructuring of the Group Executive Committee, with the new composition as follows:
  E. Bouloutas, Chairman/ E. Hiliadakis, P. Kounnis, C. Stylianides, H. Kounadis, K. Magiras, D. Spanodimos, S. David, members

Volumes

The main focus of the Group's strategy has been improving profitability on moderately expanding balance sheet. The Group's balance sheet expansion has been dictated by slower economic growth, weaker credit quality and constrained liquidity conditions. In view of these adverse conditions for the FY 2009 the Group's total assets have expanded by 9% to €41.8 billion.

Despite sustained adverse economic conditions across the Group's key geographic regions, MPB's total gross lending portfolio rose 7% on an annual basis to €25.9 billion, driven by 9% growth in Cyprus, 7% growth in Greece and 4% growth in international operations. The mortgage book rose by 12% y/y to €4.4 billion, comprising 17% of total loan book versus 16% a year earlier. On the contrary, consumer loans dropped by 1% y/y to €3.9 billion, with their contribution to total loan book declining to 15% from 17% in 2008. MPB's total retail loan book expanded by 5% to €8.3 billion. Business loans increased by 8% to €17.6 billion, corresponding to 68% of the total loan book. MPB managed to expand its market share in Greece to 5.4% at the end of 2009 compared with 5.1% in 2008.

Total Group deposit volumes declined marginally by 4% y/y to €23.9 billion, reflecting the Group's defensive deposit gathering strategy. Although deposits were marginally lower 4% y/y in Cyprus and 7% y/y in Greece, international operations reported 20% growth, reflecting the management's effort to improve loan-to-deposit ratio in international markets. Loan-to-deposit ratio reached 104% for the Group at December 2009 versus 94% at December 2008, remaining at one of the most comfortable levels among its peers. International business banking (IBB) deposits registered a 4% decline y/y to €4.4 billion mainly due to a decline in the US$/€ exchange rate combined with adverse market conditions.

Assets under management rose to €8.6 billion in December 2009 compared to €7.9 billion in December 2008. Total private banking assets increased by €200 million in Greece and Cyprus during the year growing to €4.2 billion.

Revenues

The continued success of the Group's repricing policy consistent with the changing credit and liquidity conditions have resulted to further NIM improvement from 1.79% in 3Q 2009 to 1.90% in 4Q 2009. Although this number is lower compared to the 2.18% level in the fourth quarter of 2008, it is off its lows of 1.35% registered during the first quarter of this year. Improving NIM has been the key driver behind the 6% quarterly growth of NII to €179.9 million. For the FY 2009, NII reached €635.8 million, 15% lower on an annual basis.

Fee & commission income rose 5% for the quarter reflecting higher banking, international business banking and asset management fees and commissions. For the FY 2009, fee and commission income reached €227.9 million exhibiting a 21% decline y/y.

Financial & other income was at €29.7 million for the quarter versus €60.0 million in 3Q 2009. For the FY 2009 financial & other income was €211.2 million, significantly higher than FY 2008, due to the improved global fixed income markets.

Total operating revenues was 6% lower q/q in 4Q 2009 at €273.0 million. FY 2009 Group total operating revenues of €1,074.9 million were almost flat y/y, despite adverse market conditions, demonstrating the Group's resilience.

Expenses

For the FY 2009, operating expenses rose by 6% to €624.5 million. The subdued expansion of operating costs reflect the impact of a Group wide cost restructuring programme aiming to realise cost efficiencies and improved productivity.

Asset Quality

The successful undertaking of a series of initiatives both in the areas of risk management and collections has been reflected on improving asset quality trends. This development already evident in 3Q 2009 continued in 4Q 2009. Quarterly NPL formation declined from €216 million in 2Q 2009 to €74 million in 3Q 2009 and €36 million in 4Q 2009. As a consequence the NPL ratio dropped marginally to 6.10% from 6.14% in 3Q 2009. The cost of credit rose to 105 bps in 4Q 2009 from 96 bps in 3Q 2009. The combined impact of decelerating NPL formation and sufficient provisioning has resulted to a 90 bps q/q expansion in provision coverage to 51.4% in 4Q 2009, consistent with the Group's policy to strengthen its provision buffer. For the FY 2009, cost of credit was at 100 bps compared with 61 bps in FY 2008. Between December 2008 and December 2009, NPL ratio rose from 4.30% to 6.10% and provision coverage declined from 61.0% to 51.4%.

Capital base

The capital position of the Group remains strong. As of 31 December 2009, Tier I ratio was at 9.7%[1] and capital adequacy ratio at 11.8%, while core Tier I capital contributed 82% to total Tier I capital and 67% to total regulatory capital. Group tangible equity expanded by 9% to €2.4 billion.

Profitability

Net profit attributable to shareholders stood at €30.0 million in 4Q 2009. Full-year 2009 recurring net profit adjusted for the impact of the €12.8m[2] one-off tax charge amounted to €186.7m, while FY 2009 net profit attributable to shareholders was €173.9 million.

International Operations

NII from international operations grew by 18% y/y for the FY 2009 to €117.3 million, due to the strong performance of Romania, Ukraine, Russia, UK and Malta. NIM showed a steady improvement throughout the year, rising from 3.07% in 1Q 2009 to 3.42% in 4Q 2009. The Group's international balance sheet structure improved further, as it is reflected in a lower loan-to-deposit ratio, which declined from 144% in December 2008 to 123% in December 2009.

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[1] Tier I ratio is based on the assumption of full utilisation of the issued hybrid capital as Tier I (based on the 35% hybrid capital limit to total Tier I capital).

[2] The Greek government announced the imposition of a one-off tax charge on Greek corporate earnings, including those earned by banks for the financial year of 2008, in the framework of the support program for social solidarity aiming to relieve lower income citizens. For MPB this exceptional tax charge has been estimated at €12.8m and it was reported in 3Q 2009 financial results.

Commenting on the financial results for the year 2009, Mr. Efthimios Bouloutas, Chief Executive Officer of Marfin Popular Bank Group, made the following statement:

"The sustained improving operating performance over the last three quarters reflects the successful implementation of our strategy built upon prudent balance sheet and robust risk management combined with strong focus on efficiency and profitability. The Group's improving balance sheet structure during 2009 has been crystallised on a combination of strong liquidity and robust capital base. The Group's loan-to-deposit ratio has been maintained at a level close to 100%, while its total regulatory capital has grown to €3.0 billion corresponding to a total capital adequacy ratio of 11.8% and Tier I ratio of 9.7%. Both the Group's liquidity and capital position continue to rank amongst the strongest both within the Hellenic, as well as, the European banking space. Strong risk and collections management have underpinned a meaningful deceleration in NPL formation from €216 million in the second quarter to €74 million in the third quarter and only €36 million in the fourth quarter, resulting to an improvement of NPL ratio by 4 basis points to 6.10% in 4Q 2009 from 6.14% in 3Q 2009. The above combined with adequate provisioning have allowed for an improvement in our provisioning coverage from 50.5% in 3Q 2009 to 51.4% in 4Q 2009. Despite a moderate balance sheet expansion the uplift in our NIM, through effective and targeted pricing, has boosted our NII, while fee and commission income has benefited from renewed activity in our capital markets and international business banking. The Group's improved core revenue generation for the quarter has been accompanied by well contained cost trends primarily reflecting the impact of a series of initiatives. The resilience of the Group's operating performance against a backdrop of adverse market conditions should add to its capacity to service and expand its customer base more effectively, thus contributing to the Group's medium to long term prospects."

// Consolidated Income Statement, full-year 2009 financial results *(€m)*	FY08	FY09	FY09/ FY08 (%)
Net interest income (NII)	**744.4**	**635.8**	**(14.6)%**
Net fee & commission income	286.7	227.9	(20.5)%
Financial & other income	54.2	211.2	290.4%
Total operating revenues	**1,085.3**	**1,074.9**	**(0.9)%**
Staff costs	(349.8)	(368.8)	5.4%
Other operating expenses	(190.9)	(198.5)	3.9%
Depreciation & amortization	(50.5)	(57.2)	13.3%
Operating expenses	**(591.2)**	**(624.5)**	**5.6%**
Pre provision profit	**494.1**	**450.4**	**(8.8)%**
Provision for loan impairment	(129.4)	(250.6)	93.7%
Profit from associates	2.5	18.0	-
Profit before tax	**367.2**	**217.8**	**(40.7)%**
Tax	(56.0)	(47.4)	(15.2)%
Minority interest	(8.8)	3.5	-
Profit from discontinued operations [1]	92.2	-	-
Net profit attributable to shareholders	**394.6**	**173.9**	**(56.0)%**
Recurring net profit (adjusted for one-off tax charge) [2]	**394.6**	**186.7**	**(52.7)%**

// Key balance sheet items *(€m)*	FY08	FY09	FY09/ FY08 (%)
Loans to customers (net)	23,427	25,082	7.1%
Total assets	38,367	41,828	9.0%
Customer deposits	24,828	23,886	(3.8)%
Total equity	3,430	3,636	6.0%
Tangible Equity	2,165	2,358	8.9%

// Key ratios	FY08	FY09
Tier I	8.6%	9.7% [3]
Capital adequacy ratio	10.6%	11.8%
Cost/income	54.5%	58.1%
NIM	2.40%	1.72%
Loans/Deposits	94.4%	104.0%
NPLs	4.30%	6.10%
Cost of credit (Provisioning)	61 bps	100 bps
RoTE (return on tangible equity)	18.3%	7.7%
RoA (return on assets)	1.16%	0.42%

(1) Profit from discontinued operations derives from the sale of the insurance operations of the Group to CNP Assurance in 2008
(2) One-off tax charge to be paid in 2010 is €12.8m
(3) Tier I ratio is based on the assumption of full utilisation of the issued hybrid capital as Tier I (based on the 35% hybrid capital limit to total Tier I capital)