

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements  
for the three months ended

31 March 2012

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# Bank of Cyprus Group

## Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2012

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# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the three months ended 31 March 2012

	Notes	Three months ended 31 March		Year ended 31 December
		2012	2011 (restated)	2011 (restated)
		€000	€000	€000
Turnover		662.094	633.944	2.808.300
Interest income		550.081	558.024	2.295.116
Interest expense		(255.086)	(282.377)	(1.127.443)
Net interest income		294.995	275.647	1.167.673
Fee and commission income		58.614	59.006	247.044
Fee and commission expense		(3.109)	(3.035)	(14.679)
Foreign exchange income/(loss)		5.350	(3.792)	45.178
Net gains on financial instrument transactions and disposal of subsidiaries		4.974	9.195	3.571
Insurance income net of insurance claims		16.068	16.919	61.190
Other income		1.460	2.540	31.329
		378.352	356.480	1.541.306
Staff costs		(92.862)	(112.349)	(431.774)
Other operating expenses		(66.193)	(69.274)	(292.997)
<b>Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)</b>		219.297	174.857	816.535
Provisions for impairment of loans and advances	11	(100.129)	(78.707)	(426.287)
<b>Profit before impairment of GGBs</b>		119.168	96.150	390.248
Impairment of GGBs and change in fair value of related hedging derivatives		(34.265)	-	(1.729.261)
<b>Profit/(loss) before share of profit of associates</b>		84.903	96.150	(1.339.013)
Share of profit/(loss) of associates		77	(36)	(1.441)
<b>Profit/(loss) before tax</b>		84.980	96.114	(1.340.454)
Taxation		209.608	(21.621)	(25.959)
<b>Profit/(loss) after tax</b>		294.588	74.493	(1.366.413)
Attributable to:				
Non-controlling interests ((loss)/profit)		(820)	451	(7.073)
<b>Owners of the Company ((profit)/loss)</b>		295.408	74.042	(1.359.340)
<b>Basic earnings/(losses) per share (cent)</b>	9	29,6	8,3	(155,6)
<b>Diluted earnings/(losses) per share (cent)</b>	9	19,8	7,9	(155,6)
<b>Basic earnings per share excluding the impairment of GGBs (cent)</b>	9	9,9	8,3	32,2
<b>Diluted earnings per share excluding the impairment of GGBs (cent)</b>	9	6,7	7,9	18,8

**Bank of Cyprus Group**  
Interim Consolidated Statement of Comprehensive Income

for the three months ended 31 March 2012

	Three months ended 31 March	
	2012	2011 (restated)
	€000	€000
<b>Profit after tax</b>	<b>294.588</b>	74.493
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
Gains/(losses) on translation of the net investment in subsidiaries and overseas branches	<b>32.893</b>	(1.912)
(Losses)/gains on hedging of net investment	<b>(15.228)</b>	4.538
	<b>17.665</b>	2.626
<b>Available-for-sale investments</b>		
Profits from revaluation before tax	<b>28.992</b>	28.444
Transfer to the consolidated income statement on impairment	<b>999</b>	35
Transfer to the consolidated income statement on sale	<b>11.111</b>	65
Taxation	<b>(502)</b>	338
	<b>40.600</b>	28.882
<b>Cash flow hedges</b>		
Losses from revaluation before tax	-	(569)
Taxation	-	33
	-	(536)
<b>Property revaluation</b>		
Taxation	-	2
<b>Other comprehensive income after tax</b>	<b>58.265</b>	30.974
<b>Total comprehensive income for the period</b>	<b>352.853</b>	105.467
Attributable to:		
Non-controlling interests	<b>2.001</b>	1.060
<b>Owners of the Company</b>	<b>350.852</b>	104.407

# Bank of Cyprus Group

## Interim Consolidated Balance Sheet

as at 31 March 2012

		31 March 2012	31 December 2011 (restated)	31 December 2010 (restated)
	Notes	€000	€000	€000
<b>Assets</b>				
Cash and balances with central banks		1.574.582	1.375.047	2.241.825
Placements with banks		3.857.291	2.627.831	5.264.628
Reverse repurchase agreements		166.060	215.936	120.166
Investments	10	2.497.718	2.629.124	4.307.558
Investments pledged as collateral	10	931.627	938.070	1.038.036
Derivative financial assets		91.369	193.734	76.278
Loans and advances to customers	11	27.210.831	27.366.917	27.725.451
Life insurance business assets attributable to policyholders		518.411	504.579	561.695
Property and equipment		476.960	473.188	418.781
Intangible assets		492.406	472.510	479.058
Other assets	12	834.857	674.439	399.287
Investments in associates		2.897	2.820	3.805
<b>Total assets</b>		<b>38.655.009</b>	37.474.195	42.636.568
<b>Liabilities</b>				
Obligations to central banks and amounts due to banks		4.404.522	3.065.756	3.706.975
Repurchase agreements		839.347	785.993	913.109
Derivative financial liabilities		276.530	488.111	240.412
Customer deposits		29.186.556	29.654.498	32.952.567
Insurance liabilities		625.384	611.264	658.309
Debt securities in issue	13	36.569	49.791	83.957
Other liabilities	14	302.363	347.697	419.295
Subordinated loan stock	15	129.590	128.380	930.942
<b>Total liabilities</b>		<b>35.800.861</b>	35.131.490	39.905.566
<b>Equity</b>				
Share capital	16	1.795.141	899.528	894.948
Share premium		861.160	1.164.903	1.159.819
Convertible Enhanced Capital Securities	17	428.576	862.233	-
Revaluation and other reserves		59.308	2.585	(186.677)
(Accumulated losses)/retained earnings		(376.482)	(670.988)	771.608
<b>Equity attributable to the owners of the Company</b>		<b>2.767.703</b>	2.258.261	2.639.698
Non-controlling interests		86.445	84.444	91.304
<b>Total equity</b>		<b>2.854.148</b>	2.342.705	2.731.002
<b>Total liabilities and equity</b>		<b>38.655.009</b>	37.474.195	42.636.568

**Th. Aristodemou** Chairman  
**A. Artemis** Vice Chairman  
**A. Eliades** Group Chief Executive Officer  
**Y. Kypri** Deputy Group Chief Executive Officer  
**Chr. Hadjimitsis** Senior Group General Manager

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the three months ended 31 March 2012

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium	Convertible Enhanced Capital Securities (Note 17)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
<b>1 January 2012</b>	<b>899.528</b>	<b>1.164.903</b>	<b>862.233</b>	<b>(585.261)</b>	<b>161.219</b>	<b>(133.221)</b>	<b>88.697</b>	<b>5.251</b>	<b>(112.035)</b>	<b>(6.679)</b>	<b>2.344.635</b>	<b>84.444</b>	<b>2.429.079</b>
Change of accounting policy (Note 4)	-	-	-	(85.727)	-	-	-	-	(647)	-	(86.374)	-	(86.374)
<b>1 January 2012 (restated)</b>	<b>899.528</b>	<b>1.164.903</b>	<b>862.233</b>	<b>(670.988)</b>	<b>161.219</b>	<b>(133.221)</b>	<b>88.697</b>	<b>5.251</b>	<b>(112.682)</b>	<b>(6.679)</b>	<b>2.258.261</b>	<b>84.444</b>	<b>2.342.705</b>
Purchase of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(1.647)	(1.647)	-	(1.647)
Disposal of shares of the Company by subsidiaries and associates	-	-	-	(1.626)	-	-	-	-	-	2.180	554	-	554
Increase in value of in-force life insurance policies	-	-	-	(818)	-	-	818	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	-	72	-	-	(72)	-	-	-	-	-	-
Conversion of Convertible Enhanced Capital Securities (CECS)	432.187	-	(432.187)	-	-	-	-	-	-	-	-	-	-
Issue of shares	159.683	-	-	-	-	-	-	-	-	-	159.683	-	159.683
Issue of bonus shares	303.743	(303.743)	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on CECS	-	-	(1.470)	1.470	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	295.408	-	40.587	-	-	14.857	-	350.852	2.001	352.853
<b>31 March 2012</b>	<b>1.795.141</b>	<b>861.160</b>	<b>428.576</b>	<b>(376.482)</b>	<b>161.219</b>	<b>(92.634)</b>	<b>89.443</b>	<b>5.251</b>	<b>(97.825)</b>	<b>(6.146)</b>	<b>2.767.703</b>	<b>86.445</b>	<b>2.854.148</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the three months ended 31 March 2011

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium	Retained earnings	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Cash flow hedge reserve	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>1 January 2011</b>	<b>894.948</b>	<b>1.159.819</b>	<b>868.531</b>	<b>100.329</b>	<b>(271.012)</b>	<b>1.291</b>	<b>83.697</b>	<b>12.420</b>	<b>(104.701)</b>	<b>(8.277)</b>	<b>2.737.045</b>	<b>91.304</b>	<b>2.828.349</b>
Change of accounting policy (Note 4)	-	-	(96.923)	-	-	-	-	-	(424)	-	<b>(97.347)</b>	-	<b>(97.347)</b>
<b>1 January 2011 (restated)</b>	<b>894.948</b>	<b>1.159.819</b>	<b>771.608</b>	<b>100.329</b>	<b>(271.012)</b>	<b>1.291</b>	<b>83.697</b>	<b>12.420</b>	<b>(105.125)</b>	<b>(8.277)</b>	<b>2.639.698</b>	<b>91.304</b>	<b>2.731.002</b>
Cost of share-based payments	-	-	2.544	-	-	-	-	-	-	-	<b>2.544</b>	-	<b>2.544</b>
Purchase of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(824)	<b>(824)</b>	-	<b>(824)</b>
Disposal of shares of the Company by subsidiaries and associates	-	-	(1.350)	-	-	-	-	-	-	1.860	<b>510</b>	-	<b>510</b>
Increase in value of in-force life insurance policies	-	-	(1.986)	-	-	-	1.986	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	69	-	-	-	(69)	-	-	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	74.042	2	28.878	(536)	-	-	2.021	-	<b>104.407</b>	1.060	<b>105.467</b>
<b>31 March 2011 (restated)</b>	<b>894.948</b>	<b>1.159.819</b>	<b>844.927</b>	<b>100.331</b>	<b>(242.134)</b>	<b>755</b>	<b>85.614</b>	<b>12.420</b>	<b>(103.104)</b>	<b>(7.241)</b>	<b>2.746.335</b>	<b>92.364</b>	<b>2.838.699</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Cash Flows

for the three months ended 31 March 2012

		Three months ended 31 March	
		2012	2011 (restated)
		€000	€000
	Notes		
<b>Net cash flow from operating activities</b>			
Profit before tax		84.980	96.114
Share of (profit)/loss of associates		(77)	36
Provisions for impairment of loans and advances		100.129	78.707
Depreciation of property and equipment and amortisation of intangible assets		10.548	11.309
Increase in value of in-force life insurance policies		(818)	(1.986)
Amortisation of (discounts)/premiums on debt securities and subordinated loan stock		(36.630)	78.151
Cost of share-based payments		-	2.544
Income from investments and disposals of property, equipment and intangible assets, less interest on loan stock		(3.271)	(40.823)
		154.861	224.052
Net decrease in loans and other accounts		419.288	395.418
Net increase/(decrease) in customer deposits and other accounts		817.120	(1.002.896)
		1.391.269	(383.426)
Tax paid		(9.265)	(9.200)
<b>Net cash flow from/(used in) operating activities</b>		<b>1.382.004</b>	<b>(392.626)</b>
<b>Cash flow from investing activities</b>			
Purchases of investments		(392.037)	(785.316)
Proceeds on disposal and redemption of investments		516.169	606.511
Interest from investments		82.164	(35.086)
Dividend income from equity securities		-	6
Purchases of property and equipment		(7.057)	(6.076)
Proceeds on disposal of subsidiary		105.302	-
Proceeds on disposal of property and equipment		204	800
Purchases of intangible assets		(1.863)	(2.305)
Proceeds on disposal of intangible assets		31	1
Purchases of investment properties		(15.239)	(4.310)
Proceeds on disposal of investment properties		309	416
<b>Net cash flow from/(used in) investing activities</b>		<b>287.983</b>	<b>(225.359)</b>
<b>Cash flow from financing activities</b>			
Issue of share capital		159.683	-
Issue of subordinated loan stock		-	661
Redemption of debt securities in issue		(13.222)	(14.396)
Interest on subordinated loan stock		(1.772)	(11.002)
Interest on debt securities in issue		(458)	(746)
Purchase of own shares		(1.647)	(824)
Proceeds on disposal of own shares		554	510
<b>Net cash flow from/(used in) financing activities</b>		<b>143.138</b>	<b>(25.797)</b>
<b>Net increase/(decrease) in cash and cash equivalents for the period</b>		<b>1.813.125</b>	<b>(643.782)</b>
<b>Cash and cash equivalents</b>			
1 January		3.189.218	6.339.767
Exchange adjustments		714	25.442
Net increase/(decrease) in cash and cash equivalents for the period		1.813.125	(643.782)
31 March	19	5.003.057	5.721.427



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (the 'Group') and were authorised for issue by a resolution of the Board of Directors on 10 May 2012.

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The principal activities of the Company and its subsidiaries during the period continued to be the provision of banking, financial and insurance services.

The Company was incorporated in Cyprus as a limited liability company in 1930 and is a public company under the Cyprus Companies Law, the Cyprus Stock Exchange Laws and Regulations and the Income Tax Law of Cyprus.

### 2. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements of the Group for the three months ended 31 March 2012 have not been audited by the Group's external auditors.

### 3. Basis of preparation

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

#### Statement of compliance

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2012 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year 2011.

### 4. Significant accounting policies

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2012 are consistent with those followed for the preparation of the annual financial statements for the year ended 31 December 2011, except for the change in accounting policy as of 1 January 2012 in respect of the recognition of actuarial gains or losses on the defined benefit pension plans, as explained below. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have any material impact on the Group's Interim Condensed Consolidated Financial Statements:

- IAS 12 'Income Taxes' (amended) – Recovery of Underlying Assets
- IFRS 7 'Financial Instruments: Disclosures' (amended) - Enhanced Derecognition Disclosure Requirements
- IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters' (amended)

#### Change in accounting policy regarding employee retirement benefits

The Group has assessed its accounting policy with regard to IAS 19 'Employee Benefits' and the recognition of actuarial gains or losses arising from the defined benefit plans. The Group had previously recognised these gains or losses as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligations of the plan or 10% of the fair value of plan assets as at that date. As a consequence, the balance sheet did not reflect a significant part of the net actuarial assets and liabilities.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 4. Significant accounting policies (continued)

#### Change in accounting policy regarding employee retirement benefits (continued)

As of 1 January 2012, the Group having assessed its accounting policy followed, decided to change it. According to the new accounting policy, actuarial gains or losses are recognised in full in the period in which they occur, in the consolidated statement of comprehensive income.

The Group has decided to change this accounting policy as it considers that the revised policy provides more relevant information about the effect of employee benefits and their impact on the Group's position and financial performance. In addition, the new policy conforms with the provisions of the amended IAS 19, which will be applied as from 1 January 2013.

The aforementioned change in accounting policy has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in the restatement of financial information for prior periods.

As a result of the accounting policy change, the following adjustments were made to the financial results and position of the Group:

	Three months ended 31 March 2012
<b>Profit after tax</b>	€000
Before the change in accounting policy	71.635
Reversal of amortisation of actuarial losses	2.858
<b>After the change in accounting policy</b>	<b>74.493</b>

	31 March 2011	31 December 2011	31 December 2010
<b>Consolidated statement of changes in equity</b>	€000	€000	€000
Before the change in accounting policy	2.933.188	2.429.079	2.828.349
Recognition of net actuarial losses in equity	(94.489)	(86.374)	(97.347)
<b>After the change in accounting policy</b>	<b>2.838.699</b>	<b>2.342.705</b>	<b>2.731.002</b>

	31 December 2011
<b>Other assets</b>	€000
Before the change in accounting policy	675.343
Impact of the recognition in full of net actuarial losses	(3.658)
Change in deferred tax assets	2.754
<b>After the change in accounting policy</b>	<b>674.439</b>

	31 December 2011
<b>Other liabilities</b>	€000
Before the change in accounting policy	262.227
Impact of the recognition in full of net actuarial losses	85.028
Change in deferred tax liabilities	442
<b>After the change in accounting policy</b>	<b>347.697</b>

The impact on earnings per share for the three months ended 31 March 2011 as a result of the restatement was lower than €0,01.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 4. Significant accounting policies *(continued)*

#### Change in accounting policy regarding employee retirement benefits *(continued)*

If the accounting policy had not been changed, the profit after tax for the three months ended 31 March 2012 would have included a one-off cost of €53 million as a result of the termination of the main defined benefit plan for the Group's employees in Cyprus in January 2012, which was recognised directly in equity in accordance with the new accounting policy. Also, profit after tax for the quarter, would not have included the positive impact amounting to €13 million which represents the difference between the value of the retirement plan obligations as at 31 December 2011 and the final cost of termination of the plan.

### 5. Significant judgements, estimates and assumptions

The preparation of the Interim Condensed Consolidated Financial Statements in accordance with IFRSs requires the Group's management to make judgements, estimates and assumptions which can have a material impact on the amounts recognised in the financial statements. The accounting policies that are deemed critical to the Group's results and financial position in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement, including the use of assumptions and estimates are:

- Going concern
- Exposure in Greece
- Provisions for impairment of loans and advances to customers
- Impairment of goodwill
- Fair value of investments
- Impairment of available-for-sale investments
- Reclassification of financial assets
- Retirement benefits
- General insurance business
- Life insurance business
- Taxation
- Consolidation of special purpose entities
- Fair value of properties held for own use and investment properties

Further details on the above are provided in Note 3 of the Consolidated Financial Statements for year ended on 31 December 2011.

Despite the fact that there is no material change on the judgements, estimates and assumptions of the Group's management regarding its ability to continue as a going concern compared to those set out in the Consolidated Financial Statements for the year ended 31 December 2011, due to the particular and fast-changing economic conditions prevailing in the Eurozone, they are repeated below:

#### Going concern

The Group's business activities and financial position, as well as its strategic priorities are analysed in the Directors' Report in the Consolidated Financial Statements for the year ended 31 December 2011.

In particular, the Group's risk from its exposure in Greece where the prolonged economic recession in conjunction with the increase in unemployment resulted in increased impairment charges for loans and advances and for investments, are set out in Note 3.2 and quantified in Note 48 of the Consolidated Financial Statements for year 2011.

The description of the Group's risk management policies is presented as follows: credit risk in Note 44 of the Consolidated Financial Statements for year 2011, market risk in Note 45, liquidity risk in Note 46 and other risks in Note 47.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Significant judgements, estimates and assumptions *(continued)*

#### **Going concern** *(continued)*

During the year 2011, the Group has suffered a significant loss due to the impairment of GGBs and as a result, at 31 March 2012 and at 31 December 2011, it did not meet the required minimum capital adequacy ratios (Note 22 of the Interim Condensed Consolidated Financial Statements).

In considering the basis of preparation of the consolidated financial statements as a going concern, the Directors have taken into account the following:

- the 3-year business plan prepared by Group management, which includes the plan for meeting the EBA's required capital buffer,
- the fact that the plan for meeting the EBA's required capital buffer has been submitted to the Central Bank of Cyprus,
- the completion of the restructuring of Greek Government Bonds,
- the partial completion of the Group's Capital Strengthening Plan,
- the other actions that have been planned for enhancing capital adequacy such as the placement of unsubscribed shares and the active management of risk weighted assets, and
- the Group's ability to access, through the availability of adequate eligible collateral, the refinancing mechanisms the Eurozone and the Central Bank of Cyprus.

In addition, they have also taken into account the existence of relevant legislation in Cyprus, which provides for the provision of support to banks which may face liquidity problems or require additional capital, as well as the agreement between the Eurozone heads of state in October 2011 for the European Financial Stability Facility's ability to provide financing to member-states for the purposes of bank recapitalisation if such a need arises.

On the basis of the above, the Directors expect that the Group will continue in operational existence for the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

### 6. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit and has the following reportable operating segments: (a) Cyprus, (b) Greece and (c) Russia. The Group's activities in the United Kingdom, Australia (until its disposal in December 2011), Romania and Ukraine are separate operating segments for which information is provided to management but, due to their size, have been aggregated for disclosure purposes into one segment, namely 'Other countries'.

The Group's activities in Cyprus include the provision of banking, financial and insurance services and property and hotel business. The Group's activities in Greece include the provision of banking, financial and insurance services. The Group's activities in other countries include the provision of banking services.

Group management monitors the operating results of each business segment separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit after tax and non-controlling interests. Inter-segment transactions and balances are eliminated on consolidation and are made on an arm's length basis.

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## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

Operating segment disclosures are provided as presented to the Group's Senior Executive Management. Each segment's capital and its corresponding interest income and expense are adjusted in order to be on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the Central Bank of Cyprus. The results of each segment are also adjusted to reflect the liquidity surplus/shortfall of each segment. The Group's total profit as presented in the consolidated income statement is not affected by the above adjustments.

The loans and advances to customers, the customer deposits and the related income and expense are included in the segment where the business is originated, instead of the segment where the transaction is recorded.

	Cyprus	Greece	Russia	Other countries	Total
<b>Three months ended 31 March 2012</b>	€000	€000	€000	€000	€000
Net interest income	157.696	91.675	27.964	17.660	<b>294.995</b>
Net fee and commission income	35.081	12.148	6.599	1.677	<b>55.505</b>
Foreign exchange income	839	821	3.160	530	<b>5.350</b>
Net gains/(losses) on financial instrument transactions and disposal of subsidiaries	6.749	(2.261)	-	486	<b>4.974</b>
Insurance income net of insurance claims	13.555	2.513	-	-	<b>16.068</b>
Other income	880	203	311	66	<b>1.460</b>
	<b>214.800</b>	<b>105.099</b>	<b>38.034</b>	<b>20.419</b>	<b>378.352</b>
Staff costs	(42.297)	(28.464)	(16.127)	(5.974)	<b>(92.862)</b>
Other operating expenses	(29.161)	(19.162)	(12.681)	(5.189)	<b>(66.193)</b>
<b>Profit before provisions for impairment of loans and advances and the impairment of GGBs</b>	<b>143.342</b>	<b>57.473</b>	<b>9.226</b>	<b>9.256</b>	<b>219.297</b>
Provisions for impairment of loans and advances	(33.088)	(55.446)	(6.901)	(4.694)	<b>(100.129)</b>
Share of profit of associates	77	-	-	-	<b>77</b>
<b>Profit before tax</b>	<b>110.331</b>	<b>2.027</b>	<b>2.325</b>	<b>4.562</b>	<b>119.245</b>
Taxation	(15.684)	(4.404)	(380)	(873)	<b>(21.341)</b>
<b>Profit/(loss) after tax</b>	<b>94.647</b>	<b>(2.377)</b>	<b>1.945</b>	<b>3.689</b>	<b>97.904</b>
Non-controlling interests (loss/(profit))	180	-	641	(1)	<b>820</b>
<b>Profit/(loss) after tax and non-controlling interests, before impairment of GGBs</b>	<b>94.827</b>	<b>(2.377)</b>	<b>2.586</b>	<b>3.688</b>	<b>98.724</b>
Impairment of GGBs and change in fair value of related hedging derivatives, after tax (Note 7)					<b>196.684</b>
<b>Profit after tax attributable to the owners of the Company</b>					<b>295.408</b>

The Group Senior Executive Management does not consider the impairment of GGBs and change in fair value of related hedging derivatives, as well as the related tax, to be part of each segment's operating results, and is therefore not included in the segmental analysis.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
<b>Three months ended 31 March 2011</b>	€000	€000	€000	€000	€000
Net interest income	138.900	79.114	33.422	24.211	<b>275.647</b>
Net fee and commission income	33.187	11.595	8.018	3.171	<b>55.971</b>
Foreign exchange (loss)/income	(6.299)	513	1.232	762	<b>(3.792)</b>
Net gains/(losses) on financial instrument transactions and disposal of subsidiaries	7.686	2.027	-	(518)	<b>9.195</b>
Insurance income net of insurance claims	13.933	2.986	-	-	<b>16.919</b>
Other income	1.108	819	520	93	<b>2.540</b>
	<b>188.515</b>	<b>97.054</b>	<b>43.192</b>	<b>27.719</b>	<b>356.480</b>
Staff costs	(58.731)	(28.126)	(17.161)	(8.331)	<b>(112.349)</b>
Other operating expenses	(26.152)	(22.065)	(14.148)	(6.909)	<b>(69.274)</b>
<b>Profit before provisions for impairment of loans and advances</b>	<b>103.632</b>	<b>46.863</b>	<b>11.883</b>	<b>12.479</b>	<b>174.857</b>
Provisions for impairment of loans and advances	(29.000)	(38.372)	(6.338)	(4.997)	<b>(78.707)</b>
Share of loss of associates	(36)	-	-	-	<b>(36)</b>
<b>Profit before tax</b>	<b>74.596</b>	<b>8.491</b>	<b>5.545</b>	<b>7.482</b>	<b>96.114</b>
Taxation	(13.363)	(5.686)	(889)	(1.683)	<b>(21.621)</b>
<b>Profit after tax</b>	<b>61.233</b>	<b>2.805</b>	<b>4.656</b>	<b>5.799</b>	<b>74.493</b>
Non-controlling interests (profit)	(27)	-	(424)	-	<b>(451)</b>
<b>Profit after tax and non-controlling interests</b>	<b>61.206</b>	<b>2.805</b>	<b>4.232</b>	<b>5.799</b>	<b>74.042</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

#### Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, foreign exchange income, net gains on other financial instrument transactions, insurance income net of insurance claims and other income.

	Cyprus	Greece	Russia	Other countries	Total
<b>Three months ended 31 March 2012</b>	€000	€000	€000	€000	€000
Banking and financial services	188.821	106.889	44.295	20.922	<b>360.927</b>
Insurance services	14.617	2.673	-	-	<b>17.290</b>
Property and hotel business	139	(4)	-	-	<b>135</b>
Total revenue from third parties	203.577	109.558	44.295	20.922	<b>378.352</b>
Inter-segment revenue/(expense)	10.494	(3.707)	(6.301)	(486)	-
<b>Total revenue</b>	<b>214.071</b>	<b>105.851</b>	<b>37.994</b>	<b>20.436</b>	<b>378.352</b>

<b>Three months ended 31 March 2011</b>					
Banking and financial services	168.905	89.147	47.837	33.312	<b>339.201</b>
Insurance services	14.599	2.696	-	-	<b>17.295</b>
Property and hotel business	(9)	(7)	-	-	<b>(16)</b>
Total revenue from third parties	183.495	91.836	47.837	33.312	<b>356.480</b>
Inter-segment revenue/(expense)	5.020	5.218	(4.645)	(5.593)	-
<b>Total revenue</b>	<b>188.515</b>	<b>97.054</b>	<b>43.192</b>	<b>27.719</b>	<b>356.480</b>

#### Analysis of assets

<b>31 March 2012</b>					
<b>Assets</b>	29.493.777	11.353.438	2.118.624	2.266.751	45.232.590
Inter-segment assets					(6.577.581)
<b>Total assets</b>					<b>38.655.009</b>

<b>31 December 2011</b>					
<b>Assets</b>	27.347.232	12.750.002	2.155.831	2.336.275	44.589.340
Inter-segment assets					(7.115.145)
<b>Total assets</b>					<b>37.474.195</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Impairment of Greek Government Bonds

The Company has participated in the exchange offer its Greek Government Bonds (GGBs), on the basis of the terms set out below:

- Write-off of 53,5% of the nominal value of the existing GGBs.
- New GGBs with nominal value of 31,5% of the existing GGBs, in an amortising structure, from 11 to 30 years (final maturity in 2042). The coupon of the new bonds was set at 2,00% for years 2013-2015, 3,00% for years 2016-2020, 3,65% for 2021 and 4,30% thereafter (2022-2042).
- Immediate repayment of 15% of the existing GGBs with short term securities issued by the European Financial Stability Facility (EFSF) with a 1-2 year maturity and bearing market interest rates.
- The payment of accrued interest through EFSF securities with a maturity of six months and bearing market interest rates.
- Detachable GDP-linked securities with a nominal amount equal to the new GGBs of each holder. The securities provide for annual payments of up to 1% of their nominal amount, commencing in 2015, in the event that Greek GDP growth exceeds certain thresholds.

On 31 March 2012, the nominal value and carrying value of the GGBs held by the Group amounted to:

	Nominal value	Carrying value
	€000	€000
New GGBs (after the exchange)	679.221	248.438
GGBs not exchanged by 31 March 2012 (exchange completed in April 2012)	82.000	21.641
<b>Total</b>	<b>761.221</b>	<b>270.079</b>

The carrying value of the GGBs upon initial recognition represents the present value of the cash flows of the consideration to be received, using a discount rate of 11,5%.

The income statement for the three months ended 31 March 2012 includes an amount of €34.265 thousand which relates to the cost of hedging the GGBs, as well as changes in the fair value of derivatives used to hedge their interest rate risk. These derivatives have been terminated gradually until April 2012 without any material additional impact on Group results.

The table below sets out information regarding the GGBs as at 31 December 2011.

	Nominal value	Carrying value before impairment	Impairment recognised in the income statement	Carrying value after impairment	Transfer to the income statement from reserves
	€000	€000	€000	€000	€000
Available-for-sale	12.332	2.815	9.497	2.815	9.497
Loans and receivables	1.828.142	1.781.490	1.538.128	544.846	301.484
Held-to-maturity	247.350	249.729	181.636	68.000	(93)
<b>Total</b>	<b>2.087.824</b>	<b>2.034.034</b>	<b>1.729.261</b>	<b>615.661</b>	<b>310.888</b>

The pre-impairment carrying value of the GGBs of €2.034.034 thousand and the impairment charge recognised in the income statement in 2011 of €1.729.261 thousand, include an amount of €363.646 thousand relating to the cost of hedging the GGBs up to the date of their impairment, as well as changes in the fair value of derivatives used to hedge their interest rate risk.



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 8. Taxation

For the three months ended 31 March 2012, the Group has recognised a deferred tax asset amounting to €230.949 thousand which relates to future tax benefits from the utilisation of the impairment losses of Greek Government Bonds in Greece.

Taxation for the three months ended 31 March 2012 also includes a charge of €4.539 thousand (corresponding period of 2011: €4.681 thousand) relating to the Special Levy on Credit Institutions in Cyprus. The Levy became effective as from 1 January 2011 and is calculated at 0,095% on Group customer deposits in Cyprus at 31 December of the previous year.

### 9. Earnings per share

	Three months ended 31 March	
	2012	2011
<b>Basic earnings per share</b>		
Profit after tax attributable to the owners of the Company (€ thousand)	<b>295.408</b>	74.042
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>996.874</b>	894.016
Basic earnings per share (cent)	<b>29,6</b>	8,3

<b>Diluted earnings per share</b>		
Basic earnings after tax attributable to the owners of the Company (€ thousand)	<b>295.408</b>	74.042
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	<b>1.138</b>	8.807
Diluted earnings after tax attributable to the owners of the Company (€ thousand)	<b>296.546</b>	82.849
Weighted average number of shares used for basic earnings per share (thousand)	<b>996.874</b>	894.016
Adjustment for the conversion of Convertible Bonds, Convertible Capital Securities and Convertible Enhanced Capital Securities (thousand)	<b>502.123</b>	156.910
Diluted weighted average number of shares (thousand)	<b>1.498.997</b>	1.050.926
Diluted earnings per share (cent)	<b>19,8</b>	7,9

On 19 March 2012 the share capital of the Company increased by 319.366 thousand shares as a result of the rights issue and the bonus issue of shares and by 576.247 thousand shares as a result of the exchange of CECS.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 9. Earnings per share (continued)

Basic and diluted earnings per share excluding the impact of the Greek Government Bonds (GGBs) are presented in the table below:

	Three months ended 31 March	
	2012	2011
<b>Basic earnings per share excluding the impairment of GGBs</b>		
Profit after tax attributable to the owners of the Company (€ thousand)	<b>295.408</b>	74.042
Impairment of GGBs and change in fair value of related hedging derivatives, after tax (€ thousand)	<b>(196.684)</b>	-
Profit after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>98.724</b>	74.042
Weighted average number of shares used for basic earnings per share (thousand)	<b>996.874</b>	894.016
Basic earnings per share excluding the impairment of GGBs (cent)	<b>9,9</b>	8,3

<b>Diluted earnings per share excluding the impairment of GGBs</b>		
Basic earnings after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>98.724</b>	74.042
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	<b>1.138</b>	8.807
Diluted earnings after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>99.862</b>	82.849
Weighted average number of shares used for basic earnings per share (thousand)	<b>996.874</b>	894.016
Adjustment for the conversion of Convertible Bonds, Convertible Capital Securities and Convertible Enhanced Capital Securities (thousand)	<b>502.123</b>	156.910
Diluted weighted average number of shares (thousand)	<b>1.498.997</b>	1.050.926
Diluted earnings per share excluding the impairment of GGBs (cent)	<b>6,7</b>	7,9

The diluted earnings per share are calculated by adjusting the weighted average number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares are converted into shares by their holders.

The Convertible Bonds 2013/2018, the Convertible Capital Securities and the Convertible Enhanced Capital Securities constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share excluding the impairment of GGBs.

The Share Options 2008/2010 do not constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share excluding the impairment of GGBs, as their conversion into ordinary shares would not reduce earnings per share.

The weighted average number of shares for the three months ended 31 March 2011 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan arising from the final dividend of year 2010 which was paid in June 2011.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Investments

	<b>31 March 2012</b>	31 December 2011
<b>Investments</b>	<b>€000</b>	€000
Investments at fair value through profit or loss	<b>25.543</b>	26.345
Investments available-for-sale	<b>391.464</b>	534.803
Investments held-to-maturity	<b>1.214.082</b>	1.055.406
Investments classified as loans and receivables	<b>866.629</b>	1.012.570
	<b>2.497.718</b>	2.629.124
<b>Investments pledged as collateral</b>		
Investments at fair value through profit or loss	<b>15.773</b>	26.544
Investments available-for-sale	<b>727.959</b>	718.719
Investments held-to-maturity	<b>148.683</b>	148.698
Investments classified as loans and receivables	<b>39.212</b>	44.109
	<b>931.627</b>	938.070
	<b>3.429.345</b>	3.567.194

#### Reclassification of investments

##### *Reclassification of trading investments*

On 1 July 2008 and 1 April 2010, in light of the rare circumstances arising as a result of the crisis prevailing in global markets, the Group identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to available-for-sale investments.

##### *Reclassification of available-for-sale investments to loans and receivables*

On 1 October 2008 and 30 June 2011 the Group reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities in the foreseeable future.

##### *Reclassification of available-for-sale investments to investments held-to-maturity*

On 1 April 2010, 1 October 2010, 1 July 2011 and 1 October 2011, the Group reclassified certain available-for-sale debt securities to investments held-to-maturity, in view of the fact that the Group had the intention and ability to hold these securities until their maturity.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Investments (continued)

#### Reclassification of investments (continued)

The table below presents the debt securities reclassified by the Group, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	31 March 2012		31 December 2011		Three months ended 31 March 2012		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss in the income statement had the bonds not been reclassified	Additional loss in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
<b>Reclassification of trading investments to:</b>									
- available-for-sale investments	1 July 2008	17.385	22.142	20.974	22.257	19.357	1.616	-	5,3%-7,4%
- loans and receivables	1 April 2010	34.810	35.839	33.642	36.125	33.546	96	-	1,2%-4,4%
<b>Reclassification of available-for-sale investments to:</b>									
- loans and receivables	1 October 2008	169.196	171.222	159.091	172.579	159.045	-	(12.131)	4,6%-4,7%
- loans and receivables	30 June 2011	250.839	260.437	229.669	258.922	221.202	-	(30.768)	2,8%-6,3%
- investments held-to-maturity	1 April 2010	112.309	119.227	101.036	139.453	100.595	-	(18.192)	4,0%-6,3%
- investments held-to-maturity	1 October 2010	290.466	299.922	295.405	298.354	267.346	-	(4.517)	1,4%-5,0%
- investments held-to-maturity	1 July 2011	242.907	251.614	247.968	251.947	230.339	-	(3.647)	1,4%-14,3%
- investments held-to-maturity	1 October 2011	257.338	242.863	248.338	243.158	234.105	-	5.475	1,1%-19,8%

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## Notes to the Interim Condensed Consolidated Financial Statements

### 11. Loans and advances to customers

	<b>31 March 2012</b>	31 December 2011
	<b>€000</b>	€000
Loans and advances to customers	<b>28.799.762</b>	28.872.429
Provisions for impairment of loans and advances	<b>(1.588.931)</b>	(1.505.512)
	<b>27.210.831</b>	27.366.917

The movement of provisions for impairment of loans and advances to customers is as follows:

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<b>€000</b>	€000
1 January	<b>1.505.512</b>	1.160.399
Exchange adjustments	<b>6.373</b>	(1.880)
Applied in writing off impaired loans and advances	<b>(7.867)</b>	(10.204)
Interest accrued on impaired loans and advances	<b>(15.890)</b>	(10.895)
Collections on loans and advances previously written off	<b>674</b>	867
Charge for the period	<b>100.129</b>	78.707
31 March	<b>1.588.931</b>	1.216.994

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 11. Loans and advances to customers (continued)

#### Analysis of loans and advances to customers

The analysis of gross loans and advances to customers by country, excluding loans and advances included in sovereign exposure (Note 21) is presented below:

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
<b>31 March 2012</b>	€000	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>							
Trade	1.535.134	1.338.527	438.220	71.595	32.344	24.029	<b>3.439.849</b>
Manufacturing	630.932	1.004.465	206.577	18.577	27.535	10.237	<b>1.898.323</b>
Hotels and catering	955.219	1.153.051	102	137.487	111.344	8.986	<b>2.366.189</b>
Construction	2.486.205	929.077	85.436	69.925	45.054	24.687	<b>3.640.384</b>
Real estate	1.535.400	637.829	222.521	569.864	220.492	77.249	<b>3.263.355</b>
Private individuals	5.424.063	2.965.353	411.745	65.768	44.494	74.922	<b>8.986.345</b>
Professional and other services	1.600.699	783.668	673.310	58.693	82.736	95.075	<b>3.294.181</b>
Other sectors	840.922	998.277	47.478	1.184	16.063	7.212	<b>1.911.136</b>
	<b>15.008.574</b>	<b>9.810.247</b>	<b>2.085.389</b>	<b>993.093</b>	<b>580.062</b>	<b>322.397</b>	<b>28.799.762</b>
<b>By customer sector</b>							
Corporate	7.099.178	3.375.287	1.325.841	403.297	463.033	238.042	<b>12.904.678</b>
Small and medium-sized enterprises (SMEs)	2.486.195	3.493.003	349.618	544.897	71.934	29.216	<b>6.974.863</b>
Retail							
- housing	3.513.709	1.684.708	73.662	39.519	18.712	19.599	<b>5.349.909</b>
- credit cards	117.450	172.147	102.937	-	-	-	<b>392.534</b>
- consumer and other	1.792.042	1.085.102	233.331	5.380	26.383	35.540	<b>3.177.778</b>
	<b>15.008.574</b>	<b>9.810.247</b>	<b>2.085.389</b>	<b>993.093</b>	<b>580.062</b>	<b>322.397</b>	<b>28.799.762</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 11. Loans and advances to customers (continued)

#### Analysis of loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
<b>31 December 2011</b>	€000	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>							
Trade	1.558.822	1.375.442	421.966	74.098	39.542	16.631	<b>3.486.501</b>
Manufacturing	604.011	1.038.986	204.444	18.508	27.771	10.524	<b>1.904.244</b>
Hotels and catering	898.978	1.157.777	107	142.100	111.926	9.289	<b>2.320.177</b>
Construction	2.524.320	909.461	83.209	23.350	52.862	24.664	<b>3.617.866</b>
Real estate	1.287.329	629.164	216.570	647.367	207.249	86.398	<b>3.074.077</b>
Private individuals	5.367.413	3.006.706	392.878	68.634	45.888	78.948	<b>8.960.467</b>
Professional and other services	1.848.680	828.702	638.096	59.781	91.346	97.608	<b>3.564.213</b>
Other sectors	841.845	1.036.803	47.280	1.496	9.143	8.317	<b>1.944.884</b>
	<b>14.931.398</b>	<b>9.983.041</b>	<b>2.004.550</b>	<b>1.035.334</b>	<b>585.727</b>	<b>332.379</b>	<b>28.872.429</b>
<b>By customer sector</b>							
Corporate	6.972.174	3.399.462	1.287.016	388.065	463.244	239.592	<b>12.749.553</b>
Small and medium-sized enterprises (SMEs)	2.523.277	3.591.895	326.498	600.079	75.866	34.154	<b>7.151.769</b>
Retail							
- housing	3.504.726	1.704.718	73.405	40.308	18.985	20.809	<b>5.362.951</b>
- credit cards	122.242	178.890	96.976	-	-	4	<b>398.112</b>
- consumer and other	1.808.979	1.108.076	220.655	6.882	27.632	37.820	<b>3.210.044</b>
	<b>14.931.398</b>	<b>9.983.041</b>	<b>2.004.550</b>	<b>1.035.334</b>	<b>585.727</b>	<b>332.379</b>	<b>28.872.429</b>

In Greece, the 'corporate sector' and 'other sectors' include loans to government-controlled businesses amounting to €250.285 thousand (31 December 2011: €306.901 thousand), which according to the European Banking Authority are classified as sovereign debt.

The Group has no customer exposure to Ireland and Portugal.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 12. Other assets

Other assets at 31 March 2012 include deferred tax assets of €330.447 thousand (31 December 2011 (restated): €97.570 thousand) and retirement benefit plan assets of €1.061 thousand (31 December 2011 (restated): €873 thousand).

Other assets at 31 March 2012 include investment properties of €203.172 thousand (31 December 2011: €187.795 thousand).

### 13. Debt securities in issue

	Contractual interest rate	31 March 2012	31 December 2011
		€000	€000
<b>Medium term senior debt</b>			
SEK 50 million 2009/2012	OMX Stockholm 30 index	5.398	5.341
SEK 100 million 2010/2014	Return of specific shares	11.621	11.484
€2 million 2010/2016	DJ EUROSTOXX 50 index	1.897	1.897
USD 2 million 2010/2016	S&P 500 index	1.549	1.597
		<b>20.465</b>	<b>20.319</b>
<b>Other debt securities in issue</b>			
RUB Certificates of Deposit and Promissory Notes	11%	15.612	28.980
Interest-free loan from the European Development Bank	-	492	492
		<b>16.104</b>	<b>29.472</b>
		<b>36.569</b>	<b>49.791</b>

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and creditors of the Group.

#### Medium term senior debt

The Company established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2011: €4.000 million).

Under the EMTN Programme, the Company issued in March 2010 the SEK 100 million 2010/2014 bonds, the redemption amount of which is linked to the return of specific shares listed on the Stockholm Stock Exchange.

In May 2009, the Company issued the SEK 50 million 2009/2012 bonds, the redemption amount of which is linked to the OMX Stockholm 30 Index.

In May 2010, the Company issued the €2 million 2010/2016 and USD 2 million 2010/2016 bonds, the redemption amount of which is linked to the DJ EUROSTOXX 50 and S&P 500 index, respectively.

#### Covered Bonds

During 2011, a Covered Bonds Programme with an amount up to €5.000 million was set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the Central Bank of Cyprus.

Under the Programme, the Company issued in July and December 2011, Covered Bonds amounting to €700 million and €1.000 million, respectively.

The Covered Bonds have a maturity of 3 years with a potential extension of their maturity by one year, bear interest at the three-month Euribor plus 1,25% annually and are traded on the Luxemburg Stock Exchange.

The liability from the issue of the Covered Bonds is not presented in debt securities in issue in the consolidated balance sheet as all the bonds issued, are held by the Company.



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 13. Debt securities in issue (continued)

#### Covered Bonds (continued)

Additional information relating to the Covered Bonds issued by the Company is available on the Group's website in the section Investors Relations/Debt Securities.

#### Short term commercial paper

The Company established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2011: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and bears no interest. The commercial paper has a maturity of up to 364 days and is unlisted. No short term commercial paper was outstanding at 31 March 2012 and 31 December 2011.

#### Other debt securities in issue

The RUB Certificates of Deposits and Promissory Notes which were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities up to one year.

### 14. Other liabilities

Other liabilities at 31 March 2012 include deferred tax liabilities of €77.414 thousand (31 December 2011 (restated): €75.095 thousand) and retirement benefit plan liabilities of €24.076 thousand (31 December 2011 (restated): €94.434 thousand).

Other liabilities at 31 March 2012 include provisions for pending litigation or claims of €3.618 thousand (31 December 2011: €3.837 thousand).

### 15. Subordinated loan stock

	Contractual interest rate	31 March 2012	31 December 2011
		€000	€000
Subordinated Bonds in US Dollars 2013/2014/2015	2,50%	6.770	6.928
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	27.275	26.907
Convertible Capital Securities (€645 million)	5,50%	73.370	72.380
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	22.175	22.165
		<b>129.590</b>	128.380

The subordinated loan stock is not secured and the rights and claims of loan stockholders are subordinated to the claims of depositors and other creditors of the Company, but have priority over those of the shareholders of the Company.

#### Subordinated Bonds

The Company established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2011 €4.000 million).

The Subordinated Bonds in US Dollars 2013/2014/2015 were issued by CB Uniastrum Bank LLC and mature as follows: US\$2 million on 31 December 2013, US\$2,5 million on 31 December 2014 and US\$2 million on 31 December 2015. The interest rate can be changed unilaterally by the issuer at any time until maturity.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 15. Subordinated loan stock (continued)

#### Convertible Bonds

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with nominal value of €573 million, maturing in June 2018. The Convertible Bonds carried a fixed interest rate of 7,50% per annum until 30 June 2009 and floating interest rate thereafter, set at the six-month Euribor plus 1,00% until June 2013 and plus 3,00% thereafter.

The conversion price of the Convertible Bonds was adjusted in accordance with the relevant terms of issue from €10,50 to €8,11 per share. The conversion periods are between 15-30 September of years 2010-2012 and 15-31 March of years 2011-2013. The Convertible Bonds may be redeemed at the option of the Company in or after September 2013, subject to the prior consent of the Central Bank of Cyprus. The Convertible Bonds 2013/2018 are listed on the Cyprus Stock Exchange.

On 17 May 2011, Convertible Bonds 2013/2018 with nominal value of €19 million were exchanged for Convertible Enhanced Capital Securities of corresponding nominal value.

#### Convertible Capital Securities

On 6 June 2009, the Company issued €645 million Convertible Capital Securities.

The Convertible Capital Securities bear a fixed interest rate of 5,50% per annum for the first five years and a floating interest rate set at the six-month Euribor plus 3,00% per annum thereafter. The Convertible Capital Securities may be converted into ordinary shares of the Company at the option of the holder. As a result of the rights issue to the Company's shareholders and the special distribution of interim dividend in the form of shares during 2010, the conversion price of the Convertible Capital Securities was adjusted in accordance with the relevant terms of issue from €5,50 to €4,24 per share. The conversion periods are between 15-30 September of years 2010-2013 and 15-31 March of years 2011-2014. The Convertible Capital Securities are listed on the Cyprus Stock Exchange and the Athens Exchange.

The Convertible Capital Securities are perpetual, but may be redeemed at the option of the Company, at par together with any accrued interest, on 30 June 2014 or on any other interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

On 17 May 2011, Convertible Capital Securities with nominal value of €572 million were exchanged for Convertible Enhanced Capital Securities of corresponding nominal value.

During 2011 Convertible Capital Securities with nominal value of €6 thousand have been converted into 1 thousand shares.

#### Capital Securities

The €126 million Capital Securities 12/2007 were issued in Cyprus Pounds in December 2007. The Capital Securities are perpetual, but may be redeemed in whole, at the option of the Company, at par together with any accrued interest, five years after their issue date or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

The Capital Securities 12/2007 bear floating interest, set at the three-month Euribor plus 1,25% per annum and are listed on the Cyprus Stock Exchange.

On 17 May 2011, Capital Securities 12/2007 with nominal value of €104 million were exchanged for Convertible Enhanced Capital Securities of corresponding nominal value.

### 16. Share capital

	31 March 2012		31 December 2011	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Ordinary shares of €1,00 each	<b>3.000.000</b>	<b>3.000.000</b>	3.000.000	3.000.000
<i>Issued and fully paid</i>				
<b>1 January</b>	<b>899.528</b>	<b>899.528</b>	894.948	894.948
Issue of shares	<b>159.683</b>	<b>159.683</b>	-	-
Issue of bonus shares	<b>303.743</b>	<b>303.743</b>	-	-
Conversion of Convertible Enhanced Capital Securities	<b>432.187</b>	<b>432.187</b>	-	-
Conversion of Convertible Bonds and Convertible Capital Securities	-	-	387	387
Dividend reinvestment	-	-	4.193	4.193
<b>31 March 2012/31 December 2011</b>	<b>1.795.141</b>	<b>1.795.141</b>	899.528	899.528

#### Authorised share capital

At the Extraordinary General Meetings of shareholders held on 23 March 2011 and 5 December 2011, the authorised share capital of the Company was increased by €400 million and €1.500 million respectively, by creating new ordinary shares of nominal value of €1,00 each, which rank pari passu with the existing ordinary shares of the Company.

#### Capital Strengthening Plan

In November 2011, the Group decided to increase its share capital through a pre-emptive rights offering amounting to €397 million and a voluntary exchange of Convertible Enhanced Capital Securities (CECS) of up to €600 million.

The Rights were issued and allocated to shareholders and to holders of eligible securities of the Company as if they were shareholders on the basis of their current conversion price into shares, in the ratio of one Right for each existing ordinary share. Every three Rights exercised were converted into one New Share at the subscription price of €1,00 per share. In addition, for each New Share arising from the exercise of the Rights, the Company granted one fully paid Bonus Share.

The holders of CECS could exchange their CECS with one fully paid New Share. In addition, for every three New Shares arising from the conversion of the CECS, the Company granted one Bonus Share.

The period for the exercise of the Rights and the acceptance of the offers to exchange the CECS expired on 19 March 2012. As a result, the Company issued 159.683 thousand new shares from the exercise of the Rights, 432.187 thousand shares from the conversion of CECS and 303.743 thousand bonus shares.

Furthermore, the Group is proceeding with the completion of the Capital Strengthening Plan. The Group has the right to exercise, until 18 June 2012, all or part of the Rights that have not been subscribed to by their holders and have not been exercised by 19 March 2012. The placing of unsubscribed shares will be at the discretion of the Board of Directors and can take place at the same or at a higher price than the subscription price of the new shares.

### 16. Share capital (continued)

#### Issued share capital

Additional to the shares issued in the context of the Capital Strengthening Plan, 387.109 shares were issued as a result of the conversion of Convertible Bonds and Convertible Capital Securities during 2011 and the Company's share capital and share premium increased by €387 thousand and €892 thousand, respectively.

The Company has in force a Dividend Reinvestment Plan under which all shareholders have the option to reinvest all or part of their dividend in shares of the Company at a 10% discount on the market value of the shares. The reinvestment price for the dividend paid on 16 June 2011 was set at €2,00 per share.

As a result of the dividend reinvestment during 2011, 4.192.331 shares were issued and the Company's share capital and share premium increased by €4.193 thousand and €4.192 thousand respectively.

All issued ordinary shares carry the same rights.

The share premium is not available for distribution to equity holders in the form of a dividend.

#### Shares of the Company

Shares of the Company held by entities controlled by the Group and by associates are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares. The number of these shares as at 31 March 2012 was 3.719 thousand (31 December 2011: 2.266 thousand) and their cost of acquisition was €4.550 thousand (31 December 2011: €6.679 thousand).

In addition, the life insurance subsidiary of the Group held, as at 31 March 2012, a total of 16.031 thousand (31 December 2011: 6.607 thousand) shares of the Company, as part of their financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21.463 thousand (31 December 2011: €24.797 thousand).

#### Share-based payments – Share Options

On 14 May 2008, the Annual General Meeting of the Company's shareholders approved the granting of share options to Group employees, without these shares being first offered to existing shareholders. The Board of Directors was authorised to issue up to 15 million shares of the Company.

In the context of the above decision, on 28 May 2008 the Board of Directors authorised the granting of 12,5 million share options to Group employees in Cyprus and Greece who were in service on 28 May 2008 ('Share Options 2008/2010'). The exercise price of Share Options 2008/2010 at the time of issue was €9,41 per share.

The Extraordinary General Meeting of the shareholders of the Company on 23 June 2009 approved the amendment of the terms of the Share Options 2008/2010, modifying their exercise price and exercise period. The exercise price was modified to €5,50 per share. As the result of the modification of their terms, the Share Options 2008/2010 were revalued using the same model as the initial valuation. The additional cost amounted to €0,42 per share option.

On 9 July 2009, the Board of Directors of the Company, authorised the granting of up to 2,5 million additional Share Options 2008/2010 to Group employees who were in service on 30 June 2009.

As a result of the rights issue to the Company's shareholders during October 2010 and the special distribution of interim dividend in the form of shares during November 2010, the exercise price of the Share Options 2008/2010 has been adjusted in accordance with the relevant terms of issue from €5,50 to €4,24 per share.

At the Extraordinary General Meeting of shareholders held on 23 March 2011, the exercise price of the Share Options was adjusted to €3,30 per share. As a result of the amendment of the terms, the Share Options were revalued using the same revaluation method as the initial valuation. The additional cost amounted to €0,17 per option.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Share capital (continued)

#### Share-based payments – Share Options (continued)

During March 2012, as a result of the rights and bonus issue to the shareholders of the Company, the exercise price of the Share Options 2008/2010 has been adjusted according to the relevant terms of issue from €3,30 to €3,08 per share.

The Share Options 2008/2010 were vested in full on 31 December 2010 and can be exercised by their holders from 1 January-31 March of years 2011-2013 and from 1 November-31 December of years 2012-2013. The Share Options 2008/2010 are not transferable and are unlisted.

### 17. Convertible Enhanced Capital Securities

	31 March 2012	31 December 2011
	€000	€000
Convertible Enhanced Capital Securities (CECS)	428.576	862.233

The Convertible Enhanced Capital Securities (CECS) were issued by the Company on 18 May 2011, following the approval by the Extraordinary General Meeting of shareholders on 23 March 2011. For the purposes of regulatory capital, the CECS qualify as tier 1 capital. The CECS were offered via a priority right to subscribe to the existing shareholders of the Company. Existing shareholders and other applicants could subscribe to the CECS issue by paying the corresponding consideration for the CECS either in cash or in the form of 'Eligible Securities' of the Company, and specifically (i) Convertible Bonds 2013/2018, (ii) Convertible Capital Securities, and (iii) Capital Securities 12/2007, of an equal nominal value, who had priority after the existing holders and before any other applicants.

The issue of the CECS consists of €820 million in Euro and \$95 million in US Dollars, of which €695 million originated from the exchange of Eligible Securities. The CECS issued in Euro bear a fixed interest rate of 6,50% per annum until 30 June 2016 and 6-month Euribor plus 3,00% per annum thereafter. The CECS issued in US Dollars bear a fixed interest rate of 6,00% until 30 June 2016 and 6-month Libor plus 3,00% per annum thereafter. The Company may, at any time at its sole discretion, taking into account its specific financial and solvency condition, elect to cancel an interest payment on a non-cumulative basis. Any coupon not paid is no longer due and payable by the Company.

The Company will not proceed with the payment of any coupons payable on any coupon payment date and will effect a mandatory coupon cancellation if (i) it does not satisfy the minimum solvency requirements as defined by the Central Bank of Cyprus or if the coupon payment will result in the Company no longer satisfying the minimum solvency requirements, (ii) it has insufficient distributable items for such coupon payment, or (iii) the Central Bank of Cyprus, at its sole discretion, requires the cancellation of coupon payments on the basis of the assessment of the financial and solvency situation of the Company for the next three years. Any coupon not paid is no longer due and payable by the Company.

The CECS may be converted at the option of the holder during any conversion period. The conversion periods are: 1-15 September 2011, and then 1-15 March, 15-31 May, 1-15 September and 15-30 November of each subsequent year. The last conversion date is 31 May 2016.

The CECS are perpetual without a maturity date but the Company may elect to redeem all but not some of the CECS at their principal amount together with any accrued interest, on 30 June 2016 or on any other interest payment date thereafter, subject to the prior approval of the Central Bank of Cyprus.

If a Contingency Event or Viability Event occurs, the CECS shall be mandatorily converted into ordinary shares of the Company. The conversion price is set at 80% of the weighted average market price of the shares during the previous five business days, with a ceiling price of €3,30 and a floor price equal to the nominal value (€1,00) of the ordinary shares.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. Convertible Enhanced Capital Securities (continued)

A Contingency Event occurs if (i) the Company's core tier 1 ratio is below 5% or, on or after the implementation of the Basel III regulations, its common equity tier 1 ratio is below the required capital adequacy regulatory limits, or (ii) the Central Bank of Cyprus determines that the Company is in non-compliance with the required capital adequacy regulatory limits.

A Viability Event occurs if (i) the Central Bank of Cyprus determines that the conversion of the CECS is required to improve the capital adequacy and financial position of the Company to prevent insolvency, and/or (ii) the Central Bank of Cyprus determines that the Company requires public sector support to prevent it from becoming (a) insolvent, (b) bankrupt, or (c) unable to pay a material amount of its debts, or (iii) other similar circumstances.

It is noted that the Group has proceeded with the amendment of certain of the issue terms of the CECS in order to satisfy the requirements of the European Banking Authority (EBA) for inclusion of the remaining amount of the CECS (€455 million) as eligible for reducing the capital shortfall as determined by the EBA Capital Exercise (Note 22). The amendments include, among others, the deletion of the phrase 'taking into account its specific financial and solvency condition' in the term for the optional coupon cancellation by the Company. They also include the deletion of the phrase 'on the basis of the assessment of the financial and solvency situation of the Company for the next three years' in the mandatory coupon cancellation term.

The CECS are listed on the Cyprus Stock Exchange and the Athens Exchange.

During March 2012, CECS with nominal value of €432 million were converted into shares in the context of the Group's Capital Strengthening Plan (Note 16). During 2011, CECS with nominal value of €1.273 thousand were converted into 386 thousand shares.

### 18. Dividend

The payment of the final dividend for 2010 of €0,03 per share amounting to €26.848 thousand, was approved at the Annual General Meeting of shareholders on 24 May 2011 and was paid to shareholders on 16 June 2011.

### 19. Cash and cash equivalents

	<b>31 March 2012</b>	31 March 2011
	<b>€000</b>	€000
Cash and non obligatory balances with central banks	<b>1.161.080</b>	712.266
Placements with banks repayable within three months	<b>3.841.977</b>	5.009.161
	<b>5.003.057</b>	5.721.427

### 20. Staff numbers

The number of persons employed by the Group at 31 March 2012 was 11.175 (31 December 2011: 11.326).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure

The Group's sovereign exposure and non-sovereign exposure in countries which have entered the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Group exposure exceeds €100 million, is presented below. Information is disclosed for: Greece, Ireland, Portugal, Cyprus, Italy, Russia, Romania and Ukraine. The Group has no sovereign exposure to Portugal.

The sovereign exposure in the countries above, excluding Greece, was not considered to be impaired as, despite the financial difficulties of these countries, the situation is not severe enough to impact the future cash flows of these countries' sovereign securities.

#### **Credit risk**

The Group's sovereign exposure includes government bonds and other assets owed by governmental, semi-governmental and other organisations in which the state holds more than 50%.

The Group's exposure to sovereign and non-sovereign debt securities, by country, is analysed in the table below.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure (continued)

#### Credit risk (continued)

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine
<b>31 March 2012</b>	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	142.302	101.653	-	-	53.037	35.323	4.955
Placements with banks	-	5.977	-	135.691	55.397	15.299	2.121
Investments in sovereign debt securities							
- available-for-sale investments	138	-	-	9.194	-	-	3
- loans and receivables	633.333	269.667	-	-	-	-	-
- investments held-to-maturity	1.347	-	268.535	97.159	2.390	11.377	-
- fair value through profit or loss	17.172	412	-	-	-	-	-
Investments in debt securities in banks and other corporations							
- available-for-sale investments	1.337	-	-	12.777	-	-	-
- loans and receivables	2.841	-	-	-	-	-	-
- investments held-to-maturity	40.819	127.834	31.387	38.504	2.623	-	-
- fair value through profit or loss	167	-	-	-	-	-	-
Loans and advances to customers	15.008.574	9.810.247	-	-	2.085.389	580.062	322.397
Derivative financial assets	-	-	-	35	-	-	-
<b>Total on balance sheet</b>	<b>15.848.030</b>	<b>10.315.790</b>	<b>299.922</b>	<b>293.360</b>	<b>2.198.836</b>	<b>642.061</b>	<b>329.476</b>
Contingent liabilities	886.469	840.972	-	-	7.518	5.440	54
Commitments	1.951.700	978.692	-	-	221.187	26.817	154
<b>Total off balance sheet</b>	<b>2.838.169</b>	<b>1.819.664</b>	<b>-</b>	<b>-</b>	<b>228.705</b>	<b>32.257</b>	<b>208</b>
<b>Total exposure to credit risk</b>	<b>18.686.199</b>	<b>12.135.454</b>	<b>299.922</b>	<b>293.360</b>	<b>2.427.541</b>	<b>674.318</b>	<b>329.684</b>

The analyses of loans and advances to customers for the countries above are set out in Note 11.

The revaluation reserve of available-for-sale investments includes losses amounting to €55.770 thousand relating to the above sovereign debt securities and losses amounting to €14.321 thousand relating to debt securities of banks and other corporations.



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure (continued)

#### Liquidity risk

The table below presents the Group's sovereign exposure in countries which have entered the European Support Mechanism (Greece, Ireland and Portugal), based on the remaining contractual maturity of the financial assets.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
<b>Greece</b>	€000	€000	€000	€000	€000	€000
<b>Greek Government Bonds (GGBs)</b>						
- loans and receivables	-	-	-	-	269.667	<b>269.667</b>
- at fair value through profit or loss	-	-	-	-	412	<b>412</b>
<b>Total exposure to GGBs</b>	-	-	-	-	<b>270.079</b>	<b>270.079</b>
<b>Other assets</b>						
- loans and advances to customers	-	-	-	100.177	150.108	<b>250.285</b>
- deposits with the Bank of Greece	101.653	-	-	-	-	<b>101.653</b>
<b>Total exposure</b>	<b>101.653</b>	-	-	<b>100.177</b>	<b>420.187</b>	<b>622.017</b>

<b>Ireland</b>						
Investments held-to-maturity	-	-	-	<b>78.887</b>	<b>189.648</b>	<b>268.535</b>

The above tables do not include, in the category fair value through profit or loss, GGBs amounting to €412 thousand which are held by a life insurance subsidiary of the Group as assets attributable to policyholders.

The Group has no sovereign exposure in Portugal.

### 22. Capital management

The capital adequacy regulations which govern the Group's operations are established by the Central Bank of Cyprus through its Directive for the Calculation of Capital Requirements and Large Exposures.

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholder value.

In July 2011, the Central Bank of Cyprus amended its Directive for capital requirements, introducing a new ratio for core tier 1 capital. The minimum level of the new ratio was set at 8% for the period until 30 December 2012. After that date, the minimum level of the ratio will increase gradually based on the percentage of the Group's assets over the gross domestic product of the Republic of Cyprus.

The Directive also sets the minimum level of tier 1 capital as the minimum level of core tier 1 ratio plus 1,5%. In addition, it sets the minimum total capital ratio as the tier 1 ratio plus 2,0%. As a result, the minimum required ratios for tier 1 and total capital as at 31 December 2011 were 9,5% and 11,5%, respectively.

The Central Bank of Cyprus may also impose additional capital requirements for risks which are not covered by the provisions of Pillar I.

The Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance, including the minimum solvency ratio.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 22. Capital management (continued)

The capital adequacy ratios of the Group at 31 March 2012 are presented below:

	31 March 2012	31 December 2011
<b>Regulatory capital</b>	<b>€000</b>	<b>€000</b>
Core original own funds (core tier 1)	<b>1.710.684</b>	891.910
Original own funds (tier 1)	<b>2.234.805</b>	1.848.688
Additional own funds (tier 2)	<b>260.667</b>	239.267
Carrying value of insurance companies	<b>(172.454)</b>	(162.846)
<b>Total regulatory capital</b>	<b>2.323.018</b>	1.925.109
Risk weighted assets – credit risk	<b>22.790.241</b>	22.391.062
Risk weighted assets – market risk	<b>3.338</b>	3.463
Risk weighted assets – operational risk	<b>2.395.363</b>	2.395.363
<b>Total risk weighted assets</b>	<b>25.188.942</b>	24.789.888
	%	%
Core tier 1 ratio	<b>6,8</b>	3,6
Tier 1 ratio	<b>8,9</b>	7,5
<b>Total capital ratio</b>	<b>9,2</b>	7,8
<b>Minimum ratios per the Central Bank of Cyprus Directive</b>		
Core tier 1 ratio	<b>8,0</b>	8,0
Tier 1 ratio	<b>9,5</b>	9,5
<b>Total capital ratio</b>	<b>11,5</b>	11,5

The Group's capital adequacy ratios as at 31 March 2012 shown above, include the unaudited profit of the first quarter of 2012.

The Group's capital adequacy ratios are lower than the minimum ratios required by the Central Bank of Cyprus.

The increase of total regulatory capital during the quarter ended 31 March 2012 is mainly due to the rights issue by the Company (Note 16) and the profit of the period.

It is noted that the Group has submitted a plan to the Central Bank of Cyprus which sets out the various actions to be taken in order to comply with the minimum required capital ratios.

The Group expects that through its future profitability, the effective management of risk weighted assets and other actions, it will be in a position to cover the minimum required Core Tier 1 and Tier 1 ratios within a reasonable period of time.

### 22. Capital management *(continued)*

#### European Banking Authority Capital Exercise

The Group participated in a Capital Exercise conducted by the European Banking Authority (EBA) in cooperation with the Central Bank of Cyprus.

The Capital Exercise covered 71 banks across Europe and its objective was to create an exceptional and temporary capital buffer to address current market concerns over sovereign risk and other residual credit risk related to the current difficult market environment. This buffer is not explicitly designed to cover losses in sovereigns but to provide a reassurance to markets about banks' ability to withstand a range of shocks and still maintain adequate capital.

The Capital Exercise has determined (using 30 September 2011 data) that the Group had a capital shortfall of €1.560 million which must be covered by 30 June 2012.

It is noted that the Group has submitted a plan to the Central Bank of Cyprus which sets out the various measures which the Group will take to achieve the required capital enhancement target as set by the EBA.

The Group has already implemented the following measures in order to cover the EBA capital shortfall: (i) issue of share capital of €160 million in March 2012, (ii) disposal of Bank of Cyprus Australia Ltd with a positive capital impact of €80 million, (iii) profitability during the fourth quarter of 2011 and the first quarter of 2012, and (iv) management of its risk weighted assets.

The Group expects to cover the remaining capital shortfall through the effective management of risk weighted assets and/or other actions.

In addition, the Group has proceeded with the amendment of certain of the issue terms of the CECS (Note 17) in order to satisfy the conditions of the EBA for inclusion of the remaining amount of the CECS (€455 million) as eligible for reducing the capital shortfall.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 23. Related party transactions

	<b>31 March 2012</b>	31 December 2011
	<b>€000</b>	€000
Loans and advances:		
- members of the Board of Directors and key management personnel	<b>7.542</b>	7.970
- connected persons	<b>322.699</b>	276.442
	<b>330.241</b>	284.412
Deposits:		
- members of the Board of Directors and key management personnel	<b>60.418</b>	64.866
- connected persons	<b>37.784</b>	47.683
	<b>98.202</b>	112.549
Debt securities in issue, subordinated loan stock and CECS:		
- members of the Board of Directors and key management personnel	-	23.246
- connected persons	<b>409</b>	3.045
	<b>409</b>	26.291

Interest income and expense from related parties for the three months ended 31 March 2012 amounted to €3.790 thousand and €989 thousand (corresponding period of 2011: €3.125 thousand and €1.227 thousand) respectively.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €68.590 thousand (31 December 2011: €117.542 thousand). There were also contingent liabilities and commitments to Group key management personnel and their connected persons amounting to €189 thousand (31 December 2011: €308 thousand). Using forced-sale values, the total unsecured amount of the loans and advances and of the contingent liabilities and commitments in respect of related parties at 31 March 2012 amounted to €32.360 thousand (31 December 2011: €34.830 thousand).

During the three months ended 31 March 2012 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €46 thousand (corresponding period of 2011: €46 thousand) to companies of the Commercial General Insurance group in which Mr Andreas Artemis holds an indirect interest; purchases of equipment and services amounting to €59 thousand (corresponding period of 2011: €82 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €271 thousand (corresponding period of 2011: €169 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €35 thousand (corresponding period of 2011: €36 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis. The total amount of professional fees paid to the law office Andreas Neocleous and CO LLC, in which the Director Elias Neocleous is a partner, from the date of his appointment to 31 March 2012 amounted to €25 thousand (corresponding period of 2011: nil).

Connected persons include spouses, minor children and companies in which directors or other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as directors or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 23. Related party transactions (continued)

#### Fees and emoluments of members of the Board of Directors and other key management personnel

	Three months ended 31 March	
	2012	2011
	€000	€000
<b>Director emoluments</b>		
<i>Executives</i>		
Salaries and other short term benefits	377	403
Bonus waived	-	(131)
Employer's contributions	19	25
Retirement benefit plan costs	39	96
	<b>435</b>	393
Share options	-	359
<i>Non-executives</i>		
Fees	169	194
Emoluments of a non-executive director who is also an employee of the Company	45	49
Total directors' emoluments	<b>649</b>	995
<b>Other key management personnel emoluments</b>		
Salaries and other short term benefits	181	185
Bonus	-	25
Employer's contributions	15	15
Retirement benefit plan costs	17	20
Share options	-	134
Total other key management personnel emoluments	<b>213</b>	379
<b>Total</b>	<b>862</b>	1.374

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 24. Group companies

The companies and branches included in the consolidated financial statements of the Group, their activities, their country of incorporation and the percentage held by the Company (directly or indirectly) as at 31 March 2012 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	50
Diners Club (Cyprus) Ltd	Cyprus	Diners Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Commercial bank	N/A
Kyprou Leasing SA	Greece	Leasing	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Securities SA	Greece	Investment banking	100
Kyprou Asset Management (AEDAK)	Greece	Management of funds	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100
Bank of Cyprus United Kingdom (branch of the Company)	United Kingdom	Commercial bank	N/A
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	100
BOC Advances Ltd	United Kingdom	Financing services	100
Katoikia I Mortgage Finance Plc	United Kingdom	Special purpose entity	-
Katoikia I Holdings Ltd	United Kingdom	Special purpose entity	-
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 24. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
S.C. ONT Carpati S.A.	Romania	Hotel business	94
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Special purpose entity	-
PJSB Bank of Cyprus	Ukraine	Commercial bank	100
LLC IKOS Finance	Ukraine	Financing services	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, the Company holds 100% shareholding in the companies below. The main activity of these companies is the ownership and management of immovable property and other assets.

**Cyprus:** Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Elswick Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Longtail Properties Ltd, Limestone Properties Ltd, Samarinda Navigation Co. Ltd, Turnmill Properties Ltd, Fairford Properties Ltd, Inverness Properties Ltd, Dinmont Properties Ltd, Lendrick Properties Ltd, Sunnybridge Properties Ltd, Caraway Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Ikosia Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Guarded Path Properties Ltd, Lepidoland Properties Ltd, Drysdale Properties Ltd, Snowfield Properties Ltd, Medaland Properties Ltd, Stamoland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Leda Estate Ltd and Eurolife Properties Ltd.

**Romania:** Otherland Properties Dorobanti SRL, Pittsburg Properties SRL, Battersee Real Estate SRL, Trecoda Real Estate SRL, Green Hills Properties SRL, Bocaland Properties SRL, Buchuland Properties SRL, Commonland Properties SRL, Romaland Properties SRL, Janoland Properties SRL, Blindingqueen Properties SRL, Fledgego Properties SRL, Threerich Real Estates SRL, Rosequeens Properties SRL, Loneland Properties SRL, Unknownplan Properties SRL and Frozenport Properties SRL.

In addition, the Company holds 100% of the following intermediate holding companies:

**Cyprus:** Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Rosequeens Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd and Gosman Properties Ltd.

**Ukraine:** Leasing Finance LLC, Corner LLC and Omiks Finance LLC.

All Group companies are accounted for as subsidiaries using the consolidation method.

Although the holding in the company Cytrustees Investment Public Company Ltd is 49,8% the Company considers that it exercises control over it, therefore it fully consolidates it.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 24. Group companies (continued)

#### Disposal of subsidiary

In line with the strategy of further strengthening its capital position and increasing liquid funds, the Company sold on 16 December 2011, 100% of its subsidiary Bank of Cyprus Australia Ltd. The sale consideration was €105.302 thousand. The profit on sale was €8.547 thousand. As part of the disposal agreement, the Company has deposited the amount of €8.030 thousand in an escrow account to cover potential claims that may arise during the 12-month period after the disposal date and which relate to periods prior to the disposal of the company.

#### Change in the percentage holding of subsidiary

During July 2011, the Company sold 20% of its subsidiary Leasing Company Uniastrum Leasing to BOC Russia (Holdings) Ltd, resulting in a reduction of the Group's ownership percentage in the share capital of the company to 80%.

#### Investments in associates and joint venture

In addition to the above companies, the Group owns 45% of the share capital of JCC Payment Systems Ltd for which proportional consolidation is used.

The Group's investments in associates comprise of Interfund Investments Plc (shareholding of 23%) and Grand Hotel Enterprises Society Ltd (shareholding of 30%).

### 25. Other information

- The total capital expenditure of the Group for the three months ended 31 March 2012 amounts to €8.920 thousand (corresponding period of 2011: €8.381 thousand).
- The Group's provision for pending litigation or claims at 31 March 2012 is set out in Note 14. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.
- In September 2009, an action was filed against the Company in Cyprus by the Trustees of the AremisSoft Corporation Liquidating Trust, their main claim being that the Company, in breach of its obligations to AremisSoft, permitted the principal owner of AremisSoft to execute transactions leading to the appropriation by him of significant sums belonging to AremisSoft. This action is similar to an action filed in New York in 2006, which was dismissed. In the detailed statement of claim filed in October 2010 the Trustees, on behalf of the investors of AremisSoft, claim the amount of approximately USD 550 million (€412 million) plus interest and costs, in damages, which according to their allegations, have resulted from, inter alia, an alleged conspiracy between the Company and two of the major shareholders of AremisSoft, alleged fraudulent transactions through bank accounts held with the Company in Cyprus and the United Kingdom, alleged breach of contract and alleged negligence. The Group does not expect to have any material financial impact as a result of this action.