Bank of Cyprus Group

Announcement

Group Financial Results for the six months ended 30 June 2012

- **Profitability**
  - Satisfactory organic profitability with profit before provisions €360 mn (6% reduction compared to the same period last year)
  - Losses after tax €134 mn

- **Significant increase in provisions**
  - Provisions for impairment of loans €568 mn, (210% increase compared to the same period last year)
  - Strengthening of non-performing loans provision coverage to 50% from 46% as at 31 March 2012 (non-performing loans fully covered with tangible collateral with overall coverage at 106%)

- **Loans to deposits ratio of 94%**

- **Capital base**
  - Core Tier 1 capital ratio 5,1% and Tier 1 capital ratio 7,3%
  - European Banking Authority (EBA) Core Tier 1 capital ratio 6,9%
  - In light of its request for state support, the Group's total capital needs will be assessed, in cooperation with the Cypriot Authorities and the Troika based on a stress testing exercise

Nicosia, 30 August 2012

A. Summary of Group Financial Results for 1st Half 2012

Faced with an extreme and uncertain economic environment in the key markets where it operates, the Group continues to focus on strengthening its capital adequacy and liquidity, maintaining adequate organic profitability and effective management of risks.

The Group's **profit before provisions** for the first half of 2012 amounted to €360 mn (a decrease of 6% compared with the first half of 2011), demonstrating the Group's ability to achieve organic profitability despite the difficult economic environment. The significant increase in provisions for impairment of loans (€568 mn in the first half of 2012, compared with €183 million in the first half of 2011) resulted in the Group recording **losses after tax,** excluding the impairment of Greek Government Bonds (GGBs) and the change in fair value of related hedging derivatives as well as the related deferred tax, of €214 mn compared to a profit of €161 mn for the first half of 2011. **Losses after tax and including the impairment of GGBs** reached €134 mn for the first half of 2012 compared to €107 mn in the first half of 2011. It is noted that the results for the first half of 2012 include a special tax on financial institutions based on the level of their deposits in Cyprus of about €9 mn (€9 mn for the first half of 2011).

Taking into account the deterioration of its loan portfolio, the Group significantly increased the provisions for loan impairment to €568 mn for the first half of 2012, raising the accumulated provisions at 30 June 2012 to €2,0 bn and the coverage ratio of non-performing loans to 50% from 46% as at 31 March 2012. Taking into consideration tangible collateral at forced sale value, the overall coverage ratio was 106% at 30 June 2012, compared to 101% at 31 March 2012.

Despite the annual decline in deposits by 11%[1], the Group has a healthy funding structure and a broad deposit base and maintains a ratio of loans to deposits of 94% at 30 June 2012.

At 30 June 2012 the capital adequacy ratio of the Group amounted to 7,6% with the Core Tier 1 capital ratio and the Tier 1 capital ratio at 5,1% and 7,3% respectively. The Group's capital adequacy ratios are lower the minimum ratios required by the Central Bank of Cyprus. Taking into account the Convertible Enhanced Capital Securities (CECS) of €430 mn, the Core Tier 1 capital ratio as defined by the European Banking Authority (EBA) amounted to 6,9%.

On 27 June 2012, in light of the 30 June 2012 deadline for the recapitalisation of banks, the Group announced that despite the fact that it has proceeded with a series of actions to cover the capital deficit of €1.560 mn as estimated by the EBA in December 2011, it was not able to fully cover its capital shortfall and as a result applied to the Republic of Cyprus for capital support.

Due to additional provisions relating to the loan portfolio in Cyprus and Greece as well as the further impairment of GGBs and bonds issued by financial institutions in Cyprus and Greece, the capital deficit as defined by the EBA is estimated at 30 June 2012 at approximately €730 mn.

Following the results of the first half of 2012, the shortfall to meet the capital deficit as defined by the EBA is estimated at 30 June 2012 at approximately €730 mn due to additional provisions relating to the loan portfolio in Cyprus and Greece and to the further impairment of GGBs and bonds issued by financial institutions in Cyprus and Greece.

Furthermore, the Republic of Cyprus has applied for the provision of financial assistance from other member states of the European Union and the International Monetary Fund. The program that will be agreed between Cyprus and the Troika (European Commission, European Central Bank and International Monetary Fund) to provide financial assistance to the Republic of Cyprus will be based on (a) the capital requirements of the financial system, (b) the financial needs and refinancing needs of the Republic of Cyprus and (c) the structural reforms needed to boost the competitiveness and

[1] Adjusted to exclude Australia, which was sold in December 2011.

growth prospects of the Cypriot economy. As a result, the total capital needs of the Group will be assessed in cooperation with the Cypriot Authorities and the Troika in the context of a stress-testing exercise and the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika.

The main financial highlights for the first half of 2012 are set out in the tables below:

Table 1

Main financial highlights for the first half of 2012				
€ mn	**Change**	**1H2012**	**1H2011****	**Year 2011****
Total income	-7%	688	737	1.541
Profit before provisions and the impairment of Greek Government Bonds (GGBs)	-6%	360	383	816
(Losses)/profit after tax excluding the GGBs impairment, the change in fair value of related hedging derivatives and the tax related to GGBs	-233%	(214)	161	323
Impairment of GGBs and change in fair value of related hedging derivatives and tax	-	80	(268)	(1.682)
Losses after tax	-25%	(134)	(107)	(1.359)
Basic losses per share	+2,6 cent	9,3 cent	11,9 cent	155,6 cent
Cost / Income	-40 b.p.*	47,7%	48,1%	47,0%
Net Interest Margin	+39 b.p *	3,17%	2,78%	2,98%

* p.p. = percentage points, 1 percentage point = 1%
* b.p. = basis points, 100 b.p. = 1 percentage point (1%)
** Restated due to change in accounting policy. Also the loans and deposits as at 30 June 2011 were adjusted to exclude Australia which was sold in December 2011.

Table 2

Main financial highlights as at 30.06.2012				
	Change	**30.06.2012**	**30.06.2011****	**31.12.2011**
Total Loans (€ bn)	0%	28,5	28,4	28,9
Customer Deposits (€ bn)	-11%	28,2	31,6	29,7
Net Loans to Deposits ratio	+6 p.p*	94%	86%	92%
Non-performing loans ratio	+6,0 p.p*	14,2%	8,2%	10,2%

* p.p. = percentage points, 1 percentage point = 1%
** Loans and deposits as at 30 June 2011 were adjusted to exclude Australia which was sold in December 2011.

- **Net Interest Income**: Net interest income for the first half of 2012 increased by 1% compared with the first half of 2011, and reached €558 mn. The exchange of the GGBs with new GGBs, the decrease in interest spread and the increase in impaired loans affected negatively the net interest income which during the second quarter of 2012 declined by 11% to €263 mn compared to the first quarter of 2012.

- **Total income:** Total income for the first half of 2012 reached €688 mn for the first half of 2012 recording a 7% reduction compared to the first half of 2011, mainly due to the losses relating to the sale, revaluation and impairment of financial instruments amounting to €37 mn, compared to profits of €20 mn in the first half of 2011.

- **Total expenses**: Total expenses for the first half of 2012 reached €328 mn recording a 7% reduction compared to the first half of 2011, mainly due to the lower employee retirement benefit costs as a result of the change of the main retirement benefit plan in Cyprus from a defined benefits plan to a defined contributions plan.

- **Efficiency:** The cost to income ratio for the first half of 2012 has improved to 47,7% from 48,1% for the first half of 2011, despite the lower income as a result of lower expenses.

- **Profit before provisions**: Profit before provisions declined by 6% compared to the first half of 2011 and reached €360 mn, due to lower income and lower expenses compared to the first half of 2011.

- **Interest margin**: The Group's net interest margin reached 3,17% for the first half of 2012 compared to 2,78% for the first half of 2011 and 2,98% for 2011. The net interest margin for the second quarter of 2012 declined by 32 basis points to 2,99% (3,31% for the first quarter of 2012) due to the exchange of GGBs with new GGBs, the decrease in interest spread and the increase in impaired loans.

- **Healthy funding structure**: The Group has a broad deposit base, minimal repayments of debt obligations in the next two years and minimal reliance on wholesale funding. The Group's net loans to deposits ratio reached 94% and the ratio of deposits to total assets was 76% at 30 June 2012.

- **Loans and deposits:** As at 30 June 2012 Group loans and deposits were €28,5 bn and €28,2 bn respectively.

- **Credit risk management**: The non-performing loans ratio reached 14,2% at 30 June 2012 compared to 11,9% at 31 March 2012 and 10,2% at 31 December 2011. The provisions coverage ratio (provisions as a percentage of non-performing loans) was increased to 50% at 30 June 2012 compared to 46% at 31 March 2012 and 51% at 31 December 2011. The overall coverage ratio including tangible collateral at forced sale value amounting to 106% (compared to 101% at 31 March 2012).

B. Prospects for 2012

Faced with an extreme and uncertain economic environment in the key markets where it operates, the Group continues to focus on strengthening its capital adequacy and liquidity, maintaining adequate organic profitability and effective management of risks.

The Group continues its efforts to further strengthen its capital base through the effective management of risk weighted assets and other measures including the sale or strategic alliances of its subsidiaries/branches.

The Group will submit a recapitalisation and restructuring plan for approval by the Cypriot Authorities and the Troika, which will be directly linked to its total capital needs as these will be assessed in cooperation with the Cypriot Authorities and the Troika in the context of a stress-testing exercise.

C. Analysis of Results for the first half of 2012

C.1 Geographical Analysis of Profitability Excluding the Impairment of GGBs, the Changes in the Fair Value of Related Hedging Derivatives and the Related Deferred Tax

The Group's profit before provisions and GGBs impairment for the first half of 2012 amounted to €360 mn, noting an annual decrease of 6%. Net interest income increased by 1% in the first half of 2012 and amounted to €558 mn versus €553 mn in the first half of 2011.

The significant increase in provisions for loans impairment amounting to €568 mn in the first half of 2012, compared to €183 mn in the first half of 2011 resulted in the Group recording **losses after tax** and excluding the impairment of GGBs, the change in fair value of related hedging derivatives as well as the related deferred tax of €214 mn compared to a profit of €161 mn for the first half of 2011. Losses after tax for the first half of 2012 reached €134 mn compared to €107 mn in the first half of 2011.

In **Cyprus,** profit before provisions for the first half of 2012 reached €222 mn, a 4% reduction compared to the first half of 2011. The significant increase in provisions for loan impairments (€208 mn for the first half of 2012, compared to €62 mn for the first half of 2011) due to the deterioration in the Cyprus economy, resulted in losses after tax reaching €3 mn, compared to profit after tax €144 mn for the first half of 2011. It is noted that the results for the Cypriot operations for the first half of 2012 include a special tax on financial institutions based on the level of their deposits in Cyprus of about €9 mn (€9 mn for the first half of 2011).

In **Greece,** profit before provisions for the first half of 2012 reached €101 mn, a 2% increase compared to the first half of 2011. Due to the further deterioration of the economic environment, provisions for loan impairment have significantly increased reaching €317 mn for the first half of 2012, compared to €95 mn for the first half of 2011. Due to higher provisions for loans impairment, losses after tax for the first half of 2012 reached €206 mn compared to losses after tax of €3 mn for the first half of 2011.

In **Russia,** profit before provisions for the first half of 2012 reached €21 mn compared to €28 mn for the first half of 2011. Losses after tax for the first half of 2012 reached €3 mn compared to profit after tax of €10 mn for the first half of 2011, as a result of higher provisions for loans impairment.

Profit after tax for the first half of 2012 in **other countries** reached €3 mn for the United Kingdom, €3 mn in Ukraine, while in Romania losses after tax amounted to €8mn as a result of higher provisions for loans impairment. Profit after tax for the first half of 2011 includes profits of €2 mn from the Group's operation in Australia which was sold in 2011.

C.2 Analysis of income

The **Group** increased its **net interest income** for the first half of 2012 which reached €558 mn, noting a 1% marginal increase compared to €553 mn for the first half of 2011.

The Group's **net interest margin** reached 3,17% for the first half of 2012 compared to 2,78% for the first half of 2011. The net interest margin for the second quarter of 2012 declined to 2,99% compared to 3,31% for the first quarter of 2012, negatively affected by the exchange of GGBs, the decrease in interest spread and the increase in impaired loans.

Net fee and commission income amounted to €112 mn for the first half of 2012 at a similar level compared to the first half of 2011.

Net loss from foreign exchange income and financial instruments for the first half of 2012 amounted to €17 mn compared to profit of €26 mn for the first half of 2011. The net losses is the result of losses relating to the sale, revaluation and impairment of financial instruments amounting to

€37 mn (compared to a profit of €20 mn for the first half of 2011), mainly due to the impairment of bonds issued by financial institutions in Cyprus and Greece.

C.3 Analysis of expenses

Total expenses for the first half of 2012 amounted to €328 mn recording a decrease of 7% compared to €354 mn for the first half of 2011. The higher decrease in expenses relative to the decrease in income led to a small improvement in the **cost to income ratio** which reached 47,7% noting a decrease of 0,4 percentage points compared to the first half of 2011 (48,1%).

Staff costs amounted to €193 mn recording a decrease of 9% compared to the first half of 2011, while **other operating expenses** (excluding staff costs) amounted to €135 mn, recording a reduction of 5% compared to the first half of 2011.

C.4 Impairment of GGBs, Change in Fair Value of Related Hedging Derivatives and the Related Deferred Tax

At the exchange of GGBs (March/April 2012) the Group received new GGBs of nominal value of €709 mn. On the date of exchange, the new GGBs were measured at their fair value at an average price of 21% of their nominal value based on the settlement price of credit default swaps for GGBs at the relevant auction. As a result, in addition to the impairment recognised in 2011, an additional loss before tax of €109 mn was recognised in the results during the first half of 2012.

The carrying value of the new GGBs on initial recognition amounted to €150 mn and the new GGBs are classified in the available-for-sale category. On 30 June 2012, the new GGBs were measured using market prices and their carrying amount was €105 mn. The loss arising on the revaluation of the new GGBs at 30 June 2012 was recorded in the available-for-sale revaluation reserve.

In addition to the loss arising on initial recognition of the new bonds during the first half of 2012, an additional loss before tax of €34 mn was recognised relating to changes in the fair value of derivatives used to hedge GGBs interest rate risk. The derivatives have been terminated by April 2012.

During the first half of 2012 the Group has recognised a deferred tax asset of €224 mn which relates to future tax benefits from the utilisation of the impairment losses of GGBs in Greece.

The total effect of the above on losses after tax for the first half of 2012 amounted to a profit of €80 mn.

In the financial statements for the first quarter 2012, the new GGBs were recorded at €260 mn, using an internal valuation model to discount the expected cash flows using a rate of 11,5%. This value has been restated retrospectively to €150 mn as described above. Furthermore, there was an adjustment to the related deferred tax asset.

D. Credit Risk Management

The quality of the Group’s loan portfolio deteriorated further due to the escalating economic crisis in the main markets in which the Group operates. The ratio of loans in arrears for longer than three months which are not fully covered by tangible collateral (“non-performing loans”) over the total loans of the Group reached 14,2% at 30 June 2012, compared to 11,9% at 31 March 2012 and 10,2% at 31 December 2011.

At 30 June 2012, the relevant ratio was 12,8% in Cyprus (31 March 2012: 11,5%) and 17,3% in Greece (31 March 2012: 13,4%).

The Group, taking into consideration the macro-economic environment and the deterioration of the loan portfolio, increased the charge for the impairment of loans for the period, which amounted to 3,96% of total loans on an annualized basis for the first half of 2012 (first half of 2011:1,26%).

The Group's coverage ratio (provisions/NPLs) has increased to 50% at 30 June 2012, from 46% at 31 March 2012 (51% at 31 December 2011), while the accumulated provisions reached €2,0 bn. The remaining balance of NPLs is fully covered by tangible collateral, with the overall coverage ratio including tangible collateral at forced sale value amounting to 106% (101% at 31 March 2012).

E. Balance Sheet Analysis

E.1 Group Loans

As at 30 June 2012 Group loans before provisions amounted to €28,5 bn.

Table 3

Analysis of Loans by Geographic Sector at 30.06.2012			
	€ mn	**Annual ±%***	**Contribution**
Cyprus	14.869	+3%	52%
Greece	9.671	-5%	34%
Russia	2.090	+5%	7%
United Kingdom	927	-7%	4%
Ukraine	356	+41%	1%
Romania	575	-9%	2%
Group	**28.488**	**0%**	**100%**

*The annual change was adjusted to exclude Australia, which was sold in December 2011.

E.2 Group Deposits

The Group's total deposits at 30 June 2012 reached €28,2 bn recording an annual decrease of 11%[2].

The Group's deposits in Cyprus at 30 June 2012 were lower by 5% compared to 30 June 2011 and were at similar levels compared to 31 December 2011. In Greece, the Group experienced an 18% reduction in deposits compared to 31 December 2011, mainly during the second quarter of 2012, as a result of political uncertainty due to the elections in the country during that period.

The Group's ratio of net loans to deposits stood at 94% at 30 June 2012. The Group's minimal reliance on wholesale funding (deposits to total assets ratio of 76% at 30 June 2012) provides the Group with a competitive advantage particularly in the adverse conditions prevailing in international money markets and the intense competition on deposits evident in the main markets in which the Group operates.

[2] Adjusted to exclude Australia, which was sold in December 2011.

Table 4

Analysis of Deposits by Geographic Sector at 30.06.2012			
	€ mn	**Annual ±%***	**Contribution**
Cyprus	19.130	-5%	68%
Greece	6.343	-27%	23%
Russia	1.248	-6%	4%
United Kingdom	1.182	0%	4%
Ukraine	99	+142%	0%
Romania	190	+9%	1%
Group	**28.193**	**-11%**	**100%**

* The annual change was adjusted to exclude Australia, which was sold in December 2011.

E.3 Capital Base

As at 30 June 2012, the Group's equity amounted to €2,33 bn. At 30 June 2012 the capital adequacy ratio of the Group amounted to 7,6% with the Core Tier 1 capital ratio and the Tier 1 capital ratio at 5,1% and 7,3% respectively. The Group's capital adequacy ratios are lower the minimum ratios required by the Central Bank of Cyprus. Taking into account the Convertible Enhanced Capital Securities (CECS) of €430 mn, the Core Tier 1 capital ratio as defined by the European Banking Authority (EBA) amounted to 6,9%.

On 27 June 2012, in light of the 30 June 2012 deadline for the recapitalisation of banks, the Group announced that despite the fact that it has proceeded with a series of actions to cover the capital deficit of €1.560 mn as estimated by the EBA in December 2011, it was not able to fully cover its capital shortfall and as a result applied to the Republic of Cyprus for capital support.

Due to additional provisions relating to the loan portfolio in Cyprus and Greece as well as the further impairment of GGBs and bonds issued by financial institutions in Cyprus and Greece, the capital deficit as defined by the EBA is estimated at 30 June 2012 at approximately €730 mn.

Furthermore, the Republic of Cyprus has applied for the provision of financial assistance from other member states of the European Union and the International Monetary Fund. The program that will be agreed between Cyprus and the Troika (European Commission, European Central Bank and International Monetary Fund) to provide financial assistance to the Republic of Cyprus will be based on (a) the capital requirements of the financial system, (b) the financial needs and refinancing needs of the Republic of Cyprus and (c) the structural reforms needed to boost the competitiveness and growth prospects of the Cypriot economy. As a result, the total capital needs of the Group will be assessed in cooperation with the Cypriot Authorities and the Troika in the context of a stress-testing exercise and the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika.

Table 5

Analysis of Group Results and Other Financial Information						
€ mn	**1H2012**	**1H2011[3]**	**Annual change ±%**	**2Q12**	**1Q12[4]**	**Quarterly change ±%**
Net interest income	558	553	+1%	263	295	-11%
Net fee and commission income	112	113	0%	57	56	+2%
Foreign exchange gains and net (losses)/gains on other financial instruments and disposal of subsidiaries	-17	26	-165%	(27)	10	-364%
Insurance income net of insurance claims	32	32	-1%	15	16	-4%
Other income	3	13	-75%	2	1	+32%
Total income	**688**	**737**	**-7%**	**310**	**378**	**-18%**
Staff costs	(193)	(213)	-9%	(101)	(93)	+9%
Other operating expenses	(135)	(141)	-5%	(68)	(66)	+4%
Total expenses	**(328)**	**(354)**	**-7%**	**(169)**	**(159)**	**+7%**
Profit before provisions	**360**	**383**	**-6%**	**141**	**219**	**-36%**
Provisions for impairment of loans and advances	(568)	(183)	+210%	(468)	(100)	+367%
Share of loss of associate	(0)	(1)	-84%	-	-	
(Loss)/profit before tax and before the impairment of GGBs	**(208)**	**199**	**-205%**	**(327)**	**119**	**-374%**
Taxation	(10)	(38)	-74%	11	(21)	-154%
Non - controlling interests (loss)	4	0	+718%	3	1	+264%
(Loss)/profit after tax and before the impairment of GGBs	**(214)**	**161**	**-233%**	**(313)**	**99**	**-417%**
Impairment of GGBs and change in fair value of related hedging instruments including taxation	80	(268)	-	-	80	-
(Loss)/ profit after tax and impairment of Greek Government Bonds	**(134)**	**(107)**	**-25%**	**(313)**	**179**	**-275%**
Net Interest Margin (NIM)	**3,17%**	**2,78%**	**+39 μ.β.***	**2,99%**	**3,31%**	**-32 μ.β.***
Cost to Income	**47,7%**	**48,1%**	**-40 μ.β.***	**54,6%**	**42,0%**	**+12,6 ε.μ.***

* b.p. = basis points, 100 b.p. = 1 percentage point (1%)

3 Restated due to change in accounting policy
4 Restated as a result of the adjustment of the value of new GGBs on initial recognition

Table 6

Geographical Sector Analysis of Results and Other Financial Information												
Analysis does not include the GGBs impairment, changes in fair value of hedging derivatives used to hedge GGBs and tax related to												
€ mn	Cyprus			Greece			Russia			Other countries		
	+%	1H2012	1H2011	+%	1H2012	1H2011	+%	1H2012	1H2011	+%	1H2012	1H2011
Net interest income	+3%	291	282	+8%	171	158	-9%	59	65	-23%	37	48
Net fee and commission income	+4%	67	64	+2%	26	25	-5%	16	17	-43%	3	6
Foreign exchange gains and gains/(losses) from financial instruments and sale of subsidiaries	-160%	(12)	20	-410%	(9)	3	-12%	3	3	+78%	1	0
Insurance income net of insurance claims	+2%	27	26	-15%	5	6	-	-	-	-	-	-
Other income	-42%	2	4	-91%	0	4	-84%	1	5	-93%	0	1
Total income	**-5%**	**375**	**396**	**-1%**	**193**	**196**	**-12%**	**79**	**90**	**-24%**	**41**	**55**
Staff costs	-13%	(94)	(108)	-2%	(55)	(56)	-4%	(32)	(33)	-24%	(12)	(16)
Other operating expenses	+4%	(59)	(57)	-10%	(37)	(41)	-11%	(26)	(29)	-10%	(13)	(14)
Total expenses	**-7%**	**(153)**	**(165)**	**-5%**	**(92)**	**(97)**	**-7%**	**(58)**	**(62)**	**-17%**	**(25)**	**(30)**
Profit before provisions	**-4%**	**222**	**231**	**+2%**	**101**	**99**	**-23%**	**21**	**28**	**-31%**	**16**	**25**
Contribution		*61%*	61%		*28%*	*26%*		6%	7%		*5%*	*6%*
Provisions for impairment of loans and advances	+235%	(208)	(62)	+233%	(317)	(95)	+74%	(25)	(15)	+61%	(18)	(11)
Share of loss of associate	-	0	(1)	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	**-92%**	**14**	**168**	**-**	**(216)**	**4**	**-133%**	**(4)**	**13**	**-108%**	**(2)**	**14**
Contribution		7%	85%		*-104%*	*2%*		-2%	6%		*-1%*	*7%*
Taxation	-27%	(19)**	(25**)	-243%	10	(7)	-67%	(1)	(2)	-82%	0	(4)
Non - controlling interests (loss/(profit))	+6%	2	1		-	-	-318%	2	(1)	-	(0)	(0)
(Loss)/profit after tax and before the impairment of GGBs	**-102%**	**(3)**	**144**	**-**	**(206)**	**(3)**	**-128%**	**(3)**	**10**	**-116%**	**(2)**	**10**
Contribution		*-2%*	90%		*-96%*	-2%		-1%	6%		*-1%*	*6%*
Net interest margin (NIM)	**+5 b.p.***	**2,26%**	**2,21%**	**+69 b.p.***	**3,26%**	**2,57%**	**-45 b.p.***	**5,43%**	**5,88%**	**+42 b.p.***	**3,02%**	**2,60%**
Cost/Income Ratio	**-6 b.p.***	**41,0%**	**41,6%**	**-1,9 p.p.***	**47,7%**	**49,6%**	**+4,0 p.p.***	**73,2%**	**69,2%**	**+4,6 p.p.***	**59,8%**	**55,2%**

* b.p. = basis points, 100 b.p. = 1 percentage point (1%);

**Includes a special tax on banks of about €9 ,mn for the first half of 2012 and the first half of 2011.

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Table 7

Condensed Balance Sheet				
€ mn	**±%**	**30.06.2012[1]**	**30.06.2011[2]**	**31.12.2011[1,2]**
Cash and balances with central banks	+17%	2.238	1.909	1.375
Placements with banks and reverse repurchase agreements	-51%	2.261	4.605	2.844
Debt securities, Treasury bills and equity investments	-27%	3.714	5.115	3.567
Net loans and advances to customers	-6%	26.460	28.135	27.367
Other assets	+24%	2.458	1.986	2.321
Total assets	**-11%**	**37.131**	**41.750**	**37.474**
Amounts due to banks and repurchase agreements	+36%	5.336	3.918	3.852
Customer deposits	-14%	28.193	32.643	29.654
Debt securities in issue	-61%	34	88	50
Other liabilities	-20%	1.114	1.389	1.447
Subordinated loan stock	+11%	129	116	128
Total liabilities	**-9%**	**34.806**	**38.154**	**35.131**
Share capital	+100%	1.795	899	900
Share premium reserve	-26%	859	1.164	1.165
Convertible Enhanced Capital Securities	-50%	430	867	862
Revaluation and other reserves	+44%	(30)	(54)	3
(Accumulated losses)/retained earnings	-229%	(810)	629	(671)
Shareholder's equity	**-36%**	**2.244**	**3.505**	**2.259**
Non controlling interest	-11%	81	91	84
Total equity	**-35%**	**2.325**	**3.596**	**2.343**
Total liabilities and equity	**-11%**	**37.131**	**41.750**	**37.474**

[1]Does not include Australia
[2]Restated due to change in accounting policy

Notes:

1. All geographical sector analyses are shown following restatements made to bring each sector's capital to the same percentage level of the sector's risk weighted assets as well as to reflect the excess/shortfall liquidity.

2. The Mid-year Financial Report of the Group for the six months ended 30 June 2012 will be available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:

   - Registered Office: 51 Stassinos Street, Ayia Paraskevi, Strovolos,
     P.O. Box 24884, 1398 Nicosia, Cyprus
     Telephone: +357 22 122128, Fax: +357 22 378422
   - Website: **www.bankofcyprus.com** (Inv. Relations/Financial Information)

3. The detailed presentation of the financial results for the first half of 2012 has been posted on the Group's website **www.bankofcyprus.com** (Inv. Relations/Presentations).