Bank of Cyprus Group

Announcement

# Group Financial Results for the nine months ended 30 September 2012

- **Profitability**
  - Profit before provisions €517 mn (15% reduction compared to the same period last year)
  - Losses after tax €211 mn (compared to losses €793 mn for the same period last year)

- **Significant increase in provisions**
  - Provisions for impairment of loans €822 mn, (179% increase compared to the same period last year)
  - Non-performing loans fully covered with tangible collateral and provisions with an overall coverage of 103% (provision coverage of non-performing loans at 47%)

- **Capital base**
  - Core Tier 1 capital ratio 5,0% and Tier 1 capital ratio 7,3%
  - 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, 28 November 2012

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group currently operates through a total of 556 branches, of which 190 operate in Russia, 181 in Greece, 126 in Cyprus, 44 in Ukraine, 10 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 6 representative offices in Russia, Ukraine, Serbia and South Africa. The Bank of Cyprus Group employs 11.101 staff worldwide.

At 30 September 2012, the Group's Total Assets amounted to €36,23 bn and the Shareholders' Funds were €2,31 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website www.bankofcyprus.com.

## A. Summary of Group Financial Results for the nine months of 2012

Faced with an intensifying economic recession and the ongoing sovereign debt crisis in the main markets where it operates, the Bank of Cyprus Group focuses on strengthening its capital adequacy and liquidity, by maintaining its organic profitability, containing operating expenses and the effective management of risks.

This extreme and uncertain economic environment is reflected in the Group's financial results, with **profit before provisions** for the nine months of 2012 declining by 15% compared to the nine months of 2011 and amounting to €517 mn. Further deterioration in loan portfolio quality led to a significant increase in provisions for impairment of loans (€822 mn in the nine months of 2012, compared with €295 million for the nine months of 2011), resulting to **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 €291 mn compared to a profit of €254 mn for the nine months of 2011. **Losses after tax and including the impairment of GGBs** for the nine months of 2012 reached €211 mn compared to €793 mn in the nine months of 2011, which included significant losses from the GGBs impairment of about €1.046 mn.

The ongoing economic crisis in the main markets the Group operates resulted in a significant deterioration of its loan portfolio. The non-performing loans ratio reached 17,1% at 30 September 2012, compared to 14,2% at 30 June 2012. Taking into account the deterioration of its loan portfolio, the Group increased significantly the provisions for loan impairment to €822 mn for the nine months of 2012. At 30 September 2012 the accumulated provisions for impaired loans and the overall coverage ratio of non-performing loans with tangible collateral at forced sale values and provisions amounted to €2,2 bn and 103%, respectively.

The Group has a healthy funding structure and a broad deposit base and maintains a ratio of loans to deposits of 93% at 30 September 2012.

At 30 September 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 5,0% and 7,3% respectively. The Group's capital adequacy ratios are lower than the minimum ratios required by the Central Bank of Cyprus. Taking into account the Convertible Enhanced Capital Securities (CECS) of €429 mn, the Core Tier 1 capital ratio as defined by the European Banking Authority (EBA) amounted to 6,8%.

On 27 June 2012, in light of the 30 June 2012 deadline for the recapitalisation of banks, the Group announced that it was not able to fully cover the capital shortfall as estimated by the EBA and as a result applied to the Republic of Cyprus for capital support. Based on the Group's capital position as at 30 September 2012, the capital deficit as defined by the EBA is estimated at €722 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 and a loan diagnostic exercise of the Group is currently carried out by PIMCO. Based on its total capital needs the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika, which will determine the way and timing of repayment of the state aid the Group will receive.

The main financial highlights of the Group for the nine months of 2012 are set out in the tables below:

**Table 1**

| **Main financial highlights for the nine months of 2012** | | | | |
|---|---|---|---|---|
| **€ mn** | **Annual change** | **9M2012** | **9M2011**** | **Year 2011**** |
| Total income | -9% | 1.022 | 1.127 | 1.541 |
| Profit before provisions and the impairment of Greek Government Bonds (GGBs) | -15% | 517 | 606 | 816 |
| (Losses)/profit after tax excluding the GGBs impairment, the change in fair value of related hedging derivatives and the tax related to GGBs | -215% | (291) | 254 | 323 |
| Impairment of GGBs and change in fair value of related hedging derivatives and tax | -- | 80 | (1.046) | (1.682) |
| Losses after tax | -73% | (211) | (793) | (1.359) |
| Basic losses per share (cent) | +74,3 cent | (14,2) | (88,5) | (155,6) |
| Cost / Income ratio | +3,2 p.p.* | 49,4% | 46,2% | 47,0% |
| Net Interest Margin | +19 b.p.* | 3,09% | 2,90% | 2,98% |

**Table 2**

| **Main financial highlights as at 30.09.2012** | | | | |
|---|---|---|---|---|
| | **Annual change** | **30.09.2012** | **30.09.2011**** | **31.12.2011** |
| Total Loans (€ bn) | -2% | 28,2 | 28,8 | 28,9 |
| Total Customer Deposits (€ bn) | -10% | 27,9 | 30,9 | 29,7 |
| Net Loans to Deposits ratio | +4 p.p.* | 93% | 89% | 92% |
| Non-performing loans ratio | +8,5 p.p.* | 17,1% | 8,6% | 10,2% |

* 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 September 2011 were adjusted to exclude Australia which was sold in December 2011.

- **Net Interest Income**: Net interest income for the nine months of 2012 totaled €809 mn, reduced by 5% compared to the same period last year. The net interest income was affected negatively by the exchange of the GGBs, the decrease in interest spread and the increase in impaired loans. The net interest income for the third quarter 2012 reached €251 mn, recording a decrease of 5% compared to the second quarter of 2012, due to the decrease in the interest spread and the increase in impaired loans.

- **Total income:** Total income for the nine months of 2012 reached €1.022 mn recording a 9% reduction compared to the nine months of 2011, mainly due to the losses relating to the sale, revaluation and impairment of financial instruments amounting to €36 mn compared to losses of €2 mn in the nine months of 2011, and due to the reduced net interest income and other operating income of the Group.

- **Total expenses**: Total expenses for the nine months of 2012 reached €505 mn recording a 3% reduction compared to the nine months 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 nine months of 2012 increased to 49,4% from 46,2% for the nine months of 2011, due to higher decrease of total income compared to the decrease of expenses.

- **Profit before provisions**: Profit before provisions declined by 15% compared to the nine months of 2011 and reached €517 mn, mainly due to lower income compared to the nine months of 2011.

- **Provisions for loan impairment:** The ongoing deterioration of the loan portfolio resulted in a significant increase in the provisions for loan impairment which reached €822 mn for the nine months of 2012, compared to €295 mn for the nine months of 2011 noting an increase of 179%.

- **Interest margin**: The Group's net interest margin reached 3,09% for the nine months of 2012 compared to 2,90% for the nine months of 2011 and 2,98% for 2011. The net interest margin for the third quarter of 2012 declined further to 2,91% from 2,99% for the second quarter of 2012 due to 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 93% and the ratio of deposits to total assets 77% at 30 September 2012.

- **Loans and deposits:** As at 30 September 2012, Group loans and deposits were €28,2 bn and €27,9 bn respectively.

- **Credit risk management**: The non-performing loans ratio reached 17,1% at 30 September 2012 compared to 14,2% at 30 June 2012 and 10,2% at 31 December 2011. The provisions coverage ratio (provisions as a percentage of non-performing loans) was 47% at 30 September 2012 compared to 50% at 30 June 2012 and 51% at 31 December 2011. The overall coverage ratio including tangible collateral at forced sale values and provisions stands at 103% (compared to 106% at 30 June 2012).

## B. Prospects for 2012

Faced with an intensifying economic recession and the ongoing sovereign debt crisis in the main markets where it operates, the Bank of Cyprus Group focuses on strengthening its capital adequacy and liquidity, by maintaining its organic profitability, containing operating expenses and the effective management of risks.

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 and a loan diagnostic exercise of the Group is currently carried out by PIMCO. Based on its total capital needs the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika, which will determine the way and timing of repayment of the state aid the Group will receive.

## C. Analysis of Results for the nine months 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 Tax

In **Cyprus,** profit before provisions for the nine months of 2012 reached €308 mn, an 18% reduction compared to the nine months of 2011. The significant increase in provisions for loans impairment (€315 mn for the nine months of 2012, compared to €104 mn for the nine months of 2011) due to the deterioration in the Cyprus economy, resulted in profit after tax reaching €7 mn, a 97% reduction compared to the profit after tax of €231 mn for the nine months of 2011.

In **Greece,** profit before provisions for the nine months of 2012 reached €151 mn, as in the nine months of 2011. Due to the further deterioration of the economic environment, provisions for loan impairment in Greece have significantly increased reaching €436 mn for the nine months of 2012, compared to €149 mn for the nine months of 2011. Due to higher provisions for loans impairment, losses after tax for the nine months of 2012 reached €288 mn compared to losses after tax of €7 mn for the nine months of 2011.

In **Russia,** profit before provisions for the nine months of 2012 reached €35 mn compared to €45 mn for the nine months of 2011. Losses after tax for the nine months of 2012 reached €7 mn compared to profit after tax of €15 mn for the nine months of 2011, as a result of higher provisions for loans impairment.

Regarding **other countries**, profit after tax for the nine months of 2012 reached €3 mn for the United Kingdom operations, €1 mn in Ukraine, while in Romania losses after tax amounted to €7 mn as a result of higher provisions for loans impairment. Profit after tax for the nine months of 2011 includes profits of €3 mn from the Group's operations in Australia which were sold in 2011.

### C.2 Analysis of income

The **net interest income** for the nine months of 2012 reached €809 mn, noting a 5% decrease compared to €854 mn for the nine months of 2011.

The Group's **net interest margin** reached 3,09% for the nine months of 2012 compared to 2,90% for the nine months of 2011. The net interest margin for the third quarter of 2012 declined to 2,91% compared to 2,99% for the second quarter of 2012, negatively affected by the decrease in interest spread and the increase in impaired loans.

**Net fee and commission income** was reduced by 2% compared to the nine months of 2011 and amounted to €167 mn for the nine months of 2012.

**Net loss from foreign exchange income and financial instruments** for the nine months of 2012 amounted to €8 mn compared to gains of €33 mn for the nine months of 2011. These net losses is the result of losses relating to the sale, revaluation and impairment of financial instruments amounting to €36 mn (compared to losses of €2 mn for the nine months 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 nine months of 2012 amounted to €505 mn recording an annual decrease of 3% compared to €521 mn for the nine months of 2011. The higher decrease in income relative to the decrease in expenses led to an increase in the **cost to income ratio** which reached 49,4%, increased by 3,2 percentage points compared to the nine months of 2011 (46,2%).

**Staff costs** amounted to €297 mn recording a decrease of 8% compared to the nine months of 2011, while the Group's **other operating expenses** (excluding staff costs) amounted to €208 mn, recording an increase of 4% compared to the nine months of 2011.

### C.4 Impairment of GGBs, Change in Fair Value of Related Hedging Derivatives and the Related 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 nine months 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 September 2012, the new GGBs were measured using market prices and their carrying amount was €148 mn.

In addition to the loss arising on the initial recognition of the new bonds during the nine months 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 nine months 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.

Significant judgements, estimates and assumptions used in determining the deferred tax asset are described in Note 5.5 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2012.

In particular, with respect to the deferred tax asset recognised in Greece, the Group's management has assumed that its business in Greece will return to profitability in the near future. Furthermore, it assumes that the Greek tax legislation, specifically with respect to the recognition of losses under the PSI, will continue to permit the utilisation of tax losses in 30 equal annual instalments. In case of a potential interpretation of the existing legislation such that the recognition of these losses for tax purposes will be in installments which are calculated on the basis of the maturity of each debt security, it is possible that the Group may write off around €20 million of the deferred tax asset.

The Group has also recognised a deferred tax asset related to the loss on initial recognition of the new GGBs and their subsequent revaluation of €113 million. On the basis of existing legislation, there is a risk that these losses may not be able to be utilized against future profits which will arise from the reversal of these losses. This interpretation is being challenged by the greek banks, which request the amendment of the relevant legislation. In the event that the existing legislation is not amended, there is a risk that all or part of the deferred tax asset of €113 million may be written off.

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

### C.5 Taxation

The Special Tax Levy on Credit Institutions in Cyprus for the nine months ended 30 September 2012 includes a reversal of the total amount paid until 30 September 2012 (year 2011 and nine months of year 2012) of €32 million, since the Company expects to have tax losses for the two tax years 2011 and 2012. Management has assumed that the relevant legislation in Cyprus will continue to apply on the same basis as applicable on the reporting date.

## D. Credit Risk Management

The quality of the Group's loan portfolio deteriorated significantly during the third quarter of 2012 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 17,1% at 30 September 2012 compared to 14,2% at 30 June 2012 and 10,2% at 31 December 2011.

At 30 September 2012, the relevant ratio was 15,8% in Cyprus (30 June 2012: 12,8%) and 20,9% in Greece (30 June 2012: 17,3%).

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 3,84% of total loans on an annualized basis for the nine months of 2012 (year 2011: 1,48%).

The Group's coverage ratio (provisions/NPLs) reached 47% at 30 September 2012, compared to 50% at 30 June 2012 and 51% at 31 December 2011. 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 103% (106% at 30 June 2012).

# E. Balance Sheet Analysis

## E.1 Group Loans

As at 30 September 2012, Group loans before provisions amounted to €28,2 bn.

**Table 3**

| **Analysis of Loans by Geographic Sector at 30.09.2012** | | | |
|---|---|---|---|
| | **€ mn** | **Annual ±%*** | **Contribution** |
| Cyprus | 14.883 | +1% | 53% |
| Greece | 9.472 | -7% | 34% |
| Russia | 2.076 | +5% | 7% |
| United Kingdom | 879 | -14% | 3% |
| Ukraine | 342 | +17% | 1% |
| Romania | 574 | -10% | 2% |
| **Group** | **28.226** | **-2%** | **100%** |

*Excluding Australia which was sold in December 2011

## E.2 Group Deposits

The Group's total deposits at 30 September 2012 reached €27,9 bn recording a decrease of 6% since 31 December 2011.

The Group's deposits in Cyprus at 30 September 2012 were 6% lower compared to 30 September 2011 and 3% lower compared to 31 December 2011. In Greece, the Group experienced a significant outflow in deposits which reached 23% at 30 September 2012 compared to 30 September 2011 and 15% compared to 31 December 2011. The deposit outflow in Greece was mainly experienced during the second quarter of 2012, as a result of political uncertainty due to the elections in the country during that period. Since then, there has been an inflow of deposits in Greece, with deposits increasing by 3% during the third quarter of 2012 compared to 30 June 2012.

The Group's ratio of net loans to deposits stood at 93% at 30 September 2012. The Group's minimal reliance on wholesale funding (deposits to total assets ratio of 77% at 30 September 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.

Table 4

| Analysis of Deposits by Geographic Sector at 30.09.2012 | | | |
|---|---|---|---|
| | € mn | Annual ±%* | Contribution |
| Cyprus | 18.511 | -6% | 66% |
| Greece | 6.511 | -23% | 23% |
| Russia | 1.285 | 0% | 5% |
| United Kingdom | 1.224 | -1% | 5% |
| Ukraine | 97 | +89% | 0% |
| Romania | 245 | +33% | 1% |
| **Group** | **27.873** | **-10%** | **100%** |

*Excluding Australia which was sold in December 2011

## E.3 Capital Base

At 30 September 2012, the Group's equity amounted to €2,31 bn. At 30 September 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 5,0% and 7,3% respectively. The Group's capital adequacy ratios are lower than the minimum ratios required by the Central Bank of Cyprus. Taking into account the Convertible Enhanced Capital Securities (CECS) of €429 mn, the Core Tier 1 capital ratio as defined by the European Banking Authority (EBA) amounted to 6,8%.

On 27 June 2012, in light of the 30 June 2012 deadline for the recapitalisation of banks, the Group announced that it was not able to fully cover the capital shortfall as estimated by the EBA and as a result applied to the Republic of Cyprus for capital support. Based on the Group's capital position as at 30 September 2012, the capital deficit as defined by the EBA is estimated at €722 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 and a loan diagnostic exercise of the Group is currently carried out by PIMCO. Based on its total capital needs the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika, which will determine the way and timing of repayment of the state aid the Group will receive.

Table 5

| Analysis of Group Income Statement | | | | | | |
|---|---|---|---|---|---|---|
| **€ mn** | **9M2012** | **9M2011[1]** | **Annual change ±%** | **3Q12** | **2Q12** | **Quarterly change ±%** |
| Net interest income | 809 | 854 | -5% | 251 | 263 | -5% |
| Net fee and commission income | 167 | 171 | -2% | 55 | 57 | -4% |
| Foreign exchange income and net (losses)/gains on other financial instruments and disposal of subsidiaries | (8) | 33 | -123% | 9 | (27) | +135% |
| Insurance income net of insurance claims | 48 | 47 | +2% | 17 | 15 | +4% |
| Other income | 6 | 22 | -74% | 2 | 2 | +18% |
| **Total income** | **1.022** | **1.127** | **-9%** | **334** | **310** | **+7%** |
| Staff costs | (297) | (321) | -8% | (103) | (101) | +2% |
| Other operating expenses | (208) | (200) | +4% | (74) | (68) | +7% |
| **Total expenses** | **(505)** | **(521)** | **-3%** | **(177)** | **(169)** | **+4%** |
| **Profit before provisions** | **517** | **606** | **-15%** | **157** | **141** | **+11%** |
| Provisions for impairment of loans and advances | (822) | (295) | +179% | (254) | (468) | -46% |
| Share of loss of associate | -- | (1) | -97% | -- | -- | -- |
| **(Loss)/profit before tax** | **(305)** | **310** | **-198%** | **(97)** | **(327)** | **-70%** |
| Taxation | 9 | (58) | -115% | 19 | 11 | +62% |
| Non - controlling interests (loss/(profit)) | 5 | 2 | +206% | 1 | 3 | -53% |
| **(Loss)/profit after tax and before the impairment of GGBs** | **(291)** | **254** | **-215%** | **(77)** | **(313)** | **-75%** |
| Impairment of GGBs and change in fair value of related hedging instruments including taxation | 80 | (1.046) | - | -- | -- | -- |
| **Loss after tax and impairment of GGBs** | **(211)** | **(793)** | **-73%** | **(77)** | **(313)** | **-75%** |
| **Net Interest Margin (NIM)** | **3,09%** | **2,90%** | **+19 b.p.*** | **2,91%** | **2,99%** | **-8 b.p.*** |
| **Cost to Income** | **49,4%** | **46,2%** | **+3,2 p.p.*** | **53,0%** | **54,6%** | **-1,6 p.p.*** |

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

1 Restated due to change in accounting policy

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 related tax** | | | | | | | | | | | | |
| **€ mn** | **Cyprus** | | | **Greece** | | | **Russia** | | | **Other countries** | | |
| | ±% | **9M2012** | **9M2011** | ±% | **9M2012** | **9M2011** | ±% | **9M2012** | **9M2011** | ±% | **9M2012** | **9M2011** |
| Net interest income | -7% | 412 | 443 | +5% | 254 | 243 | -7% | 90 | 97 | -26% | 53 | 71 |
| Net fee and commission income | +4% | 101 | 98 | -6% | 36 | 38 | -6% | 25 | 26 | -40% | 5 | 9 |
| Foreign exchange income and (losses)/gains from financial instruments and sale of subsidiaries | -121% | (5) | 25 | -661% | (10) | 2 | -14% | 5 | 6 | -- | 2 | -- |
| Insurance income net of insurance claims | +4% | 40 | 39 | -9% | 8 | 8 | -- | -- | -- | -- | -- | -- |
| Other income | -46% | 4 | 7 | -86% | 1 | 5 | -86% | 1 | 6 | -- | 0 | 4 |
| **Total income** | **-10%** | **552** | **612** | **-2%** | **289** | **296** | **-11%** | **121** | **135** | **-28%** | **60** | **84** |
| Staff costs | -9% | (150) | (166) | -1% | (82) | (83) | -2% | (46) | (47) | -26% | (19) | (25) |
| Other operating expenses | +29% | (94) | (73) | -10% | (56) | (62) | -7% | (40) | (43) | -17% | (18) | (22) |
| **Total expenses** | **+2%** | **(244)** | **(239)** | **-5%** | **(138)** | **(145)** | **-5%** | **(86)** | **(90)** | **-22%** | **(37)** | **(47)** |
| **Profit before provisions** | **-18%** | **308** | **373** | **--** | **151** | **151** | **-24%** | **35** | **45** | **-36%** | **23** | **37** |
| *Contribution* | | *59%* | *62%* | | *29%* | *25%* | | *7%* | *7%* | | *5%* | *6%* |
| Provisions for impairment of loans and advances | +206% | (315) | (104) | +192% | (436) | (149) | +78% | (45) | (25) | +52% | (26) | (17) |
| Share of loss of associate | -- | -- | (1) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| **(Loss)/profit before tax** | **-103%** | **(7)** | **268** | **--** | **(285)** | **2** | **-151%** | **(10)** | **20** | **-109%** | **(3)** | **20** |
| Taxation | -132% | 13 | (41) | -62% | (3) | (9) | -73% | (1) | (3) | -93% | 0 | (5) |
| Non - controlling interests (loss/(profit)) | -54% | 1 | 4 | -- | -- | -- | -302% | 4 | (2) | -- | 0 | 0 |
| **Profit/(loss) after tax and before the impairment of GGBs** | **-97%** | **7** | **231** | **--** | **(288)** | **(7)** | **-151%** | **(7)** | **15** | **-114%** | **(3)** | **15** |
| **Net interest margin (NIM)** | **-22 b.p.*** | **2,12%** | **2,34%** | **+67 b.p.*** | **3,29%** | **2,62%** | **-52 b.p.*** | **5,29%** | **5,81%** | **+28 b.p.*** | **2,85%** | **2,57%** |
| **Cost/Income Ratio** | **+5,3 p.p.*** | **44,3%** | **39,0%** | **-1,3 p.p.*** | **47,8%** | **49,1%** | **+4,8 p.p.*** | **71,3%** | **66,5%** | **+4,8 p.p.*** | **60,6%** | **55,8%** |

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

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Table 7

| **Condensed Balance Sheet** | | | | |
|---|---|---|---|---|
| **€ mn** | **±%** | **30.09.2012[1]** | **30.09.2011[2]** | **31.12.2011[1, 2]** |
| Cash and balances with central banks | +76% | 2.939 | 1.674 | 1.375 |
| Placements with banks and reverse repurchase agreements | -41% | 1.902 | 3.224 | 2.844 |
| Debt securities, Treasury bills and equity investments | -28% | 3.048 | 4.220 | 3.567 |
| Net loans and advances to customers | -8% | 25.977 | 28.386 | 27.367 |
| Other assets | +15% | 2.369 | 2.067 | 2.321 |
| **Total assets** | **-7%** | **36.235** | **39.571** | **37.474** |
| Amounts due to banks and repurchase agreements | +48% | 4.738 | 3.211 | 3.852 |
| Customer deposits | -12% | 27.873 | 31.852 | 29.654 |
| Debt securities in issue | -38% | 40 | 65 | 50 |
| Other liabilities | -19% | 1.143 | 1.415 | 1.447 |
| Subordinated loan stock | +3% | 132 | 129 | 128 |
| **Total liabilities** | **-8%** | **33.926** | **36.672** | **35.131** |
| Share capital | +100% | 1.795 | 899 | 900 |
| Share premium reserve | -63% | 428 | 1.164 | 1.165 |
| Convertible Enhanced Capital Securities | -50% | 429 | 860 | 862 |
| Revaluation and other reserves | +165% | 33 | (50) | 3 |
| Accumulated losses | -646% | (457) | (61) | (671) |
| **Shareholder's equity** | **-21%** | **2.228** | **2.812** | **2.259** |
| Non controlling interest | -7% | 81 | 87 | 84 |
| **Total equity** | **-20%** | **2.309** | **2.899** | **2.343** |
| **Total liabilities and equity** | **-8%** | **36.235** | **39.571** | **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 Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2012 are 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 nine months of 2012 has been posted on the Group's website **www.bankofcyprus.com** (Inv. Relations/Presentations)