

# Bank of Cyprus Group

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Financial Results 9M 2012 – Highlights

Income Statement Review

Balance Sheet Review

Performance by Geographic Market

Key challenges

Appendices

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

28 November 2012

# Disclaimer

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# **Financial Results 9M 2012**

## **Highlights**

# 9M 2012 Financial Highlights

## Profitability

- 9M12 Net interest income at €809 mn (-5% yoy) due to the GGBs exchange, the decrease in interest spread and the increase in impaired loans
- 9M12 Profit before provisions €517 mn (-15% yoy)
- 9M12 Provisions for impairment of loans €822 mn (+179% yoy)
- 9M12 Loss after tax €211mn

## Balance Sheet

- Gross loans at €28,2 bn (-2% yoy), deposits at €27,9 bn (-10% yoy)
- Group net loans to deposits ratio at 93%
- Deposits to total assets at 77%
- Minimal debt repayments in the next two years

## Asset Quality

- NPLs ratio at 17,1%, with NPLs provisioning coverage at 47%
- NPLs overall coverage at 103% taking into account tangible collateral at forced sale value

## Capital Position

- Core Tier 1 ratio at 5,0% and Tier 1 ratio at 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 performed by PIMCO

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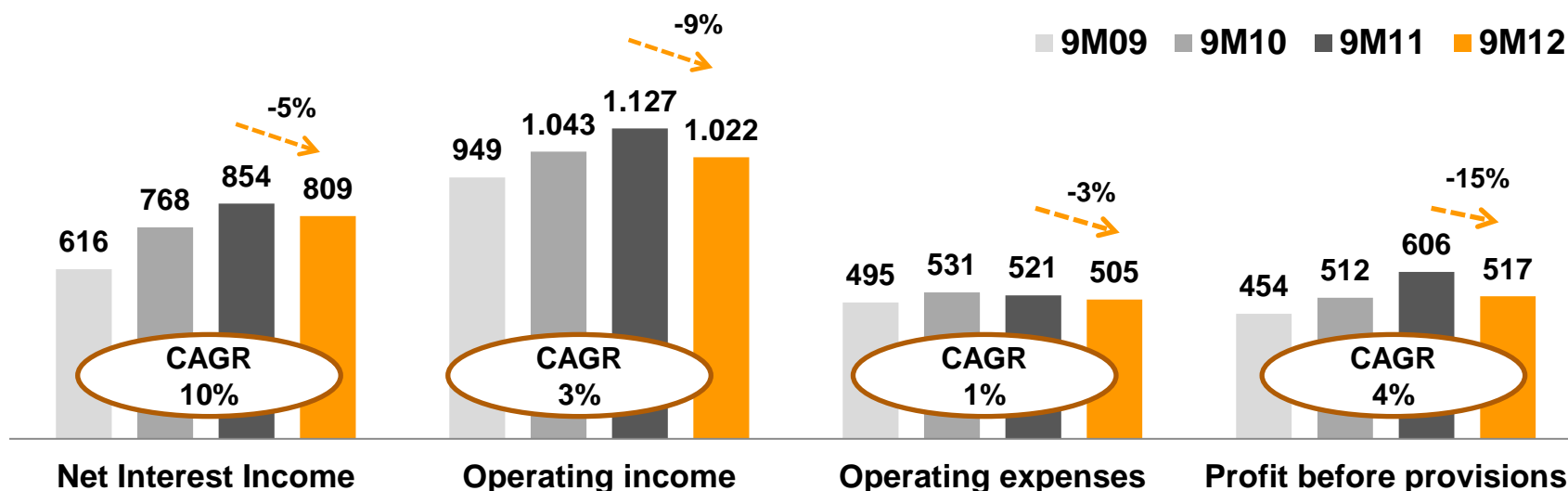
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# Income Statement Review

# Organic profitability

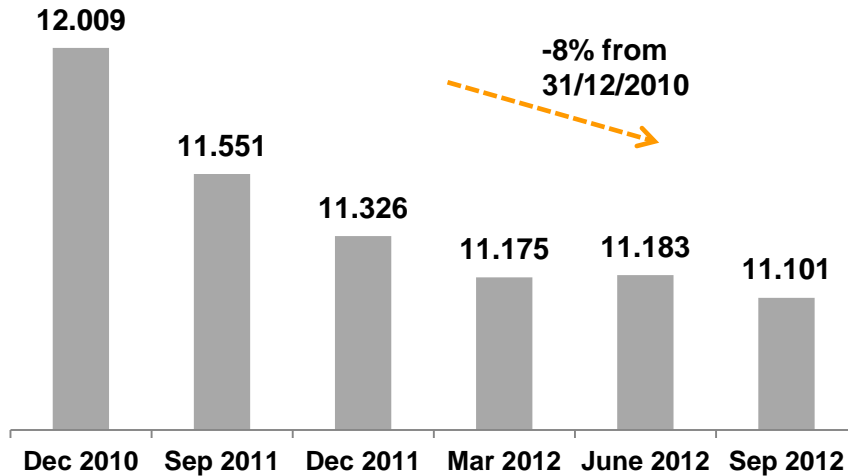
## Profit & Loss highlights (€mn)



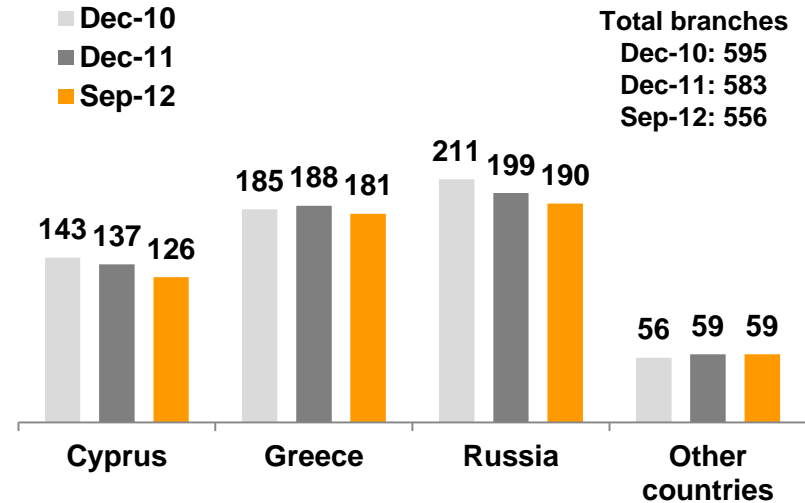
- 9M12 Net interest income reduction due to the exchange of the GGBs with new GGBs, the decrease in interest spread and the increase in impaired loans
- 9M12 Operating income lower due to lower net interest income and loss arising from non-recurring items
- 9M12 Total operating expenses reduction of 3%, reflecting personnel costs reduction -8%

# Containing operating expenses

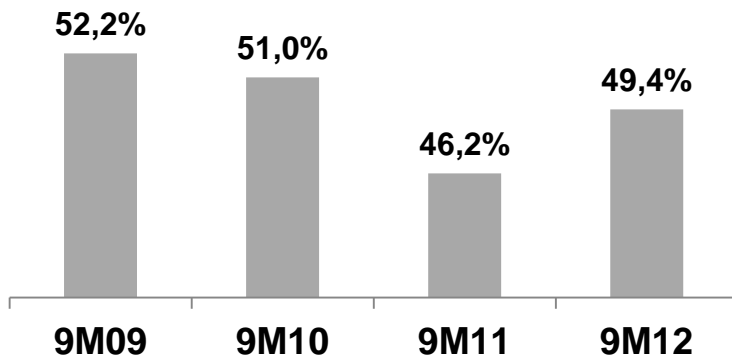
Number of employees



Number of branches



Cost to Income ratio



- On going efforts to contain operating expenses and adjust to the new environment
  - Number of employees reduced by -8% since Dec. 2010
  - Gradual optimisation of branch network
- Strong Cost to income ratio kept below 50%



# Profit and Loss highlights

Amounts in € mn	9M2012	9M2011	Change
Profit before provisions	517	606	-15%
Provisions for impairment of loans	(822)	(295)	+179%
Tax*	9	(58)	-115%
<b>(Loss)/profit after tax excluding GGBs impairment, change in the fair value of related hedging and related tax</b>	<b>(291)</b>	<b>254</b>	<b>-215%</b>
GGBs impairment, change in fair value of related hedging derivatives for GGBs and tax for GGBs impairment **	80	(1.046)	--
<b>Loss after tax</b>	<b>(211)</b>	<b>(793)</b>	<b>-73%</b>

\* It includes a reversal of the total amount paid until 30 September 2012 (year 2011 and nine months of year 2012) of €32 million for the Special Tax Levy on Credit Institutions, as the Group expects to have tax losses for the two tax years 2011 and 2012.

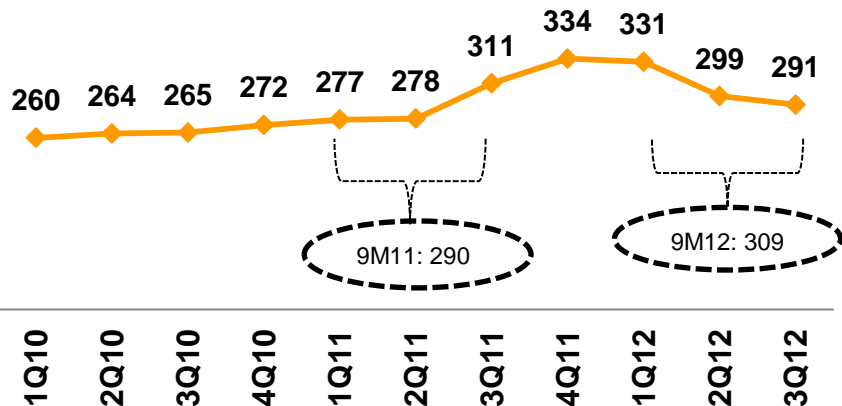
\*\* GGBs impairment, change in fair value of related hedging instruments for GGBs and tax for GGBs impairment amounting to €80 mn is the net amount of:

- Impairment of GGBs and change in fair value of related hedging instruments of €144 mn
- Deferred tax asset of €224 mn relating to future tax benefits from 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.

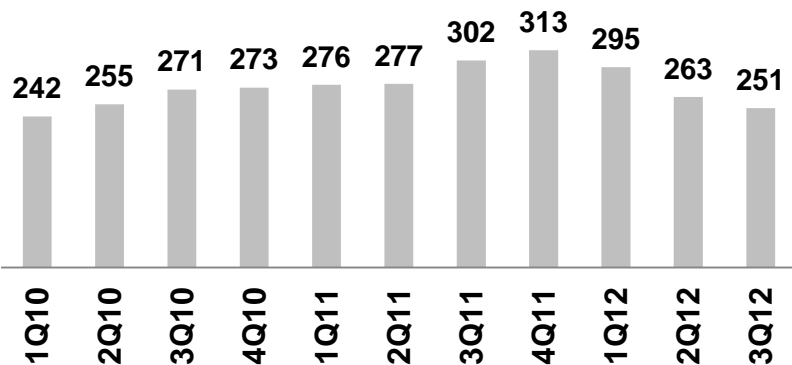
# Interest Margins and Net Interest Income

Group Net Interest Margin (bp)

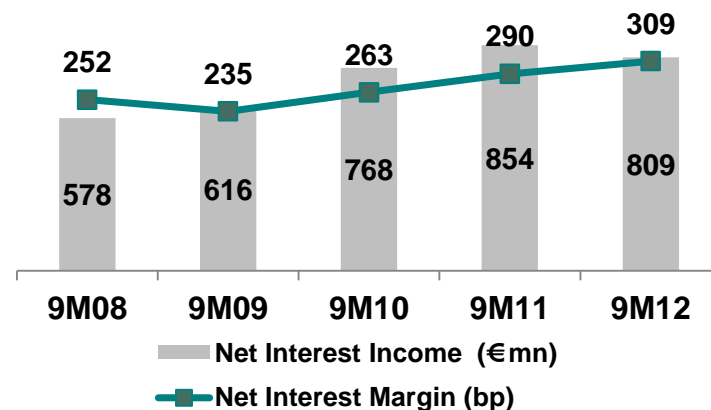


- 9M12 Group NIM at 3,09%, +19 basis points compared to 9M11 (2,90%)
- 3Q12 Group NIM at 2,91%
- 9M12 Net Interest Income at €809 mn (-5% yoy)
- 3Q12 Net Interest Income at €251 mn, compared to €263 mn for 2Q12

Quarterly Net Interest Income (€mn)



Net Interest Income and NIM



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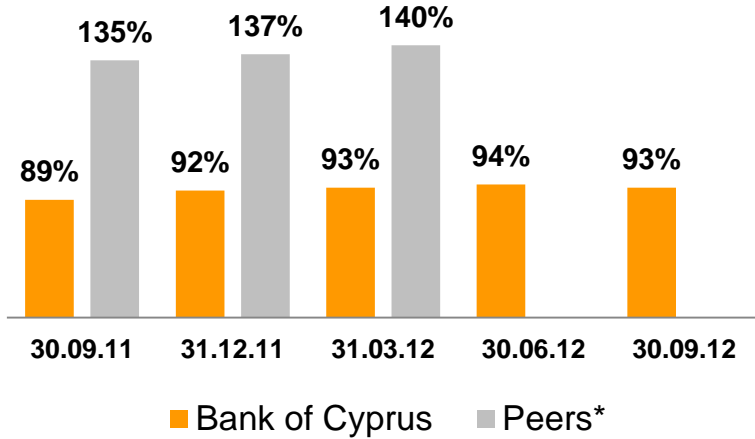
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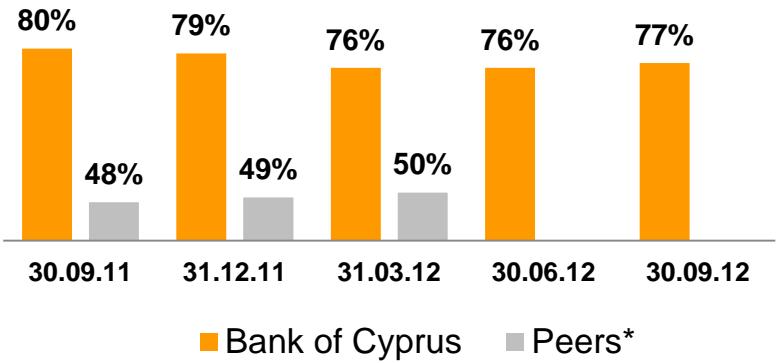
# Balance Sheet Review

# Strong Deposit Franchise and Limited Dependence on Wholesale Funding

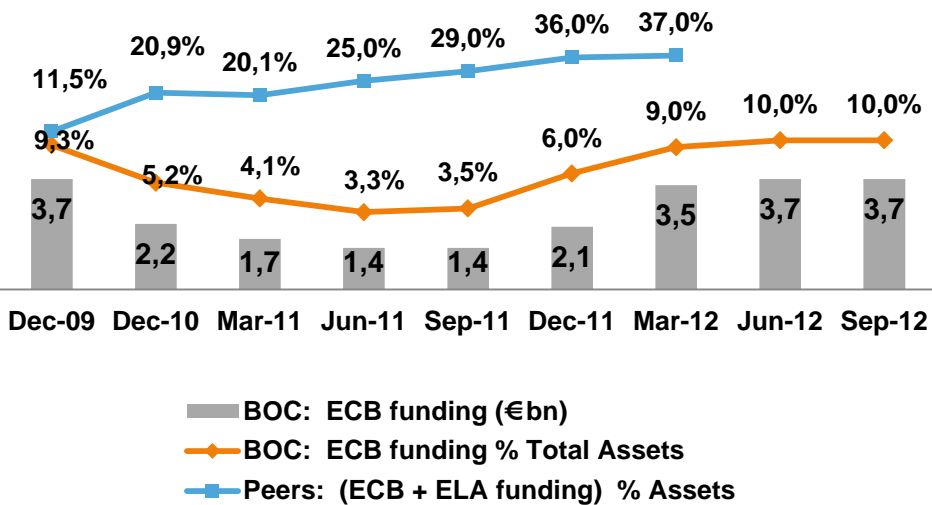
**Net Loans % Customer deposits**



**Customer deposits % Total Assets**



**Eurosystem funding**

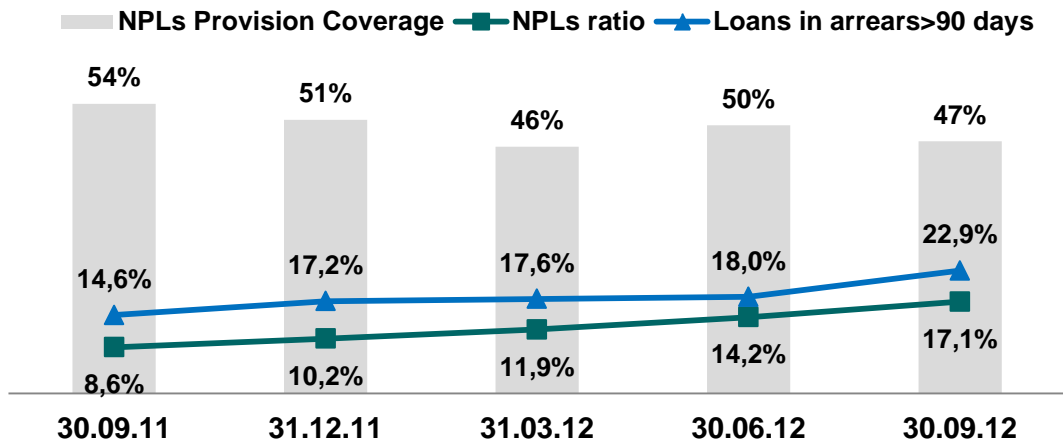


- One of the best L/D ratio in Europe at 93%
- Primarily deposit funded: 77% of assets funded by customer deposits
- Limited reliance on wholesale funding: As at 30 September 2012 subordinated and senior bonds €172 mn
- ECB funding of €3,7 bn at 30 September 2012

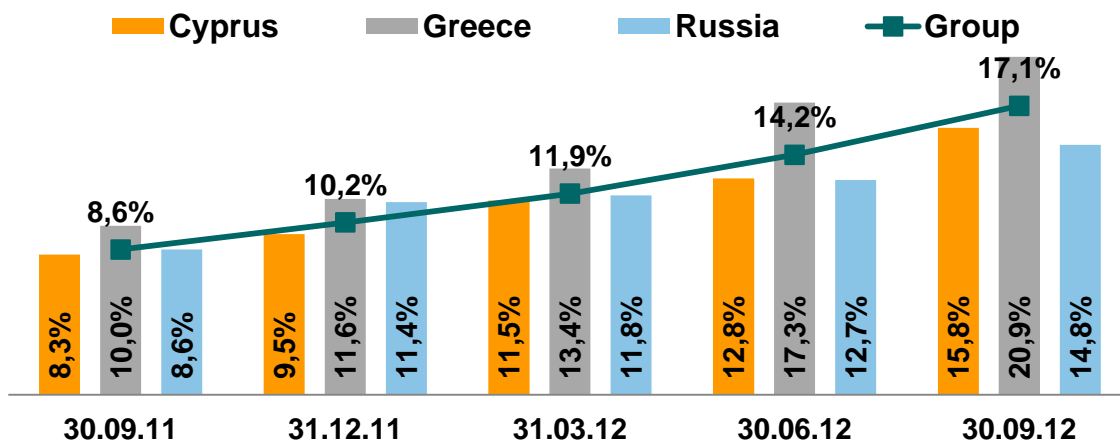
\* Peers: Weighted average of major Greek and Cypriot banks

# Loan quality

## Group asset quality indicators



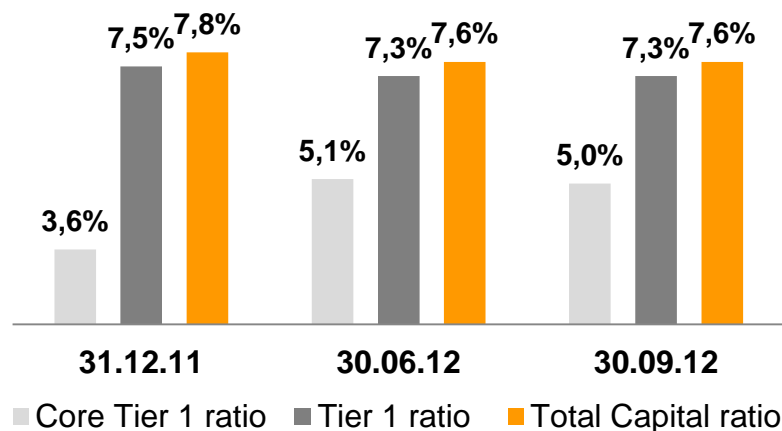
## NPLs ratio in main markets



- Group NPLs ratio at 17,1%
- Ongoing deterioration of loan portfolio due to the intensified economic crisis in the main markets
- NPLs provision coverage at 47%
- NPLs overall coverage increases to 103% taking into account provisions and tangible collateral at forced sale value

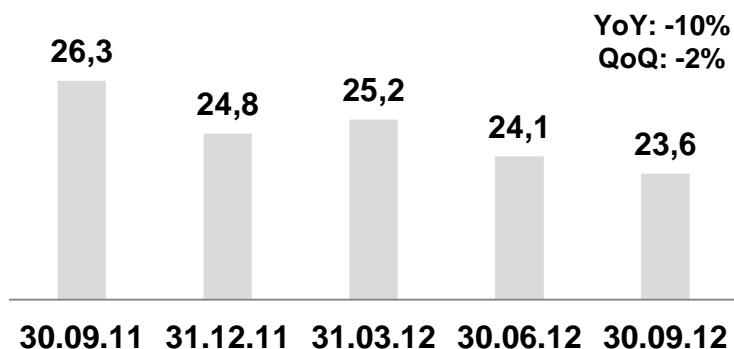
# Capital position

## Capital adequacy ratios



- Core Tier 1 capital ratio at 5,0%, Tier 1 capital ratio at 7,3% and Total capital at 7,6%
- Including €429 mn or 1,8% of Convertible Enhanced Capital Securities, then EBA core tier 1 at 6,8%
- RWAs optimisation through
  - Deleveraging
  - Enhancing collaterals
  - Investing in lower risk assets

## Evolution of RWAs (€bn)



(€mn)	31.12.11	30.06.12	30.09.12
Shareholders' equity	2.258	2.244	2.228
Core Tier I capital	892	1.225	1.187
Hybrid capital (Tier I)	957	525	526
Tier I capital	1.849	1.750	1.713
Tier II capital	239	238	257
Total regulatory capital	1.925	1.827	1.798
Risk weighted assets	24.790	24.122	23.603

## Capital position

- 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 EBA and applied to the Republic of Cyprus for capital support.
- Capital deficit as defined by EBA estimated at €22 mn as at 30 September 2012.
- 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 to provide financial assistance to the Republic of Cyprus will be based on
  - the capital requirements of the financial system,
  - the financial needs and refinancing needs of the Republic of Cyprus and
  - the structural reforms needed to boost the competitiveness and growth prospects of the Cypriot economy.
- 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 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.

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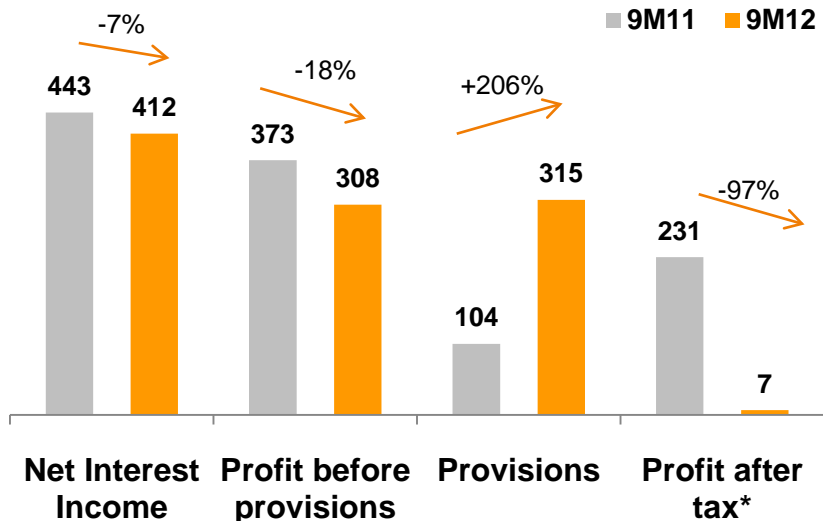
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# Performance by Geographic Market

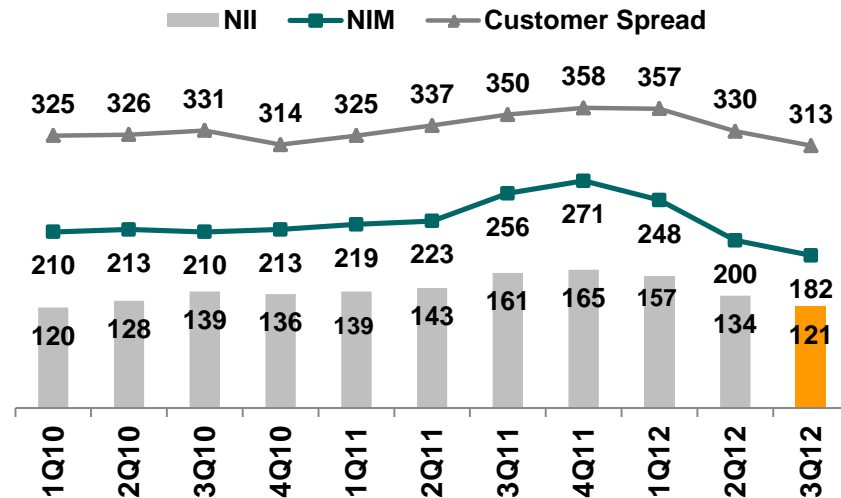


# Cyprus deteriorating environment affecting performance

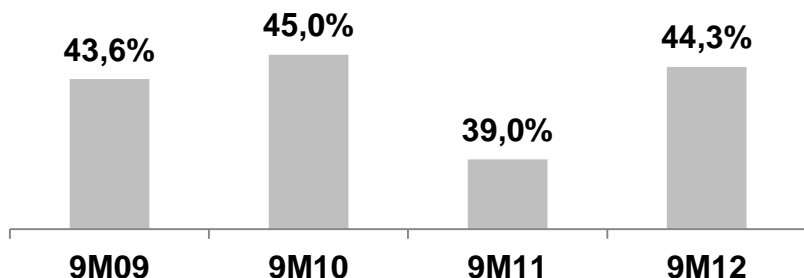
## Profit & Loss Highlights (€mn)



## Cyprus NII (€mn), NIM and Spread (bp)



## Cost to Income ratio (%)



### 9M12 Cyprus performance affected by:

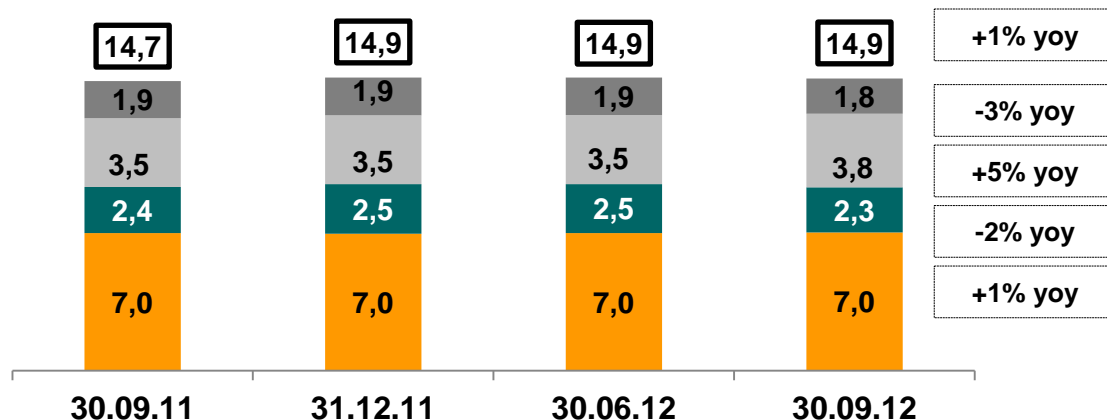
- Decrease of
  - Net Interest Income (-7% yoy)
  - Total Income (-10% yoy)
- Increase of Total Expenses (+2% yoy)
- Profit before Provisions at €308 mn (-18% yoy)
- Provisions at €315 mn (+206% yoy)
- Profit after tax of €7 mn\*

\* Excluding the impairment of GGBs, the change in fair value of related hedging instruments and the related taxation

# Leading financial institution in Cyprus

## Gross Loans (bn)

Corporate SMEs Mortgage Consumer Credit



+1% yoy

-3% yoy

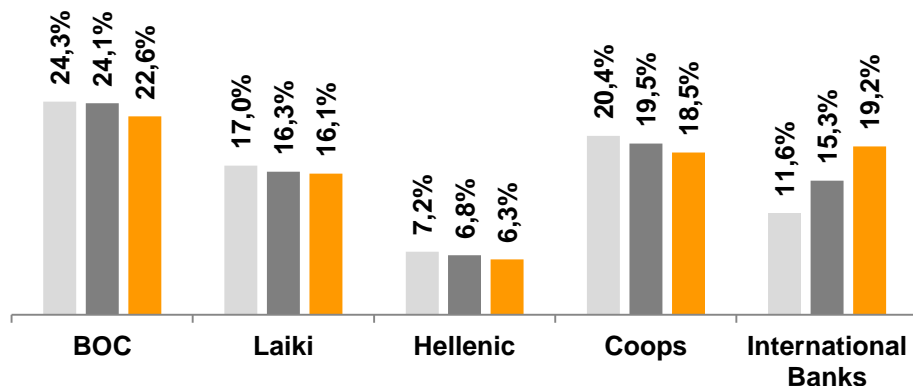
+5% yoy

-2% yoy

+1% yoy

## Loans market share (%)

31.12.10 31.12.11 30.09.12

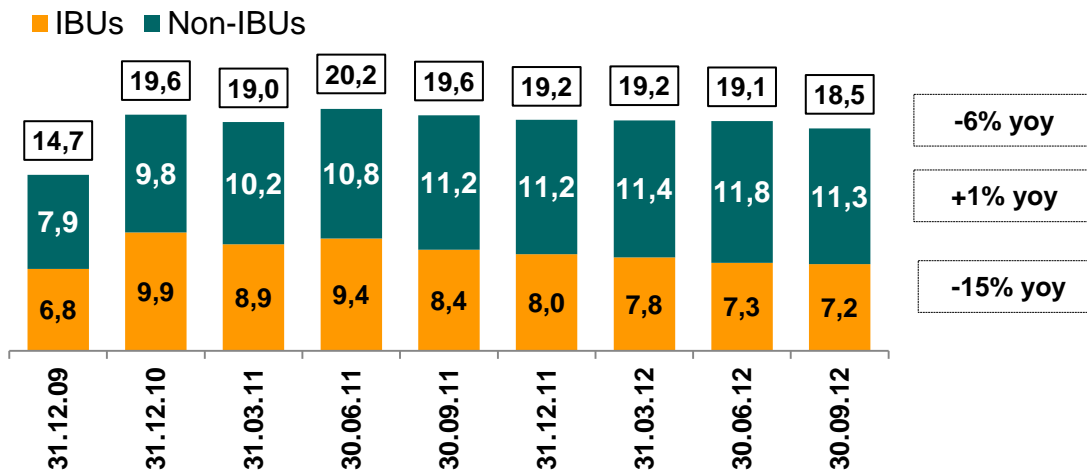


- Loan growth has been significantly subdued due to economic conditions
- Leading market share in loans in Cyprus
- Lending market share of 22,6% in Cyprus' financial system

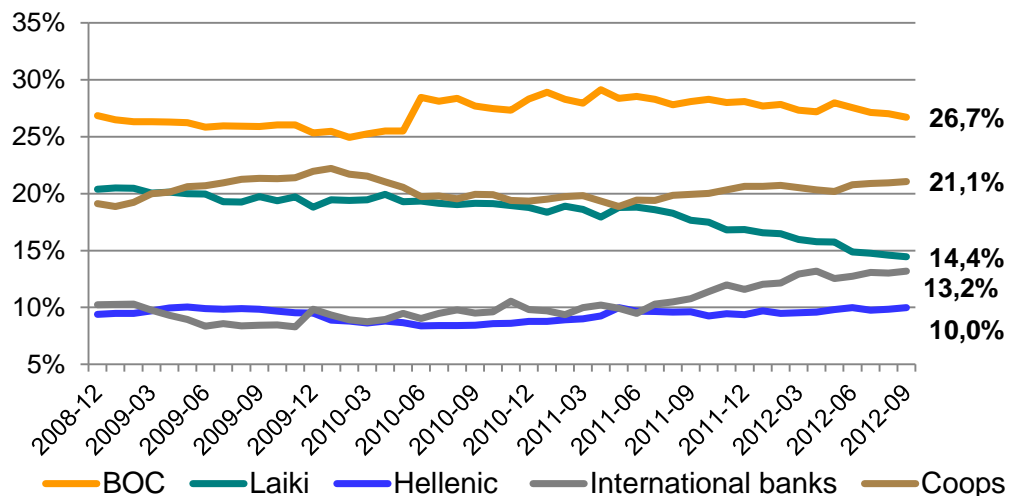
Source: Central Bank of Cyprus, market shares between commercial, international banks and Co-ops

# Unrivalled deposit franchise

Deposits (€bn)



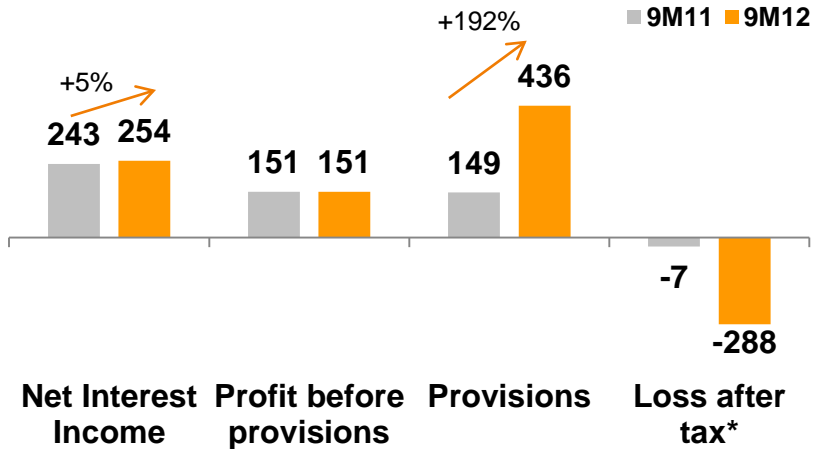
Deposits Market Share (%)



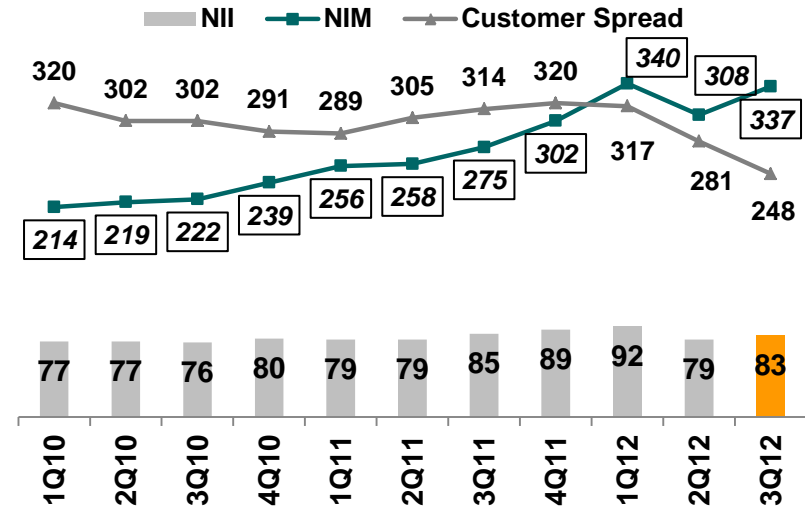
- A strong deposit franchise; 26,7% deposit market share (bigger than the combined market of share of 2<sup>nd</sup> and 3<sup>rd</sup> largest commercial banks)
- Stable market share even compared to Dec 2008
- Leading IBU position with a 40% market share in foreign currency deposits among commercial banks
- IBU Sector continues to expand
  - Registered companies in Cyprus increased by 5% year to date
  - Active IBU customers increased by 9% year to date

# Facing an intensifying economic recession

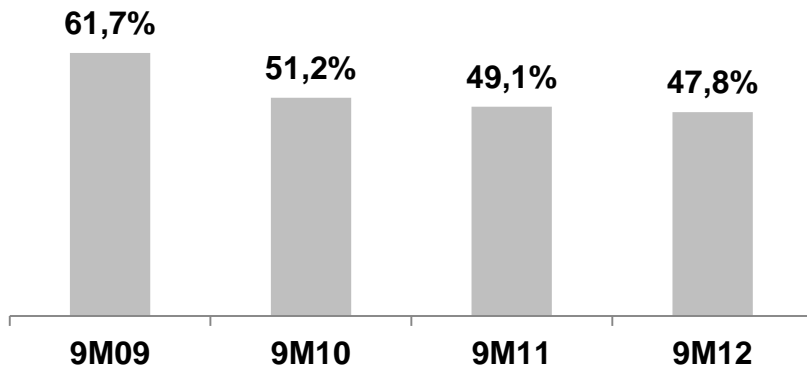
## Profit & Loss Highlights (€mn)



## Greece NII (€mn), NIM and Spread (bp)



## Cost to Income ratio (%)



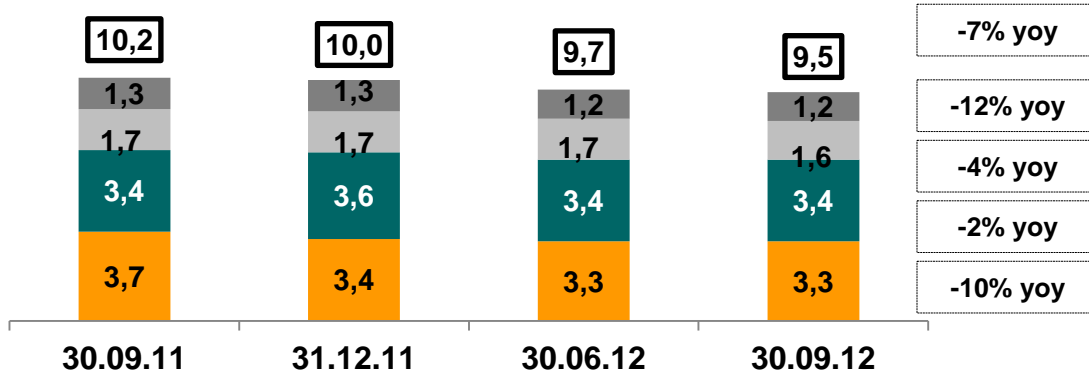
9M12 Greece performance affected by:

- Increase in net interest income (+5% yoy) despite reduction of customer spread mostly due to increase in the cost of deposits
- Higher NIM (9M12: 3,29% vs 9M11: 2,62%)
- Higher provisions (+192% yoy)

# Managing portfolio through difficult economic conditions

## Gross Loans (€bn)

■ Corporate ■ SMEs ■ Mortgage ■ Consumer Credit



- Active efforts to reduce the loan book
  - Total loans -7% yoy
  - Corporate loans -10% yoy
  - SME loans -4% yoy
  - Consumer loans -12% yoy
  - Mortgage loans -4% yoy

- Loans market share at 4,2% at end of September 2012

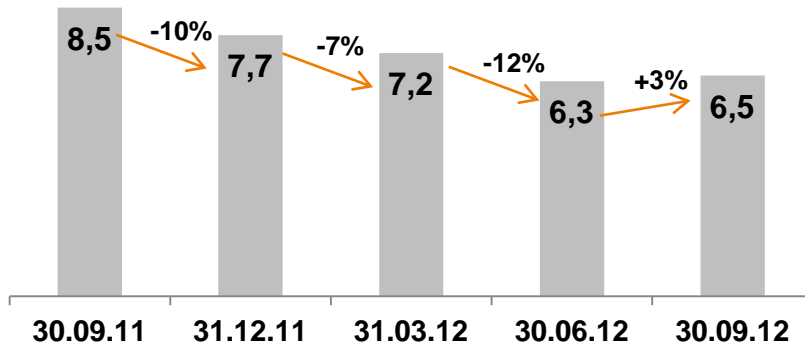
- Deposits reduction mainly during 2Q-2012 due to the political uncertainty relating to elections period

- In 3Q-2012 deposits increased by 3%

- Loans to deposits ratio improved to 130%, compared to 138% in June 2012

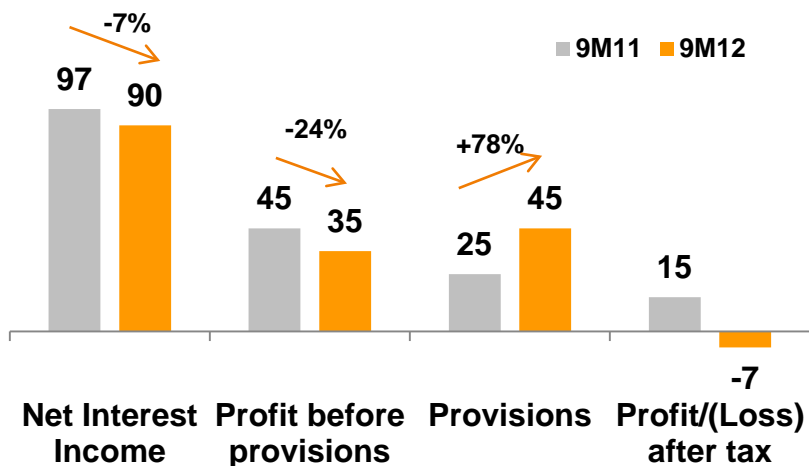
- Deposits market share at 3,7% at end of September 2012

## Deposits (€bn)

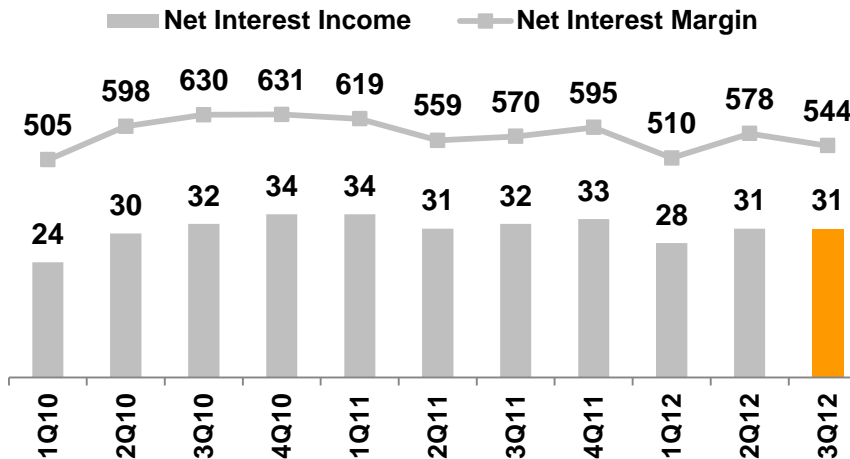


# Russian operations

Profit & Loss Highlights (€mn)



Russia NII (€mn) & NIM (bp)

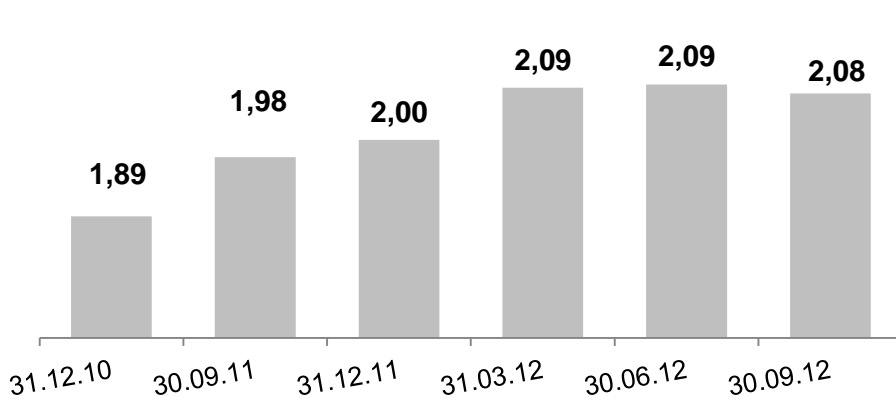


9M12 Russia performance affected by:

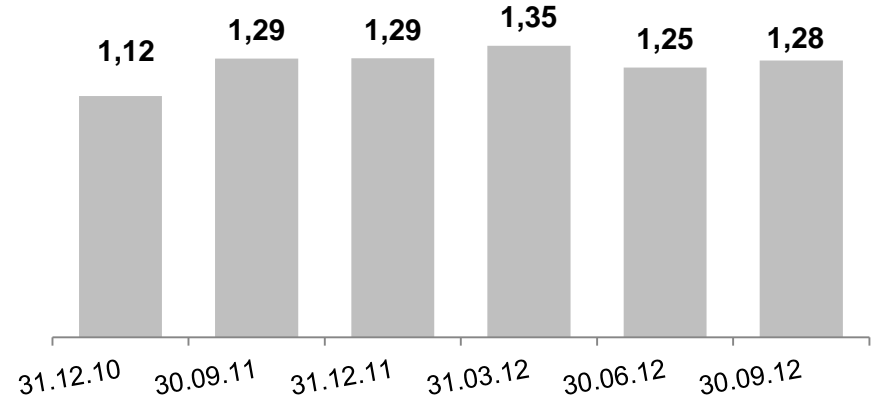
- Reduction in net interest income (-7% yoy)
- Lower NIM (9M12: 5,29% vs 9M11: 5,81%)
- Reduction in profit before provisions (-24% yoy)  
9M2011 includes one off income of €5 mn
- Higher provisions (+78% yoy)

# Russian operations

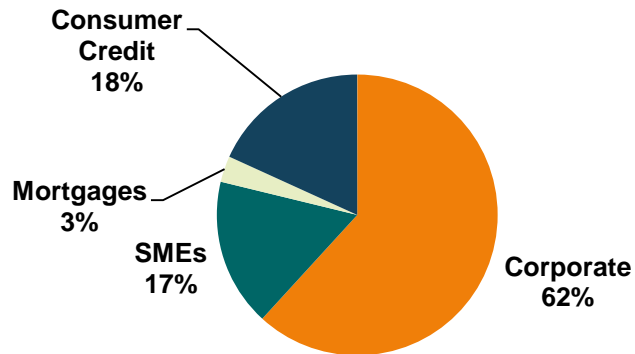
Gross Loans (€bn)



Customer Deposits (€bn)



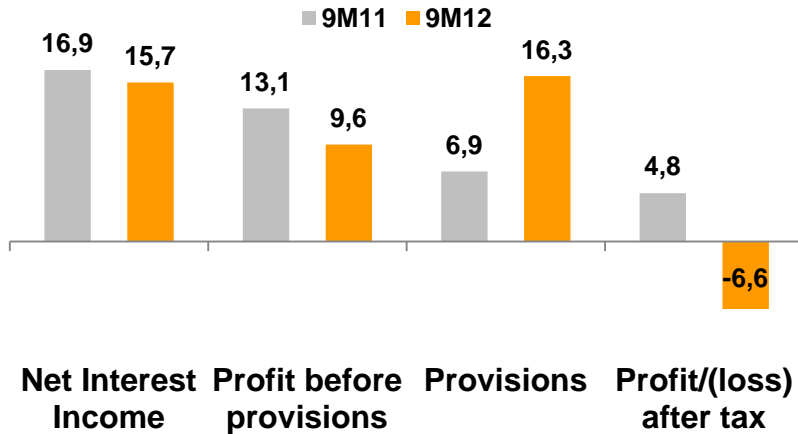
Loan diversification



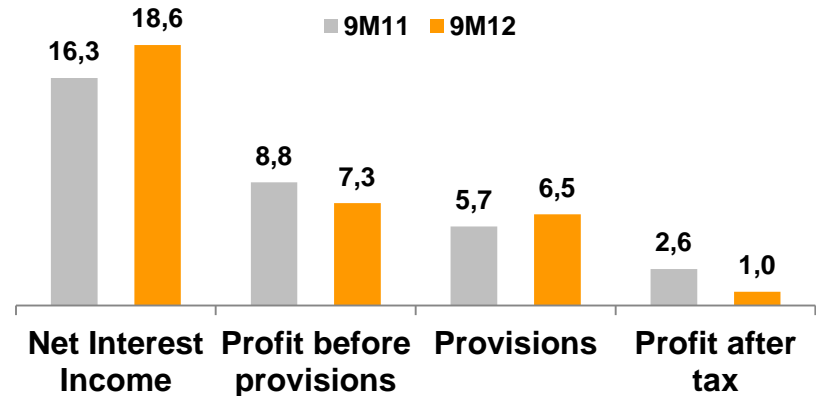
- Focus on SME and consumer credit
- Increase in loans by +5% yoy
- Efforts to become self funded
- Deposits at the same level as last year

# Operations in Romania and Ukraine

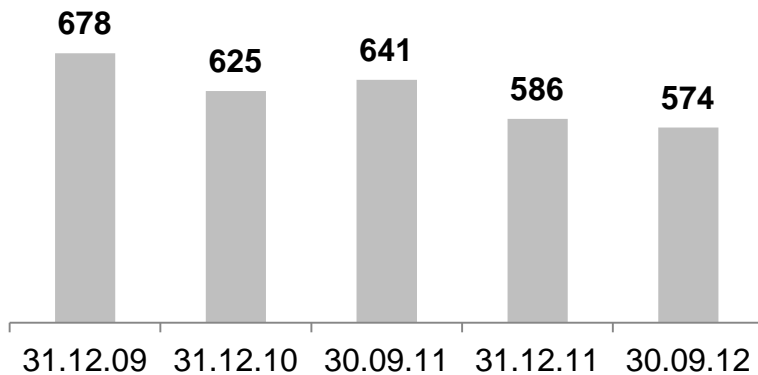
**Profit and Loss Highlights Romania (€mn)**



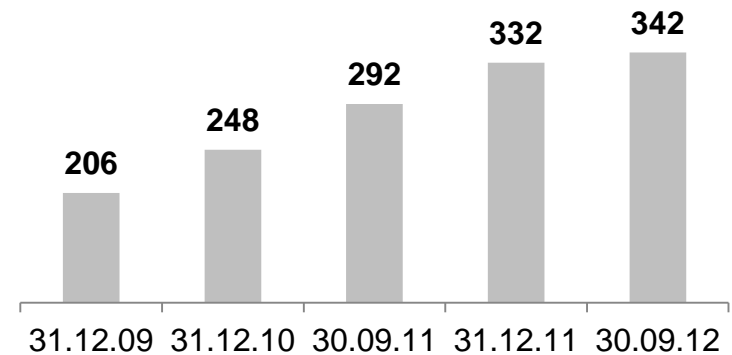
**Profit and Loss Highlights Ukraine (€mn)**



**Romania Loans (€mn)**



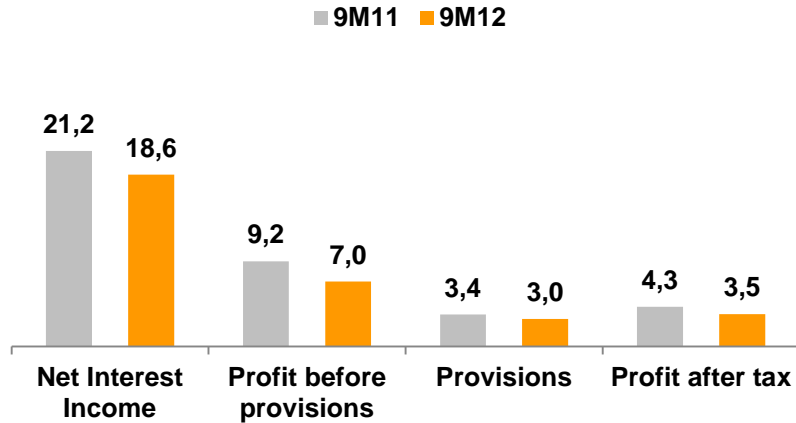
**Ukraine loans (€mn)**



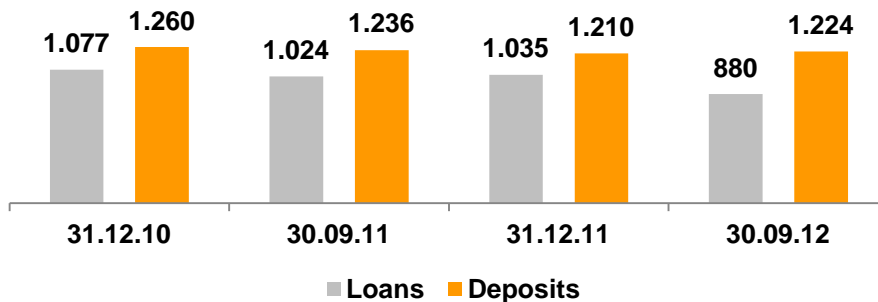


# Operations in United Kingdom

## Profit and Loss Highlights UK (€mn)



## UK Loans and Deposits (€mn)



- The banking business of UK branch (Bank of Cyprus UK) was transferred to a banking subsidiary (Bank of Cyprus UK Limited) effective on 25 of June 2012
- Bank of Cyprus UK Limited is a UK-based banking subsidiary, that is fully authorised and regulated by the Financial Services Authority
- A fully self-funded subsidiary with a ratio of net loans to deposits of 70%

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# Key challenges

# Key challenges

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**Macro developments in main markets including sovereign debt crisis**

**Managing asset quality deterioration in the main markets**

**Strengthening liquidity and efforts to secure deposit base**

**Recapitalisation and restructuring plan following PIMCO exercise**

# Key information and contact details

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## **Credit Ratings:**

Fitch: BB- / B / c

Moody's : Caa1 / NP / E

## **Listing:**

ATHEX – BOC

CSE – BOCY

ISIN CY0000100111

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## **Participation in indices:**

CSE General Index , FTSE/CySE 20

FTSE/ATHEX Top 20

FTSE Med 100

FTSE New EU

DJ STOXX EU Enlarged TMI

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# Profit and Loss

(€mn)	9M12	9M11	yoy %	3Q12	3Q12v2Q12 %
Net interest income	809	854	-5%	251	-5%
Net fee & commission income	167	171	-2%	55	-4%
FX income and net (losses)/gains from financial instruments	(8)	33	-123%	9	+135%
Insurance income net of insurance claims	48	47	+2%	17	+4%
Other income	6	22	-74%	2	+18%
<b>Total income</b>	<b>1.022</b>	<b>1.127</b>	<b>-9%</b>	<b>334</b>	<b>+7%</b>
Personnel expenses	(297)	(321)	-8%	(103)	+2%
Other operating expenses	(208)	(200)	+4%	(74)	+7%
<b>Total expenses</b>	<b>(505)</b>	<b>(521)</b>	<b>-3%</b>	<b>(177)</b>	<b>+4%</b>
<b>Profit before provisions</b>	<b>517</b>	<b>606</b>	<b>-15%</b>	<b>157</b>	<b>+11%</b>
Provisions	(822)	(295)	+179%	(254)	-46%
Share of loss of associates	(0)	(1)	-97%	-	-
<b>(Loss)/Profit before tax</b>	<b>(305)</b>	<b>310</b>	<b>-198%</b>	<b>(97)</b>	<b>-70%</b>
Taxation	9	(58)	-115%	19	+62%
Non-controlling interest loss	5	2	+206%	1	-53%
<b>(Loss)/Profit after tax excluding GGBs impairment</b>	<b>(291)</b>	<b>254</b>	<b>-215%</b>	<b>(77)</b>	<b>-75%</b>
Impairment of GGBs and change in fair value of related hedging derivatives including tax	80	(1.046)	-	-	-
<b>Loss after tax including GGBs impairment</b>	<b>(211)</b>	<b>(793)</b>	<b>-73%</b>	<b>(77)</b>	<b>-75%</b>
Cost to Income Ratio	49,4%	46,2%	+3,2 p.p.	53,0%	-1,6 p.p.

# Balance Sheet Overview

€mn	% yoy	30.09.12*	30.09.11***	€mn	% yoy	30.09.12*	30.09.11***
Cash and balances with central banks	+76%	2.939	1.674	Amounts due to banks and repurchase agreements	+48%	4.738	3.211
Placements with banks and reverse repurchase agreements	-41%	1.902	3.224	Customer deposits	-12%	27.873	31.852
Debt securities, Treasury bills and equity investments	-28%	3.048	4.220	Debt securities in issue	-38%	40	65
Net loans and advances to customers	-8%	25.977	28.386	Other liabilities	-19%	1.143	1.415
Other assets	+15%	2.369	2.067	Subordinated loans stock	+3%	132	129
<b>Total assets</b>	<b>-7%</b>	<b>36.235</b>	<b>39.571</b>	<b>Total liabilities</b>	<b>-8%</b>	<b>33.926</b>	<b>36.672</b>
				Share Capital	+100%	1.795	899
				Share premium	-63%	428	1.164
				CECS**	-50%	429	860
				Revaluation and other reserves	+165%	33	(50)
				Accumulated losses	-646%	(457)	(61)
				<b>Shareholders' equity</b>	<b>-21%</b>	<b>2.228</b>	<b>2.812</b>
				Non controlling interests	-7%	81	87
				<b>Total equity</b>	<b>-20%</b>	<b>2.309</b>	<b>2.899</b>
				<b>Total liabilities and equities</b>	<b>-8%</b>	<b>36.235</b>	<b>39.571</b>

\* Australia is not included

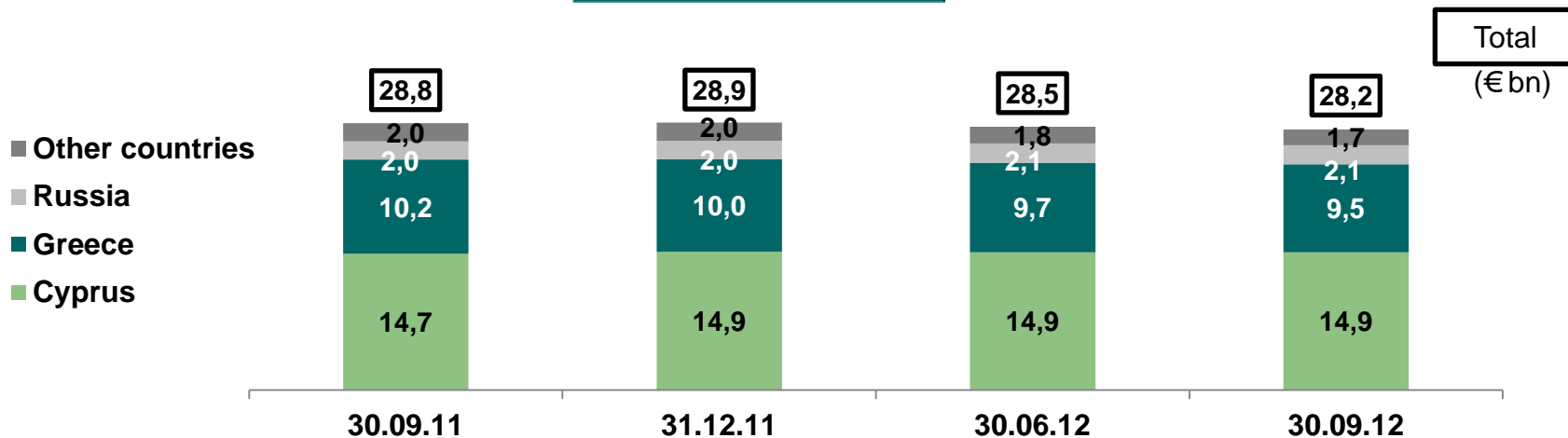
\*\*Convertible Enhanced Capital Securities

\*\*\* Restated due to change in accounting policy

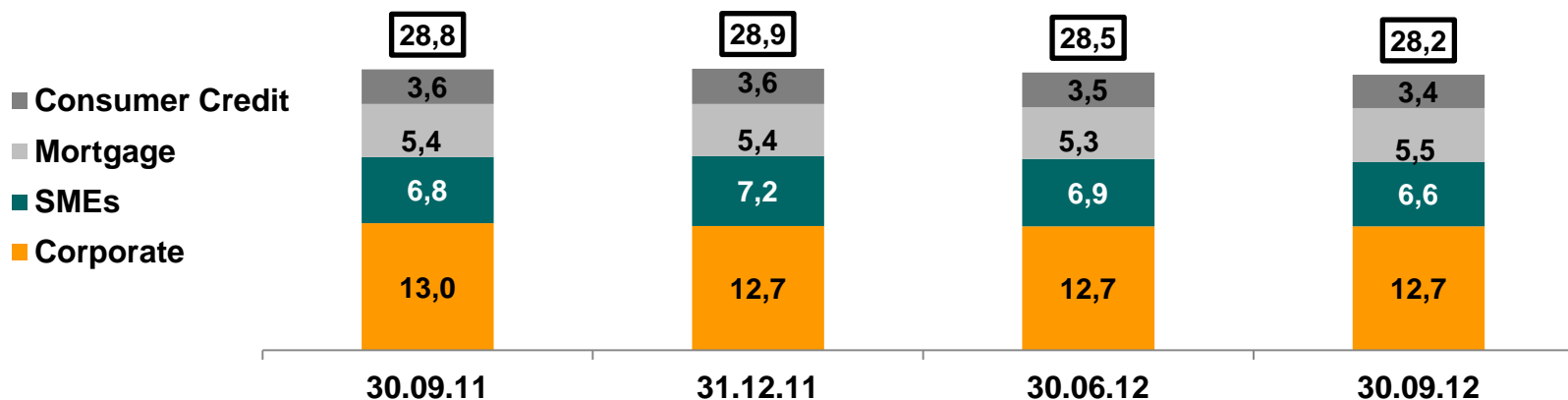
# Analysis of Gross Loans

Group

## Loans by Geography



## Loans by sector



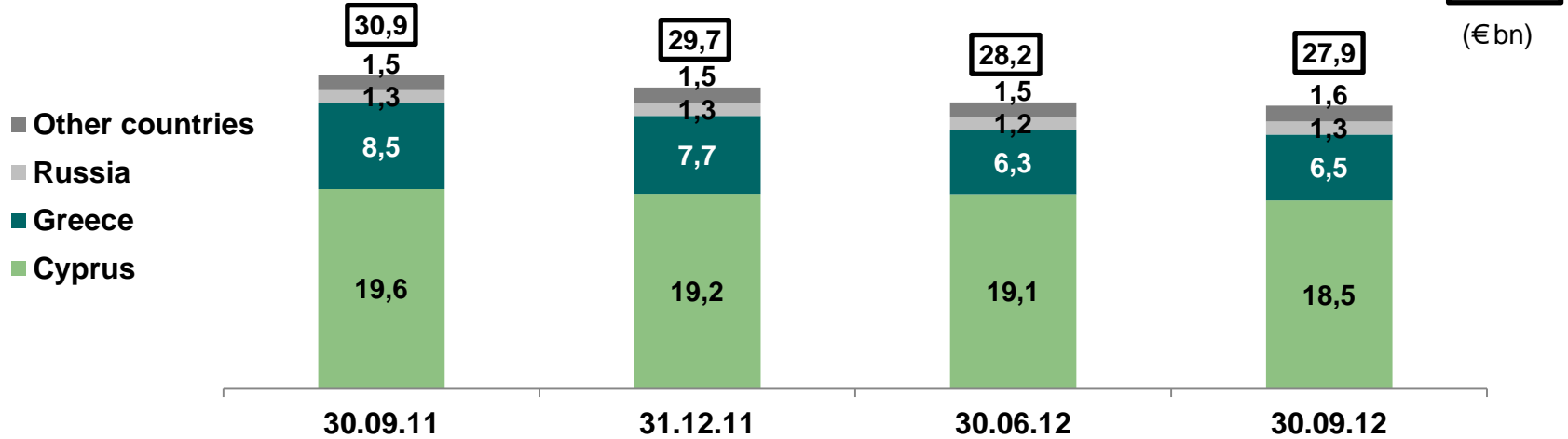
Other countries: Romania, Ukraine and United Kingdom



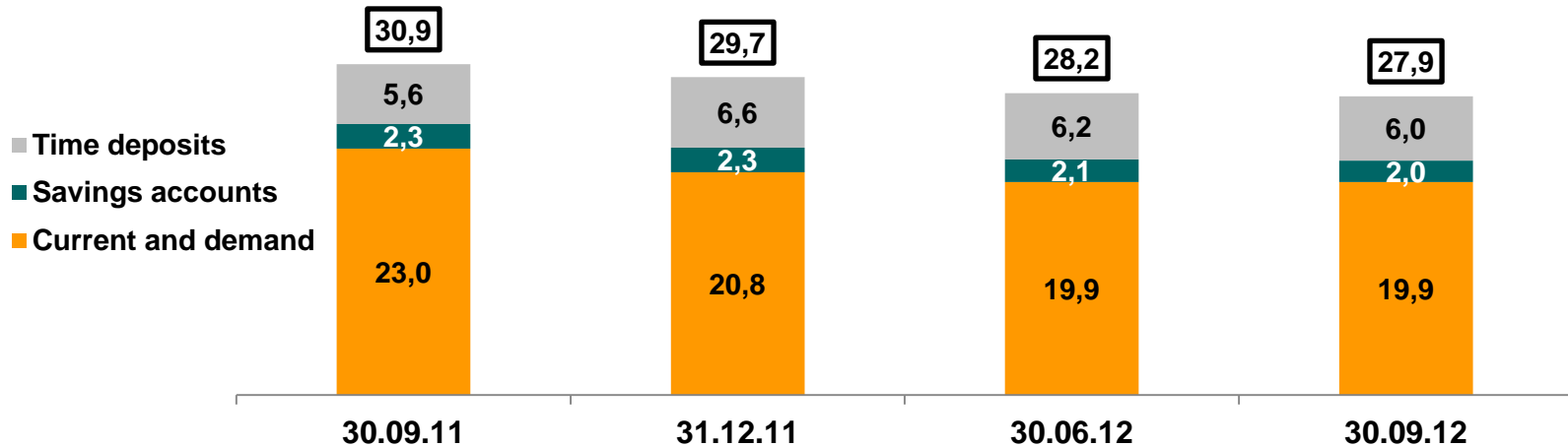
# Analysis of Customer Deposits

Group

Deposits by geography



Deposits by type



Other countries: Romania, Ukraine and United Kingdom

# Loans and Deposits by Geography

	Loans by Geography					Deposits by Geography			
	30.09.11 (€mn)	30.09.12 (€mn)	As % of total	YoY (%)		30.09.11 (€mn)	30.09.12 (€mn)	As % of total	YoY (%)
Cyprus	14.719	14.883	53%	+1%		19.613	18.511	66%	-6%
Greece	10.158	9.472	34%	-7%		8.510	6.511	23%	-23%
Russia	1.977	2.076	7%	+5%		1.289	1.285	5%	0%
Other countries*	1.957	1.795	6%	-8%		1.472	1.566	6%	+6%
<b>TOTAL</b>	<b>28.811</b>	<b>28.226</b>		<b>-2%</b>		<b>30.884</b>	<b>27.873</b>		<b>-10%</b>
United Kingdom	1.024	879		-14%		1.236	1.224		-1%
Romania	641	574		-11%		184	245		+33%
Ukraine	292	342		+17%		52	97		+89%

\*Other countries: Romania, Ukraine and United Kingdom

# Cyprus: Summary profit & loss and key indicators

Excluding the impairment of GGBs, the change in fair value of related hedging instruments and the related taxation

(€ mn)	9M12	9M11	9M12 versus 9M11 (%)	3Q12	3Q12 versus 2Q12 (%)
Net interest income	412	443	-7%	120	-10%
Net fee & commission income	101	98	+4%	35	+9%
Foreign exchange income and gains from financial instruments	(5)	25	-121%	7	+135%
Insurance income net of insurance claims	40	39	+4%	14	+8%
Other income	4	7	-46%	1	+29%
<b>Total income</b>	<b>552</b>	<b>612</b>	<b>-10%</b>	<b>177</b>	<b>+11%</b>
Personnel expenses	(150)	(166)	-9%	(55)	+6%
Other operating expenses	(94)	(73)	+29%	(36)	+20%
<b>Total expenses</b>	<b>(244)</b>	<b>(239)</b>	<b>+2%</b>	<b>(91)</b>	<b>+11%</b>
Profit before provisions	308	373	-18%	86	+11%
Provisions	(315)	(104)	+206%	(108)	-38%
Share of loss of associates	0	(1)	--	0	--
<b>(Loss)/profit before tax</b>	<b>(7)</b>	<b>268</b>	<b>-103%</b>	<b>(22)</b>	<b>-78%</b>
Taxation	13	(41)	-132%	32	-1216%
Non-controlling interest – loss	1	4	-54%	--	--
<b>Profit after tax</b>	<b>7</b>	<b>231</b>	<b>-97%</b>	<b>10</b>	<b>-110%</b>
Net Interest Margin (NIM)	2,12%	2,34%	-22 b.p.	1,82%	-18 b.p.
Cost/Income Ratio	44,3%	39,0%	+5,3 p.p.	51,4%	+1 b.p.

# Greece: Summary profit & loss and key indicators

Excluding the impairment of GGBs, the change in fair value of related hedging instruments and the related taxation

(€ mn)	9M12	9M11	9M12 versus 9M11 (%)	3Q12	3Q12 versus 2Q12 (%)
Net interest income	254	243	+5%	83	+4%
Net fee & commission income	36	38	-6%	10	-26%
Foreign exchange income and gains from financial instruments	(10)	2	-661%	-	-96%
Insurance income net of insurance claims	8	8	-9%	2	-14%
Other income	1	5	-86%	-	+98%
<b>Total income</b>	<b>289</b>	<b>296</b>	<b>-2%</b>	<b>95</b>	<b>+8%</b>
Personnel expenses	(82)	(83)	-1%	(27)	+3%
Other operating expenses	(56)	(62)	-10%	(18)	+1%
<b>Total expenses</b>	<b>(138)</b>	<b>(145)</b>	<b>-5%</b>	<b>(45)</b>	<b>+2%</b>
Profit before provisions	151	151	--	50	+14%
Provisions	(436)	(149)	+192%	(118)	-55%
<b>(Loss)/profit before tax</b>	<b>(285)</b>	<b>2</b>	<b>--</b>	<b>(68)</b>	<b>-69%</b>
Taxation	(3)	(9)	-62%	(13)	-192%
<b>Loss after tax</b>	<b>(288)</b>	<b>(7)</b>	<b>--</b>	<b>(81)</b>	<b>-60%</b>
Net Interest Margin (NIM)	3,29%	2,62%	+67 b.p.	3,37%	+29 b.p.
Cost/Income Ratio	47,8%	49,1%	-1,3 p.p.	47,8%	-2,8 p.p.

# Russia: Summary profit & loss and key indicators

(€ mn)	9M12	9M11	9M12 versus 9M11 (%)	3Q12	3Q12 versus 2Q12 (%)
Net interest income	90	97	-7%	31	+1%
Net fee & commission income	25	26	-6%	8	-17%
Foreign exchange income and gains from financial instruments	5	6	-14%	3	-580%
Other income	1	6	-86%	--	-62%
<b>Total income</b>	<b>121</b>	<b>135</b>	<b>-11%</b>	<b>42</b>	<b>+4%</b>
Personnel expenses	(46)	(47)	-2%	(15)	-6%
Other operating expenses	(40)	(43)	-7%	(14)	+6%
<b>Total expenses</b>	<b>(86)</b>	<b>(90)</b>	<b>-5%</b>	<b>(29)</b>	<b>-1%</b>
Profit before provisions	35	45	-24%	13	+14%
Provisions	(45)	(25)	+78%	(19)	+6%
<b>(Loss)/profit before tax</b>	<b>(10)</b>	<b>20</b>	<b>-151%</b>	<b>(6)</b>	<b>-9%</b>
Taxation	(1)	(3)	-73%	--	-63%
Non-controlling interest (loss/(gain))	4	(2)	-302%	1	--
<b>(Loss)/Profit after tax</b>	<b>(7)</b>	<b>15</b>	<b>-151%</b>	<b>(5)</b>	<b>-7%</b>
Net Interest Margin (NIM)	5,29%	5,81%	-52 b.p.	5,44%	-34 b.p.
Cost/Income Ratio	71,3%	66,5%	+4,8 p.p.	67,8%	-2,9 p.p.

# Other countries: Summary profit & loss and key indicators

(€ mn)	9M12	9M11	9M12 versus 9M11 (%)	3Q12	3Q12 versus 2Q12 (%)
<b>Net interest income</b>	53	71	-26%	16	-18%
<b>Net fee &amp; commission income</b>	5	9	-40%	2	+6%
<b>Foreign exchange income and gains from financial instruments</b>	2	0	--	0	-35%
<b>Other income</b>	0	4	--	--	+443%
<b>Total income</b>	60	84	-28%	18	-16%
<b>Personnel expenses</b>	(19)	(25)	-26%	(5)	-14%
<b>Other operating expenses</b>	(18)	(22)	-17%	(6)	-24%
<b>Total expenses</b>	(37)	(47)	-22%	(11)	-19%
<b>Profit before provisions</b>	23	37	-36%	7	-11%
<b>Provisions</b>	(26)	(17)	+52%	(8)	-42%
<b>(Loss)/profit before tax</b>	(3)	20	-109%	(1)	-85%
<b>Taxation</b>	0	(5)	-93%	--	-20%
<b>(Loss)/profit after tax</b>	(3)	15	-114%	(1)	-89%
<b>Net Interest Margin (NIM)</b>	2,85%	2,57%	+28 b.p.	2,53%	-66 b.p.
<b>Cost/Income Ratio</b>	60,6%	55,8%	+4,8 p.p.	62,3%	-2,9 p.p.