Bank of Cyprus Group

Mid – year Financial Report

30 June 2012

Bank of Cyprus Group
Mid-year Financial Report

for the six months ended 30 June 2012

Contents	**Page**

Bank of Cyprus Public Company Ltd

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Interim Condensed Consolidated Financial Statements

(in accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the Interim Condensed Consolidated Financial Statements of Bank of Cyprus Public Company Ltd (the 'Company') for the six months ended 30 June 2012, confirm that, to the best of our knowledge,

(a) the Interim Condensed Consolidated Financial Statements on pages 9 to 57.

(i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union, and

(ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial statements taken as a whole, and

(b) the Interim Management Report on pages 2 to 8 provides a fair overview on information required as per section 6 of article 10 of Law 190(I)/2007.

Andreas Artemis	Chairman
Evdokimos Xenophontos	Vice Chairman
Vassilis G. Rologis	Non executive Director
Costas Z. Severis	Non executive Director
Anna Diogenous	Non executive Director
George M. Georgiades	Non executive Director
Christos Mouskis	Non executive Director
Yiannis Kypri	Executive Director
Costas Hadjipapas	Non executive Director
Nikolas P. Tsakos	Non executive Director
Yiannis Pechlivanidis	Executive Director
Stavros J. Constantinides	Non executive Director
Irene Karamanou	Non executive Director
Elias Neocleous	Non executive Director
Symeon Matsis	Non executive Director
Christis Hadjimitsis	Senior Group General Manager

30 August 2012

Financial results

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 profit of €161 mn for the first half of 2011. **Losses after tax attributable to the owners of the Company** 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 incorporate a special tax on financial institutions based on the level of their deposit base 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 its 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 values, the coverage ratio was 106% at 30 June 2012, compared to 101% at 31 March 2012.

Despite the annual decline in deposits by 11%, (adjusted to exclude Australia, which was sold in December 2011), 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 than those 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) 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.

Financial results *(continued)*

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

Main financial highlights for the first half of 2012				
	Change	**Six months 2012**	Six months 2011**	Year 2011**
		€ 000	€ 000	€ 000
Profit before provisions for impairment of loans and advances and impairment of Greek Government Bonds (GGBs)	-6%	**360.267**	382.347	816.535
(Loss)/profit after tax attributable to the owners of the Company excluding the impairment of GGBs	-233%	**(213.930)**	161.183	322.964
Impairment of GGBs and change in fair value of related hedging derivatives and tax	-	**80.134**	(267.864)	(1.682.303)
Loss after tax and non-controlling interests	-25%	**(133.796)**	(106.681)	(1.359.340)
Basic losses per share	+2,6 cent	**(9,3 cent)**	(11,9 cent)	(155,6 cent)
Cost/income	-40 p.p.*	**47,7%**	48,1%	47,0%
Net interest margin	+39 b.p.*	**3,17%**	2,78%	2,98%
Gross loans	+0%	**28.488.226**	28.429.303	28.872.429
Customer deposits	-11%	**28.193.204**	31.645.287	29.654.498
Net loans to deposits ratio	+6 p.p.*	**94%**	86%	92%
Non-performing loans ratio	+6 p.p.*	**14,2%**	8,2%	10,2%

* p.p.= percentage points, 1 percentage point = 1%
* b.p.= basis points, 100 basis points = 1 percentage point (1%)
** Restated due to a change in accounting policy (Note 4). In addition, loans and deposits at 30 June 2011 are presented excluding 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, reflecting the reduction of expenses despite lower income.

- **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 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.

Financial results *(continued)*

- **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 values amounts to 106% (compared to 101% at 31 March 2012).

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.

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 loan 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 attributable to the owners of the Company 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 impairment (€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 incorporate a special tax on financial institutions based on the level of their deposit base 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 loan 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 loan impairment.

Financial results *(continued)*

Geographical analysis of profitability excluding the impairment of GGBs, the changes in the fair value of related hedging derivatives for GGBs and the related tax *(continued)*

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.

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 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 loss 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.

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.

Impairment of GGBs, change in fair value of related hedging derivatives and 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.

Financial results *(continued)*

Impairment of GGBs, change in fair value of related hedging derivatives and related deferred tax *(continued)*

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

In the interim 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.

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 annualised 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% in December 2011), while the accumulated provisions reached €2,0 bn. The remaining balance of NPLs is fully covered by tangible collateral, with the coverage ratio including tangible collateral at forced sale values amounting to 106% (101% at 31 March 2012).

Group loans

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

Analysis of Loans by Geographic Sector			
30 June 2012	**€ mn**	**Annual change***	**Contribution to total**
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%**

* Excluding Australia, which was sold in December 2011.

Financial results *(continued)*

Group deposits

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

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 was 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.

Analysis of Deposits by Geographic Sector			
30 June 2012	**€ mn**	**Annual change***	**Contribution to total**
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	191	+9%	1%
Group	**28.193**	**-11%**	**100%**

* Excluding Australia, which was sold in December 2011.

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 than those 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 the 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.

Dividends

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

Related party transactions

Information on related party transactions for the six months ended 30 June 2012 in accordance with IFRSs is set out in Note 23 of the Interim Condensed Consolidated Financial Statements.

Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk and market risk (that arises from adverse movements in exchange rates, interest rates or security prices), as well as operational risk. The Group monitors and manages these risks through various control mechanisms. The main risks to which the Group is exposed are set out in Notes 44 to 47 of the Consolidated Financial Statements for the year ended 31 December 2011.

In addition, Note 21 of these Interim Condensed Consolidated Financial Statements provides additional disclosures relating to the sovereign exposure and other assets in countries which have entered or applied to the European Support Mechanism or whose credit rating is below Aa1 and the total Group exposure exceeds €100 million.

The nature of the risks to which the Group is exposed is not expected to change significantly during the second half of 2012.

Significant judgements, estimates and assumptions

Details on significant judgements, estimates and assumptions which can have a material impact on the Group's results and financial position are presented in Note 3 of the Consolidated Financial Statements for the year ended 31 December 2011 and in Note 5 of these Interim Condensed Consolidated Financial Statements.

Share capital

During the period, the Company's issued share capital increased by €895.613 thousand as a result of the Capital Strengthening Plan which was completed in March 2012, as follows: €159.683 thousand due to the issue of shares through a rights issue, €432.187 thousand due to the conversion of Convertible Enhanced Capital Securities into shares and €303.743 thousand due to the bonus issue of shares, as indicated in Note 16 of these Interim Condensed Consolidated Financial Statements.

30 August 2012

Bank of Cyprus Group
Interim Consolidated Income Statement

for the six months ended 30 June 2012

		Six months ended 30 June		Year ended 31 December
		2012	2011 (restated)	2011 (restated)
	Notes	**€000**	€000	€000
Turnover		**1.295.101**	1.349.005	2.808.300
Interest income		**1.055.808**	1.113.268	2.295.116
Interest expense		**(497.392)**	(560.496)	(1.127.443)
Net interest income		**558.416**	552.772	1.167.673
Fee and commission income		**121.439**	119.567	247.044
Fee and commission expense		**(9.071)**	(7.073)	(14.679)
Foreign exchange gains		**19.996**	5.580	45.178
Net (losses)/gains on other financial instrument transactions and disposal of subsidiaries		**(36.954)**	20.541	3.571
Insurance income net of insurance claims		**31.522**	31.939	61.190
Other income		**3.395**	13.661	31.329
		688.743	736.987	1.541.306
Staff costs		**(193.638)**	(213.432)	(431.774)
Other operating expenses		**(134.838)**	(141.208)	(292.997)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)		**360.267**	382.347	816.535
Provisions for impairment of loans and advances	11	**(568.060)**	(183.055)	(426.287)
(Loss)/profit before impairment of GGBs		**(207.793)**	199.292	390.248
Impairment of GGBs and change in fair value of related hedging instruments	7	**(143.573)**	(280.934)	(1.729.261)
Loss before share of loss of associates		**(351.366)**	(81.642)	(1.339.013)
Share of loss of associates		**(87)**	(532)	(1.441)
Loss before tax		**(351.453)**	(82.174)	(1.340.454)
Taxation	8	**213.848**	(24.973)	(25.959)
Loss after tax		**(137.605)**	(107.147)	(1.366.413)

Attributable to:				
Non-controlling interests (loss)		**(3.809)**	(466)	(7.073)
Owners of the Company (loss)		**(133.796)**	(106.681)	(1.359.340)

Basic and diluted losses per share (cent)	9	**(9,3)**	(11,9)	(155,6)

Bank of Cyprus Group
Interim Consolidated Income Statement

for the three months from 1 April to 30 June 2012

		Three months ended 30 June	
		2012	2011 (restated)
	Notes	**€000**	€000
Turnover		**633.007**	715.061
Interest income		**505.727**	555.244
Interest expense		**(242.306)**	(278.119)
Net interest income		**263.421**	277.125
Fee and commission income		**62.825**	60.561
Fee and commission expense		**(5.962)**	(4.038)
Foreign exchange gains		**14.646**	9.372
Net (losses)/gains on other financial instrument transactions		**(41.928)**	11.346
Insurance income net of insurance claims		**15.454**	15.020
Other income		**1.935**	11.121
		310.391	380.507
Staff costs		**(100.776)**	(101.083)
Other operating expenses		**(68.645)**	(71.934)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)		**140.970**	207.490
Provisions for impairment of loans and advances		**(467.931)**	(104.348)
(Loss)/profit before impairment of GGBs		**(326.961)**	103.142
Impairment of GGBs and change in fair value of related hedging instruments		**-**	(280.934)
Loss before share of loss of associates		**(326.961)**	(177.792)
Share of loss of associates		**(164)**	(496)
Loss before tax		**(327.125)**	(178.288)
Taxation		**11.482**	(3.352)
Loss after tax		**(315.643)**	(181.640)
Attributable to:			
Non-controlling interests (loss)		**(2.989)**	(917)
Owners of the Company (loss)		**(312.654)**	(180.723)
Basic and diluted losses per share (cent)	9	**(25,7)**	(20,3)

Bank of Cyprus Group

Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Loss after tax	**(137.605)**	(107.147)
Other comprehensive income		
Foreign currency translation reserve		
Gains/(losses) on translation of the net investment in subsidiaries and overseas branches	**12.264**	(8.420)
(Losses)/gains on hedging of net investment	**(7.493)**	7.889
	4.771	(531)
Available-for-sale investments		
Losses from revaluation before tax	**(22.190)**	(40.124)
Transfer to the consolidated income statement on impairment	**3.051**	170.684
Transfer to the consolidated income statement on sale	**7.005**	5.357
Taxation	**8.382**	559
	(3.752)	136.476
Cash flow hedges		
Losses from revaluation before tax	**-**	(782)
Taxation	**-**	50
	-	(732)
Property revaluation		
Taxation	**2**	91
Other comprehensive income after tax	**1.021**	135.304
Total comprehensive (expense)/income for the period	**(136.584)**	28.157

Attributable to:		
Non-controlling interests ((loss)/profit)	**(3.414)**	57
Owners of the Company ((loss)/profit)	**(133.170)**	28.100

Bank of Cyprus Group

Interim Consolidated Statement of Comprehensive Income

for the three months from 1 April to 30 June 2012

	Three months ended 30 June	
	2012	2011
	€000	€000 (restated)
Loss after tax	**(315.643)**	(181.640)
Other comprehensive income		
Foreign currency translation reserve		
Losses on translation of the net investment in subsidiaries and overseas branches	**(20.629)**	(6.508)
Gains on hedging of net investment	**7.735**	3.351
	(12.894)	(3.157)
Available-for-sale investments		
Losses from revaluation before tax	**(38.164)**	(68.568)
Transfer to the consolidated income statement on impairment	**2.052**	170.649
Transfer to the consolidated income statement on sale	**(4.106)**	5.292
Taxation	**6.280**	221
	(33.938)	107.594
Cash flow hedges		
Losses from revaluation before tax	**-**	(213)
Taxation	**-**	17
	-	(196)
Property revaluation		
Taxation	**2**	89
Other comprehensive (expense)/income after tax	**(46.830)**	104.330
Total comprehensive expense for the period	**(362.473)**	(77.310)

Attributable to:		
Non-controlling interests (loss)	**(5.415)**	(1.003)
Owners of the Company (loss)	**(357.058)**	(76.307)

Bank of Cyprus Group
Interim Consolidated Balance Sheet

as at 30 June 2012

	Notes	**30 June 2012**	31 December 2011 (restated)	31 December 2010 (restated)
		€000	€000	€000
Assets				
Cash and balances with central banks		**2.238.384**	1.375.047	2.241.825
Placements with banks		**2.260.579**	2.627.831	5.264.628
Reverse repurchase agreements		**-**	215.936	120.166
Investments	10	**2.727.295**	2.629.124	4.307.558
Investments pledged as collateral	10	**986.801**	938.070	1.038.036
Derivative financial assets		**126.610**	193.734	76.278
Loans and advances to customers	11	**26.460.177**	27.366.917	27.725.451
Life insurance business assets attributable to policyholders		**500.885**	504.579	561.695
Property and equipment		**478.258**	473.188	418.781
Intangible assets		**475.110**	472.510	479.058
Other assets	12	**873.896**	674.439	399.287
Investment in associates		**2.764**	2.820	3.805
Total assets		**37.130.759**	37.474.195	42.636.568
Liabilities				
Obligations to central banks and amounts due to banks		**4.552.036**	3.065.756	3.706.975
Repurchase agreements		**784.134**	785.993	913.109
Derivative financial liabilities		**165.240**	488.111	240.412
Customer deposits		**28.193.204**	29.654.498	32.952.567
Insurance liabilities		**605.467**	611.264	658.309
Debt securities in issue	13	**34.157**	49.791	83.957
Other liabilities	14	**342.153**	347.697	419.295
Subordinated loan stock	15	**129.061**	128.380	930.942
Total liabilities		**34.805.452**	35.131.490	39.905.566
Equity				
Share capital	16	**1.795.141**	899.528	894.948
Share premium		**858.711**	1.164.903	1.159.819
Convertible Enhanced Capital Securities	17	**430.256**	862.233	-
Revaluation and other reserves		**(29.922)**	2.585	(186.677)
(Accumulated losses)/retained earnings		**(809.909)**	(670.988)	771.608
Equity attributable to the owners of the Company		**2.244.277**	2.258.261	2.639.698
Non-controlling interests		**81.030**	84.444	91.304
Total equity		**2.325.307**	2.342.705	2.731.002
Total liabilities and equity		**37.130.759**	37.474.195	42.636.568

A. Artemis	Chairman
E. Xenophontos	Vice Chairman
Y. Kypri	Group Chief Executive Officer
Chr. Hadjimitsis	Senior Group General Manager

Bank of Cyprus Group
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 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	Other reserves	Shares of the Company	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2012	**899.528**	**1.164.903**	**862.233**	**(585.261)**	**161.219**	**(133.221)**	**88.697**	**5.251**	**(112.035)**	**-**	**(6.679)**	**2.344.635**	**84.444**	**2.429.079**
Change of accounting policy (Note 4)	-	-	-	(85.727)	-	-	-	-	(647)	-	-	**(86.374)**	-	**(86.374)**
1 January 2012 (restated)	**899.528**	**1.164.903**	**862.233**	**(670.988)**	**161.219**	**(133.221)**	**88.697**	**5.251**	**(112.682)**	**-**	**(6.679)**	**2.258.261**	**84.444**	**2.342.705**
Purchase of shares of the Company	-	-	-	-	-	-	-	-	-	-	(38.847)	**(38.847)**	-	**(38.847)**
Disposal of shares of the Company	-	-	-	(3.016)	-	-	-	-	-	-	3.815	**799**	-	**799**
Capitalisation of reserves of subsidiary company	-	-	-	-	(6.059)	-	-	-	-	6.059	-	-	-	-
Increase in value of in-force life insurance policies	-	-	-	(2.095)	-	-	2.095	-	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance policies	-	-	-	196	-	-	(196)	-	-	-	-	**-**	-	**-**
Issue of shares	159.683	-	-	-	-	-	-	-	-	-	-	**159.683**	-	**159.683**
Issue costs	-	(2.449)	-	-	-	-	-	-	-	-	-	**(2.449)**	-	**(2.449)**
Issue of bonus shares	303.743	(303.743)	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Conversion of Convertible Enhanced Capital Securities (CECS)	432.187	-	(432.187)	-	-	-	-	-	-	-	-	**-**	-	**-**
Exchange difference on CECS	-	-	210	(210)	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive (expense)/income for the period	-	-	-	(133.796)	2	(3.751)	-	-	4.375	-	-	**(133.170)**	(3.414)	**(136.584)**
30 June 2012	**1.795.141**	**858.711**	**430.256**	**(809.909)**	**155.162**	**(136.972)**	**90.596**	**5.251**	**(108.307)**	**6.059**	**(41.711)**	**2.244.277**	**81.030**	**2.325.307**

Bank of Cyprus Group
Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

	Attributable to the owners of the Company												Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium	Convertible Enhanced Capital Securities (Note 17)	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	**€000**
1 January 2011	**894.948**	**1.159.819**	**-**	**868.531**	**100.329**	**(271.012)**	**1.291**	**83.697**	**12.420**	**(104.701)**	**(8.277)**	**2.737.045**	**91.304**	**2.828.349**
Change of accounting policy (Note 4)	-	-	-	(96.923)	-	-	-	-	-	(424)	-	**(97.347)**	-	**(97.347)**
1 January 2011 (restated)	**894.948**	**1.159.819**	**-**	**771.608**	**100.329**	**(271.012)**	**1.291**	**83.697**	**12.420**	**(105.125)**	**(8.277)**	**2.639.698**	**91.304**	**2.731.002**
Cost of share-based payments	-	-	-	2.611	-	-	-	-	-	-	-	**2.611**	-	**2.611**
Purchase of shares of the Company	-	-	-	-	-	-	-	-	-	-	(846)	**(846)**	-	**(846)**
Disposal of shares of the Company	-	-	-	(1.463)	-	-	-	-	-	-	1.993	**530**	-	**530**
Increase in value of in-force life insurance policies	-	-	-	(3.374)	-	-	-	3.374	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance policies	-	-	-	202	-	-	-	(202)	-	-	-	**-**	-	**-**
Dividend paid and reinvested (Note 18)	4.193	4.192	-	(26.848)	-	-	-	-	-	-	-	**(18.463)**	-	**(18.463)**
Issue of Convertible Enhanced Capital Securities (CECS)	-	-	867.146	-	-	-	-	-	-	-	-	**867.146**	-	**867.146**
Exchange of Convertible Capital Securities and Capital Securities with CECS (Note 15)	-	-	-	(6.733)	-	-	-	-	(7.169)	-	-	**(13.902)**	-	**(13.902)**
Total comprehensive (expense)/income for the period	-	-	-	(106.681)	91	136.476	(732)	-	-	(1.054)	-	**28.100**	57	**28.157**
30 June 2011 (restated)	**899.141**	**1.164.011**	**867.146**	**629.322**	**100.420**	**(134.536)**	**559**	**86.869**	**5.251**	**(106.179)**	**(7.130)**	**3.504.874**	**91.361**	**3.596.235**

Bank of Cyprus Group

Interim Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011 (restated)
	Notes	**€000**	€000
Net cash flow from operating activities			
Loss before tax		**(351.453)**	(82.174)
Share of loss of associates		**87**	532
Provisions for impairment of loans and advances		**568.060**	183.055
Impairment of Greek Government Bonds		**143.573**	280.934
Depreciation of property and equipment and amortisation of intangible assets		**20.577**	20.635
Increase in value of in-force life insurance policies		**(2.095)**	(3.374)
Amortisation of discounts/premiums		**(26.421)**	(21.267)
Cost of share-based payments		**-**	2.611
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock and debt securities in issue		**156.829**	(126.028)
		509.157	254.924
Net decrease/(increase) in loans and advances to customers and other accounts		**775.850**	(500.636)
Net decrease in customer deposits and other accounts		**(45.238)**	(815.707)
		1.239.769	(1.061.419)
Tax paid		**(16.844)**	(20.633)
Net cash flow from/(used in) operating activities		**1.222.925**	(1.082.052)
Cash flow from investing activities			
Purchases of investments		**(1.104.682)**	(1.195.650)
Proceeds on disposal/redemption of investments		**613.444**	1.170.807
Interest from investments		**97.015**	92.357
Dividend income from equity securities		**119**	449
Proceeds on disposal of subsidiaries		**105.302**	-
Purchases of property and equipment		**(17.459)**	(14.944)
Proceeds on disposal of property and equipment		**226**	1.184
Purchases of intangible assets		**(3.963)**	(5.417)
Proceeds on disposal of intangible assets		**110**	-
Purchases of investment property		**(59.198)**	(37.989)
Proceeds on disposal of investment property		**2.103**	2.047
Net cash flow (used in)/from investing activities		**(366.983)**	12.844
Cash flow from financing activities			
Issue of share capital net of issue costs		**157.234**	-
Redemption of subordinated loan stock		**-**	(127.315)
Redemption of debt securities in issue		**(15.634)**	(7.481)
Issue of debt securities in issue		**-**	11.607
Issue of Convertible Enhanced Capital Securities		**-**	171.801
Dividends paid		**-**	(18.463)
Interest on subordinated loan stock		**(1.302)**	(17.549)
Interest on debt securities in issue		**(850)**	(1.625)
Purchase of own shares		**(38.847)**	(846)
Proceeds on disposal of own shares		**799**	530
Net cash flow from financing activities		**101.400**	10.659
Net increase/(decrease) in cash and cash equivalents for the period		**957.342**	(1.058.549)
Cash and cash equivalents			
1 January		**3.189.218**	6.339.767
Exchange adjustments		**(12.403)**	31.145
Net increase/(decrease) in cash and cash equivalents for the period		**957.342**	(1.058.549)
30 June	19	**4.134.157**	5.312.363

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 30 August 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 six months ended 30 June 2012 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

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 six months ended 30 June 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 ended 31 December 2011.

4. Accounting policies and restatement of prior periods

4.1 Accounting policies

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2012 are consistent with those followed for the preparation of the Consolidated 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).

4.2 Change in accounting policy for employee retirement benefits

The Group has changed its accounting policy with respect to IAS 19 'Employee Benefits' and the recognition of actuarial gains or losses arising from defined benefit plans. The Group had previously recognised these gains or losses as income or expense only when 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 unrecognised actuarial gains and losses.

As from 1 January 2012, 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 financial position and 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:

	Six months ended 30 June 2011	Three months ended 30 June 2011
Loss after tax	€000	€000
Before the change in accounting policy	(112.863)	(184.498)
Reversal of amortisation of actuarial losses	5.716	2.858
After the change in accounting policy	**(107.147)**	**(181.640)**

	30 June 2011	31 December 2011	31 December 2010
Consolidated statement of changes in equity	€000	€000	€000
Before the change in accounting policy	3.687.866	2.429.079	2.828.349
Recognition of net actuarial losses in equity	(91.631)	(86.374)	(97.347)
After the change in accounting policy	**3.596.235**	**2.342.705**	**2.731.002**

4. Accounting policies and restatement of prior periods *(continued)*

4.2 Change in accounting policy for employee retirement benefits *(continued)*

	31 December 2011
Other assets	€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
After the change in accounting policy	**674.439**

Other liabilities	
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
After the change in accounting policy	**347.697**

The impact on earnings per share for the six and the three months ended 30 June 2011 as a result of the restatement was lower than €0,01.

If the accounting policy had not been changed, the profit after tax for the six months ended 30 June 2012 would have included an 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. Also, profit after tax for the six months, 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.

4.3 Restatement of results for the three months ended 31 March 2012

The new Greek Government Bonds (GGBs) were recognised in the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2012 in the loans and receivables category with a carrying value on initial recognition of €259.756 thousand, estimated using a valuation model for which inputs that have a significant effect on fair value were not based on observable market data (Level 3 hierarchy). Subsequent to the issuance of the Interim Financial Statements for the three months ended 31 March 2012, new information became available which indicated that the market of the new GGBs was active. Therefore these bonds were reclassified on initial recognition to the available-for-sale category and were valued at €150.448 thousand, using an average price of 21% of their nominal value, being the settlement price for the credit default swap agreements of the GGBs at the relevant auction. The additional charge recorded in the income statement as a result of the above restatement amounted to €109.308 thousand (Note 7).

In addition to the above change, the related tax credit in the income statement for the first quarter of 2012 was reduced by €7.242 thousand.

As a result of the above restatements, the retained profits at 31 March 2012 were reduced by €116.550 thousand and the available-for-sale revaluation reserve, which includes changes in fair value and related tax after initial recognition, was reduced by €10.414 thousand.

5. Significant judgements, estimates and assumptions

The preparation of the financial statements requires the Group's management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the financial statements. The accounting policies that are deemed significant 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 estimates and assumptions are set out in the Consolidated Financial Statements for the year ended 31 December 2011. The critical judgements, estimates and assumptions are set out below, updated for current developments.

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

5.1 Going concern

During the year 2011 and the six months ended 30 June 2012 the Group has suffered significant losses, due to GGBs and impairment losses on loans and advances.

As stated in Note 22, the Group's capital adequacy ratios at 30 June 2012 are lower than the minimum capital adequacy ratios required by the Central Bank of Cyprus. In addition, on 30 June 2012 the Group was not able to fully cover the capital shortfall as determined by the European Banking Authority (EBA).

As a result, the Group has applied to the Government of the Republic of Cyprus for capital support.

In considering the basis of preparation of the Interim Condensed Consolidated Financial Statements on a going concern basis, the Directors have taken into account the following factors and uncertainties:

- The confirmation by the Central Bank of Cyprus that the Group may continue to carry on its normal banking business while not meeting the minimum capital adequacy requirements.

- The confirmation by the Central Bank of Cyprus that the Republic of Cyprus has committed to provide the necessary capital support to the Group, with the support of the European Commission, the European Central Bank and the International Monetary Fund (jointly the 'Troika') to which the Republic of Cyprus has applied for financial assistance.

- The announcement by the EBA which states that they have reassurance that the Group will comply with the capital requirements derived from the Capital Exercise following the Republic of Cyprus' decision to request the support of the European Union.

- The Group's ability to access, through the availability of adequate eligible collateral, the refinancing mechanisms of the Eurozone and the Central Bank of Cyprus.

- The exposure to Greece (Note 5.2).

- The other risks and uncertainties faced by the Group (as set out in Notes 44 to 47 of the Consolidated Financial Statements for the year ended 31 December 2011).

- The expected future profitability of the Group.

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

5.2 Exposure to Greece

Since 2010, Greece has experienced severe recession and unprecedented pressure on its public finances. As a result, it has entered the European Support Mechanism and agreed to successive financial aid and stability packages financed by the Troika.

At 30 June 2012 and up to the date of approval of the financial statements, a number of uncertainties remain for a smooth resolution of the crisis in the Greek economy. Even after the write-off of part of Greek sovereign debt in March 2012, Greece's debt to GDP ratio remains at high levels. The persisting economic crisis in Greece could lead to further deterioration in the quality of the loan portfolio, reduction in deposits and consequently decreased profitability or operating losses. Also, a potential exit of Greece from the Eurozone would have severe repercussions for the Group, which cannot be presently measured.

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

5.2 Exposure to Greece *(continued)*

The current situation in Greece requires a number of significant judgements and assumptions by management in order to assess the appropriate carrying values of the Group's assets exposed to Greece. The financial statements have been prepared on the assumption that Greece will successfully implement the austerity plan agreed between the Greek Government and the Troika, will honour all payments related to its public debt and will not exit the Eurozone.

Notes 6 and 21 of the Interim Condensed Consolidated Financial Statements set out segmental information and the Group's exposure to Greece, respectively.

As described above, developments in Greece and the rest of the Eurozone are beyond the control of the Group's management and it is probable that actual events within the next financial period are different from the assumptions used by management, resulting in a significant adjustment to the carrying value of the Group's assets.

5.3 Provision for impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ.

A very important factor is the value of collaterals which mainly comprise of land and buildings. Any decreases in the fair value of these collaterals will lead to further increases of the required provisions for impairment of loans and advances.

In addition to provisions for impairment on an individual basis, the Group also makes collective impairment provisions. The Group adopts a formulaic approach for collective provisions. Loss rates are based on historical data and past experience. This methodology is subject to estimation uncertainty, partly because it is not practicable to identify losses on an individual loan basis because of the large number of loans in each portfolio. In addition, the use of historical information is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by past experience.

In normal circumstances, past experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In the current economic environment, historical loss experience provides less relevant information about the incurred loss in a given portfolio at the balance sheet date, because there have been changes in economic, regulatory and behavioural conditions such that the most recent trends in the portfolio risk factors are not fully reflected. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the provision for impairment derived solely from historical loss experience.

Different factors are applied in each country to reflect the local economic conditions, laws and regulations. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly.

The total amount of the Group's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions across a number of geographical areas. Economic and credit conditions within geographical areas are influenced by many factors which are interdependent (including the valuation of collateral as noted above) making the Group's loan impairment provisions as a whole particularly sensitive. It is possible that the actual results within the next financial period could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

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

5.4 Taxation

The Group operates and is therefore subject to taxation in various countries. Estimates are required in determining the provision for taxes at the balance sheet date. The Group recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made, resulting in a material adjustment to the carrying amount of deferred tax assets.

In particular, with respect to the deferred tax asset recognised in Greece (Note 12), 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 on the same basis as applicable on the reporting date.

5.5 Impairment of goodwill

The Group's policy is to test for goodwill impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may be impaired.

The process of identifying and evaluating goodwill impairment is inherently uncertain because it requires significant management judgement in making a series of estimates, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best estimate of the factors mentioned below.

Impairment testing in respect of goodwill is performed by comparing the recoverable amount of Cash-Generating Units (CGUs) of the acquired entities based on a value in use calculation. The calculation of value in use uses cash flow estimates based on management's projections, extrapolated in perpetuity using a nominal long-term growth rate based among others on current market assessment of GDP, inflation and foreign exchange rates as well as specific sector penetration for the countries within which each acquired entity operates. Cash flows are extrapolated in perpetuity in line with the long-term perspective of the Group for these businesses. The value in use can be significantly different to the fair value less costs to sell of each CGU due to the different assumptions inherent in each valuation methodology.

When this exercise demonstrates that the expected cash flows of a CGU have declined and/or that its cost of capital has increased, the CGU's estimated fair value is reduced. If this results in an estimated recoverable amount that is lower than the carrying value of the CGU, an impairment of goodwill will be recorded.

Significant management judgement is required in calculating value in use and in estimating the future cash flows of the CGUs of the acquired entities. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects.

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

5.5 Impairment of goodwill *(continued)*

Additionally, the cost of capital assigned to each acquired entity and used to discount its future cash flows, can have a significant effect on the entity's valuation. The cost of capital is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned, a premium to reflect the inherent risk of the business being evaluated and foreign exchange rates. Some of these variables are established on the basis of significant management judgement and are subject to uncertainty.

Note 26 on the consolidated financial statements for the year ended 31 December 2011 lists the entities on which goodwill arises. Goodwill impairment testing performed as at 31 December 2011 and updated as at 30 June 2012 indicated that there was no impairment of goodwill as the recoverable amount based on present value of expected future cash flows continued to exceed the carrying amount including goodwill of these entities. It is possible that the prevailing conditions by the end of the financial year, in the event of further significant deterioration in the economic and credit conditions beyond the levels already taken into account by management in the cash flow forecasts for each CGU, or in the event of significant changes in the estimated future cash flows of each CGU, could be different from the assumptions used, resulting in a material adjustment to the carrying amount of goodwill.

In addition to management projections of future cash flows of each CGU, the other key variables to which the model to determine the value in use is sensitive to, are:

	30 June 2012	31 December 2011
Terminal growth rate – Russian and Ukrainian entities	**5,0%**	5,0%
Terminal return on equity – Russian entity	**16,7%**	22,1%
Terminal return on equity – Ukrainian entity	**24,0%**	24,0%
Cost of capital – Russian entity	**10,7%**	10,7%
Cost of capital – Ukrainian entity	**17,2%**	17,2%

With respect to the assessment of value in use of the Russian entity:

- an increase of 1,5% or more in the projected cost of capital of the entity, or
- a decrease of 4% or more in the projected terminal return on equity of the entity

would cause the carrying value of the entity to exceed its recoverable amount.

No reasonably possible change in the terminal growth rate would have a significant impact on value in use of the Russian entity.

With respect to the assessment of value in use of the Ukrainian entity:

- an increase of 3% or more in the projected cost of capital of the entity, or
- a decrease of 7% or more in the projected terminal return on equity of the entity

would cause the carrying value of the entity to exceed its recoverable amount.

No reasonably possible change in the terminal growth rate would have a significant impact on value in use of the Ukrainian entity.

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

5.6 Impairment of available-for-sale investments

Available-for-sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. In such a case, the total loss previously recognised in equity is recognised in the consolidated income statement. The determination of what is significant or prolonged requires judgement by management. The factors which are evaluated include the expected volatility in share prices. In addition, impairment may be appropriate when there is evidence that significant adverse changes have taken place in the technological, market, economic or legal environment in which the investee operates.

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The Group's policy in place requires that a review for potential impairment is carried out for individual debt securities when their fair value at the balance sheet date falls below 90% of the instrument's amortised cost. Such impairment review takes into account a number of factors such as the financial condition of the issuer, any breach of contract, the probability that the issuer will enter bankruptcy or other financial reorganisation, and consequently involves a high degree of judgement.

Management has determined that neither the new GGBs nor the Cyprus Government bonds are impaired as at 30 June 2012.

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 (disposed of 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 cover the provision of banking, financial and insurance services as well as property and hotel business. The Group's activities in Greece cover the provision of banking, financial and insurance services. In the other countries, the Group provides only 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.

Operating segment disclosures are provided as presented to the Group's Senior Executive Management. Each segment's capital and the related 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.

6. Segmental analysis *(continued)*

	Cyprus	Greece	Russia	Other countries	**Total**
Six months ended 30 June 2012	€000	€000	€000	€000	**€000**
Net interest income	291.330	171.139	58.917	37.030	**558.416**
Net fee and commission income	66.881	25.776	16.237	3.474	**112.368**
Foreign exchange gains	14.394	1.955	2.622	1.025	**19.996**
Net (losses)/gains on other financial instrument transactions	(26.311)	(11.307)	-	664	**(36.954)**
Insurance income net of insurance claims	26.297	5.225	-	-	**31.522**
Other income	2.188	337	775	95	**3.395**
	374.779	**193.125**	**78.551**	**42.288**	**688.743**
Staff costs	(94.561)	(54.907)	(31.630)	(12.540)	**(193.638)**
Other operating expenses	(58.966)	(37.265)	(25.842)	(12.765)	**(134.838)**
Profit before provisions for impairment of loans and advances	**221.252**	**100.953**	**21.079**	**16.983**	**360.267**
Provisions for impairment of loans and advances	(207.561)	(317.103)	(25.359)	(18.037)	**(568.060)**
Share of loss of associates	(87)	-	-	-	**(87)**
Profit/(loss) before tax	**13.604**	**(216.150)**	**(4.280)**	**(1.054)**	**(207.880)**
Taxation	(18.530)	10.012	(764)	(577)	**(9.859)**
Loss after tax	**(4.926)**	**(206.138)**	**(5.044)**	**(1.631)**	**(217.739)**
Non-controlling interests (loss)	1.451	-	2.358	-	**3.809**
Loss after tax and non-controlling interests, before the impairment of GGBs	**(3.475)**	**(206.138)**	**(2.686)**	**(1.631)**	**(213.930)**
Impairment of GGBs and change in fair value of related hedging instruments after tax (Notes 7 and 8)					**80.134**
Loss after tax and non-controlling interests					**(133.796)**

6. Segmental analysis *(continued)*

Senior Group Executive Management does not consider the impairment of GGBs and change in fair value of related hedging instruments and the related tax to be part of each segment's operating results, and consequently the segmental analysis is presented excluding this impairment. The interest income on the GGBs is recorded in the segment where the GGBs are recorded (up to March 2012 in Cyprus and thereafter in Greece).

	Cyprus	Greece	Russia	Other countries	**Total**
Six months ended 30 June 2011	€000	€000	€000	€000	**€000**
Net interest income	282.532	157.892	64.454	47.894	**552.772**
Net fee and commission income	64.194	25.160	17.078	6.062	**112.494**
Foreign exchange gains	42	1.265	2.964	1.309	**5.580**
Net gains/(losses) on other financial instrument transactions	20.011	1.749	-	(1.219)	**20.541**
Insurance income net of insurance claims	25.791	6.148	-	-	**31.939**
Other income	3.761	3.648	4.959	1.293	**13.661**
	396.331	**195.862**	**89.455**	**55.339**	**736.987**
Staff costs	(108.130)	(55.866)	(33.030)	(16.406)	**(213.432)**
Other operating expenses	(56.841)	(41.301)	(28.916)	(14.150)	**(141.208)**
Profit before provisions for impairment of loans and advances	**231.360**	**98.695**	**27.509**	**24.783**	**382.347**
Provisions for impairment of loans and advances	(62.002)	(95.252)	(14.573)	(11.228)	**(183.055)**
Share of loss of associates	(532)	-	-	-	**(532)**
Profit before tax	**168.826**	**3.443**	**12.936**	**13.555**	**198.760**
Taxation	(25.479)	(7.018)	(2.301)	(3.245)	**(38.043)**
Profit/(loss) after tax	**143.347**	**(3.575)**	**10.635**	**10.310**	**160.717**
Non-controlling interests (loss/(profit))	1.551	-	(1.084)	(1)	**466**
Profit/(loss) after tax and non-controlling interests	**144.898**	**(3.575)**	**9.551**	**10.309**	**161.183**
Impairment of GGBs after tax					**(267.864)**
Loss after tax and non-controlling interests					**(106.681)**

6. Segmental analysis *(continued)*

Analysis of total revenue

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

	Cyprus	Greece	Russia	Other countries	**Total**
Six months ended 30 June 2012	€000	€000	€000	€000	**€000**
Banking and financial services	322.740	195.725	91.252	45.499	**655.216**
Insurance services	27.606	5.237	-	-	**32.843**
Property and hotel business	690	(6)	-	-	**684**
Total revenue from third parties	351.036	200.956	91.252	45.499	**688.743**
Inter-segment revenue/(expense)	23.743	(7.831)	(12.701)	(3.211)	**-**
Total revenue	**374.779**	**193.125**	**78.551**	**42.288**	**688.743**
Six months ended 30 June 2011					
Banking and financial services	362.286	175.423	97.253	66.541	**701.503**
Insurance services	27.116	5.985	-	-	**33.101**
Property and hotel business	2.365	18	-	-	**2.383**
Total revenue from third parties	391.767	181.426	97.253	66.541	**736.987**
Inter-segment revenue/(expense)	4.564	14.436	(7.798)	(11.202)	-
Total revenue	**396.331**	**195.862**	**89.455**	**55.339**	**736.987**

Analysis of assets

	Cyprus	Greece	Russia	Other countries	**Total**
30 June 2012	€000	€000	€000	€000	**€000**
Assets	28.736.070	10.562.992	2.072.926	2.278.960	43.650.948
Inter-segment assets					(6.520.189)
Total assets					**37.130.759**
31 December 2011					
Assets	27.347.232	12.750.002	2.155.831	2.336.275	44.589.340
Inter-segment assets					(7.115.145)
Total assets					**37.474.195**

7. Impairment of Greek Government Bonds

The Group has participated in the exchange offer for Greek Government Bonds (GGBs) which was completed in March/April 2012, 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 year 2021 and 4,30% thereafter (2022-2042).
- Immediate repayment of 15% of the nominal value of 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 six-month maturity and bearing market interest rates.
- Detachable GDP-linked securities with a notional amount equal to the new GGBs of each holder. The securities provide for annual payments of up to 1% of their notional amount, commencing in 2015, in the event that Greek GDP growth exceeds certain thresholds.

The nominal value of the GGBs after the PSI exchange is as follows:

	Nominal value
	€000
1 January 2012	2.087.824
Nominal value adjustment of GGBs (arising on inflation-linked GGBs)	162.609
Adjusted nominal value of GGBs on PSI exchange date	**2.250.433**
New GGBs arising after the exchange (31,5% of nominal value of old GGBs)	**708.887**

The new GGBs were valued at fair value on the PSI exchange date with an average price of 21% of their nominal value, based on the settlement price of credit default swaps for GGBs at the relevant auction. The new GGBs were classified in the available-for-sale category.

The carrying value of the GGBs on initial recognition is as follows:

	Carrying value
	€000
1 January 2012	615.661
Exchange of old GGBs with EFSF bonds (15,0% of nominal value of the old GGBs plus accrued interest)	(355.905)
Loss on initial recognition of the new GGBs	(109.308)
	150.448

On 30 June 2012, the new GGBs were measured at fair value and their carrying amount was €105.936 thousand. The loss arising on the revaluation of the new GGBs at 30 June 2012 of €48.434 thousand was recorded in the available-for-sale revaluation reserve.

The detachable GDP-linked securities were measured at fair value which was nil, both on initial recognition and on 30 June 2012.

7. Impairment of Greek Government Bonds *(continued)*

The impairment recorded in the income statement for the six months ended 30 June 2012 is as follows:

	€000
Loss on initial recognition of new GGBs	109.308
Change in fair value of related hedging instruments	34.265
Total impairment charge per the income statement	**143.573**

The derivatives were used to hedge the interest rate risk of the GGBs and have been terminated by April 2012.

8. Taxation

	Six months ended 30 June	
	2012	2011
	€000	€000
Current tax:		
- Cyprus	**10.592**	17.215
- overseas	**(9.637)**	8.546
Special Tax Levy on Credit Institutions in Cyprus	**9.077**	9.362
Cyprus defence contribution	**108**	112
Deferred tax	**(224.847)**	(12.921)
Prior years' tax adjustments	**859**	2.659
	(213.848)	24.973

Deferred tax for the six months ended 30 June 2012, includes a deferred tax benefit amounting to €223.707 thousand which relates to losses on GGBs.

9. Earnings per share

	Six months ended 30 June		Three months ended 30 June	
	2012	2011 (restated)	**2012**	2011 (restated)
Basic and diluted earnings per share				
Loss after tax attributable to the owners of the Company (€ thousand)	**(133.796)**	(106.681)	**(312.654)**	(180.723)
Weighted average number of shares in issue during the period, excluding shares held by the Company (thousand)	**1.443.380**	894.201	**1.217.186**	890.755
Basic and diluted losses per share (cent)	**(9,3)**	(11,9)	**(25,7)**	(20,3)

The Convertible Bonds 2013/2018, the Convertible Capital Securities, the Convertible Enhanced Capital Securities and the Share Options 2008/2010 do not constitute potential dilutive ordinary shares for the purposes of calculating the diluted earnings per share as their conversion into ordinary shares would reduce losses per share.

10. Investments

	30 June 2012	31 December 2011
Investments	**€000**	€000
Investments at fair value through profit or loss	**16.719**	26.345
Investments available-for-sale	**891.779**	534.803
Investments held-to-maturity	**1.213.774**	1.055.406
Investments classified as loans and receivables	**605.023**	1.012.570
	2.727.295	2.629.124
Investments pledged as collateral		
Investments at fair value through profit or loss	**15.855**	26.544
Investments available-for-sale	**766.173**	718.719
Investments held-to-maturity	**166.044**	148.698
Investments classified as loans and receivables	**38.729**	44.109
	986.801	938.070
	3.714.096	3.567.194

10. Investments *(continued)*

Reclassification of investments

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

	Reclassification date	Carrying and fair value on reclassification date	30 June 2012		31 December 2011		Six months ended 30 June 2012		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional gain/(loss) in the income statement had the bonds not been reclassified	Additional (loss)/gain in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments:									
- available-for-sale investments	1 July 2008	17.385	22.893	21.624	22.257	19.357	2.267	-	5,3%-7,4%
- loans and receivables	1 April 2010	34.810	36.575	23.332	36.125	33.546	(10.214)	-	1,2%-4,4%
Reclassification of available-for-sale investments:									
- loans and receivables	1 October 2008	163.407	173.846	113.333	172.579	159.045	-	(60.513)	4,6%-4,7%
- loans and receivables	30 June 2011	250.839	262.527	185.985	258.922	221.202	-	(76.542)	2,8%-6,3%
- investments held-to-maturity	1 April 2010	112.309	106.676	94.705	139.453	100.595	-	(11.971)	4,0%-6,3%
- investments held-to-maturity	1 October 2010	284.265	295.352	294.463	298.354	267.346	-	(889)	1,4%-5,0%
- investments held-to-maturity	1 July 2011	260.929	254.689	246.919	251.947	230.339	-	(7.770)	1,4%-14,3%
- investments held-to-maturity	1 October 2011	244.256	234.453	236.111	229.929	221.096	-	1.658	1,1%-19,8%

10. Investments *(continued)*

Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on observable market data.

During the period there were no material transfers between the fair value hierarchy levels of financial instruments.

11. Loans and advances to customers

	30 June 2012	31 December 2011
	€000	€000
Loans and advances to customers	**28.488.226**	28.872.429
Provisions for impairment of loans and advances	**(2.028.049)**	(1.505.512)
	26.460.177	27.366.917

Credit quality of loans and advances to customers

	30 June 2012	31 December 2011
	€000	€000
Neither past due nor impaired	**19.994.108**	20.624.394
Past due but not impaired	**5.770.526**	5.936.534
Impaired	**2.723.592**	2.311.501
	28.488.226	28.872.429

Past due but not impaired:		
- up to 30 days	**1.527.160**	1.128.952
- 31 to 90 days	**1.835.278**	2.151.204
- 91 to 180 days	**530.281**	966.408
- 181 to 365 days	**663.116**	633.467
- over one year	**1.214.691**	1.056.503
	5.770.526	5.936.534

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

Impaired loans and advances to customers on an individual basis

	30 June 2012	31 December 2011
	€000	€000
Cyprus	**1.350.174**	1.081.610
Greece	**1.029.308**	908.566
Russia	**207.954**	176.190
United Kingdom	**34.760**	57.478
Romania	**49.977**	35.604
Ukraine	**51.419**	52.053
	2.723.592	2.311.501

Provisions for impairment of loans and advances to customers

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

	Cyprus	Greece	Russia	Other countries	**Total**
2012	€000	€000	€000	€000	**€000**
1 January	649.025	632.012	148.430	76.045	**1.505.512**
Exchange adjustments	835	-	1.163	1.110	**3.108**
Applied in writing off impaired loans and advances	(7.005)	(1.417)	-	(8.266)	**(16.688)**
Interest accrued on impaired loans and advances	(16.618)	(12.200)	(1.392)	(2.868)	**(33.078)**
Collection of loans and advances previously written off	1.135	-	-	-	**1.135**
Charge for the period	207.561	317.103	25.359	18.037	**568.060**
30 June	**834.933**	**935.498**	**173.560**	**84.058**	**2.028.049**
Individual impairment	**620.024**	**640.615**	**88.118**	**73.646**	**1.422.403**
Collective impairment	**214.909**	**294.883**	**85.442**	**10.412**	**605.646**

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

Provisions for impairment of loans and advances to customers *(continued)*

2011					
1 January	551.884	450.544	98.516	59.455	**1.160.399**
Exchange adjustments	(1.846)	-	1.201	(2.319)	**(2.964)**
Applied in writing off impaired loans and advances	(5.588)	(8.160)	(101)	(1.303)	**(15.152)**
Interest accrued on impaired loans and advances	(12.346)	(8.406)	-	(648)	**(21.400)**
Collection of loans and advances previously written off	1.621	-	-	-	**1.621**
Charge for the period	62.002	95.252	14.573	11.228	**183.055**
30 June	**595.727**	**529.230**	**114.189**	**66.413**	**1.305.559**
Individual impairment	**441.533**	**463.310**	**51.310**	**51.271**	**1.007.424**
Collective impairment	**154.194**	**65.920**	**62.879**	**15.142**	**298.135**

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

Concentration analysis of loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 June 2012	€000	€000	€000	€000	€000	€000	**€000**
By economic activity							
Trade	1.650.531	1.311.080	419.858	63.017	31.163	28.787	**3.504.436**
Manufacturing	521.156	927.562	195.284	18.601	27.457	11.390	**1.701.450**
Hotels and catering	947.808	1.128.556	86	127.046	110.742	9.127	**2.323.365**
Construction	2.412.479	929.466	91.053	62.291	45.207	15.767	**3.556.263**
Real estate	1.702.883	611.177	201.261	533.990	220.337	100.096	**3.369.744**
Private individuals	5.369.286	2.900.224	464.053	62.568	43.051	83.109	**8.922.291**
Professional and other services	1.387.286	758.676	670.140	58.309	82.190	101.883	**3.058.484**
Other sectors	877.720	1.103.839	48.586	698	15.324	6.026	**2.052.193**
	14.869.149	**9.670.580**	**2.090.321**	**926.520**	**575.471**	**356.185**	**28.488.226**
By customer sector							
Corporate	6.921.473	3.344.331	1.357.458	351.465	471.994	260.206	**12.706.927**
Small and medium-sized enterprises (SMEs)	2.502.261	3.448.090	334.315	530.754	59.672	34.048	**6.909.140**
Retail							
- housing	3.522.898	1.665.209	65.604	37.934	18.158	22.910	**5.332.713**
- credit cards	115.386	164.595	98.110	-	-	5	**378.096**
- consumer and other	1.807.131	1.048.355	234.834	6.367	25.647	39.016	**3.161.350**
	14.869.149	**9.670.580**	**2.090.321**	**926.520**	**575.471**	**356.185**	**28.488.226**

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

Concentration analysis of loans and advances to customers *(continued)*

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

In Cyprus, 'professional and other services sector' and 'other sectors' include loans to government-controlled businesses amounting to €15.076 thousand and €120.978 thousand respectively which according to the European Banking Authority are classified as sovereign debt. These loans are classified in the 'corporate sector' and 'small and medium-sized enterprises sector' (€128.721 thousand and €7.333 thousand respectively).

In Greece, the 'corporate sector' and 'other sectors' include loans to government-controlled businesses amounting to €255.159 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, Spain and Portugal.

12. Other assets

Other assets at 30 June 2012 include deferred tax assets of €335.150 thousand (31 December 2011 (restated): €97.570 thousand), of which €315.452 thousand arises from the Company's branch in Greece. The deferred tax asset in Greece includes €158.440 thousand which relates to the write-off of 53,5% of the nominal value of the old Greek Government Bonds as a result of PSI, €120.167 thousand which relates to the loss on initial recognition of the new GGBs and their subsequent revaluation and €36.845 thousand which relates to other tax losses and temporary differences. It is noted that pursuant to a special provision in Greek tax legislation enacted in 2012, losses arising on PSI may be utilised in 30 equal annual instalments.

In assessing the recoverability of the above deferred tax assets, the Group has assumed that its operations in Greece will return to profitability in the near future and that the Greek tax legislation will continue to permit the utilisation of tax losses on the same basis as applicable on the reporting date.

Other assets at 30 June 2012 also include investment properties of €244.209 thousand (31 December 2011: €187.795 thousand) and retirement benefit plan assets of €1.124 thousand (31 December 2011 (restated): €873 thousand).

13. Debt securities in issue

	Contractual interest rate	**30 June 2012**	31 December 2011
		€000	€000
Medium term senior debt			
SEK 50 million 2009/2012	OMX Stockholm 30 index	**-**	5.341
SEK 100 million 2010/2014	Return of specific shares	**11.696**	11.484
€2 million 2010/2016	DJ EUROSTOXX 50 index	**1.897**	1.897
USD 2 million 2010/2016	S&P 500 index	**1.577**	1.597
		15.170	20.319
Short term commercial paper			
RUB Certificates of Deposit and Promissory Notes	11%	**18.495**	28.980
Interest-free loan from the European Development Bank	-	**492**	492
		18.987	29.472
		34.157	49.791

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 which were redeemed in May 2012, the redemption amount of which was linked to the OMX Stockholm 30 Index.

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

13. Debt securities in issue (continued)

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.

On 29 June 2012 Covered Bonds of €150 million issued in July 2011 were cancelled.

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.

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 pays no interest. Each issue has a maturity period up to 364 days and is unlisted.

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 30 June 2012 include deferred tax liabilities of €79.424 thousand (31 December 2011 (restated): €75.095 thousand) and retirement benefit plan liabilities of €23.685 thousand (31 December 2011 (restated): €94.434 thousand).

Other liabilities at 30 June 2012 include provisions for pending litigation or claims of €3.548 thousand (31 December 2011: €3.837 thousand).

15. Subordinated loan stock

	Contractual interest rate	**30 June 2012**	31 December 2011
		€000	€000
Subordinated Bonds in US Dollars 2013/2014/2015 ($7 million)	2,50%	**7.188**	6.928
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	**27.039**	26.907
Convertible Capital Securities (€645 million)	5,50%	**72.541**	72.380
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	**22.293**	22.165
		129.061	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 Loans 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.

Convertible Bonds

In July 2008, the Company issued Convertible Bonds 2013/2018, with nominal value of €573 million in Euro, 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.

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 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.

15. Subordinated loan stock *(continued)*

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 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.

During 2011, Convertible Capital Securities 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 interest rate of Capital Securities 12/2007 was floating, set at the three-month Euribor plus 1,25% per annum. The Capital Securities 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.

16. Share capital

	30 June 2012		31 December 2011	
	Shares (thousand)	**€000**	Shares (thousand)	€000
Authorised				
Ordinary Shares of €1,00 each	**3.000.000**	**3.000.000**	3.000.000	3.000.000
Issued and fully paid				
1 January	**899.528**	**899.528**	894.948	894.948
Issue of shares	**159.683**	**159.683**	-	-
Bonus issue	**303.743**	**303.743**	-	-
Conversion of Convertible Enhanced Capital Securities	**432.187**	**432.187**	-	-
Conversion of Convertible Bonds and Convertible Capital Securities	**-**	**-**	387	387
Dividend reinvested	**-**	**-**	4.193	4.193
30 June 2012/31 December 2011	**1.795.141**	**1.795.141**	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 €1,00 each, which will rank pari passu with the existing ordinary shares of the Company.

Issued share capital

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.

In 2011, 387.109 shares were issued as a result of the conversion of Convertible Bonds and Convertible Capital Securities 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.

16. Share capital *(continued)*

Issued share capital *(continued)*

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 on the purchase, sale, issue or cancellation. No gain or loss on such shares is recognised in the consolidated income statement. The number of these shares at 30 June 2012 was 73.998 thousand (31 December 2011: 2.266 thousand). The cost of acquisition of these shares was €41.710 thousand (31 December 2011: €6.679 thousand).

In addition, the life insurance subsidiary of the Group held, as at 30 June 2012, a total of 16.031 thousand (31 December 2011: 6.607 thousand) shares of the Company, as part of its 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 and authorised the Board of Directors 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.

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

	30 June 2012	31 December 2011
	€000	€000
1 January	**862.233**	-
Issue of Convertible Enhanced Capital Securities	**-**	857.084
Conversion into shares	**(432.187)**	-
Exchange difference	**210**	6.422
Conversion of Convertible Bonds and Convertible Capital Securities	**-**	(1.273)
30 June 2012/31 December 2011	**430.256**	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 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 Company proceeded with a mandatory coupon cancellation for the period 31 December 2011–29 June 2012. According to the issue terms and conditions, any coupon payment cancelled will be fully and irrevocable cancelled and will no longer be 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.

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 during 2012 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 (€430 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

	30 June 2012	30 June 2011
	€000	€000
Cash and non obligatory balances with central banks	**1.856.591**	1.175.723
Treasury bills repayable within three months	**49.732**	-
Placements with banks repayable within three months	**2.227.834**	4.136.640
	4.134.157	5.312.363

20. Staff numbers

The number of persons employed by the Group at 30 June 2012 was 11.183 (31 December 2011: 11.326).

21. Sovereign exposure

The Group's sovereign and non-sovereign exposure in countries which have entered or have applied to the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Group exposure exceeds €100 million, is presented below. These countries are: Greece, Ireland, Portugal, Cyprus, Spain, Italy, Russia, Romania and Ukraine.

The sovereign exposure in the countries above, excluding Greece, was not considered to be impaired at 30 June 2012, despite the financial difficulties of these countries, as 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, local authorities and other organisations in which the state holds more than 50%.

The Group's sovereign and non-sovereign exposure in the countries above, is analysed in the table below.

21. Sovereign exposure *(continued)*

Credit risk *(continued)*

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine	Spain
30 June 2012	€000	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	204.228	86.202	-	-	64.939	33.870	4.977	-
Placements with banks	53.977	5.443	-	14.747	20.227	5.740	7.568	-
Investments in sovereign debt securities								
- available-for-sale investments	125	105.855	-	8.733	-	-	-	-
- loans and receivables	641.714	-	-	-	-	-	-	-
- investments held-to-maturity	50.731	-	270.738	100.044	2.298	6.060	-	-
- fair value through profit or loss	10.721	81	-	-	-	-	-	-
Investments in debt securities in banks and other corporations								
- available-for-sale investments	1.070	-	-	12.590	-	-	3	38.482
- loans and receivables	2.038	-	-	-	-	-	-	-
- investments held-to-maturity	24.525	115.332	24.614	38.820	2.541	-	-	24.082
- fair value through profit or loss	132	-	-	-	-	-	491	-
Loans and advances to customers (before provisions)	14.869.149	9.670.580	-	-	2.090.321	575.471	356.185	-
Derivative financial assets	-	-	-	1.289	5	-	-	-
Total on balance sheet	**15.858.410**	**9.983.493**	**295.352**	**176.223**	**2.180.331**	**621.141**	**369.224**	**62.564**
Contingent liabilities	872.776	789.102	-	-	5.394	2.634	40	-
Commitments	1.932.333	850.361	-	-	217.771	28.644	195	-
Total off balance sheet	**2.805.109**	**1.639.463**	**-**	**-**	**223.165**	**31.278**	**235**	**-**
Total exposure to credit risk	**18.663.519**	**11.622.956**	**295.352**	**176.223**	**2.403.496**	**652.419**	**369.459**	**62.564**

On 30 June 2012 the revaluation reserve of available-for-sale investments includes losses amounting to €106.467 thousand relating to the above sovereign debt securities and losses amounting to €10.825 thousand relating to debt securities of banks and other corporations.

21. Sovereign exposure *(continued)*

Credit risk *(continued)*

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine
31 December 2011	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	398.971	210.638	-	-	62.752	39.555	4.553
Placements with banks	130	8.203	-	126.353	91.641	11.834	16.927
Investments in sovereign debt securities							
- available-for-sale investments	109	2.815	-	8.004	-	-	3.857
- loans and receivables	511.833	544.846	-	-	-	-	-
- investments held-to-maturity	1.323	68.000	322.918	97.457	2.283	11.527	-
- fair value through profit or loss	17.662	481	-	-	-	-	-
Investments in debt securities in banks and other corporations							
- available-for-sale investments	2.553	-	-	13.290	-	-	-
- investments held-to-maturity	41.497	147.696	40.575	38.284	2.493	-	-
Loans and advances to customers (before provisions)	14.931.398	9.983.041	-	-	2.004.550	585.727	332.379
Derivative financial assets	-	-	-	118	-	-	-
Total on balance sheet	**15.905.476**	**10.965.720**	**363.493**	**283.506**	**2.163.719**	**648.643**	**357.716**
Contingent liabilities	940.704	882.792	-	-	5.721	5.883	40
Commitments	2.098.276	1.326.188	-	-	227.106	32.231	58
Total off balance sheet	**3.038.980**	**2.208.980**	**-**	**-**	**232.827**	**38.114**	**98**
Total exposure to credit risk	**18.944.456**	**13.174.700**	**363.493**	**283.506**	**2.396.546**	**686.757**	**357.814**

On 31 December 2011 the revaluation reserve of available-for-sale investments includes losses of €52.731 thousand related to investments in sovereign debt and €22.366 thousand related to debt securities in banks and other corporations.

21. Sovereign exposure *(continued)*

Credit risk *(continued)*

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

In Cyprus loans and advances to customers include loans to local authorities, semi-governmental organisations and government controlled businesses of €136.054 thousand. In addition, contingent liabilities and commitments include an amount of €25.207 thousand for these entities.

In Greece loans and advances to customers include loans of €127.985 thousand which are secured by Greek Government guarantees.

Liquidity risk

The table below presents the Group's sovereign exposure in countries which have entered or have applied to the European Support Mechanism (Greece, Ireland, Portugal, Spain and Cyprus) 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**
	€000	€000	€000	€000	€000	**€000**
Cyprus						
- available-for-sale	-	-	-	125	-	**125**
- loans and receivables	-	-	12.455	517.786	111.473	**641.714**
- held-to-maturity	49.732	-	-	978	21	**50.731**
- at fair value through profit or loss	-	-	-	10.721	-	**10.721**
	49.732	**-**	**12.455**	**529.610**	**111.494**	**703.291**
Greece						
- available-for-sale	-	-	-	-	105.855	**105.855**
- at fair value through profit or loss	-	-	-	-	81	**81**
	-	**-**	**-**	**-**	**105.936**	**105.936**
Ireland						
- held-to-maturity	**-**	**-**	**-**	**79.554**	**191.184**	**270.738**

The above tables do not include, in the category fair value through profit or loss, GGBs amounting to €94 thousand which are held by a life insurance subsidiary of the Group as assets attributable to policyholders.

The Group has no exposure to the public debt of Spain and Portugal.

The Government Bonds of Cyprus, Greece, Spain and Italy have been valued under Level 1 hierarchy.

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 ratio 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 30 June 2012 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.

22. Capital management *(continued)*

The capital adequacy ratios of the Group at 30 June 2012 are presented below:

	30 June 2012	31 December 2011
Regulatory capital	**€000**	€000
Core original own funds	**1.225.178**	891.910
Original own funds	**1.750.268**	1.848.688
Additional own funds	**238.376**	239.267
Carrying value of insurance companies	**(161.355)**	(162.846)
Total regulatory capital	**1.827.289**	1.925.109
Risk weighted assets – credit risk	**21.723.123**	22.391.062
Risk weighted assets – market risk	**3.488**	3.463
Risk weighted assets – operational risk	**2.395.363**	2.395.363
Total risk weighted assets	**24.121.974**	24.789.888
	%	%
Core tier 1 ratio	**5,1**	3,6
Tier 1 ratio	**7,3**	7,5
Total capital ratio	**7,6**	7,8

Minimum ratios per the Central Bank of Cyprus Directive		
Core tier 1 ratio	**8,0**	8,0
Tier 1 ratio	**9,5**	9,5
Total capital ratio	**11,5**	11,5

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

The total regulatory capital during the six months ended 30 June 2012 has been positively affected from the issue of shares by the Company (Note 16) and negatively from the losses for the period.

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 which covered 71 European Banks aimed 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 adverse market environment. This buffer was 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 should have been covered by 30 June 2012.

In January 2012 the Group had submitted a plan to the Central Bank of Cyprus which set out the various measures which the Group would take so as to achieve the required capital enhancement target as determined by the EBA.

22. Capital management *(continued)*

In this context, the Group has implemented the following measures in order to cover the EBA capital shortfall: (i) issue of share capital of €160 million and conversion of CECS into shares of €432 million in March 2012, (ii) disposal of Bank of Cyprus Australia Ltd with a positive capital contribution of €80 million, and (iii) management of its risk weighted assets. In addition, the Group has proceeded with the amendment of certain issue terms of the CECS (Note 17) to satisfy the conditions of the EBA for inclusion of the remaining amount of the CECS €430 million as eligible for reducing the capital shortfall.

Despite the implementation of the above measures, the Group announced on 27 June 2012 that it was not able to fully cover the capital shortfall and it has therefore applied to the state 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.

In addition to the above, the Republic of Cyprus has applied for financial assistance from other member states of the European Union and the International Monetary Fund. The program that will be agreed between the Republic of Cyprus and the Troika (European Commission, European Central Bank and International Monetary Fund) for the provision of 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 overall 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.

23. Related party transactions

	30 June 2012	31 December 2011
	€000	€000
Loans and advances:		
- members of the Board of Directors and key management personnel	**7.496**	7.970
- connected persons	**227.669**	276.442
	235.165	284.412
Deposits:		
- members of the Board of Directors and key management personnel	**60.972**	64.866
- connected persons	**45.989**	47.683
	106.961	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	**409**	3.045
	409	26.291

Interest income and expense from related parties for the six months ended 30 June 2012 amounted to €6.084 thousand and €1.991 thousand (corresponding period of 2011: €6.470 thousand and €2.296 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 €97.389 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 €134 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 30 June 2012 amounted to €18.802 thousand (31 December 2011: €34.830 thousand).

During the six months ended 30 June 2012 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €86 thousand (corresponding period of 2011: €79 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 €269 thousand (corresponding period of 2011: €114 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €319 thousand (corresponding period of 2011: €203 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; insurance commissions amounting to €64 thousand (corresponding period of 2011: €70 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis and purchase of property for an amount of €185 thousand (corresponding period of 2011: nil) from a company which is influenced by connected persons of Mr. Vassilis G. Rologis. 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 on 9 February 2012 to 30 June 2012 amounted to €67 thousand.

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.

23. Related party transactions *(continued)*

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

	Six months ended 30 June	
	2012	2011
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**766**	806
Bonus waived	**-**	(328)
Employer's contributions	**44**	28
Retirement benefit plan costs	**89**	42
	899	548
Share options	**-**	359
Non-executives		
Fees	**330**	394
Emoluments of a non-executive director who is also an employee of the Company	**90**	84
Total directors' emoluments	**1.319**	1.385
Other key management personnel emoluments		
Salaries and other short term benefits	**303**	370
Bonus waived	**-**	(175)
Employer's contributions	**25**	19
Retirement benefit plan costs	**34**	38
Share options	**-**	134
Total other key management personnel emoluments	**362**	386
Total	**1.681**	1.771

The shareholders' Annual General Meeting held on 19 June 2012 approved the non-executive Directors' proposal to further reduce their salaries. The reduction amounted to 50% for the Chairman and 25% for the other non-executive Directors. Furthermore, on 30 May 2012, the Board of Directors accepted the proposals of Messrs Andreas Eliades (resigned on 10 July 2012), Yiannis Pehlivanidis and Yiannis Kypri to reduce their salaries by 20%, 15% and 10% respectively.

24. Group companies

The main companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 30 June 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	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 UK Ltd (formerly BOC Advances Ltd)	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	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	-

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 held at 30 June 2012 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, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates 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.

24. Group companies *(continued)*

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 Group considers that it exercises control over it, therefore it fully consolidates it.

On 25 June 2012 the banking business carried out by the UK branch, (Bank of Cyprus UK), was transferred to a banking subsidiary (Bank of Cyprus UK Ltd). Bank of Cyprus UK Ltd is registered in the UK.

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%), Tsiros (Ayios Tychonas) Ltd (shareholding of 50%) and Grand Hotel Enterprises Society Ltd (shareholding of 30%).

25. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2012 amounted to €21.422 thousand (corresponding period of 2011: €20.361 thousand).

- The Group's provision for pending litigation or claims at 30 June 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 (€438 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.

25. Other information *(continued)*

- The regulatory authorities in Cyprus (the Cyprus Securities and Exchange Commission and the Central Bank of Cyprus) are carrying out investigations in respect to:
  - the Group's exposure to GGBs and related public statements,
  - information provided on the amount of the capital shortfall as determined by the European Banking Authority and the amount of requested state aid, and
  - the sale of capital securities to the public.

  The above investigations are at an early stage and therefore their final outcome cannot be currently assessed.

- The Annual General Meeting of the shareholders on 19 June 2012 approved a special resolution for the reduction of the credit balance of the 'share premium account' of the Company, which is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113, for the amount of €430.440 thousand. The implementation of the special resolution is subject to the approval of the said resolution by the District Court of Nicosia which has not yet been obtained and therefore the Interim Condensed Consolidated Financial Statements do not include the impact of this resolution.

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Report to the Board of Directors of Bank of Cyprus Public Company Ltd on the Review of the Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 9 to 57, which comprise the interim consolidated balance sheet as at 30 June 2012, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 5 'Significant judgements, estimates and assumptions' and note 22 'Capital management' to the interim condensed consolidated financial statements, which describe the uncertainties and the conditions under which they have been prepared on a going concern basis, the judgements, estimates and assumptions used and the planned actions to restore the minimum capital adequacy ratios with the assistance of the Republic of Cyprus.

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
30 August 2012

Financial Information for the Period from 1 January 2012 to 30 June 2012

as stipulated by Decision 4/507/28.04.2009 of
the Board of Directors of the Greek Capital Markets Commission

The financial information presented below is aiming to provide a general awareness about the financial position and results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements prepared in accordance with International Financial Reporting Standards are available, together with the independent auditors' report, and the detailed explanatory statement of results. These documents are also available at the Registered Office of the Company (51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, CY-1398 Nicosia, Cyprus, Telephone: +357 22 122128, Fax: +357 22 378422).

Website: www.bankofcyprus.com - Investor Relations/Financial Information.

Date of approval of the interim financial statements for the period ended 30 June 2012 by the Board of Directors: 30 August 2012.

Independent auditors: Ernst & Young Cyprus Ltd

Type of auditors' report: Unqualified opinion – Emphasis of matter.

Extracts from the Interim Consolidated Income Statement and Statement of Comprehensive Income

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Net interest income	**558.416**	552.772
Net fee and commission gains	**112.368**	112.494
Foreign exchange gains	**19.996**	5.580
Net (losses)/gains on other financial instrument transactions and disposal of subsidiaries	**(36.954)**	20.541
Insurance income net of insurance claims	**31.522**	31.939
Other income	**3.395**	13.661
	688.743	736.987
Staff costs	**(193.638)**	(213.432)
Other operating expenses	**(134.838)**	(141.208)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)	**360.267**	382.347
Provisions for impairment of loans and advances	**(568.060)**	(183.055)
(Loss) / profit before impairment of GGBs	**(207.793)**	199.292
Impairment of GGBs and change in fair value of related hedging instruments	**(143.573)**	(280.934)
Loss before share of loss of associates	**(351.366)**	(81.642)
Share of loss of associates	**(87)**	(532)
Loss before tax	**(351.453)**	(82.174)
Taxation	**213.848**	(24.973)
Loss after tax	**(137.605)**	(107.147)

Attributable to:		
Non-controlling interests (loss)	**(3.809)**	(466)
Owners of the Company (loss)	**(133.796)**	(106.681)

Basic losses per share (€)	**(0,093)**	(0,1193)

Loss after tax	**(137.605)**	(107.147)
Other comprehensive income after tax	**1.021**	135.304
Total comprehensive (expense) / income for the period	**(136.584)**	28.157

Attributable to:		
Non-controlling interests ((loss)/profit)	**(3.414)**	57
Owners of the Company ((loss) / profit)	**(133.170)**	28.100

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Income Statement and Statement of Comprehensive Income

for the three months from 1 April to 30 June 2012

	Three months ended 30 June	
	2012	2011
	€000	€000
Net interest income	**263.421**	277.125
Net fee and commission income	**56.863**	56.523
Foreign exchange gains	**14.646**	9.372
Net (losses)/gains on other financial instrument transactions	**(41.928)**	11.346
Insurance income net of insurance claims	**15.454**	15.020
Other income	**1.935**	11.121
	310.391	380.507
Staff costs	**(100.776)**	(101.083)
Other operating expenses	**(68.645)**	(71.934)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)	**140.970**	207.490
Provisions for impairment of loans and advances	**(467.931)**	(104.348)
(Loss) / profit before impairment of GGBs	**(326.961)**	103.142
Impairment of GGBs and change in fair value of related hedging instruments	**-**	(280.934)
Loss before share of loss of associates	**(326.961)**	(177.792)
Share of loss of associates	**(164)**	(496)
Loss before tax	**(327.125)**	(178.288)
Taxation	**11.482**	(3.352)
Loss after tax	**(315.643)**	(181.640)
Attributable to:		
Non-controlling interests (loss)	**(2.989)**	(917)
Owners of the Company (loss)	**(312.654)**	(180.723)
Basic losses per share (€)	**(0,2569)**	(0,2029)
Loss after tax	**(315.643)**	(181.640)
Other comprehensive (expense)/income after tax	**(46.830)**	104.330
Total comprehensive expense for the period	**(362.473)**	(77.310)
Attributable to:		
Non-controlling interests (loss)	**(5.415)**	(1.003)
Owners of the Company (loss)	**(357.058)**	(76.307)

	Notes	30 June 2012 €000	31 December 2011 (restated) €000
Assets			
Cash and balances with central banks		**2.238.384**	1.375.047
Placements with banks		**2.260.579**	2.627.831
Reverse repurchase agreements		**-**	215.936
Investments	3	**2.727.295**	2.629.124
Investments pledged as collateral	3	**986.801**	938.070
Derivative financial assets		**126.610**	193.734
Loans and advances to customers		**26.460.177**	27.366.917
Life insurance business assets attributable to policyholders		**500.885**	504.579
Property and equipment		**478.258**	473.188
Intangible assets		**475.110**	472.510
Other assets		**873.896**	674.439
Investments in associates		**2.764**	2.820
Total assets		**37.130.759**	37.474.195
Liabilities			
Obligations to central banks and amounts due to banks		**4.552.036**	3.065.756
Repurchase agreements		**784.134**	785.993
Derivative financial liabilities		**165.240**	488.111
Customer deposits		**28.193.204**	29.654.498
Insurance liabilities		**605.467**	611.264
Debt securities in issue		**34.157**	49.791
Other liabilities	4	**342.153**	347.697
Subordinated loan stock		**129.061**	128.380
Total liabilities		**34.805.452**	35.131.490
Equity			
Share capital		**1.795.141**	899.528
Share premium		**858.711**	1.164.903
Convertible Enhanced Capital Securities		**430.256**	862.233
Revaluation and other reserves		**(29.922)**	2.585
Accumulated losses		**(809.909)**	(670.988)
Equity attributable to owners of the Company		**2.244.277**	2.258.261
Non-controlling interests		**81.030**	84.444
Total equity		**2.325.307**	2.342.705
Total liabilities and equity		**37.130.759**	37.474.195

Extracts from the Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Total equity at 1 January	**2.429.079**	2.828.349
Change of accounting policy	**(86.374)**	(97.347)
Total equity at 1 January (restated)	**2.342.705**	2.731.002
Total comprehensive (expense)/income for the period	**(136.584)**	28.157
Disposal of shares of the Company	**799**	530
Purchase of shares of the Company	**(38.847)**	(846)
Cost of share-based payments	**-**	2.611
Issue of shares	**159.683**	-
Issue costs	**(2.449)**	-
Dividend paid and reinvested	**-**	(18.463)
Issue of Convertible Enhanced Capital Securities (CECS)	**-**	867.146
Exchange of Convertible Capital Securities and Capital Securities with CECS	**-**	(13.902)
Total equity at 30 June	**2.325.307**	3.596.235

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Loss after tax	**(137.605)**	(107.147)
Foreign currency translation reserve	**4.771**	(531)
Available-for-sale investments	**(3.752)**	136.476
Cash flow hedges	**-**	(732)
Property revaluation	**2**	91
Total comprehensive (expenses) / income for the period	**(136.584)**	28.157

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Comprehensive Income

for the three months from 1 April to 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Loss after tax	**(315.643)**	(181.640)
Foreign currency translation reserve	**(12.894)**	(3.157)
Available-for-sale investments	**(33.938)**	107.594
Cash flow hedges	**-**	(196)
Property revaluation	**2**	89
Total comprehensive expense for the period	**(362.473)**	(77.310)

Extracts from the Interim Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Net cash flow from / (used in) operating activities	**1.222.925**	(1.082.052)
Net cash flow (used in) / from investing activities	**(366.983)**	12.844
Net cash flow from financing activities	**101.400**	10.659
Net increase / (decrease) in cash and cash equivalents for the period	**957.342**	(1.058.549)
Exchange adjustments	**(12.403)**	31.145
Total cash inflow / (outflow) for the period	**944.939**	(1.027.404)
Cash and cash equivalents at 1 January	**3.189.218**	6.339.767
Cash and cash equivalents at 30 June	**4.134.157**	5.312.363

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Net interest income	**483.728**	465.612
Net fee and commission income	**92.710**	89.612
Foreign exchange gains	**16.649**	2.020
Dividend from subsidiaries	**21.400**	-
Net (losses)/gains on financial instrument transactions and disposal of subsidiaries	**(35.055)**	28.965
Other income	**1.400**	3.854
	580.832	590.063
Staff costs	**(146.612)**	(161.207)
Other operating expenses	**(93.604)**	(96.692)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)	**340.616**	332.164
Provisions for impairment of loans and advances	**(414.847)**	(159.939)
(Loss) / profit before impairment of GGBs	**(74.231)**	172.225
Impairment of GGBs and change in fair value of related hedging derivatives	**(143.573)**	(280.934)
Loss before tax	**(217.804)**	(108.709)
Taxation	**219.215**	(18.812)
Profit / (loss) after tax	**1.411**	(127.521)

Basic earnings / (losses) per share (€)	**0,0976**	(0,1424)

Profit / (loss) after tax	**1.411**	(127.521)
Other comprehensive (expense)/income after tax	**(135.912)**	157.158
Total comprehensive (expense) / income for the period	**(134.501)**	29.637

BANK OF CYPRUS PUBLIC COMPANY LTD

Extracts from the Interim Income Statement and Statement of Comprehensive Income

for the three months from 1 April to 30 June 2012

	Three months ended 30 June	
	2012	2011 (restated)
	€000	€000
Net interest income	**223.580**	233.754
Net fee and commission income	**46.213**	44.078
Foreign exchange gains	**14.756**	7.502
Dividends from subsidiaries	**21.400**	-
Net (losses)/gains on other financial instrument transactions and disposal of subsidiaries	**(39.341)**	20.030
Other income	**442**	2.363
	267.050	307.727
Staff costs	**(77.344)**	(75.811)
Other operating expenses	**(47.300)**	(49.382)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)	**142.406**	182.534
Provisions for impairment of loans and advances	**(322.588)**	(91.101)
(Loss) / profit before impairment of GGBs	**(180.182)**	91.433
Impairment of GGBs and change in fair value of related hedging derivatives	**-**	(280.934)
Loss before tax	**(180.182)**	(189.501)
Taxation	**14.539**	(168)
Loss after tax	**(165.643)**	(189.669)
Basic losses per share (€)	**(0,1361)**	(0,2129)
Loss after tax	**(165.643)**	(189.669)
Other comprehensive (expense)/income after tax	**(192.107)**	113.750
Total comprehensive expense for the period	**(357.750)**	(75.919)

Extracts from the Interim Balance Sheet

as at 30 June 2012

		30 June 2012	31 December 2011 (restated)
	Notes	€000	€000
Assets			
Cash and balances with central banks		**1.800.437**	1.242.705
Placements with banks		**2.097.885**	2.425.778
Reverse repurchase agreements		**-**	215.936
Investments	3	**2.677.026**	2.566.223
Investments pledged as collateral	3	**986.801**	938.070
Derivative financial assets		**129.137**	193.734
Loans and advances to customers		**22.516.140**	24.145.674
Bank accounts of Group Companies		**2.429.816**	3.321.270
Investments in Group Companies and joint ventures		**883.356**	938.567
Investments in associates		**7.635**	7.722
Property and equipment		**306.543**	322.226
Intangible assets		**17.273**	18.266
Other assets		**475.034**	314.930
Total assets		**34.327.083**	36.651.101
Liabilities			
Obligations to central banks and amounts due to banks		**4.476.338**	2.999.470
Repurchase agreements		**784.134**	785.993
Derivative financial liabilities		**165.183**	488.102
Customer deposits		**25.667.533**	28.223.101
Bank accounts of Group Companies		**623.790**	1.503.851
Debt securities in issue		**15.170**	20.319
Other liabilities	4	**230.148**	251.509
Subordinated loan stock		**121.873**	121.452
Total liabilities		**32.084.169**	34.393.797
Equity			
Share capital		**1.795.141**	899.528
Share premium		**858.711**	1.164.903
Convertible Enhanced Capital Securities		**430.256**	862.233
Revaluation and other reserves		**(139.464)**	46.155
Accumulated losses		**(701.730)**	(715.515)
Total equity		**2.242.914**	2.257.304
Total liabilities and equity		**34.327.083**	36.651.101

Extracts from the Interim Statement of Changes in Equity

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Total equity at 1 January	**2.343.458**	2.733.407
Change of accounting policy	**(86.154)**	(95.372)
Total equity at 1 January (restated)	**2.257.304**	2.638.035
Total comprehensive (expense)/income for the period	**(134.501)**	29.637
Purchase of shares of the Company	**(37.123)**	(821)
Dividend paid and reinvested	**-**	(18.463)
Issue of Convertible Enhanced Capital Securities (CECS)	**-**	867.146
Exchange of Convertible Capital Securities and Capital Securities with CECS		(13.902)
Cost of share-based payments		2.461
Issue of shares	**159.683**	-
Issue costs	**(2.449)**	-
Total equity at 30 June	**2.242.914**	3.504.093

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Statement of Comprehensive Income
for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Profit / (loss) after tax	**1.411**	(127.521)
Foreign currency translation reserve	**3.405**	4.518
Available-for-sale investments	**(3.068)**	133.064
Investments in Group Companies	**(136.249)**	19.942
Cash flow hedges	**-**	(445)
Property revaluation	**-**	79
Total comprehensive (expenses) / income for the period	**(134.501)**	29.637

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Statement of Comprehensive Income
for the three months from 1 April to 30 June 2012

	Three months ended 30 June	
	2012	2011 (restated)
	€000	€000
Loss after tax	**(165.643)**	(189.669)
Foreign currency translation reserve	**2.225**	3.423
Available-for-sale investments	**(33.064)**	103.890
Investments in Group Companies	**(161.268)**	6.502
Cash flow hedges	**-**	(144)
Property revaluation	**-**	79
Total comprehensive expense for the period	**(357.750)**	(75.919)

BANK OF CYPRUS PUBLIC COMPANY LTD

Extracts from the Interim Statement of Cash Flows

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011 (restated)
	€000	€000
Net cash flow from / (used in) operating activities	**1.011.657**	(1.027.808)
Net cash flow (used in) / from investing activities	**(326.646)**	98.303
Net cash flow from financing activities	**27.414**	11.364
Net increase / (decrease) in cash and cash equivalents for the period	**712.425**	(918.141)
Exchange adjustments	**(257)**	36.399
Total cash inflow / (outflow) for the period	**712.168**	(881.742)
Cash and cash equivalents at 1 January	**2.899.119**	5.758.237
Cash and cash equivalents at 30 June	**3.611.287**	4.876.495

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2012 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.

2. The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 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).

2.1 Change in accounting policy for employee retirement benefits

The Group has changed its accounting policy with respect to IAS 19 'Employee Benefits' and the recognition of actuarial gains or losses arising from defined benefit plans. The Group had previously recognised these gains or losses as income or expense only when 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 unrecognised actuarial gains and losses.

As from 1 January 2012, 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 financial position and 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:

	Six months ended 30 June 2011	Three months ended 30 June 2011
Loss after tax	€000	€000
Before the change in accounting policy	(112.863)	(184.498)
Reversal of amortisation of actuarial losses	5.716	2.858
After the change in accounting policy	**(107.147)**	**(181.640)**

	30 June 2011	31 December 2011	31 December 2010
Consolidated statement of changes in equity	€000	€000	€000
Before the change in accounting policy	3.687.866	2.429.079	2.828.349
Recognition of net actuarial losses in equity	(91.631)	(86.374)	(97.347)
After the change in accounting policy	**3.596.235**	**2.342.705**	**2.731.002**

2.1 Change in accounting policy for employee retirement benefits *(continued)*

	31 December 2011
Other assets	€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
After the change in accounting policy	**674.439**

Other liabilities	
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
After the change in accounting policy	**347.697**

The impact on earnings per share for the six and the three months ended 30 June 2011 as a result of the restatement was lower than €0,01.

If the accounting policy had not been changed, the profit after tax for the six months ended 30 June 2012 would have included an 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 six months, 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.

2.2 Restatement of results for the three months ended 31 March 2012

The new Greek Government Bonds (GGBs) were recognised in the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2012 in the loans and receivables category with a carrying value on initial recognition of €259.756 thousand, estimated using a valuation model for which inputs that have a significant effect on fair value were not based on observable market data (Level 3 hierarchy). Subsequent to the issuance of the Interim Financial Statements for the three months ended 31 March 2012, new information became available which indicated that the market of the new GGBs was active. Therefore these bonds were reclassified on initial recognition to the available-for-sale category and were valued at €150.448 thousand, using an average price of 21% of their nominal value, being the settlement price for the credit default swap agreements of the GGBs at the relevant auction. The additional charge recorded in the income statement as a result of the above restatement amounted to €109.308 thousand (Note 7).

In addition to the above change, the related tax credit in the income statement for the first quarter of 2012 was reduced by €7.242 thousand.

As a result of the above restatements, the retained profits at 31 March 2012 were reduced by €116.550 thousand and the available-for-sale revaluation reserve, which includes changes in fair value and related tax after initial recognition, was reduced by €10.414 thousand.

3. Investments of the Group and the Company are analysed as follows:

	30 June 2012	31 December 2011
Group	**€000**	€000
Investments		
Investments at fair value through profit or loss	**16.719**	26.345
Investments available-for-sale	**891.779**	534.803
Investments held-to-maturity	**1.213.774**	1.055.406
Investments classified as loans and receivables	**605.023**	1.012.570
	2.727.295	2.629.124
Investments pledged as collateral		
Investments at fair value through profit or loss	**15.855**	26.544
Investments available-for-sale	**766.173**	718.719
Investments held-to-maturity	**166.044**	148.698
Investments classified as loans and receivables	**38.729**	44.109
	986.801	938.070
	3.714.096	3.567.194

	30 June 2012	31 December 2011
Company	**€000**	€000
Investments		
Investments at fair value through profit or loss	**12.188**	18.655
Investments available-for-sale	**852.636**	485.929
Investments held-to-maturity	**1.207.179**	1.049.069
Investments classified as loans and receivables	**605.023**	1.012.570
	2.677.026	2.566.223
Investments pledged as collateral		
Investments at fair value through profit or loss	**15.855**	26.544
Investments available-for-sale	**766.173**	718.719
Investments held-to-maturity	**166.044**	148.698
Investments classified as loans and receivables	**38.729**	44.109
	986.801	938.070
	3.663.827	3.504.293

4. Other liabilities at 30 June 2012 include provisions for pending litigation or claims of €3.548 thousand for the Group and €3.228 thousand for the Company and other provisions of €23.591 thousand for the Group and €22.340 thousand for the Company. There are no other significant pending litigation, claims or assessments against the Group or the Company, the outcome of which would have a material effect on the Group's or Company's financial position or operations.

5. The number of persons employed by the Group at 30 June 2012 was 11.183 (30 June 2011: 11.841) and by the Company was 6.428 (30 June 2011: 6.576).

6. Shares of the Company held by entities controlled by the Group and by associates (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 30 June 2012 were 90.029 thousand and their cost of acquisition was €63.173 thousand.

7. The Group subsidiaries, branches, associates and joint venture as at 30 June 2012 and the method of consolidation used are set out in Note 24 of Consolidated Financial Statements.

8. Related party transactions:

(a) Loans and other advances to members of the Board of Directors and key management personnel: €7.496 thousand for the Group and the Company.

(b) Loans and other advances to other connected persons: €227.669 thousand for the Group and €2.657.485 thousand for the Company.

(c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €97.523 thousand for the Group and the Company.

(d) Deposits by members of the Board of Directors and key management personnel: €60.972 thousand for the Group and the Company.

(e) Deposits by other connected persons: €45.989 thousand for the Group and €669.779 thousand for the Company.

(f) Interest income: €6.084 thousand for the Group and €53.348 thousand for the Company.

(g) Interest expense: €1.991 thousand for the Group and €12.320 thousand for the Company.

(h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €2.671 thousand for the Group and €2.499 thousand for the Company.

(i) Debt securities in issue, subordinated loan stock and CECS to members of the Board of Directors and key management personnel: nil for the Group and the Company.

(j) Debt securities in issue, subordinated loan stock and CECS to other connected persons: €409 thousand for the Group and the Company.

9. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2012 amounted to €21.422 thousand (corresponding period of 2011: €20.361 thousand).

- The Group's provision for pending litigation or claims at 30 June 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 (€438 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.

- The regulatory authorities in Cyprus (the Cyprus Securities and Exchange Commission and the Central Bank of Cyprus) are carrying out investigations in respect to:
  - the Group's exposure to GGBs and related public statements,
  - information provided on the amount of the capital shortfall as determined by the European Banking Authority and the amount of requested state aid, and
  - the sale of capital securities to the public.

The above investigations are at an early stage and therefore their final outcome cannot be currently assessed.

9. Other information *(continued)*

- The Annual General Meeting of the shareholders on 19 June 2012 approved a special resolution for the reduction of the credit balance of the 'share premium account' of the Company, which is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113, for the amount of €430.440 thousand. The implementation of the special resolution is subject to the approval of the said resolution by the District Court of Nicosia which has not yet been obtained and therefore the Interim Condensed Consolidated Financial Statements do not include the impact of this resolution.