

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements  
for the nine months ended

**30 September 2011**

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# Bank of Cyprus Group

## Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2011

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# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the nine months ended 30 September 2011

		<b>Nine months ended 30 September</b>		<i>Year ended 31 December</i>
		<b>2011</b>	<i>2010</i>	<i>2010</i>
	<b>Notes</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Turnover		<b>2.090.619</b>	1.899.767	2.577.028
Interest income		<b>1.711.537</b>	1.546.913	2.091.794
Interest expense		<b>(857.059)</b>	(779.357)	(1.051.375)
Net interest income		<b>854.478</b>	767.556	1.040.419
Fee and commission income		<b>180.886</b>	179.854	244.589
Fee and commission expense		<b>(9.984)</b>	(9.219)	(13.410)
Foreign exchange income		<b>35.087</b>	27.654	38.634
Impairment of Greek Government Bonds (GGBs)	<b>7</b>	<b>(1.048.100)</b>	-	-
Net (losses)/gains on other financial instrument transactions		<b>(2.169)</b>	26.792	71.380
Insurance income net of insurance claims		<b>46.862</b>	45.656	59.361
Other income		<b>21.891</b>	4.862	8.916
		<b>78.951</b>	1.043.155	1.449.889
Staff costs		<b>(329.618)</b>	(323.327)	(430.208)
Other operating expenses		<b>(200.008)</b>	(208.240)	(294.717)
<b>(Loss)/profit before provisions</b>		<b>(450.675)</b>	511.588	724.964
Provisions for impairment of loans and advances	<b>11</b>	<b>(294.564)</b>	(229.001)	(374.497)
<b>(Loss)/profit before share of loss of associates</b>		<b>(745.239)</b>	282.587	350.467
Share of loss of associates		<b>(1.209)</b>	(1.818)	(1.953)
<b>(Loss)/profit before tax</b>		<b>(746.448)</b>	280.769	348.514
Taxation	<b>8</b>	<b>(56.423)</b>	(36.786)	(45.989)
<b>(Loss)/profit after tax</b>		<b>(802.871)</b>	243.983	302.525
Attributable to:				
Non-controlling interests (loss)		<b>(1.704)</b>	(3.818)	(3.664)
<b>Owners of the Company ((loss)/profit)</b>		<b>(801.167)</b>	247.801	306.189
<b>Basic earnings/(losses) per share (cent)</b>	<b>9</b>	<b>(89,5)</b>	35,1	40,4
<b>Diluted earnings/(losses) per share (cent)</b>	<b>9</b>	<b>(89,5)</b>	30,1	37,3
<b>Basic earnings per share excluding the impairment of GGBs (cent)</b>	<b>9</b>	<b>27,4</b>	35,1	40,4
<b>Diluted earnings per share excluding the impairment of GGBs (cent)</b>	<b>9</b>	<b>18,5</b>	30,1	37,3

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the three months from 1 July to 30 September 2011

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	<b>2010</b>
	<b>Notes</b>	<b>€000</b>	<b>€000</b>
Turnover		<b>741.614</b>	660.313
Interest income		<b>598.269</b>	543.404
Interest expense		<b>(296.563)</b>	(272.013)
Net interest income		<b>301.706</b>	271.391
Fee and commission income		<b>61.319</b>	62.108
Fee and commission expense		<b>(2.911)</b>	(3.265)
Foreign exchange income		<b>29.507</b>	9.492
Impairment of Greek Government Bonds (GGBs)	<b>7</b>	<b>(767.166)</b>	-
Net (losses)/gains on other financial instrument transactions		<b>(22.710)</b>	7.835
Insurance income net of insurance claims		<b>14.923</b>	15.416
Other income		<b>8.230</b>	(812)
		<b>(377.102)</b>	362.165
Staff costs		<b>(110.470)</b>	(106.219)
Other operating expenses		<b>(58.800)</b>	(72.221)
<b>(Loss)/profit before provisions</b>		<b>(546.372)</b>	183.725
Provisions for impairment of loans and advances		<b>(111.509)</b>	(83.396)
<b>(Loss)/profit before share of (loss)/profit of associates</b>		<b>(657.881)</b>	100.329
Share of (loss)/profit of associates		<b>(677)</b>	229
<b>(Loss)/profit before tax</b>		<b>(658.558)</b>	100.558
Taxation		<b>(31.450)</b>	(13.959)
<b>(Loss)/profit after tax</b>		<b>(690.008)</b>	86.599
Attributable to:			
Non-controlling interests ((loss)/profit)		<b>(1.238)</b>	1.430
<b>Owners of the Company ((loss)/profit)</b>		<b>(688.770)</b>	85.169
<b>Basic earnings/(losses) per share (cent)</b>	<b>9</b>	<b>(76,7)</b>	12,0
<b>Diluted earnings (losses) per share (cent)</b>	<b>9</b>	<b>(76,7)</b>	9,5
<b>Basic earnings per share excluding the impairment of GGBs (cent)</b>	<b>9</b>	<b>10,0</b>	12,0
<b>Diluted earnings per share excluding the impairment of GGBs (cent)</b>	<b>9</b>	<b>6,5</b>	9,5

## Bank of Cyprus Group

### Interim Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2011

	<b>Nine months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
<b>(Loss)/profit after tax</b>	<b>(802.871)</b>	243.983
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
(Losses)/gains on translation of the net investment in subsidiaries and overseas branches	<b>(39.580)</b>	36.963
Gains/(losses) on hedging of net investment	<b>17.140</b>	(12.051)
Transfer to the consolidated income statement on disposal of subsidiary	-	362
	<b>(22.440)</b>	25.274
<b>Available-for-sale investments</b>		
Losses from revaluation before tax	<b>(156.337)</b>	(271.499)
Transfer to the consolidated income statement on impairment	<b>311.172</b>	1.536
Transfer to the consolidated income statement on sale	<b>3.818</b>	13.883
Taxation	<b>459</b>	2.143
	<b>159.112</b>	(253.937)
<b>Cash flow hedges</b>		
(Losses)/gains from revaluation before tax	<b>(1.575)</b>	1.976
Taxation	<b>73</b>	(198)
	<b>(1.502)</b>	1.778
<b>Property revaluation</b>		
Taxation	<b>91</b>	-
<b>Other comprehensive income/(expense) after tax</b>	<b>135.261</b>	(226.885)
<b>Total comprehensive (expense)/income for the period</b>	<b>(667.610)</b>	17.098
Attributable to:		
Non-controlling interests (loss)	<b>(4.575)</b>	(2.551)
<b>Owners of the Company ((loss)/profit)</b>	<b>(663.035)</b>	19.649

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

for the three months from 1 July to 30 September 2011

	<b>Three months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
<b>(Loss)/profit after tax</b>	<b>(690.008)</b>	86.599
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
Losses on translation of the net investment in subsidiaries and overseas branches	<b>(31.160)</b>	(57.498)
Gains on hedging of net investment	<b>9.251</b>	-
	<b>(21.909)</b>	(57.498)
<b>Available-for-sale investments</b>		
Losses from revaluation before tax	<b>(116.213)</b>	(20.203)
Transfer to the consolidated income statement on impairment	<b>140.488</b>	(61)
Transfer to the consolidated income statement on sale	<b>(1.539)</b>	5
Taxation	<b>(100)</b>	45
	<b>22.636</b>	(20.214)
<b>Cash flow hedges</b>		
(Losses)/gains from revaluation before tax	<b>(793)</b>	458
Taxation	<b>23</b>	(46)
	<b>(770)</b>	412
<b>Other comprehensive expense after tax</b>	<b>(43)</b>	(77.300)
<b>Total comprehensive (expense)/income for the period</b>	<b>(690.051)</b>	9.299
Attributable to:		
Non-controlling interests (loss)	<b>(4.632)</b>	(2.345)
<b>Owners of the Company ((loss)/gain)</b>	<b>(685.419)</b>	11.644

# Bank of Cyprus Group

## Interim Consolidated Balance Sheet

as at 30 September 2011

		30 September	31 December
		2011	2010
		€000	€000
	Notes		
<b>Assets</b>			
Cash and balances with central banks		1.674.073	2.241.825
Placements with banks		2.920.024	5.264.628
Reverse repurchase agreements		304.238	120.166
Investments	10	2.506.607	4.307.558
Investments pledged as collateral	10	1.713.729	1.038.036
Derivative financial assets		195.387	76.278
Loans and advances to customers	11	28.386.320	27.725.451
Life insurance business assets attributable to policyholders		506.451	561.695
Property and equipment		415.743	418.781
Intangible assets		459.648	479.058
Other assets	12	485.657	400.459
Investment in associates		3.113	3.805
<b>Total assets</b>		<b>39.570.990</b>	<b>42.637.740</b>
<b>Liabilities</b>			
Obligations to central banks and amounts due to banks		2.813.703	3.706.975
Repurchase agreements		397.693	913.109
Derivative financial liabilities		380.667	240.412
Customer deposits		31.852.468	32.952.567
Insurance liabilities		600.276	658.309
Debt securities in issue	13	64.823	83.957
Other liabilities	14	344.792	323.120
Subordinated loan stock	15	128.845	930.942
<b>Total liabilities</b>		<b>36.583.267</b>	<b>39.809.391</b>
<b>Equity</b>			
Share capital	16	899.173	894.948
Share premium		1.164.087	1.159.819
Convertible Enhanced Capital Securities	17	860.405	-
Retained earnings		27.148	868.531
Revaluation and other reserves		(50.230)	(186.253)
<b>Equity attributable to the owners of the Company</b>		<b>2.900.583</b>	<b>2.737.045</b>
<b>Non-controlling interests</b>		<b>87.140</b>	<b>91.304</b>
<b>Total equity</b>		<b>2.987.723</b>	<b>2.828.349</b>
<b>Total liabilities and equity</b>		<b>39.570.990</b>	<b>42.637.740</b>

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

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2011

	Attributable to the owners of the Company												Non-controlling interest	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		
<b>1 January 2011</b>	<b>894.948</b>	<b>1.159.819</b>	-	<b>868.531</b>	<b>100.329</b>	<b>(271.012)</b>	<b>1.291</b>	<b>83.697</b>	<b>12.420</b>	<b>(104.701)</b>	<b>(8.277)</b>	<b>2.737.045</b>	<b>91.304</b>	<b>2.828.349</b>
Cost of share-based payments	-	-	-	2.611	-	-	-	-	-	-	-	2.611	-	2.611
Purchase of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	(1.634)	(1.634)	-	(1.634)
Disposal of shares of the Company by subsidiaries and associates	-	-	-	(2.278)	-	-	-	-	-	-	2.983	705	-	705
Increase in value of in-force life insurance policies	-	-	-	(3.969)	-	-	-	3.969	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	-	258	-	-	-	(258)	-	-	-	-	-	-
Change in ownership percentage of subsidiary (Note 24)	-	-	-	170	-	-	-	-	-	-	-	170	411	581
Conversion of Convertible Bonds and Convertible Capital Securities (Note 16)	32	76	(103)	-	-	-	-	-	-	-	-	5	-	5
Dividend paid and reinvested (Note 18)	4.193	4.192	-	(26.848)	-	-	-	-	-	-	-	(18.463)	-	(18.463)
Issue of Convertible Enhanced Capital Securities (CECS) less buybacks (Note 17)	-	-	857.081	-	-	-	-	-	-	-	-	857.081	-	857.081
Exchange of Convertible Capital Securities and Capital Securities with CECS (Note 15)	-	-	-	(6.733)	-	-	-	-	(7.169)	-	-	(13.902)	-	(13.902)
Exchange difference on CECS	-	-	3.427	(3.427)	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense)/income for the period	-	-	-	(801.167)	91	159.125	(1.501)	-	-	(19.583)	-	(663.035)	(4.575)	(667.610)
<b>30 September 2011</b>	<b>899.173</b>	<b>1.164.087</b>	<b>860.405</b>	<b>27.148</b>	<b>100.420</b>	<b>(111.887)</b>	<b>(210)</b>	<b>87.408</b>	<b>5.251</b>	<b>(124.284)</b>	<b>(6.928)</b>	<b>2.900.583</b>	<b>87.140</b>	<b>2.987.723</b>



# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2010

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium	Retained earnings	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Cash flow hedge reserve	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>1 January 2010</b>	<b>598.197</b>	<b>712.170</b>	<b>1.084.132</b>	<b>101.583</b>	<b>(8.537)</b>	<b>32</b>	<b>74.599</b>	<b>12.420</b>	<b>(138.138)</b>	<b>(13.346)</b>	<b>2.423.112</b>	<b>62.386</b>	<b>2.485.498</b>
Reattribution of reserves due to change in ownership percentage of subsidiary (Note 24)	-	-	(29.824)	-	-	-	-	-	-	-	(29.824)	29.824	-
Cost of share-based payments	-	-	2.620	-	-	-	-	-	-	-	2.620	-	2.620
Acquisition of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(58)	(58)	-	(58)
Disposal of shares of the Company by subsidiaries and associates	-	-	(2.283)	-	-	-	-	-	-	3.743	1.460	-	1.460
Defence contribution on deemed dividend distribution	-	-	(570)	-	-	-	-	-	-	-	(570)	-	(570)
Increase in value of in-force life insurance policies	-	-	(7.261)	-	-	-	7.261	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	700	-	-	-	(700)	-	-	-	-	-	-
Conversion of Convertible Bonds and Convertible Capital Securities	24	112	-	-	-	-	-	-	-	-	136	-	136
Dividend paid and reinvested (Note 18)	6.009	11.479	(47.856)	-	-	-	-	-	-	-	(30.368)	-	(30.368)
Total comprehensive income/(expense) for the period	-	-	247.801	-	(253.989)	1.778	-	-	24.059	-	19.649	(2.551)	17.098
<b>30 September 2010</b>	<b>604.230</b>	<b>723.761</b>	<b>1.247.459</b>	<b>101.583</b>	<b>(262.526)</b>	<b>1.810</b>	<b>81.160</b>	<b>12.420</b>	<b>(114.079)</b>	<b>(9.661)</b>	<b>2.386.157</b>	<b>89.659</b>	<b>2.475.816</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Cash Flows

for the nine months ended 30 September 2011

		<b>Nine months ended 30 September</b>	
		<b>2011</b>	<b>2010</b>
		<b>€000</b>	<b>€000</b>
	<b>Notes</b>		
<b>Net cash flow from operating activities</b>			
(Loss)/profit before tax		<b>(746.448)</b>	280.769
Share of loss of associates		<b>1.209</b>	1.818
Provisions for impairment of loans and advances		<b>294.564</b>	229.001
Impairment of Greek Government Bonds		<b>1.048.100</b>	-
Depreciation of property and equipment and amortisation of intangible assets		<b>31.000</b>	33.924
Increase in value of in-force life insurance policies		<b>(3.969)</b>	(7.261)
Amortisation of discounts/premiums		<b>(50.762)</b>	(66.576)
Cost of share-based payments		<b>2.611</b>	2.620
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		<b>(156.934)</b>	(216.860)
Gain on disposal of subsidiary		-	(1.944)
		<b>419.371</b>	255.491
Net increase in loans and other accounts		<b>(735.932)</b>	(2.422.684)
Net (decrease)/increase in customer deposits and other accounts		<b>(2.726.017)</b>	2.969.078
		<b>(3.042.578)</b>	801.885
Tax paid		<b>(41.886)</b>	(39.506)
<b>Net cash flow (used in)/from operating activities</b>		<b>(3.084.464)</b>	762.379
<b>Cash flow from investing activities</b>			
Purchases of investments		<b>(1.347.711)</b>	(3.578.218)
Proceeds on disposal/redemption of investments		<b>1.679.286</b>	2.693.293
Interest from investments		<b>(50.544)</b>	115.422
Dividend income from equity securities		<b>636</b>	1.745
Proceeds on disposal of subsidiaries		<b>581</b>	2.883
Purchases of property and equipment		<b>(25.084)</b>	(26.502)
Proceeds on disposal of property and equipment		<b>1.031</b>	2.591
Purchases of intangible assets		<b>(7.290)</b>	(6.662)
Proceeds on disposal of intangible assets		-	21
Purchases of investment properties		<b>(43.126)</b>	(22.773)
Proceeds on disposal of investment properties		<b>439</b>	1.965
<b>Net cash flow from/(used in) investing activities</b>		<b>208.218</b>	(816.235)
<b>Cash flow from financing activities</b>			
Redemption of subordinated loan stock		<b>(127.315)</b>	-
Redemption of debt securities in issue		<b>(19.134)</b>	(453.295)
Issue of debt securities in issue		-	15.009
Issue of Convertible Enhanced Capital Securities		<b>171.801</b>	-
Dividend paid		<b>(18.463)</b>	(30.368)
Interest on subordinated loan stock		<b>(17.873)</b>	(32.844)
Purchase of own shares		<b>(1.634)</b>	(58)
Proceeds on disposal of own shares		<b>705</b>	1.460
<b>Net cash flow used in financing activities</b>		<b>(11.913)</b>	(500.096)
<b>Net decrease in cash and cash equivalents for the period</b>		<b>(2.888.159)</b>	(553.952)
<b>Cash and cash equivalents</b>			
1 January		<b>6.339.767</b>	6.156.656
Exchange adjustments		<b>26.839</b>	48.329
Net decrease in cash and cash equivalents for the period		<b>(2.888.159)</b>	(553.952)
30 September	<b>19</b>	<b>3.478.447</b>	5.651.033

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (the 'Group') and were authorised for issue by a resolution of the Board of Directors on 29 November 2011.

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 nine months ended 30 September 2011 have not been audited by the Group's external auditors.

### 3. Basis of preparation

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

#### Statement of compliance

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2011 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 2010.

#### Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 4. Significant accounting policies

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2011 are consistent with those followed for the preparation of the annual financial statements for the year 2010, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2011, which did not have any material impact on the Group's Interim Condensed Consolidated Financial Statements:

- Revised IAS 24 'Related Party Disclosures'
- IAS 32 'Financial Instruments: Presentation'
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'
- Improvements to IFRSs (issued in May 2010)
  - IFRS 1 'First-time adoption'
  - IFRS 7 'Financial Instruments: Disclosures'
  - IAS 1 'Presentation of Financial Statements'
  - IAS 34 'Interim Financial Reporting'
  - IFRS 3 'Business Combinations'
  - IAS 27 'Consolidated and Separate Financial Statements'
  - IFRIC 13 'Customer Loyalty Programmes'

### 5. Judgements and estimates

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

- Provisions for impairment of loans and advances to customers
- Impairment of investments
- Impairment of goodwill
- Fair value of investments
- Reclassification of financial assets
- Retirement benefits
- General insurance business
- Life insurance business
- Taxation
- Consolidation of special purpose entities

Further details on the above are provided in note 2.4 of the Group's financial statements for year 2010. Despite the fact that there is no material change on the judgements and estimates required by Group's of the management on the assessment of existence and the extent of the impairment of investments compared to these reported in the financial statements for 2010, due to the special and fast-changing economic conditions prevailing in the Eurozone, the estimates become more sensitive and are therefore repeated below:

#### Impairment of investments

Investments in debt securities (held-to-maturity, loans and receivables and available-for-sale) 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, which involves a high degree of judgment.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Judgements and estimates *(continued)*

Management is required to estimate the amount and timing of future cash flows in order to determine the amount of impairment required. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ. The total amount of the Group's provision for impairment of investments 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 with a high degree of interdependency, so it is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

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 judgment 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.

### 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: Cyprus, Greece and Russia. The Group's activities in the United Kingdom, Australia, 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 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.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

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

	Cyprus	Greece	Russia	Other countries	Total
<b>Nine months ended 30 September 2011</b>	€000	€000	€000	€000	€000
Net interest income	443.220	243.040	96.655	71.563	<b>854.478</b>
Net fee and commission income	97.852	38.363	25.769	8.918	<b>170.902</b>
Foreign exchange income	25.320	1.805	6.056	1.906	<b>35.087</b>
Net losses on other financial instrument transactions	(346)	(77)	-	(1.746)	<b>(2.169)</b>
Insurance income net of insurance claims	38.584	8.278	-	-	<b>46.862</b>
Other income	7.132	4.381	6.937	3.441	<b>21.891</b>
	<b>611.762</b>	<b>295.790</b>	<b>135.417</b>	<b>84.082</b>	<b>1.127.051</b>
Staff costs	(168.931)	(88.487)	(47.325)	(24.875)	<b>(329.618)</b>
Other operating expenses	(73.300)	(61.772)	(42.740)	(22.196)	<b>(200.008)</b>
<b>Profit before provisions</b>	<b>369.531</b>	<b>145.531</b>	<b>45.352</b>	<b>37.011</b>	<b>597.425</b>
Provisions for impairment of loans and advances	(103.250)	(149.023)	(25.299)	(16.992)	<b>(294.564)</b>
Share of loss of associates	(1.209)	-	-	-	<b>(1.209)</b>
<b>Profit/(loss) before tax</b>	<b>265.072</b>	<b>(3.492)</b>	<b>20.053</b>	<b>20.019</b>	<b>301.652</b>
Taxation	(41.168)	(8.557)	(3.407)	(5.057)	<b>(58.189)</b>
<b>Profit/(loss) after tax</b>	<b>223.904</b>	<b>(12.049)</b>	<b>16.646</b>	<b>14.962</b>	<b>243.463</b>
Non-controlling interests (loss/(profit))	3.495	-	(1.789)	(2)	<b>1.704</b>
<b>Profit/(loss) after tax and non-controlling interests</b>	<b>227.399</b>	<b>(12.049)</b>	<b>14.857</b>	<b>14.960</b>	<b>245.167</b>

Total profit by segment	245.167
Impairment of GGBs after tax	(1.046.334)
Loss after tax as presented in the income statement	<b>(801.167)</b>

The impairment of Greek Government Bonds (GGBs) is not considered by management to be part of each segment's operating results, and consequently the segmental analysis is presented excluding the impairment of GGBs.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
<b>Nine months ended 30 September 2010</b>	€000	€000	€000	€000	€000
Net Interest income	386.879	229.625	85.755	65.297	<b>767.556</b>
Net fee and commission income	94.392	36.782	30.574	8.887	<b>170.635</b>
Foreign exchange income	17.393	2.878	5.659	1.724	<b>27.654</b>
Net gains/(losses) on other financial instrument transactions	14.432	13.074	(534)	(180)	<b>26.792</b>
Insurance income net of insurance claims	37.434	8.222	-	-	<b>45.656</b>
Other income/(losses)	3.270	1.183	1.224	(815)	<b>4.862</b>
	<b>553.800</b>	<b>291.764</b>	<b>122.678</b>	<b>74.913</b>	<b>1.043.155</b>
Staff costs	(168.080)	(85.869)	(48.211)	(21.167)	<b>(323.327)</b>
Other operating expenses	(81.280)	(63.579)	(44.864)	(18.517)	<b>(208.240)</b>
<b>Profit before provisions</b>	<b>304.440</b>	<b>142.316</b>	<b>29.603</b>	<b>35.229</b>	<b>511.588</b>
Provisions for impairment of loans and advances	(100.515)	(101.467)	(16.864)	(10.155)	<b>(229.001)</b>
Share of loss of associates	(1.818)	-	-	-	<b>(1.818)</b>
<b>Profit before tax</b>	<b>202.107</b>	<b>40.849</b>	<b>12.739</b>	<b>25.074</b>	<b>280.769</b>
Taxation	(21.838)	(6.687)	(4.613)	(3.648)	<b>(36.786)</b>
<b>Profit after tax</b>	<b>180.269</b>	<b>34.162</b>	<b>8.126</b>	<b>21.426</b>	<b>243.983</b>
Non-controlling interests (loss/(profit))	4.323	-	(501)	(4)	<b>3.818</b>
<b>Profit after tax and non-controlling interests</b>	<b>184.592</b>	<b>34.162</b>	<b>7.625</b>	<b>21.422</b>	<b>247.801</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Segmental analysis (continued)

#### Analysis of total revenue

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

	Cyprus	Greece	Russia	Other countries	Total
<b>Nine months ended 30 September 2011</b>	€000	€000	€000	€000	€000
Banking and financial services	561.840	268.818	145.901	97.902	<b>1.074.461</b>
Insurance services	40.471	8.460	-	-	<b>48.931</b>
Property and hotel business	3.646	13	-	-	<b>3.659</b>
Total revenue from third parties	605.957	277.291	145.901	97.902	<b>1.127.051</b>
Inter-segment revenue/(expense)	5.805	18.499	(10.484)	(13.820)	-
<b>Total revenue</b>	<b>611.762</b>	<b>295.790</b>	<b>135.417</b>	<b>84.082</b>	<b>1.127.051</b>

Total income per sector	1.127.051
Impairment of GGB before taxation	(1.048.100)
Total income as presented in the income statement	<b>78.951</b>

	Cyprus	Greece	Russia	Other countries	Total
<b>Nine months ended 30 September 2010</b>	€000	€000	€000	€000	€000
Banking and financial services	521.385	253.371	135.586	83.401	<b>993.743</b>
Insurance services	39.471	8.322	-	-	<b>47.793</b>
Property and hotel business	1.597	22	-	-	<b>1.619</b>
Total revenue from third parties	562.453	261.715	135.586	83.401	<b>1.043.155</b>
Inter-segment (expense)/revenue	(8.653)	30.049	(12.908)	(8.488)	-
<b>Total revenue</b>	<b>553.800</b>	<b>291.764</b>	<b>122.678</b>	<b>74.913</b>	<b>1.043.155</b>

#### Analysis of assets

	Cyprus	Greece	Russia	Other countries	Total
<b>30 September 2011</b>	€000	€000	€000	€000	€000
Assets	28.617.721	14.255.986	2.092.003	3.456.223	<b>48.421.933</b>
Inter-segment assets					<b>(8.850.943)</b>
<b>Total assets</b>					<b>39.570.990</b>
<b>31 December 2010</b>					
Assets	31.042.592	14.690.567	2.110.613	3.506.399	<b>51.350.171</b>
Inter-segment assets					<b>(8.712.431)</b>
<b>Total assets</b>					<b>42.637.740</b>



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Impairment of Greek Government Bonds

On 21 July 2011 the leaders of the Eurozone member-states announced a support plan for Greece. On 26 October 2011, the Euro Summit announced a revised support plan for Greece which includes a decision for the restructuring of Greek public debt and voluntary exchange of existing Greek Government Bonds (GGBs) held by private investors with a parallel discount on the nominal value of the bonds of 50%. The specific terms of the restructuring and exchange plan of the bonds have not yet been determined.

The Group holds GGBs of nominal value of €2.087.874 thousand, which it has impaired on the basis of the aforementioned October 26 Euro Summit Statement. The impairment recognised in the income statement, including the related hedging cost, amounts to €1.048.100 thousand.

The determination of the amount of the impairment loss depends on the classification of the GGBs, as follows:

- **Investments available-for-sale:** Impairment was calculated with reference to market prices at 30 September 2011. As a result, the total amount that was included in the revaluation reserve of available-for-sale investments for these bonds was transferred to the income statement.
- **Investments held-to-maturity and investments classified as loans and receivables:** Impairment was calculated on the basis of a discount on the nominal value of GGBs by 50%. The total amount included in the revaluation reserve of available-for-sale investments due to their previous reclassification, has been transferred to the income statement.

The table below shows information on the GGBs which were subject to impairment as at 30 September 2011.

	Nominal value	Book value before impairment	Impairment recognised in the income statement	Book value after impairment	Transfer to the income statement from reserves
	€000	€000	€000	€000	€000
Available-for-sale	390.332	167.403	249.643	167.403	249.643
Loans and receivables	1.450.192	1.483.459	675.171	864.913	56.625
Held-to-maturity	247.350	247.054	123.286	123.675	(93)
<b>Total</b>	<b>2.087.874</b>	<b>1.897.916</b>	<b>1.048.100</b>	<b>1.155.991</b>	<b>306.175</b>

The book value before impairment of GGBs of €1.897.916 thousand includes an amount of €249.936 thousand which relates to hedging adjustments on these bonds.

### 8. Taxation

Taxation for the nine months ended 30 September 2011 includes an amount of €14.043 thousand relating to the Special Levy on Credit Institutions in Cyprus. The Levy became effective as from 1 January 2011 and is calculated at 0,095% on Group customer deposits in Cyprus at 31 December 2010.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 9. Earnings per share

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<b>2011</b>	2010	<b>2011</b>	2010
<b>Basic earnings per share</b>				
(Loss)/profit after tax attributable to the owners of the Company (€ thousand)	<b>(801.167)</b>	247.801	<b>(688.770)</b>	85.169
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>895.441</b>	705.713	<b>897.921</b>	710.510
Basic earnings/(losses) per share (cent)	<b>(89,5)</b>	35,1	<b>(76,7)</b>	12,0

<b>Diluted earnings per share</b>				
Basic earnings/(losses) after tax attributable to the owners of the Company (€ thousand)	<b>(801.167)</b>	247.801	<b>(688.770)</b>	85.169
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	-	26.484	-	8.828
Diluted earnings/(losses) after tax attributable to the owners of the Company (€ thousand)	<b>(801.167)</b>	274.285	<b>(688.770)</b>	93.997
Weighted average number of shares used for basic earnings per share (thousand)	<b>895.441</b>	705.713	<b>897.921</b>	710.510
Adjustment for the conversion of Convertible Bonds and Convertible Capital Securities (thousand)	-	205.636	-	279.588
Diluted weighted average number of shares (thousand)	<b>895.441</b>	911.349	<b>897.921</b>	990.098
Diluted earnings/(losses) per share (cent)	<b>(89,5)</b>	30,1	<b>(76,7)</b>	9,5

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

The impact from the Convertible Bonds 2013/2018 (Note 15), the Convertible Capital Securities (Note 15), the Convertible Enhanced Capital Securities (Note 17) and the Share Options 2008/2010 (Note 16) have been ignored for the purposes of calculating the diluted earnings per share as their conversion into ordinary shares would have reduced the losses per share for the period ended 30 September 2011.

The weighted average number of shares for the nine months ended 30 September 2010 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan arising from the dividend payments in June 2011 and November 2010.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 9. Earnings per share (continued)

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

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<b>Basic earnings per share excluding the impairment of GGBs</b>				
(Loss)/profit after tax attributable to the owners of the Company (€ thousand)	<b>(801.167)</b>	247.801	<b>(688.770)</b>	85.169
Impairment of GGBs (€ thousand)	<b>1.046.334</b>	-	<b>778.470</b>	-
Profit after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>245.167</b>	247.801	<b>89.700</b>	85.169
Weighted average number of shares used for basic earnings per share (thousand)	<b>895.441</b>	705.713	<b>897.921</b>	710.510
Basic earnings per share excluding the impairment of GGBs (cent)	<b>27,4</b>	35,1	<b>10,0</b>	12,0

<b>Diluted earnings per share excluding the impairment of GGBs</b>				
Basic earnings after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>245.167</b>	247.801	<b>89.700</b>	85.169
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	<b>13.249</b>	26.484	<b>1.051</b>	8.828
Diluted earnings after tax attributable to the owners of the Company excluding the impairment of GGBs (€ thousand)	<b>258.416</b>	274.285	<b>90.751</b>	93.997
Weighted average number of shares used for basic earnings per share (thousand)	<b>895.441</b>	705.713	<b>897.921</b>	710.510
Adjustment for the conversion of Convertible Bonds, Convertible Capital Securities and Convertible Enhanced Capital Securities (thousand)	<b>504.889</b>	205.636	<b>503.811</b>	279.588
Diluted weighted average number of shares (thousand)	<b>1.400.330</b>	911.349	<b>1.401.732</b>	990.098
Diluted earnings per share excluding the impairment of GGBs (cent)	<b>18,5</b>	30,1	<b>6,5</b>	9,5

The Convertible Bonds 2013/2018 (Note 15), the Convertible Capital Securities (Note 15) and the Convertible Enhanced Capital Securities (Note 17) constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share excluding the impairment of GGBs.

The Share Options 2008/2010 (Note 16) do not constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share excluding the impairment of GGBs, as their conversion into ordinary shares would not reduce earnings per share.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Investments

	<b>30 September 2011</b>	<b>31 December 2010</b>
	<b>€000</b>	<b>€000</b>
<b>Investments</b>		
Investments at fair value through profit or loss	<b>29.248</b>	174.043
Investments available-for-sale	<b>851.734</b>	1.549.345
Investments held-to-maturity	<b>800.386</b>	811.970
Investments classified as loans and receivables	<b>825.239</b>	1.772.200
	<b>2.506.607</b>	4.307.558
<b>Investments pledged as collateral</b>		
Investments at fair value through profit or loss	<b>25.955</b>	26.812
Investments available-for-sale	<b>821.871</b>	770.894
Investments held-to-maturity	<b>146.431</b>	210.880
Investments classified as loans and receivables	<b>719.472</b>	29.450
	<b>1.713.729</b>	1.038.036
	<b>4.220.336</b>	5.345.594

#### Reclassification of investments

##### *Reclassification of trading investments*

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

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

On 1 October 2008, 1 April 2010 and 30 June 2011 the Group reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities in the foreseeable future.

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

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

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Investments (continued)

#### Reclassification of investments

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

	Reclassification date	Book and fair value on reclassification date	30 September 2011		31 December 2010		Nine months ended 30 September 2011		Effective interest rate on reclassification date
			Book value	Fair value	Book value	Fair value	Additional gain/(loss) in the income statement had the bonds not been reclassified	Additional loss in other comprehensive income had the bonds not been reclassified	
<b>Reclassification of trading investments to:</b>		€000	€000	€000	€000	€000	€000	€000	
- available-for-sale investments	1 July 2008	17.385	10.231	10.231	19.939	19.939	454	-	5,3%-7,4%
- loans and receivables	1 April 2010	132.570	34.752	34.638	132.226	131.095	(143)	-	1,2%-4,4%
<b>Reclassification of available-for-sale investments to:</b>									
- loans and receivables	1 October 2008	169.196	169.653	163.398	169.038	165.072	-	(5.797)	4,6%-4,7%
- loans and receivables	1 April 2010	1.328.231	1.140.068	503.208	1.316.801	970.033	-	(773.693)	3,4%-6,1%
- loans and receivables	30 June 2011	299.784	268.700	294.242	-	-	-	(25.025)	2,8%-6,3%
- investments held-to-maturity	1 April 2010	498.237	344.505	207.589	493.970	402.484	-	(135.005)	4,0%-6,3%
- investments held-to-maturity	1 October 2010	363.114	348.986	327.539	374.756	334.502	-	(30.652)	1,4%-5,0%
- investments held-to-maturity	1 July 2011	265.223	266.114	248.250	-	-	-	(14.773)	1,4%-14,3%

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 11. Loans and advances to customers

	<b>30 September 2011</b>	<b>31 December 2010</b>
	<b>€000</b>	<b>€000</b>
Loans and advances to customers	<b>29.778.610</b>	28.885.850
Provisions for impairment of loans and advances	<b>(1.392.290)</b>	(1.160.399)
	<b>28.386.320</b>	27.725.451

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

	<b>Nine months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
1 January	<b>1.160.399</b>	872.268
Exchange adjustments	<b>(7.171)</b>	4.420
Applied in writing off impaired loans and advances	<b>(23.009)</b>	(44.638)
Interest accrued on impaired loans and advances	<b>(35.281)</b>	(28.320)
Collections on loans and advances previously written off	<b>2.788</b>	4.936
Charge for the period	<b>294.564</b>	229.001
30 September	<b>1.392.290</b>	1.037.667

### 12. Other assets

Other assets at 30 September 2011 include investment properties of €163.669 thousand (31 December 2010: €116.307 thousand).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 13. Debt securities in issue

	<i>Contractual interest rate</i>	<b>30 September 2011</b>	<i>31 December 2010</i>
		<b>€000</b>	<b>€000</b>
<b>Medium term senior debt</b>			
SEK 50 million 2009/2012	OMX Stockholm 30 index	<b>5.151</b>	5.315
SEK 100 million 2010/2014	Return of specific shares	<b>11.061</b>	11.371
€2 million 2010/2016	DJ EUROSTOXX 50 index	<b>1.897</b>	2.000
USD 2 million 2010/2016	S&P 500 index	<b>1.529</b>	1.545
		<b>19.638</b>	20.231
<b>Short term commercial paper</b>			
In Euro	-	-	4.997
In US Dollars	-	-	7.470
		-	12.467
<b>Other debt securities in issue</b>			
RUB Certificates of Deposit and Promissory Notes	11%	<b>44.693</b>	50.767
Interest-free loan from the European Development Bank	-	<b>492</b>	492
		<b>45.185</b>	51.259
		<b>64.823</b>	83.957

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.

In May 2009 the Group completed the securitisation of mortgage loans, as a result of which €1.000 million residential mortgage backed notes were issued. In September 2009, the Group completed the securitisation of finance lease receivables, as a result of which €689 million notes were issued. The liability arising from the issue of these notes is not included in the consolidated balance sheet as all notes issued are held by the Group. The residential mortgage backed notes issued in May 2009 were repaid at par in March 2011.

#### 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 2010: €4.000 million).

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

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

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

#### 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 2010: €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.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 14. Other liabilities

Other liabilities at 30 September 2011 include provisions for pending litigation or claims of €3.372 thousand (31 December 2010: €3.287 thousand).

### 15. Subordinated loan stock

	<i>Contractual interest rate</i>	<b>30 September 2011</b>	<i>31 December 2010</i>
		<b>€000</b>	<b>€000</b>
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	-	127.315
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	<b>22.159</b>	122.023
Convertible Bonds 2013/2018 (€573 million)	7,50% until 30 September 2009 and six-month Euribor plus 1,00% thereafter	<b>27.479</b>	40.986
Convertible Capital Securities (€645 million)	5,50%	<b>72.636</b>	634.034
Subordinated Bonds in US Dollars 2013/2014/2015 (\$7 million)	2,50%	<b>6.571</b>	6.584
		<b>128.845</b>	930.942

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 2010: €4.000 million).

Under the EMTN Programme, the Company issued in May 2006, €200 million 2011/2016 bonds maturing in May 2016. The Company had the option to call the bonds in whole during or after May 2011. The Company exercised the call option on 4 May 2011. The interest rate of the bonds was set at the three-month Euribor plus 0,60% until May 2011, increasing to plus 1,60% thereafter. The bonds were listed on the Luxembourg Stock Exchange.

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

#### 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.

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 (Note 17).



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 15. Subordinated loan stock (continued)

#### Convertible Capital Securities

On 6 June 2009, the Company issued €645 million Convertible Capital Securities that were offered to eligible shareholders of the Company. The issue proceeds were received through the exchange of Convertible Bonds 2013/2018 with nominal value of €527 million and the remaining €118 million was received in cash.

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. Their 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 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 (Note 17). The Convertible Capital Securities are listed on the Cyprus Stock Exchange and the Athens Exchange.

#### 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 fixed at 6,00% per annum for the first six months and floating thereafter, 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 (Note 17).

### 16. Share capital

	30 September 2011		31 December 2010	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Ordinary Shares of €1,00 each	1.500.000	1.500.000	1.100.000	1.100.000
<i>Issued and fully paid</i>				
1 January	894.948	894.948	598.197	598.197
Issue of shares	-	-	172.630	172.630
Conversion of Convertible Bonds and Convertible Capital Securities	32	32	23	23
Dividend in the form of shares	-	-	113.199	113.199
Dividend reinvestment	4.193	4.193	10.899	10.899
30 September 2011/31 December 2010	899.173	899.173	894.948	894.948

### 16. Share capital (continued)

#### Authorised share capital

On 23 March 2011, the Extraordinary General Meeting of the shareholders approved the increase of the authorised share capital of the Company from €1.100 million divided into 1.100 million ordinary shares of nominal value €1,00 each to €1.500 million divided into 1.500 million ordinary shares of nominal value €1,00 each, by creating 400 million 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

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, for the dividend paid on 11 November 2010 was set at €3,04 per share and for the dividend paid on 17 June 2010 was set at €2,91 per share.

As a result of the dividend reinvestment during the nine months ended 30 September 2011, 4.192.331 shares were issued and the Company's share capital and share premium increased by €4.192.331 each.

As a result of the dividend reinvestment during 2010, 10.899.362 shares were issued and the Company's share capital and share premium increased by €10.899 thousand and €21.454 thousand, respectively.

As a result of the conversion of Convertible Bonds and Convertible Capital Securities, 32.652 shares were issued during 2011 and the Company's share capital and share premium increased by €32 thousand and €76 thousand, respectively.

As a result of the conversion of Convertible Bonds and Convertible Capital Securities, 23.632 shares were issued at 30 September 2010 and the Company's share capital and share premium increased by €23.632 and €112.147, respectively.

On 22 October 2010, the Group completed the increase of the Company's share capital through a Rights Issue to existing shareholders of up to €345 million. Each outstanding ordinary share received one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised were converted into 2 new ordinary shares at €2,00 per each new share. As a result, 172.630.273 new shares were issued and the Company's share capital and share premium increased by €172.630 thousand each.

On 11 November 2010 the Company paid a dividend in the form of shares to its shareholders. As a result, 113.198.589 shares were issued and the Company's share capital and share premium increased by €113.199 thousand and €254.697 thousand respectively.

Shares of the Company held by entities controlled by the Group and by associates are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares. The number of these shares at 30 September 2011 was 1.623 thousand (31 December 2010: 1.336 thousand). The cost of acquisition of these shares was €6.106 thousand (31 December 2010: €8.277 thousand).

In addition, the life insurance subsidiary of the Group held, as at 30 September 2011, a total of 6.607 thousand (31 December 2010: 6.510 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 €24.797 thousand (31 December 2010: €24.606 thousand).

All issued ordinary shares carry the same rights.

The share premium is not available for distribution to equity holders.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Share capital (continued)

#### 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 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.

On 9 July 2009, the Board of Directors 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.

Each Share Option 2008/2010 gave its holder the right to purchase one share of the Company at the price of €5,50 per share. 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 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 adjustment of the exercise price, the Share Options were revalued and the additional cost amounted to €0,17 per option.

On 31 December 2009, 2/3 of the Share Options 2008/2010 granted had vested to the beneficiaries; the remaining 1/3 of the share options had vested on 31 December 2010. The Share Options 2008/2010 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

	<b>30 September 2011</b>	<b>31 December 2010</b>
	<b>€000</b>	<b>€000</b>
Convertible Enhanced Capital Securities (CECS)	<b>860.405</b>	-

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 held on 23 March 2011. The CECS qualify as tier 1 capital. The CECS were offered via a priority right to subscribe to the existing shareholders. 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, which 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, out 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% per annum 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.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

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

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

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

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

If a Contingency Event or Viability Event occurs, the CECS shall be mandatorily converted into ordinary shares of the Company. The conversion price is set at 80% of the weighted average market price of the shares during the previous 5 business days, with a ceiling price of €3,30 and a floor price equal to the nominal value of the ordinary shares (currently €1,00).

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.

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

### 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.

In June 2010 the final dividend for year 2009 of €0,08 per share, was paid to shareholders amounting to €47.856 thousand.

### 19. Cash and cash equivalents

	<b>30 September 2011</b>	<b>30 September 2010</b>
	<b>€000</b>	<b>€000</b>
Cash and non obligatory balances with central banks	<b>953.705</b>	405.623
Placements with banks repayable within three months	<b>2.524.742</b>	5.245.410
	<b>3.478.447</b>	5.651.033

### 20. Staff numbers

The number of persons employed by the Group at 30 September 2011 was 11.551 (31 December 2010: 12.009).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure

The Group's exposure to sovereign debt securities is analysed below by country:

	Available-for-sale investments	Trading investments	Held-to-maturity investments		Loans and receivables		Total	Total
	Carrying and fair value	Carrying and fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000	€000	€000	€000	€000
Cyprus	147	16.710	-	-	609.383	592.415	<b>626.240</b>	<b>609.272</b>
Greece	167.403	1.343	123.675	103.862	864.913	530.199	<b>1.157.334</b>	<b>802.807</b>
France	492.659	-	-	-	-	-	<b>492.659</b>	<b>492.659</b>
Ireland	-	-	318.610	301.847	-	-	<b>318.610</b>	<b>301.847</b>
Italy	103.381	-	-	-	-	-	<b>103.381</b>	<b>103.381</b>
Belgium	39.971	-	-	-	-	-	<b>39.971</b>	<b>39.971</b>
Czech Republic	5.355	-	-	-	-	-	<b>5.355</b>	<b>5.355</b>
Hungary	3.512	-	11.545	11.200	-	-	<b>15.057</b>	<b>14.712</b>
Luxemburg	10.324	-	-	-	-	-	<b>10.324</b>	<b>10.324</b>
Poland	36.049	-	-	-	-	-	<b>36.049</b>	<b>36.049</b>
Romania	11.033	-	-	-	-	-	<b>11.033</b>	<b>11.033</b>
Slovenia	35.467	-	-	-	-	-	<b>35.467</b>	<b>35.467</b>
	<b>905.301</b>	<b>18.053</b>	<b>453.830</b>	<b>416.909</b>	<b>1.474.296</b>	<b>1.122.614</b>	<b>2.851.480</b>	<b>2.462.877</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure (continued)

#### Sovereign exposure to countries which have entered the European support Mechanism (Greece, Ireland and Portugal)

The Group's sovereign and non-sovereign exposure to countries which have entered the European Support Mechanism is presented below. The countries for which disclosures are presented are Greece and Ireland. The Group has no exposure to Portugal.

#### Credit risk

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

On 30 September 2011, the Group's exposure to Greece and Ireland is presented in the table below.

	Nominal value	Carrying value	Fair value
<b>Greece</b>	€000	€000	€000
<b>Greek Government Bonds (GGBs)</b>			
- available-for-sale	390.332	167.403	167.403
- loans and receivables	1.450.192	864.913	530.199
- held-to-maturity	247.350	123.675	103.862
- at fair value through profit or loss	3.700	1.343	1.343
<b>Total exposure to GGBs</b>	<b>2.091.574</b>	<b>1.157.334</b>	<b>802.807</b>
<b>Other assets</b>			
Loans and advances to customers	300.796	300.796	300.796
Deposits with the Bank of Greece	240.947	240.947	240.947
<b>Total exposure</b>	<b>2.633.317</b>	<b>1.699.077</b>	<b>1.344.550</b>

<b>Ireland</b>			
Irish government bonds held-to-maturity	<b>335.000</b>	<b>318.610</b>	<b>301.847</b>

The revaluation reserve of available-for-sale investments includes losses relating to the above bonds of €36.449 thousand.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure (continued)

#### Sovereign exposure to countries which have entered the European support Mechanism (Greece, Ireland and Portugal) (continued)

##### Fair values

The Group uses the following hierarchy for determining and disclosing 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.

The Greek Government Bonds classified as available-for-sale and at fair value through profit or loss are measured at Level 1.

##### Liquidity risk

The table below presents the Group's sovereign exposure, based on the remaining contractual maturity of the financial assets. The analysis is based on the number of days remaining from 30 September 2011 to the contractual maturity date of the assets. Specifically for the GGBs, the analysis is presented without taking into account the restructuring and exchange plan of Greek sovereign debt.

	On demand and up to one month	Between three months and one year	Between one and five years	Over five years	Total
	€000	€000	€000	€000	€000
<b>Greece</b>					
<b>Greek Government Bonds (GGBs)</b>					
- available-for-sale	-	13.571	61.120	92.712	<b>167.403</b>
- loans and receivables	-	-	212.596	652.317	<b>864.913</b>
- held-to-maturity	-	-	123.675	-	<b>123.675</b>
- at fair value through profit or loss	-	91	1.252	-	<b>1.343</b>
<b>Total exposure to GGBs</b>	-	<b>13.662</b>	<b>398.643</b>	<b>745.029</b>	<b>1.157.334</b>
<b>Other assets</b>					
Loans and advances to customers	-	-	150.727	150.069	<b>300.796</b>
Deposits with the Bank of Greece	240.947	-	-	-	<b>240.947</b>
<b>Total exposure</b>	<b>240.947</b>	<b>13.662</b>	<b>549.370</b>	<b>895.098</b>	<b>1.699.077</b>
<b>Ireland</b>					
Investments held-to-maturity		<b>55.274</b>	<b>74.363</b>	<b>173.210</b>	<b>301.847</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 21. Sovereign exposure (continued)

#### Exposure to other assets to countries which have entered the European support Mechanism (Greece, Ireland and Portugal)

At 30 September 2011 the Group's exposure to other assets in the above countries comprises placements with banks, loans and advances to customers and investments in bonds and is presented below.

	Loans and advances to customers	Investments available-for-sale	Investments held-to-maturity	Total
	€000	€000	€000	€000
<b>Greece</b>				
Placements with banks	2.404	-	-	<b>2.404</b>
Bonds	-	6.835	139.972	<b>146.807</b>
Loans and advances to customers (after provisions)	9.284.424	-	-	<b>9.284.424</b>
<b>On balance sheet total</b>	<b>9.286.828</b>	<b>6.835</b>	<b>139.972</b>	<b>9.433.635</b>
Contingent liabilities				<b>942.284</b>
Commitments				<b>1.802.999</b>
<b>Off balance sheet total</b>				<b>2.745.283</b>
<b>Total credit risk exposure</b>				<b>12.178.918</b>
<b>Ireland</b>				
Bonds	-	-	38.150	<b>38.150</b>

The revaluation reserve for available-for-sale investments includes losses relating to the above bonds of €10.276 thousand.

#### Concentrations of loans and advances to countries which have entered the European support Mechanism (Greece, Ireland and Portugal)

The analysis of loans and advances to customers (before provisions) in Greece excluding loans to sovereigns is presented below:

	30 September 2011	31 December 2010
	€000	€000
<b>Greece</b>		
<b>By economic activity</b>		
Trade	1.426.273	1.407.379
Manufacturing	971.648	942.994
Hotels and catering	1.112.278	1.060.648
Construction	926.144	845.034
Real estate	613.072	549.373
Private individuals	3.071.054	3.226.046
Professional and other services	909.914	1.035.351
Other sectors	826.928	781.997
	<b>9.857.311</b>	<b>9.848.822</b>
<b>By customer sector</b>		
Corporate	3.372.101	2.916.867
Small and medium-sized enterprises (SMEs)	3.423.802	3.722.583
Retail - housing	1.722.983	1.752.901
Retail - credit cards	185.313	190.051
Retail - consumer and other	1.153.112	1.266.420
	<b>9.857.311</b>	<b>9.848.822</b>

The Group has no exposure to loans and advances to customers in Ireland and Portugal.



# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 22. Capital management

The capital adequacy of the Group is monitored by reference to regulations issued by the Central Bank of Cyprus through its Directive for the Calculation of the Capital Requirements and Large Exposures.

The primary objective of the Group's capital management is to ensure that it complies with the regulatory capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

In July 2011, the Central Bank of Cyprus amended its Directive for the Calculation of Capital Requirements and Large Exposures, introducing a new ratio for core tier 1 capital. The minimum level of the new ratio was set at 8% plus an increment based on the ratio of the Group's assets to the Republic of Cyprus' gross domestic product. This increment was set at zero until 30 December 2012. The minimum levels of the tier 1 and total capital ratios were set at 9,5% and 11,5% respectively. The Directive provides for a transitional period up to 2014. The Central Bank of Cyprus may also impose additional capital requirements not covered by Pillar I.

There are also local regulatory capital requirements for banking subsidiaries operating overseas. These subsidiaries comply with the regulatory capital requirements of their host regulator as well as the requirements of the directives of the Central Bank of Cyprus. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance, including minimum solvency ratios.

	<i>Pro forma</i>	<i>As submitted to the regulatory authorities</i>	
	<i>30 September 2011</i>	<i>30 September 2011</i>	<i>31 December 2010</i>
<i>Regulatory capital</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Core original own funds	<b>2.526.777</b>	<b>1.530.777</b>	2.204.195
Original own funds	<b>2.881.977</b>	<b>2.485.977</b>	2.955.847
Additional own funds	<b>180.093</b>	<b>180.093</b>	313.027
Book value of insurance companies	<b>(150.571)</b>	<b>(150.571)</b>	(140.370)
<b>Total regulatory capital</b>	<b>2.911.499</b>	<b>2.515.499</b>	3.128.504
Risk weighted assets – credit risk	<b>23.884.262</b>	<b>23.884.262</b>	23.854.855
Risk weighted assets – market risk	<b>2.650</b>	<b>2.650</b>	2.588
Risk weighted assets – operational risk	<b>2.419.175</b>	<b>2.419.175</b>	2.419.175
<b>Total risk weighted assets</b>	<b>26.306.087</b>	<b>26.306.087</b>	26.276.618
	<b>%</b>	<b>%</b>	<b>%</b>
Core Tier 1 ratio	<b>9,6</b>	<b>5,8</b>	8,4
Tier 1 ratio	<b>11,0</b>	<b>9,5</b>	11,3
Tier 2 ratio	<b>0,7</b>	<b>0,7</b>	1,2
<b>Total capital ratio</b>	<b>11,1</b>	<b>9,6</b>	11,9

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 22. Capital management (continued)

The pro-forma capital ratios presented in the table above have been calculated including the Rights Issue of up to €396 million and the voluntary exchange of Convertible Enhanced Capital Securities of up to €600 million (Note 26).

The decrease in regulatory capital during the nine months ended 30 September 2011 is the result of (i) the Group profits for the nine months before the impairment of GGBs (ii) the impairment of GGBs, a portion of which had already been recognised in equity as a result of the revaluation of the related investments, (iii) the issue of Convertible Enhanced Capital Securities and (iv) the issue of shares under the dividend reinvestment plan.

The Group's capital adequacy ratios are lower than the minimum requirements of the Central Bank of Cyprus. The Group expects that with the implementation of the Capital Strengthening Plan (Note 26), its future profitability and the effective management of its risk weighted assets, it will be in a position to cover the minimum required ratios within a reasonable period of time.

#### European Banking Authority Capital Exercise

It is noted that the Group was subject to a Capital Exercise for addressing concerns over sovereign exposure on its portfolio of sovereign bonds conducted by the European Banking Authority (EBA) in cooperation with the Central Bank of Cyprus. The Capital Exercise carried out on 70 European banks, seeks to assess the banks' required capital buffers to reach a level of 9% Core Tier 1 ratio by the end of June 2012 assuming a severe and immediate impairment of sovereign debt holdings.

The preliminary results of the Capital Exercise (using the balance sheet as at 30 June 2011 and market prices for sovereign bonds as at 30 September 2011), the required total capital buffer identified for Bank of Cyprus is €1.472 million. This is a preliminary and indicative figure which is subject to change on the basis of end September 2011 data and will be reviewed by banks and supervisory authorities.

It is noted that the Group has in issue €887 million Convertible Enhanced Capital Securities (CECS) which are currently part of Tier 1 capital. Taking into account the CECS, the additional amount of capital buffer required based on the preliminary estimate by EBA is €585 million. The Group is in a position to cover the required additional capital buffer of €585 million through internal profit generation for the period until June 2012 and other actions including the efficient management of risk weighted assets.

### 23. Related party transactions

	<b>30 September 2011</b>	<b>31 December 2010</b>
	<b>€000</b>	<b>€000</b>
Loans and advances:		
- members of the Board of Directors and key management personnel	<b>7.866</b>	7.330
- connected persons	<b>260.363</b>	237.013
	<b>268.229</b>	244.343
Deposits:		
- members of the Board of Directors and key management personnel	<b>64.458</b>	71.069
- connected persons	<b>48.558</b>	25.568
	<b>113.016</b>	96.637
Debt securities in issue, subordinated loan stock and CECS:		
- members of the Board of Directors and key management personnel	<b>22.706</b>	17.133
- connected persons	<b>3.034</b>	2.401
	<b>25.740</b>	19.534

### 23. Related party transactions *(continued)*

Interest income and expense from related parties for the nine months ended 30 September 2011 amounted to €10.606 thousand and €3.296 thousand (corresponding period of 2010: €7.638 thousand and €4.353 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 €132.405 thousand (31 December 2010: €113.102 thousand). There were also contingent liabilities and commitments to Group key management personnel and their connected persons amounting to €223 thousand (31 December 2010: €327 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 September 2011 amounted to €72.514 thousand (31 December 2010: €8.065 thousand).

During the nine months ended 30 September 2011, the remuneration of the members of the Board of Directors and key management personnel amounted to €2.727 thousand (corresponding period of 2010: €3.802 thousand).

During the nine months ended 30 September 2011 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €154 thousand (corresponding period of 2010: €160 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 €153 thousand (corresponding period of 2010: €269 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €309 thousand (corresponding period of 2010: €466 thousand) and purchase of goods amounting to €264 thousand from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €100 thousand (corresponding period of 2010: €106 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis.

Connected persons include spouses, minor children and companies in which directors or 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.

The executive directors, in accordance with their employment contracts, are entitled to a bonus which is determined by the Board of Directors based on the recommendation of the Remuneration Committee. For year 2010, the Board of Directors, having considered the performance of the Group as regards the achievement of its goals and profitability, had approved a total bonus of €536 thousand. The bonus would have been paid in the form of shares of the Company. One third of the bonus had vested immediately, while the remaining two thirds would have vested equally at the end of 2011 and 2012, provided the Group achieved the goals set with respect to profitability and key performance indicators, taking into account the performance of other peer banks.

During the period, the Executive Directors and Group key management personnel, due to the prevailing economic conditions, have waived their total bonus for year 2010.

In the context of the Share Options 2008/2010 granted by the Company on 28 May 2008 to the Group's employees, 1.500 thousand share options were granted to Mr Andreas Eliades and 500 thousand options were granted to Mr Yiannis Kypri. The cost of the share options granted to Messrs Andreas Eliades and Yiannis Kypri amounted to €269 thousand (corresponding period of 2010: €182 thousand) and €90 thousand (corresponding period of 2010: €61 thousand) respectively. Each Share Option 2008/2010 gives its holders the right to purchase one share of the Company at €3,30 per share. The Company's share price at 30 September 2011 was significantly lower than the exercise price of the options. Additional information on share options is presented in Note 16.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 24. Group companies

The companies and branches included in the consolidated financial statements of the Group, their activities, their country of incorporation and the percentage held by the Company (directly or indirectly) as at 30 September 2011 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	50
Diners Club (Cyprus) Ltd	Cyprus	Diners Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Otherland Properties Ltd	Cyprus	Intermediate holding company	100
Gosman Properties Ltd	Cyprus	Intermediate holding company	100
Pittsburg Properties Ltd	Cyprus	Intermediate holding company	100
Battersee Properties Ltd	Cyprus	Intermediate holding company	100
Trecoda Properties Ltd	Cyprus	Intermediate holding company	100
Bonayia Properties Ltd	Cyprus	Intermediate holding company	100
Bocaland Properties Ltd	Cyprus	Intermediate holding company	100
Buchuland Properties Ltd	Cyprus	Intermediate holding company	100
Commonland Properties Ltd	Cyprus	Intermediate holding company	100
Romaland Properties Ltd	Cyprus	Intermediate holding company	100
BC Romanoland Properties Ltd	Cyprus	Intermediate holding company	100
Janoland Properties Ltd	Cyprus	Property investment	100
Blindingqueen Properties Ltd	Cyprus	Intermediate holding company	100
Fledgego Properties Ltd	Cyprus	Intermediate holding company	100
Treerich Properties Ltd	Cyprus	Intermediate holding company	100
Rosequeens Properties Ltd	Cyprus	Intermediate holding company	100
Loneland Properties Ltd	Cyprus	Intermediate holding company	100
Unknownplan Properties Ltd	Cyprus	Intermediate holding company	100
Frozenport Properties Ltd	Cyprus	Intermediate holding company	100
Bank of Cyprus Public Company Ltd (branch)	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 mutual funds	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Insurance Services Ltd	Greece	General insurance brokers	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 Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 24. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus United Kingdom (branch)	United Kingdom	Commercial bank	N/A
Katoikia I Mortgage Finance Plc	United Kingdom	Special purpose entity	-
Katoikia I Holdings Ltd	United Kingdom	Special purpose entity	-
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Australia Ltd	Australia	Commercial bank	100
Bank of Cyprus Romania (branch)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
Otherland Properties Dorobanti SRL	Romania	Property investment	100
S.C. O.N.T. Carpati S.A	Romania	Hotel business	94
Pittsburg Properties SRL	Romania	Property investment	100
Battersee Real Estate SRL	Romania	Property investment	100
Trecoda Real Estate SRL	Romania	Property investment	100
Green Hills Properties SRL	Romania	Property investment	100
Bocaland Properties SRL	Romania	Property investment	100
Buchuland Properties SRL	Romania	Property investment	100
Commonland Properties SRL	Romania	Property investment	100
Romaland Properties SRL	Romania	Property investment	100
Blindingqueen Properties SRL	Romania	Property investment	100
Fledgego Properties SRL	Romania	Property investment	100
Treerich Properties SRL	Romania	Property investment	100
Rosequeens Properties SRL	Romania	Property investment	100
Loneland Properties SRL	Romania	Property investment	100
Unknownplan Properties SRL	Romania	Property investment	100
Frozenport Properties SRL	Romania	Property investment	100
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	80
PJSB Bank of Cyprus	Ukraine	Commercial bank	100
LLC Ikos Finance	Ukraine	Financing company	100
Kyprou Finance (NL) B.V.	Netherlands	Financing company	100

During July 2011, the Group sold 20% of its shareholding in Leasing Company Uniastrum Leasing to the minority shareholders of BOC Russia (Holdings) Ltd.

#### Investments in associates and joint venture

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

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

### 25. Other information

- The total capital expenditure of the Group for the nine months ended 30 September 2011 amounts to €32.374 thousand (corresponding period of 2010: €33.164 thousand).
- The Group's provision for pending litigation or claims at 30 September 2011 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 by the Trustees of the AremiSoft Corporation Liquidating Trust, which is similar in substance to the one filed in New York, in 2006. In the detailed statement of claim filed in October 2010 the Trustees, on behalf of the investors of AremiSoft, claim the amount of approximately US\$550 million (€407 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 AremiSoft, 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.

### 26. Events after the balance sheet date

On 2 November 2011 the Group examined, among other issues, the latest developments in the Eurozone, the general economic environment in the main markets in which the Group operates, the structure of the Group's capital base in light of the increased regulatory capital requirements and the potential impact on the Group from possible further impairment of the Greek Government Bonds portfolio and has decided to strengthen the Group's capital base through a Capital Strengthening Plan. The Plan includes' share capital increase through a pre-emptive rights offering to raise up to €396 million and a voluntary exchange of Convertible Enhanced Capital Securities (CECS) via the issue of up to €600 million Mandatory Convertible Notes (MCN) of nominal value €1,00 each and tender exchange offer offered exclusively to existing CECS holders.

The rights (Rights) will be 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 that are exercised will be converted into one new ordinary share of nominal value €1,00 (New Share) at the subscription price of €1,00 per New Share. In addition, Bonus Shares will be issued and granted as fully paid in the ratio of one Bonus Share for each New Share arising from the exercise of the Rights.

The holders of CECS may exchange their CECS with MCN of equivalent nominal value. The MCN will not bear interest and will mature eight calendar days following their date of issue. On maturity of the MCN, the Company will redeem each MCN with the issue of one fully paid New Share. In addition, Bonus Shares will be issued and granted in the ratio of one Bonus Share for every three New Shares arising from the conversion of MCN.

The Board of Directors has called an Extraordinary General Meeting to obtain the relevant approvals from shareholders including waiving of pre-emption rights by shareholders and the increase of the authorised share capital of the Company from €1.500 million to €3.000 million with the creation of 1.500 million new ordinary shares of the Company of nominal value €1,00 each.

Upon completion of the Rights Offering, the Company will issue up to 792.600 thousand New Shares (up to 396.300 thousand new ordinary shares from the exercise of Rights and up to 396.300 thousand New Shares from the subsequent issue and granting of Bonus Shares).

Upon the completion of the MCN issue in its entirety and their conversion into shares, the Company will issue up to 800 million shares (up to 600 million new ordinary shares from the conversion of MCN and up to 200 million new ordinary shares from the subsequent issue and granting of Bonus Shares).