

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2012

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2012

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Interim Consolidated Income Statement

for the nine months ended 30 September 2012

	Notes	Nine months ended 30 September		Year ended 31 December 2011 (restated)
		2012 €000	2011 (restated) €000	€000
Turnover		1.901.863	2.090.619	2.808.300
Interest income		1.550.329	1.711.537	2.295.116
Interest expense		(741.449)	(857.059)	(1.127.443)
Net interest income		808.880	854.478	1.167.673
Fee and commission income		179.886	180.886	247.044
Fee and commission expense		(12.868)	(9.984)	(14.679)
Foreign exchange gains		28.043	35.087	45.178
Net (losses)/gains on other financial instrument transactions and disposal of subsidiaries		(35.554)	(2.169)	3.571
Insurance income net of insurance claims		47.573	46.862	61.190
Other income		5.685	21.891	31.329
		1.021.645	1.127.051	1.541.306
Staff costs		(296.544)	(321.044)	(431.774)
Other operating expenses		(208.451)	(200.008)	(292.997)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)		516.650	605.999	816.535
Provisions for impairment of loans and advances	11	(821.664)	(294.564)	(426.287)
(Loss)/profit before impairment of GGBs		(305.014)	311.435	390.248
Impairment of GGBs and change in fair value of related hedging instruments	7	(143.573)	(1.048.100)	(1.729.261)
Loss before share of loss of associates		(448.587)	(736.665)	(1.339.013)
Share of loss of associates		(35)	(1.209)	(1.441)
Loss before tax		(448.622)	(737.874)	(1.340.454)
Taxation	8	232.444	(56.423)	(25.959)
Loss after tax		(216.178)	(794.297)	(1.366.413)
Attributable to:				
Non-controlling interests (loss)		(5.222)	(1.704)	(7.073)
Owners of the Company (loss)		(210.956)	(792.593)	(1.359.340)
Basic and diluted losses per share (cent)	9	(14,2)	(88,5)	(155,6)

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Interim Consolidated Income Statement

for the three months from 1 July to 30 September 2012

	Notes	Three months ended 30 September	
		2012	2011 (restated)
		€000	€000
Turnover		606.762	741.614
Interest income		494.521	598.269
Interest expense		(244.057)	(296.563)
Net interest income		250.464	301.706
Fee and commission income		58.447	61.319
Fee and commission expense		(3.797)	(2.911)
Foreign exchange gains		8.047	29.507
Net gains/(losses) on other financial instrument transactions and disposal of subsidiaries		1.400	(22.710)
Insurance income net of insurance claims		16.051	14.923
Other income		2.290	8.230
		332.902	390.064
Staff costs		(102.906)	(107.612)
Other operating expenses		(73.613)	(58.800)
Profit before provisions for impairment of loans and advances and the impairment of Greek Government Bonds (GGBs)		156.383	223.652
Provisions for impairment of loans and advances		(253.604)	(111.509)
(Loss)/profit before impairment of GGBs		(97.221)	112.143
Impairment of GGBs and change in fair value of related hedging instruments		-	(767.166)
Loss before share of loss of associates		(97.221)	(655.023)
Share of profit/(loss) of associates		52	(677)
Loss before tax		(97.169)	(655.700)
Taxation		18.596	(31.450)
Loss after tax		(78.573)	(687.150)
Attributable to:			
Non-controlling interests (loss)		(1.413)	(1.238)
Owners of the Company (loss)		(77.160)	(685.912)
Basic and diluted losses per share (cent)	9	(4,9)	(76,4)

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Interim Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2012

	Nine months ended 30 September	
	2012	2011 (restated)
	€000	€000
Loss after tax	(216.178)	(794.297)
Other comprehensive income		
Foreign currency translation reserve		
Gains/(losses) on translation of the net investment in subsidiaries and overseas branches	25.583	(39.580)
(Losses)/gains on hedging of net investment	(13.194)	17.140
	12.389	(22.440)
Available-for-sale investments		
Gains/(losses) from revaluation before tax	46.270	(156.337)
Transfer to the consolidated income statement on impairment	3.062	311.172
Transfer to the consolidated income statement on sale	734	3.818
Taxation	1.028	459
	51.094	159.112
Cash flow hedges		
Losses from revaluation before tax	-	(1.575)
Taxation	-	73
	-	(1.502)
Property revaluation		
Taxation	(1)	91
Other comprehensive income after tax	63.482	135.261
Total comprehensive expense for the period	(152.696)	(659.036)
Attributable to:		
Non-controlling interests (loss)	(3.498)	(4.575)
Owners of the Company (loss)	(149.198)	(654.461)

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Interim Consolidated Statement of Comprehensive Income

for the three months from 1 July to 30 September 2012

	Three months ended 30 September	
	2012	2011 (restated)
	€000	€000
Loss after tax	(78.573)	(687.150)
Other comprehensive income		
Foreign currency translation reserve		
Gains/(losses) on translation of the net investment in subsidiaries and overseas branches	13.319	(31.160)
(Losses)/gains on hedging of net investment	(5.701)	9.251
	7.618	(21.909)
Available-for-sale investments		
Gains/(losses) from revaluation before tax	68.460	(116.213)
Transfer to the consolidated income statement on impairment	11	140.488
Transfer to the consolidated income statement on sale	(6.271)	(1.539)
Taxation	(7.354)	(100)
	54.846	22.636
Cash flow hedges		
Losses from revaluation before tax	-	(793)
Taxation	-	23
	-	(770)
Property revaluation		
Taxation	(3)	-
Other comprehensive income/(expense) after tax	62.461	(43)
Total comprehensive expense for the period	(16.112)	(687.193)
Attributable to:		
Non-controlling interests (loss)	(84)	(4.632)
Owners of the Company (loss)	(16.028)	(682.561)

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Interim Consolidated Balance Sheet

as at 30 September 2012

		30 September 2012	31 December 2011 (restated)	31 December 2010 (restated)
	Notes	€000	€000	€000
Assets				
Cash and balances with central banks		2.939.079	1.375.047	2.241.825
Placements with banks		1.901.841	2.627.831	5.264.628
Reverse repurchase agreements		-	215.936	120.166
Investments	10	2.243.085	2.629.124	4.307.558
Investments pledged as collateral	10	804.895	938.070	1.038.036
Derivative financial assets		25.176	193.734	76.278
Loans and advances to customers	11	25.976.730	27.366.917	27.725.451
Life insurance business assets attributable to policyholders		504.526	504.579	561.695
Property and equipment		503.424	473.188	418.781
Intangible assets		482.712	472.510	479.058
Other assets	12	850.366	674.439	399.287
Investment in associates		2.821	2.820	3.805
Total assets		36.234.655	37.474.195	42.636.568
Liabilities				
Obligations to central banks and amounts due to banks		4.129.538	3.065.756	3.706.975
Repurchase agreements		608.057	785.993	913.109
Derivative financial liabilities		209.146	488.111	240.412
Customer deposits		27.872.532	29.654.498	32.952.567
Insurance liabilities		606.086	611.264	658.309
Debt securities in issue	13	40.387	49.791	83.957
Other liabilities	14	327.282	347.697	419.295
Subordinated loan stock	15	132.300	128.380	930.942
Total liabilities		33.925.328	35.131.490	39.905.566
Equity				
Share capital	16	1.795.141	899.528	894.948
Share premium		428.271	1.164.903	1.159.819
Convertible Enhanced Capital Securities	17	429.017	862.233	-
Revaluation and other reserves		32.562	2.585	(186.677)
(Accumulated losses)/retained earnings		(456.610)	(670.988)	771.608
Equity attributable to the owners of the Company		2.228.381	2.258.261	2.639.698
Non-controlling interests		80.946	84.444	91.304
Total equity		2.309.327	2.342.705	2.731.002
Total liabilities and equity		36.234.655	37.474.195	42.636.568

A. Artemis
E. Xenophontos
Y. Kypri
Chr. Hadjimitsis

Chairman
Vice Chairman
Group Chief Executive Officer
Senior Group General Manager

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 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		
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	-	-	-	(3.669)	-	-	-	-	-	-	4.600	931	-	931
Capitalisation of reserves of subsidiary company	-	-	-	-	(6.059)	-	-	-	-	6.059	-	-	-	-
Increase in value of in-force life insurance policies	-	-	-	(2.713)	-	-	2.713	-	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	-	247	-	-	(247)	-	-	-	-	-	-	-
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	-	-	(1.029)	1.029	-	-	-	-	-	-	-	-	-	-
Reduction of share premium (Note 16)	-	(430.440)	-	430.440	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense)/income for the period	-	-	-	(210.956)	(2)	51.080	-	-	10.680	-	-	(149.198)	(3.498)	(152.696)
30 September 2012	1.795.141	428.271	429.017	(456.610)	155.158	(82.141)	91.163	5.251	(102.002)	6.059	(40.926)	2.228.381	80.946	2.309.327

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 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/ (accumulated losses)	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		
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	-	-	-	-	-	-	-	-	-	-	(1.634)	(1.634)	-	(1.634)
Disposal of shares of the Company	-	-	-	(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	-	-	-	170	-	-	-	-	-	-	-	170	411	581
Conversion of Convertible Bonds and Convertible Capital Securities	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)	-	-	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	-	-	-	(792.593)	91	159.125	(1.501)	-	-	(19.583)	-	(654.461)	(4.575)	(659.036)
30 September 2011 (restated)	899.173	1.164.087	860.405	(61.201)	100.420	(111.887)	(210)	87.408	5.251	(124.708)	(6.928)	2.811.810	87.140	2.898.950

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Interim Consolidated Statement of Cash Flows
for the nine months ended 30 September 2012

		Nine months ended 30 September	
		2012	2011 (restated)
		€000	€000
	Notes		
Net cash flow from operating activities			
Loss before tax		(448.622)	(737.874)
Share of loss of associates		35	1.209
Provisions for impairment of loans and advances		821.664	294.564
Impairment of Greek Government Bonds		143.573	1.048.100
Depreciation of property and equipment and amortisation of intangible assets		30.712	31.000
Increase in value of in-force life insurance policies		(2.713)	(3.969)
Amortisation of discounts/premiums		(11.743)	(50.762)
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		110.648	(153.297)
		643.554	431.582
Net decrease/(increase) in loans and advances to customers and other accounts		837.724	(780.726)
Net decrease in customer deposits and other accounts		(793.012)	(2.732.922)
		688.266	(3.082.066)
Tax paid		(38.340)	(41.886)
Net cash flow from/(used in) operating activities		649.926	(3.123.952)
Cash flow from investing activities			
Purchases of investments		(1.112.481)	(1.347.711)
Proceeds on disposal/redemption of investments		1.421.446	1.679.286
Interest from investments		108.567	(50.544)
Dividend income from equity securities		144	636
Proceeds on disposal of subsidiaries		105.302	581
Purchases of property and equipment		(21.534)	(25.084)
Proceeds on disposal of property and equipment		163	1.031
Purchases of intangible assets		(5.028)	(7.290)
Proceeds on disposal of intangible assets		110	-
Proceeds on disposal of investment property		2.767	439
Net cash flow from investing activities		499.456	251.344
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		(9.404)	(19.134)
Issue of Convertible Enhanced Capital Securities		-	171.801
Dividends paid		-	(18.463)
Interest on subordinated loan stock		(4.676)	(17.873)
Interest on debt securities in issue		(1.367)	(3.638)
Purchase of own shares		(38.847)	(1.634)
Proceeds on disposal of own shares		931	705
Net cash flow from/(used in) financing activities		103.871	(15.551)
Net increase/(decrease) in cash and cash equivalents for the period		1.253.253	(2.888.159)
Cash and cash equivalents			
1 January		3.189.218	6.339.767
Exchange adjustments		(10.504)	26.839
Net increase/(decrease) in cash and cash equivalents for the period		1.253.253	(2.888.159)
30 September	19	4.431.967	3.478.447

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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 28 November 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 nine months ended 30 September 2012 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 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 nine months ended 30 September 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) – Deferred tax: 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).

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Notes to the Interim Condensed Consolidated Financial Statements

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

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:

	Nine months ended 30 September 2011	Three months ended 30 September 2011
Loss after tax	€000	€000
Before the change in accounting policy	(802.871)	(690.008)
Reversal of amortisation of actuarial losses	8.574	2.858
After the change in accounting policy	(794.297)	(687.150)

	30 September 2011	31 December 2011	31 December 2010
Consolidated statement of changes in equity	€000	€000	€000
Before the change in accounting policy	2.987.723	2.429.079	2.828.349
Recognition of net actuarial losses in equity	(88.773)	(86.374)	(97.347)
After the change in accounting policy	2.898.950	2.342.705	2.731.002

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Notes to the Interim Condensed Consolidated Financial Statements

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 nine months ended 30 September 2011 as a result of the restatement was around €0,01 and for the three months ended 30 September 2011 it was lower than €0,01.

If the accounting policy had not been changed, the profit after tax for the nine months ended 30 September 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 nine 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.

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.

5.1 Going concern

During the year 2011 and the nine months ended 30 September 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 September 2012 are lower than the minimum capital adequacy ratios required by the Central Bank of Cyprus. In addition, on 30 September 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.

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Notes to the Interim Condensed Consolidated Financial Statements

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

5.1 Going concern *(continued)*

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 obtain finance through refinancing mechanisms of the Eurosystem.
- The exposure to Greece (Note 5.2).
- The economic developments in Cyprus (Note 5.3)
- 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 September 2012 and up to the date of approval of the financial statements, a number of uncertainties still remains regarding the smooth resolution of the Greek economy crisis. Even after the write-off of part of Greek sovereign debt in March 2012, Greece's public 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 to decreased profitability or operating losses. Also, a potential exit of Greece from the Eurozone would have severe repercussions for the Group, which cannot be measured at present.

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 Economic developments in Cyprus

In June 2012 the Republic of Cyprus has applied to the European Union and the International Monetary Fund for financial support and is in the process of negotiations. The program that will be agreed between the Republic of Cyprus and the Troika (European Commission, European Central Bank and International Monetary Fund) 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 a loan diagnostic exercise of the Group which is carried out by PIMCO. Based on its total capital needs, the Group will submit a recapitalisation and restructuring plan to be approved by the Cypriot Authorities and the Troika, which will determine the way and timing of repayment of the state aid that the Group will receive.

On 30 September 2012 and up to the date of the approval of the financial statements, there is a number of uncertainties regarding the agreement between the Cypriot Government and the Troika in respect of the amount and means of recapitalisation of the Group and the banking system in general.

There is also uncertainty regarding the impact on the economy from the agreement between the Cypriot Government and the Troika. Continuous or escalating economic crisis in Cyprus, could lead to further deterioration in the quality of loan portfolio, decrease in deposits and consequently to lower profitability or operating losses. The situation in Cyprus requires the Group's management to make a number of significant estimates and judgements to assess the appropriate book value of the Group assets in Cyprus.

5.4 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.

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

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

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.

5.5 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. Determining the amount of deferred tax assets that can be recognised is 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 in 30 equal annual instalments. In case of a potential interpretation of the existing legislation such that the recognition of these losses for tax purposes will be in instalments which are calculated on the basis of the maturity of each debt security, it is possible that the Group may write off around €20 million of the deferred tax asset.

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

In addition, regarding the Special Tax Levy on Credit Institutions in Cyprus (Note 8), management has assumed that the relevant legislation in Cyprus will continue to apply on the same basis as applicable on the reporting date.

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

5.6 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 requires 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 when compared 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.

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, could be different from the assumptions used, resulting in a material adjustment to the carrying amount of goodwill.

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

5.7 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 September 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 off 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.

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Notes to the Interim Condensed Consolidated Financial Statements

6. Segmental analysis (continued)

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 by these adjustments.

	Cyprus	Greece	Russia	Other countries	Total
Nine months ended 30 September 2012	€000	€000	€000	€000	€000
Net interest income	411.698	254.138	90.200	52.844	808.880
Net fee and commission income	101.514	35.898	24.235	5.371	167.018
Foreign exchange gains	19.076	2.306	5.200	1.461	28.043
Net (losses)/gains on other financial instrument transactions	(24.216)	(12.004)	-	666	(35.554)
Insurance income net of insurance claims	40.015	7.558	-	-	47.573
Other income	3.877	602	952	254	5.685
	551.964	288.498	120.587	60.596	1.021.645
Staff costs	(149.885)	(82.230)	(46.230)	(18.199)	(296.544)
Other operating expenses	(94.674)	(55.533)	(39.731)	(18.513)	(208.451)
Profit before provisions for impairment of loans and advances and the impairment of GGBs	307.405	150.735	34.626	23.884	516.650
Provisions for impairment of loans and advances	(315.432)	(435.517)	(44.944)	(25.771)	(821.664)
Share of (loss)/profit of associates	(92)	-	-	57	(35)
Loss before tax	(8.119)	(284.782)	(10.318)	(1.830)	(305.049)
Taxation	13.247	(3.262)	(908)	(340)	8.737
Profit/(loss) after tax	5.128	(288.044)	(11.226)	(2.170)	(296.312)
Non-controlling interests (loss)	1.601	-	3.617	4	5.222
Profit/(loss) after tax and non-controlling interests, before the impairment of GGBs	6.729	(288.044)	(7.609)	(2.166)	(291.090)
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					(210.956)

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Notes to the Interim Condensed Consolidated Financial Statements

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
Nine months ended 30 September 2011	€000	€000	€000	€000	€000
Net interest income	443.220	243.040	96.655	71.563	854.478
Net fee and commission income	97.852	38.363	25.769	8.918	170.902
Foreign exchange gains	25.320	1.805	6.056	1.906	35.087
Net losses on other financial instrument transactions	(346)	(77)	-	(1.746)	(2.169)
Insurance income net of insurance claims	38.584	8.278	-	-	46.862
Other income	7.132	4.381	6.937	3.441	21.891
	611.762	295.790	135.417	84.082	1.127.051
Staff costs	(165.566)	(83.461)	(47.325)	(24.692)	(321.044)
Other operating expenses	(73.300)	(61.772)	(42.740)	(22.196)	(200.008)
Profit before provisions for impairment of loans and advances and the impairment of GGBs	372.896	150.557	45.352	37.194	605.999
Provisions for impairment of loans and advances	(103.250)	(149.023)	(25.299)	(16.992)	(294.564)
Share of loss of associates	(1.209)	-	-	-	(1.209)
Profit before tax	268.437	1.534	20.053	20.202	310.226
Taxation	(41.168)	(8.557)	(3.407)	(5.057)	(58.189)
Profit/(loss) after tax	227.269	(7.023)	16.646	15.145	252.037
Non-controlling interests (loss/(profit))	3.495	-	(1.789)	(2)	1.704
Profit/(loss) after tax and non-controlling interests	230.764	(7.023)	14.857	15.143	253.741
Impairment of GGBs after tax					(1.046.334)
Loss after tax and non-controlling interests					(792.593)

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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 gains, net gains on other financial instrument transactions, insurance income net of insurance claims and other income.

	Cyprus	Greece	Russia	Other countries	Total
Nine months ended 30 September 2012	€000	€000	€000	€000	€000
Banking and financial services	471.190	291.708	140.343	66.910	970.151
Insurance services	41.875	7.698	-	-	49.573
Property and hotel business	1.927	(6)	-	-	1.921
Total revenue from third parties	514.992	299.400	140.343	66.910	1.021.645
Inter-segment revenue/(expense)	36.972	(10.902)	(19.756)	(6.314)	-
Total revenue	551.964	288.498	120.587	60.596	1.021.645

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

Analysis of assets

	Cyprus	Greece	Russia	Other countries	Total
30 September 2012	€000	€000	€000	€000	€000
Assets	28.138.535	10.237.740	2.168.265	2.331.361	42.875.901
Inter-segment assets					(6.641.246)
Total assets					36.234.655

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

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Notes to the Interim Condensed Consolidated Financial Statements

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 September 2012, the new GGBs were measured at fair value and their carrying amount was €147.789 thousand. The loss arising on the revaluation of the new GGBs at 30 September 2012 amounting to €4.579 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 September 2012.

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Notes to the Interim Condensed Consolidated Financial Statements

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

The impairment recorded in the income statement for the nine months ended 30 September 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

	Nine months ended 30 September	
	2012	2011
	€000	€000
Current tax:		
- Cyprus	6.932	28.701
- overseas	(6.961)	11.638
Special Tax Levy on Credit Institutions in Cyprus	(18.384)	14.043
Cyprus defence contribution	148	169
Deferred tax	(215.030)	(788)
Prior years' tax adjustments	851	2.660
	(232.444)	56.423

Deferred tax for the nine months ended 30 September 2012, includes a deferred tax benefit amounting to €223.707 thousand which relates to losses on GGBs. The deferred tax asset has been recognised in accordance with the significant judgements, estimates and assumptions described in Note 5.5.

The Special Tax Levy on Credit Institutions in Cyprus for the nine months ended 30 September 2012 includes a reversal of the total amount paid until 30 September 2012 (year 2011 and nine months of year 2012) of €32 million, since the Company expects to have tax losses for the two tax years 2011 and 2012. Management has assumed that the relevant legislation in Cyprus will continue to apply on the same basis as applicable on the reporting date (Note 5.5).

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Notes to the Interim Condensed Consolidated Financial Statements

9. Earnings per share

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011 (restated)	2012	2011 (restated)
Basic and diluted earnings per share				
Loss after tax attributable to the owners of the Company (€ thousand)	(210.956)	(792.593)	(77.160)	(685.912)
Weighted average number of shares in issue during the period, excluding shares held by the Company (thousand)	1.482.558	895.441	1.560.915	897.921
Basic and diluted losses per share (cent)	(14,2)	(88,5)	(4,9)	(76,4)

The Convertible Bonds 2013/2018, the Convertible Capital Securities, the Convertible Enhanced Capital Securities and the Share Options 2008/2010 do not constitute potentially 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 September 2012	31 December 2011
	€000	€000
Investments		
Investments at fair value through profit or loss	34.074	26.345
Investments available-for-sale	433.045	534.803
Investments held-to-maturity	1.068.697	1.055.406
Investments classified as loans and receivables	707.269	1.012.570
	2.243.085	2.629.124
Investments pledged as collateral		
Investments at fair value through profit or loss	-	26.544
Investments available-for-sale	659.835	718.719
Investments held-to-maturity	104.570	148.698
Investments classified as loans and receivables	40.490	44.109
	804.895	938.070
	3.047.980	3.567.194

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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	Carrying and fair value on reclassification date	30 September 2012		31 December 2011		Nine months ended 30 September 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 to:									
- available-for-sale investments	1 July 2008	17.385	22.695	22.513	22.257	19.357	3.157	-	5,3%-7,4%
- loans and receivables	1 April 2010	34.810	39.571	28.885	36.125	33.546	(4.661)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	168.286	134.659	172.579	159.045	-	(33.627)	4,6%-4,7%
- loans and receivables	30 September 2011	250.839	273.486	212.544	258.922	221.202	-	(60.942)	2,8%-6,3%
- investments held-to-maturity	1 April 2010	15.567	17.682	14.646	16.678	10.474	-	(3.036)	4,0%-6,3%
- investments held-to-maturity	1 October 2010	284.265	297.212	319.667	298.354	267.346	-	22.456	1,4%-5,0%
- investments held-to-maturity	1 July 2011	238.613	229.039	229.874	221.476	206.141	-	836	1,4%-14,3%
- investments held-to-maturity	1 October 2011	242.807	231.642	239.335	224.793	216.244	-	7.693	1,1%-19,8%

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Notes to the Interim Condensed Consolidated Financial Statements

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 September 2012	31 December 2011
	€000	€000
Loans and advances to customers	28.226.142	28.872.429
Provisions for impairment of loans and advances	(2.249.412)	(1.505.512)
	25.976.730	27.366.917

Credit quality of loans and advances to customers

	30 September 2012	31 December 2011
	€000	€000
Neither past due nor impaired	17.858.230	20.624.394
Past due but not impaired	7.253.311	5.936.534
Impaired	3.114.601	2.311.501
	28.226.142	28.872.429

Past due but not impaired:	30 September 2012	31 December 2011
- up to 30 days	1.546.435	1.128.952
- 31 to 90 days	2.370.576	2.151.204
- 91 to 180 days	1.332.765	966.408
- 181 to 365 days	628.455	633.467
- over one year	1.375.080	1.056.503
	7.253.311	5.936.534

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Notes to the Interim Condensed Consolidated Financial Statements

11. Loans and advances to customers (continued)

Impaired loans and advances to customers on an individual basis

	30 September 2012	31 December 2011
	€000	€000
Cyprus	1.619.715	1.081.610
Greece	1.097.721	908.566
Russia	226.246	176.190
United Kingdom	35.404	57.478
Romania	70.693	35.604
Ukraine	64.822	52.053
	3.114.601	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	(525)	-	4.569	815	4.859
Applied in writing off impaired loans and advances	(6.360)	(17.649)	-	(8.811)	(32.820)
Interest accrued on impaired loans and advances	(28.425)	(18.354)	(1.547)	(2.981)	(51.307)
Collection of loans and advances previously written off	2.220	-	-	(716)	1.504
Charge for the period	315.432	435.517	44.944	25.771	821.664
30 September	931.367	1.031.526	196.396	90.123	2.249.412
Individual impairment	694.458	720.587	100.168	79.467	1.594.680
Collective impairment	236.909	310.939	96.228	10.656	654.732

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

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

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

	Cyprus	Greece	Russia	Other countries	Total
2011	€000	€000	€000	€000	€000
1 January	551.884	450.544	98.516	59.455	1.160.399
Exchange adjustments	(131)	-	(6.659)	(381)	(7.171)
Applied in writing off impaired loans and advances	(7.420)	(14.074)	(129)	(1.386)	(23.009)
Interest accrued on impaired loans and advances	(21.691)	(12.606)	-	(984)	(35.281)
Collection of loans and advances previously written off	2.788	-	-	-	2.788
Charge for the period	103.250	149.023	25.299	16.992	294.564
30 September	628.680	572.887	117.027	73.696	1.392.290
Individual impairment	469.964	466.959	51.727	58.370	1.047.020
Collective impairment	158.716	105.928	65.300	15.326	345.270

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Notes to the Interim Condensed Consolidated Financial Statements

11. Loans and advances to customers (continued)

Concentration analysis of loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
30 September 2012	€000	€000	€000	€000	€000	€000	€000
By economic activity							
Trade	1.658.866	1.338.425	425.767	60.640	30.006	23.593	3.537.297
Manufacturing	516.101	994.253	185.009	16.151	27.885	11.924	1.751.323
Hotels and catering	920.865	1.132.059	80	123.045	109.390	8.464	2.293.903
Construction	2.441.698	1.007.680	91.006	58.629	42.523	15.936	3.657.472
Real estate	1.665.433	657.580	188.019	514.702	225.333	96.157	3.347.224
Private individuals	5.352.383	2.836.131	493.455	54.230	42.995	82.429	8.861.623
Professional and other services	1.369.993	498.106	644.751	51.089	81.091	97.188	2.742.218
Other sectors	957.244	1.007.688	48.095	1.014	14.629	6.412	2.035.082
	14.882.583	9.471.922	2.076.182	879.500	573.852	342.103	28.226.142
By customer sector							
Corporate	7.039.088	3.306.344	1.283.643	328.806	474.388	247.533	12.679.802
Small and medium-sized enterprises (SMEs)	2.295.108	3.341.279	362.736	506.825	56.051	32.237	6.594.236
Retail							
- housing	3.753.150	1.652.232	62.876	37.271	18.034	22.123	5.545.686
- credit cards	115.043	160.171	103.183	-	-	10	378.407
- consumer and other	1.680.194	1.011.896	263.744	6.598	25.379	40.200	3.028.011
	14.882.583	9.471.922	2.076.182	879.500	573.852	342.103	28.226.142

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

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 €15.010 thousand and €110.182 thousand respectively which according to the European Banking Authority are classified as sovereign debt. These loans are classified in the 'corporate sector', 'small and medium-sized enterprises sector' and 'retail - consumer and other sector' (€117.327 thousand, €7.248 and €617 thousand respectively).

In Greece, the 'corporate sector' and 'other sectors' include loans to government-controlled businesses amounting to €256.766 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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

12. Other assets

Other assets at 30 September 2012 include deferred tax assets of €319.660 thousand (31 December 2011 (restated): €97.570 thousand), of which €295.837 thousand arises from the Company's branch in Greece. The deferred tax asset in Greece includes €158.393 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, €112.731 thousand which relates to the loss on initial recognition of the new GGBs and their subsequent revaluation and €24.713 thousand which relates to other tax losses.

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

The Group has also recognised a deferred tax asset related to the loss on initial recognition of the new GGBs and their subsequent revaluation of €112.731 thousand. On the basis of existing legislation, there is a risk that these losses may not be able to be utilised against future profits which will arise from the reversal of these losses. This interpretation is being challenged by Greek banks, which request the amendment of the relevant legislation. In the event that the existing legislation is not amended, there is a risk that all or part of the deferred tax asset of €112.731 thousand may be written off.

In addition, regarding the Special Tax Levy on Credit Institutions in Cyprus (Note 8), management has assumed that the relevant legislation in Cyprus will continue to apply on the same basis as applicable on the reporting date.

Other assets at 30 September 2012 also include investment properties of €291.287 thousand (31 December 2011: €187.795 thousand) and retirement benefit plan assets of €1.249 thousand (31 December 2011 (restated): €873 thousand).

13. Debt securities in issue

	Contractual interest rate	30 September 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	11.919	11.484
€2 million 2010/2016	DJ EUROS TOXX 50 index	1.897	1.897
USD 2 million 2010/2016	S&P 500 index	1.512	1.597
		15.328	20.319
Short term commercial paper			
RUB Certificates of Deposit and Promissory Notes	11%	24.567	28.980
Interest-free loan from the European Development Bank	-	492	492
		25.059	29.472
		40.387	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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

13. Debt securities in issue *(continued)*

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.

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 September 2012 include deferred tax liabilities of €80.822 thousand (31 December 2011 (restated): €75.095 thousand) and retirement benefit plan liabilities of €23.334 thousand (31 December 2011 (restated): €94.434 thousand).

Other liabilities at 30 September 2012 include provisions for pending litigation or claims of €3.707 thousand (31 December 2011: €3.837 thousand).

15. Subordinated loan stock

	Contractual interest rate	30 September 2012	31 December 2011
		€000	€000
Subordinated Bonds in US Dollars 2013/2014/2015 (\$7 million)	2,50%	7.034	6.928
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	27.414	26.907
Convertible Capital Securities (€645 million)	5,50%	75.459	72.380
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	22.393	22.165
		132.300	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 of equivalent nominal value.

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.

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Notes to the Interim Condensed Consolidated Financial Statements

15. Subordinated loan stock (continued)

Convertible Capital Securities (continued)

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 of equivalent nominal value.

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 of equivalent value.

16. Share capital

	30 September 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 September 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.

16. Share capital (continued)

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 September 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.

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 September 2012 was 73.386 thousand (31 December 2011: 2.266 thousand). The cost of acquisition of these shares was €40.926 thousand (31 December 2011: €6.679 thousand).

In addition, the life insurance subsidiary of the Group held, as at 30 September 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).

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 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 for 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 for 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.

Reduction of share premium reserve

The shareholders' Annual General Meeting held on 19 June 2012 approved a special resolution for the reduction by an amount of €430.440 thousand of the credit balance of the Company's 'Share Premium account', which is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113. During September 2012 the District Court of Nicosia by order approved the reduction of the 'Share Premium account'. The reduction was effected by writing off accumulated losses from the retained earnings/(accumulated losses) reserve.

17. Convertible Enhanced Capital Securities

	30 September 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	(1.029)	6.422
Conversion of Convertible Bonds and Convertible Capital Securities	-	(1.273)
30 September 2012/31 December 2011	429.017	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, the holders of 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, 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 irrevocably 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 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.

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Notes to the Interim Condensed Consolidated Financial Statements

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 (€429 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 September 2011.

19. Cash and cash equivalents

	30 September 2012	30 September 2011
	€000	€000
Cash and non obligatory balances with central banks	2.447.287	953.705
Treasury bills repayable within three months	99.365	-
Placements with banks repayable within three months	1.885.315	2.524.742
	4.431.967	3.478.447

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Notes to the Interim Condensed Consolidated Financial Statements

20. Staff numbers

The number of persons employed by the Group at 30 September 2012 was 11.101 (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 September 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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

21. Sovereign exposure (continued)

Credit risk (continued)

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine	Spain
30 September 2012	€000	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	5.415	61.178	-	-	73.593	34.657	5.882	-
Placements with banks	16.066	6.059	-	6.992	125.365	56.811	6.159	-
Investments in sovereign debt securities								
- available-for-sale investments	144	147.677	-	9.259	-	-	-	-
- loans and receivables	746.215	-	-	-	-	-	-	-
- investments held-to-maturity	1.001	-	272.347	99.181	2.273	6.137	-	-
- fair value through profit or loss	13.394	112	-	-	-	-	-	-
Investments in debt securities of banks and other corporations								
- available-for-sale investments	1.134	-	-	7.579	-	-	3	40.223
- loans and receivables	1.543	-	-	-	-	-	-	-
- investments held-to-maturity	166	26.348	24.865	39.053	-	-	-	24.279
- fair value through profit or loss	96	-	-	-	-	-	469	-
Loans and advances to customers (before provisions)	14.882.583	9.471.922	-	-	2.076.182	573.852	342.103	-
Derivative financial assets	-	-	-	-	-	-	-	-
Total on balance sheet	15.667.757	9.713.296	297.212	162.064	2.277.413	671.457	354.616	64.502
Contingent liabilities	829.898	777.374	-	-	6.851	2.085	42	-
Commitments	1.739.317	879.927	-	-	196.819	29.101	6.041	-
Total off balance sheet	2.569.215	1.657.301	-	-	203.670	31.186	6.083	-
Total exposure to credit risk	18.236.972	11.370.597	297.212	162.064	2.481.083	702.643	360.699	64.502

On 30 September 2012 the revaluation reserve of available-for-sale investments includes losses amounting to €55.902 thousand relating to the above sovereign debt securities and losses amounting to €11.005 thousand relating to debt securities of banks and other corporations.

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Notes to the Interim Condensed Consolidated Financial Statements

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 of 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 relating to investments in sovereign debt and €22.366 thousand relating to debt securities in banks and other corporations.

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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 €125.192 thousand. In addition, contingent liabilities and commitments include an amount of €8.224 thousand for these entities.

In Greece loans and advances to customers include loans of €125.934 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	-	-	-	144	-	144
- loans and receivables	-	99.365	12.713	512.428	121.709	746.215
- held-to-maturity	-	-	-	980	21	1.001
- at fair value through profit or loss	-	-	-	13.394	-	13.394
	-	99.365	12.713	526.946	121.730	760.754
Greece						
- available-for-sale	-	-	-	-	147.677	147.677
- at fair value through profit or loss	-	-	-	-	112	112
	-	-	-	-	147.789	147.789
Ireland						
- held-to-maturity	-	-	-	80.051	192.296	272.347

The above tables do not include, in the category fair value through profit or loss, GGBs amounting to €132 thousand which are held by a life insurance subsidiary of the Group as assets attributable to policyholders.

The Group has no sovereign exposure in 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 September 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.

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Notes to the Interim Condensed Consolidated Financial Statements

22. Capital management (continued)

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

	30 September 2012	31 December 2011
Regulatory capital	€000	€000
Core original own funds	1.186.827	891.910
Original own funds	1.712.576	1.848.688
Additional own funds	256.853	239.267
Carrying value of insurance companies	(171.140)	(162.846)
Total regulatory capital	1.798.289	1.925.109
Risk weighted assets – credit risk	21.203.865	22.391.062
Risk weighted assets – market risk	3.575	3.463
Risk weighted assets – operational risk	2.395.363	2.395.363
Total risk weighted assets	23.602.803	24.789.888
	%	%
Core tier 1 ratio	5,0	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 nine months ended 30 September 2012 has been positively affected by the issue of shares by the Company (Note 16) and negatively by 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 of €429 million as eligible for reducing the capital shortfall.

Despite the implementation of the above measures, 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 €722 million.

As a result, 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.

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 September 2012	31 December 2011
	€000	€000
Loans and advances:		
- members of the Board of Directors and key management personnel	5.436	7.970
- connected persons	48.564	276.442
	54.000	284.412
Deposits:		
- members of the Board of Directors and key management personnel	23.753	64.866
- connected persons	41.712	47.683
	65.465	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	295	3.045
	295	26.291

Interest income and expense from related parties for the nine months ended 30 September 2012 amounted to €8.749 thousand and €2.846 thousand (corresponding period of 2011: €10.606 thousand and €3.296 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 €22.152 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 €127 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 September 2012 amounted to €5.344 thousand (31 December 2011: €34.830 thousand).

During the nine months ended 30 September 2012 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €131 thousand (corresponding period of 2011: €154 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 €270 thousand (corresponding period of 2011: €153 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €441 thousand (corresponding period of 2011: €309 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; insurance commissions amounting to €92 thousand (corresponding period of 2011: €100 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 persons connected to Mr. Vassilis G. Rologis. The total amount of professional fees paid to the law office Andreas Neocleous and Co LLC, in which the Director Mr. Elias Neocleous is a partner, from the date of his appointment on 9 February 2012 to 30 September 2012 amounted to €102 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.

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23. Related party transactions (continued)

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

	Nine months ended 30 September	
	2012	2011
	€000	€000
Director emoluments		
<i>Executives</i>		
Salaries and other short term benefits	981	1,213
Bonus waived	-	(328)
Employer's contributions	54	41
Retirement benefit plan costs	109	117
	1,144	1,043
Share options	-	359
<i>Non-executives</i>		
Fees	457	593
Emoluments of a non-executive director who is also an employee of the Company	134	130
Total directors' emoluments	1,735	2,125
Other key management personnel emoluments		
Salaries and other short term benefits	428	557
Bonus waived	-	(175)
Employer's contributions	34	29
Retirement benefit plan costs	51	57
Share options	-	134
Total other key management personnel emoluments	513	602
Total	2,248	2,727

The shareholders' Annual General Meeting held on 19 September 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.

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Notes to the Interim Condensed Consolidated Financial Statements

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 September 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	-

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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 September 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, Citali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligitimo 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 Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakou Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd and Elias Houry Estates 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, 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, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd and Gosman Properties Ltd.

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Notes to the Interim Condensed Consolidated Financial Statements

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%), Grand Hotel Enterprises Society Ltd (shareholding of 30%) and Rosequeens Properties SRL (shareholding 33%) through which the Company took part in a public auction for a Mall in Romania in the context of settling due balances of about €21 million.

25. Other information

- The total capital expenditure of the Group for the nine months ended 30 September 2012 amounted to €26.562 thousand (corresponding period of 2011: €32.374 thousand).
- The Group's provision for pending litigation or claims at 30 September 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.

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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 of:
 - 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,
 - the circumstances which led the Group to the need to apply for state support, and
 - the sale of capital securities to the public.

The above investigations didn't reach final conclusions and therefore their final outcome cannot be currently assessed.

26. Events after the balance sheet date

Under the improvements of asset and liability management and strengthening the capital adequacy ratios of the Group, during November 2012 the Group has assessed its debt securities portfolio and has decided to reclassify all held-to-maturity debt securities to available-for-sale investments in order to be able to sell these securities if and when required. The Group has already sold part of the portfolio.