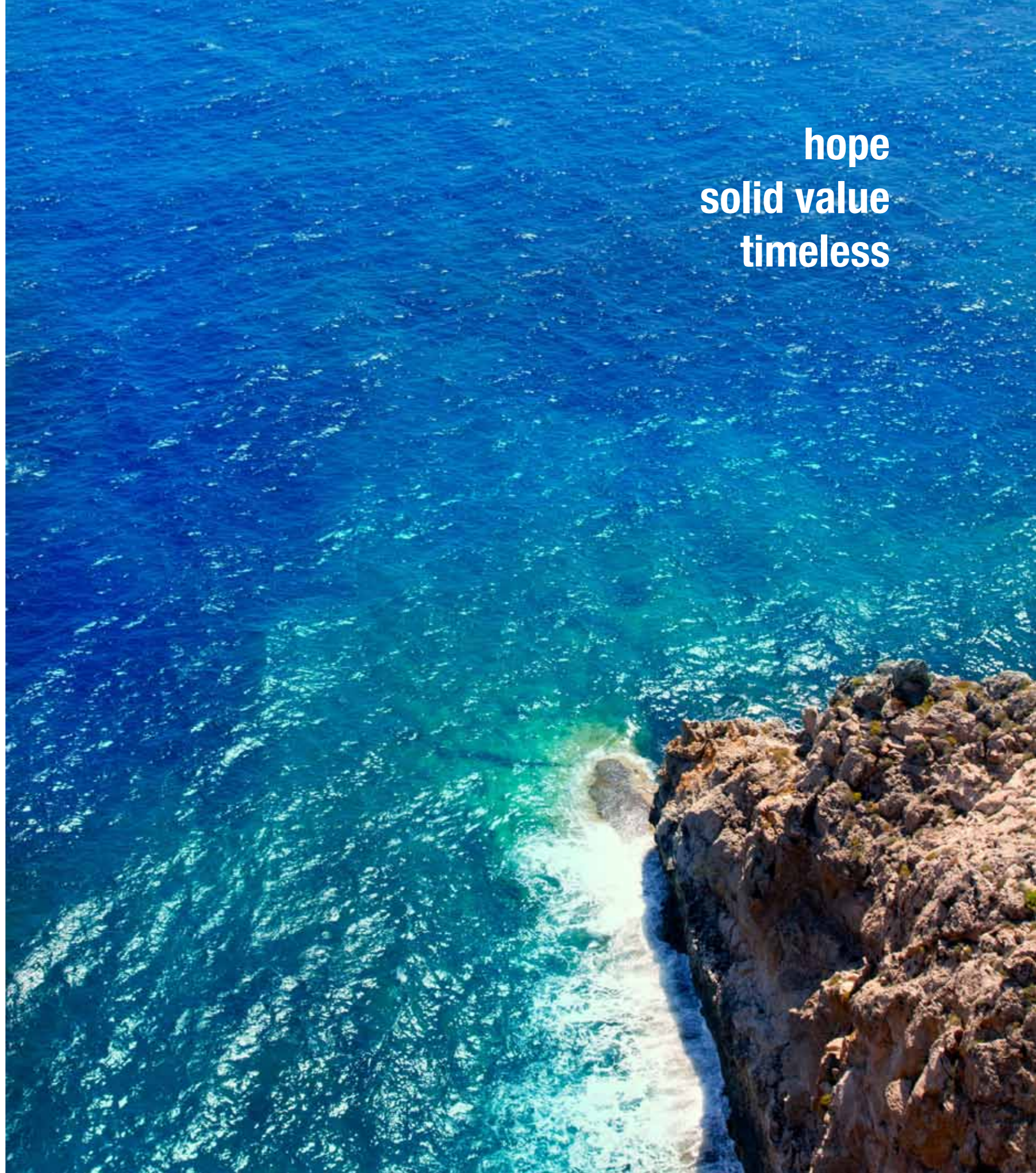




**We face difficulties and obstacles with determination and strength, ensuring the protection of the interests of our clients, shareholders and staff and keeping intact the identity of our historical Organization of Bank of Cyprus. >>**

**ANNUAL REPORT 2011**



hope  
solid value  
timeless



protection  
security  
development



**vision**  
**secure future**  
**contribution towards society**



## contents

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**Note:**

*The Corporate Governance Report, the Financial Review  
and the Financial Statements of the Group are available on  
the Group's website separately.*

BANK OF CYPRUS GROUP  
company profile

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Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. The Group offers a wide range of financial products and services which include commercial banking, finance, factoring, investment banking, fund management, life and general insurance. The Group currently operates through a total of 583 branches, of which 199 operate in Russia, 188 in Greece, 137 in Cyprus, 42 in Ukraine, 12 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 6 representative offices in Russia, Ukraine, Serbia and South Africa.

The Bank of Cyprus Group employs 11.326 staff worldwide.

At 31 December 2011, the Group's total assets amounted to €37,5 billion and the shareholders' funds were €2,4 billion. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges.

BANK OF CYPRUS GROUP  
recent awards



Best Private Banking in Cyprus for the year 2012, by Euromoney magazine.



Best bank in Cyprus for the year 2011, by Euromoney magazine.



Best Bank of the Year in Cyprus for the year 2011, by the Banker



Best Sub-Custodian bank in Cyprus, for the year 2012, by Global Finance magazine.



Best banking organisation in Cyprus for the year 2012 in the category of developed markets, by Global Finance magazine.



Bank of the year in Cyprus for the year 2011, by Global Finance magazine.



Best bank for currency exchange services in Cyprus, for the year 2011, by Global Finance magazine.



Best banking organisation in Cyprus for the year 2011 in the category of developed markets, by Global Finance magazine.



The «2010 USD και EUR Straight-Through Processing (STP) Excellence Awards» by Deutsche Bank for the Bank of Cyprus' excellence in payment efficiency rates in US dollars, in Cyprus.

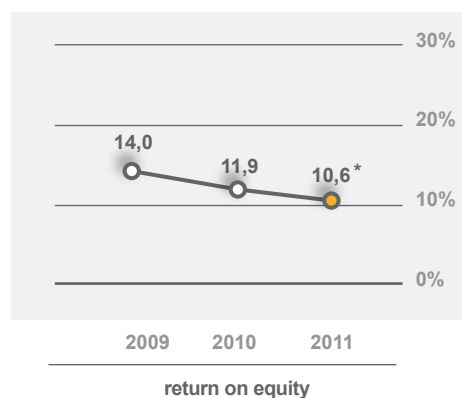
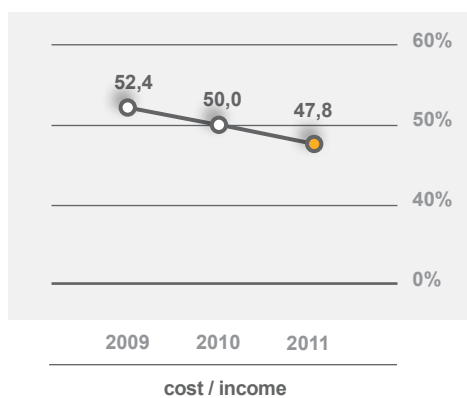
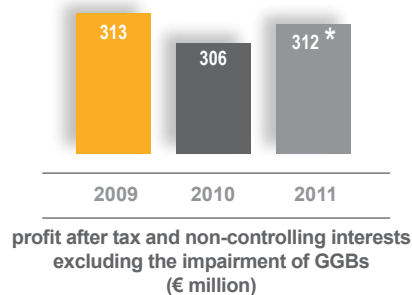
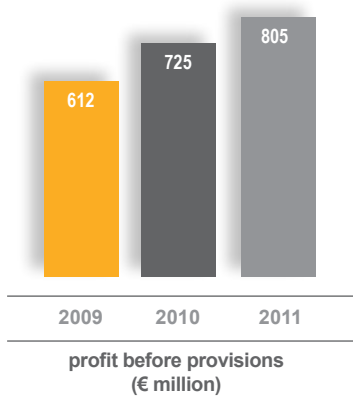
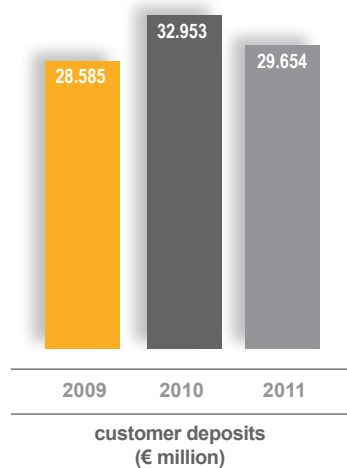
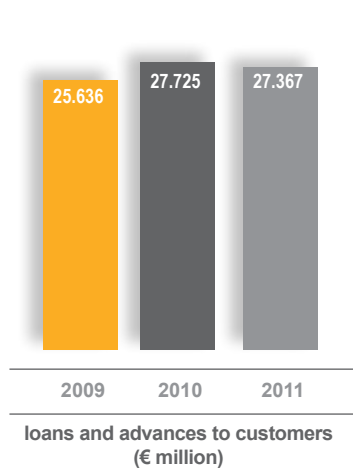


The "Morgan Chase Quality Recognition Award", for the tenth consecutive year, for Bank of Cyprus' excellence in payment efficiency rates in US dollars, in Cyprus.



International quality certification "Investors in People", for human resource management and development, since 2009.

BANK OF CYPRUS GROUP  
group financial highlights



\* Excluding the impairment of Greek government bonds before tax amounting to €1.682 million



BANK OF CYPRUS GROUP  
group financial highlights

	2011	2010	2009
<b>key profitability data (€ million)</b>			
net interest income	1.168	1.040	848
profit before provisions	805	725	612
profit after tax and non-controlling interests excluding impairment of GGBs	312*	306	313
(losses)/profits after tax and non-controlling interests	(1.371)	306	313
<b>key balance sheet data (€ million)</b>			
total assets	37.475	42.638	39.411
shareholders' funds	2.429	2.828	2.485
loans and advances to customers	27.367	27.725	25.636
customer deposits	29.654	32.953	28.585
<b>per share data (€ cent)</b>			
earnings per share (basic) excluding impairment of GGBs	30,9*	40,4	45,0
(losses)/earnings per share (basic)	(156,9)	40,4	45,0
dividend per share (interim and final)	–	9,0	16,0
<b>capital adequacy ratios</b>			
tier 1 ratio	7,5%	11,3%	10,8%
total ratio	7,8%	11,9%	11,7%
<b>number of employees</b>			
	11.326	12.009	12.127
<b>cost/income</b>			
	47,8%	50,0%	52,4%
<b>return on equity</b>			
	10,6%*	11,9%	14,0%

\* Excluding the impairment of Greek government bonds before tax amounting to €1.682 million

BANK OF CYPRUS GROUP

board of directors and senior executive management

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**BOARD OF DIRECTORS OF BANK OF CYPRUS PUBLIC COMPANY LTD  
(GROUP HOLDING COMPANY)**

**Theodoros Aristodemou**  
CHAIRMAN

**Andreas Artemis**  
VICE CHAIRMAN

Vassilis G. Rologis  
Costas Z. Severis  
Evdokimos Xenophontos  
Anna Diogenous  
George M. Georgiades  
Christos Mouskis  
Manthos Mavrommatis  
Andreas Eliades  
Yiannis Kypri  
Costas Hadjipapas  
Nikolas P. Tsakos  
Yiannis Pehlivanidis  
Stavros J. Constantinides  
Irene Karamanou  
Elias A. Neocleous

**SENIOR GROUP EXECUTIVE MANAGEMENT**

**Andreas Eliades**  
GROUP CHIEF EXECUTIVE OFFICER

**Yiannis Pehlivanidis**  
FIRST DEPUTY GROUP CHIEF EXECUTIVE OFFICER

**Yiannis Kypri**  
DEPUTY GROUP CHIEF EXECUTIVE OFFICER

**Christis Hadjimitsis**  
SENIOR GROUP GENERAL MANAGER

**Nicolas Karydas**  
SENIOR GROUP GENERAL MANAGER

*Secretary*  
Yiannis Kypri

*Legal Advisers*  
Chryssafinis & Polyviou

*Independent Auditors*  
Ernst & Young Cyprus Ltd

*Registered Office*  
51 Stassinou Street  
Ayia Paraskevi, Strovolos  
P.O. Box. 24884, CY-1398 Nicosia, Cyprus  
Telephone: +357 22122100, Telefax: +357 22336258

BANK OF CYPRUS GROUP  
 chairman's statement

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In 2011, the global economy continued to suffer from uncertainty and global financial stability remained volatile and fragile. The financial crisis which began in America in 2007 has expanded to Europe and has recently intensified, especially within the European Union, where it has turned into a debt crisis striking the core of the Eurozone and causing significant problems in general.

The Eurozone member-states continued to face significant pressure on the bond markets and in relation to their borrowing cost. As a result, in certain countries long-term debt management has become difficult. Eurozone governments have failed to respond both to the size of the problem created and with the necessary speed. The fast pace of financial developments, as well as the speed of the markets' reaction outpaced the reactions of Europe's political leadership, which is frequently characterised by lack of boldness, slow reflexes and inflexible expansionary strategy.

Despite the situation created, government bonds were considered as a low risk investment and were accepted by the national central banks as collateral for the direct provision of liquidity. Furthermore, they bear a zero risk weight for capital adequacy purposes by the regulatory authorities of the European Union member-states. The current international regulatory framework was encouraging banks to hold government bonds issued in their own currency as a part of their liquid funds and it was customary for banks to hold bonds issued by countries in which they operate.

Two Eurozone countries, Greece and Cyprus, are the focus of attention for our Group. It is unfortunate that during the global financial crisis, Greece has found itself in the eye of the storm due to its own inherent weaknesses, being a weak link in a heavily loaded chain. In addition, the great uncertainty that has prevailed throughout this period due to the fiscal crisis, the subsequent exclusion of banks from the markets and the continuous reduction of deposits have negatively affected the liquidity conditions in the Greek economy. The Cyprus economy is currently facing several problems, having been repeatedly



**THEODOROS ARISTODEMOU**  
*Chairman*

downgraded and every endeavour should be made in order to prevent Cyprus from entering the support mechanism.

The banking sector both in Greece and in Cyprus has certainly felt the effects resulting from the above. The balance sheets of the banks have been burdened by the impact of the impairment of the Greek Government Bonds (GGBs). In Greece, most of the banks have accessed the liquidity assistance programme. In Cyprus, the banking sector has demonstrated resistance against the effects of the crisis and, throughout these difficult conditions, it continues its contribution to the local economy in various ways. Similarly to 1974 when, after having suffered the trials of the Turkish invasion, the banking sector had significantly contributed to the country's development, we believe that today a strong banking sector constitutes an essential prerequisite for the exit of the Cyprus economy from the crisis and a major contributor towards its recovery. It is for this reason that the recapitalisation of banks is of upmost importance.

BANK OF CYPRUS GROUP  
 chairman's statement

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In this very adverse environment, the Group, focusing on its strategic priorities for increased organic profitability, maintenance of healthy liquidity, capital strengthening and effective risk management, remains in a position to face the effects of the ongoing financial crisis.

The Group achieved the profitability targets set for 2011, excluding the impairment of GGBs, despite the continuing negative economic developments in the main markets in which it operates, achieving increased profit before provisions and increased profit before tax and impairment of GGBs for 2011. Profit before provisions and the impairment of GGBs reached €805 million, noting a significant increase of 11% compared to €725 million for 2010 and profit after tax excluding the impairment of GGBs reached €312 million compared to €306 million for 2010, noting an increase of 2%. Including the impairment of GGBs, losses after tax amounted to €1.371 million.

The Group has reduced the book value of its GGBs by 74% of their nominal value. The pre-tax impairment of GGBs, including related hedging costs, amounted to €1.729 million for 2011, which represents 83% of their nominal value. At 31 December 2011 the carrying value of GGBs after the impairment amounted to €616 million.

The positive assessment of the Group's results by several international analysts, given the adverse conditions, is based on its strong liquidity and limited exposure to European Central Bank funding. Taking into account the Group's profitability, its asset growth and the evolution of tier 1 capital, as well as its return on equity, the prestigious international financial magazine "The Banker" has named Bank of Cyprus as "Bank of the Year 2011" in Cyprus, while the internationally renowned magazine "Global Finance" has selected Bank of Cyprus as the best banking organisation in Cyprus in the category of developed markets for 2011.

In its 113 years of history, Bank of Cyprus has traced a path in the economic life of Cyprus, making a significant contribution, which is of greater value

to the country in difficult times. At the same time, it has made an equally important contribution to society and to culture, in the context of its policy of returning to society a portion of the love and support it has received. For decades, the Bank of Cyprus Group has put into practice its Corporate Social Responsibility, which is based on four pillars: Health, Education, Culture and Environment.

In the health sector, wishing to cover a large gap in the cancer sector, we proceeded 14 years ago with the largest donation ever made in Cyprus. We founded the Bank of Cyprus Oncology Centre together with the Republic of Cyprus, contributing to date the significant amount of €40 million. Furthermore, in 2010 we promptly responded to the request for support by the Centre for the Study of Haematological Malignancies, offering the significant amount of €2 million for the completion of its construction. At the same time, we support the Cyprus Anti-Cancer Society, an effort which is significantly assisted by the voluntary contribution of the staff of our Group.

Without the slightest intention to embellish the situation in Greece, the decision of the Eurogroup on 21 February 2012, in conjunction with the successful completion of the PSI, create the necessary prerequisites for the country to avoid bankruptcy and to start moving away from the dangers of deep economic recession and an exit from the Eurozone. As pointed out by the Bank of Greece in its Monetary Policy Report for 2011-2012, the agreement of February 21st "creates a new framework for the Greek economy in the next years" for a more promising era.

In Cyprus, the package of measures for fiscal consolidation and the containing of public sector payroll costs is a measure in the right direction, but additional measures are necessary to achieve radical structural changes and significant medium and long term improvement of our fiscal position for the good of the country. Furthermore, we hope that the prospects that can be created following the discovery of hydrocarbons in the exclusive economic zone of Cyprus, will act as a catalyst for the gradual reversal of the negative psychology which unfortunately continues to affect the Cypriot economy.

BANK OF CYPRUS GROUP  
 chairman's statement

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Despite the difficult economic environment of the past years, the Bank of Cyprus Group remains strongly placed to face the effects of the ongoing financial crisis, focusing on the maintenance of increased recurring profitability and healthy liquidity, satisfactory capital adequacy and effective risk management.

Our major objective is the recapitalisation of the Bank, within the strict timetable that has been set. Upon completion of the subscriptions for the Capital Strengthening Plan, the Bank of Cyprus Group has significantly strengthened its capital position despite the uncertain economic environment and the adverse market conditions. The Bank's core tier 1 capital increased by €592 million, of which €160 million relate to the exercise of Rights and €432 million relate to the conversion of Convertible Enhanced Capital Securities into shares.

Furthermore, the Bank is proceeding with the completion of the Capital Strengthening Plan. Specifically, the Bank has the right until 18 June 2012 to exercise all or part of the Rights that have not been exercised by their Holders by 19 March 2012. Any placement of unsubscribed shares will be at the discretion of the Board of Directors and can take place at the same or at a higher price than the Subscription Price of the New Shares.

At the same time, the Bank continues to further strengthen its capital position through its profitability, as well as through other targeted actions including the effective management of risk weighted assets and the completion of the sale of Bank of Cyprus of Australia Ltd., which has contributed approximately €80 million to the Bank's regulatory capital.

In April 2011, the Board of Directors of Bank of Cyprus, in the context of further enhancing its composition with independent non-executive members, decided to appoint Mrs Irini Karamanou as an independent non-executive member of the Board with immediate effect. Then, in February 2012, the Board of Directors decided to appoint Mr Elias Neocleous as a non-executive member of the Board with immediate effect, aiming at

strengthening and reinforcing the Board of Directors with new qualified members.

In such difficult times, the collective effort is more necessary than ever. For this reason, in the current adverse conditions, the impeccable cooperation within the Board of Directors becomes even more important, as is the cooperation between the Board of Directors and Senior Executive Management. I would like to thank the Vice-Chairman, Mr Andreas Artemis, as well as the other members of the Board of Directors, for their help and support.

During the first quarter of 2012, Mr Andreas J. Jacovides and Mr Christakis G. Christofides resigned from the Board of Directors on 1 January 2012 and on 31 March 2012 respectively. On behalf of the Board of Directors, I would like to express my warm thanks to Messrs A. Jacovides and Mr Ch. Christofides for their long and valuable contribution in the Group.

The contribution and evaluation of all of us should be considered as a whole and not in part. I truly believe that Bank of Cyprus has a capable leadership which is reflected in the very good results over the years. For that reason, I would like to express our thanks on behalf of the Board of Directors and me personally, to Mr Andreas Eliades, Group Chief Executive Officer, for our excellent cooperation and his great effort to resolve the problems and implement our objectives. I would also like to thank Mr Yiannis Pehlivanidis, the First Deputy Group Chief Executive Officer and Mr Yiannis Kyri, the Deputy Group Chief Executive Officer.

On this occasion, I would like to thank Mr Vassos Shiarly, the Group Chief General Manager, who recently resigned due to his appointment to the position of Minister of Finance of the Republic of Cyprus, for his long and valuable contribution to the Group and to wish him every success in his new duties.

I would also like to thank the Group Senior General Managers, Messrs Christis Hadjimitsis and Nicolas Karydas, the General Managers, the officers and all the staff of the Group for

BANK OF CYPRUS GROUP  
chairman's statement

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their love, dedication and contribution to the Group's progress.

The impeccable collaboration and understanding between the Board of Directors and Senior Executive Management of the Group, the joint monitoring of developments and the assessment of potential risks, leads to measures which will limit to the greatest degree possible, any negative impact of these risks.

I would like to thank our Legal Advisors, the law office Chryssafinis & Polyviou and especially Mr Polys G. Polyviou.

In expressing our deep appreciation to the great number of shareholders of the Bank of Cyprus Group, I would like to assure them that we understand their bitter feelings and we listen to their thoughts and anxieties about the problems that have arisen. We truly and honestly empathise with them.

In difficult times, being introvert is not a good proposition. Today, more than ever before, we need to combine all the forces that love the Bank of Cyprus Group. We believe that with hard work and good planning and with the cooperation and help of all, the Board of Directors, management, staff and shareholders, we can resolve and overcome the problems and the Bank of Cyprus Group will move forward meeting the expectations of all stakeholders.

Thank you very much,



**THEODOROS ARISTODEMOU**  
*Chairman*

## BANK OF CYPRUS GROUP

## group chief executive officer's statement

The global financial crisis continued in 2011 for the fourth consecutive year with further escalation of public debt and budget deficits of the Eurozone countries and especially Greece. The inability of governments and institutions within the Eurozone to convincingly manage the situation has sustained the uncertainty and has further shaken market confidence, with a parallel significant impact on government bonds, not only of Greece, but also of the Eurozone periphery.

In Greece, the adoption of the revised support plan and the consequential necessary restructuring of Greek public debt with the impairment of Greek Government Bonds (GGBs), has negatively affected the Group's final results. The support plan for Greece, as well as the European Commission expansionary initiatives, may contribute to the lifting of the uncertainty regarding the Greek economy. However, it is essential that political stability is established so that the country can enter the path of growth, moving away from recession.

In Cyprus, the economic scene continues to be influenced by the deterioration of the public finances of the Republic of Cyprus, the continuing reduced level of activity in the construction and property development sectors, the impact on the banking sector due to its exposure to Greece, as well as the general conditions prevailing in Greece. Radical changes need to be made in order to solve the structural problems of public finances, and we hope that 2012 will be a year of reforms. At the same time, there needs to be a commitment of forces in order to ensure the stability of the financial sector, which constitutes the cornerstone of the economy. A note of optimism has been created by the finding of natural gas, creating new prospects for Cyprus both in the short and long term. Through the rational management of this natural wealth, significant foreign investment is anticipated, which will boost the Cyprus economy and act as a catalyst in restoring market confidence. The seriousness, prudence and foresight that we will demonstrate today, will mark the future.

In the context of the above conditions, the Group has remained focused on its strategic priorities



**ANDREAS ELIADES**  
*Group Chief Executive Officer*

for increased organic profitability, maintenance of healthy liquidity, strengthening of its capital base and effective risk management, in order to continue to be able to face the consequences of the ongoing financial crisis.

Bank of Cyprus is one of the few banks in Europe that continue to have rising organic profitability. This comprises a cornerstone for the continuous strengthening of the Group's capital base in order to absorb the consequences of the crisis.

In addition, on 31 December 2011 the Group maintained a healthy loans to deposits ratio of 92%, compared with an average 112% of European banks. Since 2008, with the onset of the crisis, the Group has increased its deposit base by 6%. In Cyprus, during the last two years, Bank of Cyprus has attracted the majority (53%) of new deposits. The tangible confidence of our customers comprises one of the most important prospect indicators. Relying on the healthy liquidity of the Group, we continue to support our customers and the economy.

## BANK OF CYPRUS GROUP

## group chief executive officer's statement

The existence of difficulties, uncertainties and risks is anticipated during a period of unprecedented crisis. Even within this period of crisis, Bank of Cyprus takes a leading role in supporting the economy, continuing to finance large development projects, standing next to its small and medium-sized clients, maintaining employment positions and its very broad social policy.

Within an environment where supervisory authorities impose new and stricter capital adequacy rules, we proceed with targeted measures to further strengthen the Group's capital base.

The Group has completed the sale of Bank of Cyprus Australia, thus enhancing its capital by approximately €80 million.

On 19 March 2012, after completing the first phase of the Capital Strengthening Plan, the Group's core tier 1 capital increased by €592 million, which we consider very satisfactory considering the adverse conditions affecting the investment climate. I would like to thank all our shareholders who continue to support the Group in these difficult times. In addition, actions are being taken for the placement of all or part of the unexercised Rights until 18 June 2012.

Moreover, with the additional strengthening of our capital position through profitability and other targeted actions, including the effective management of risk weighted assets, the Group expects to be able to meet the minimum regulatory capital requirements for core tier 1 capital and tier 1 capital within a reasonable period of time.

We currently live in a truly unprecedented environment with rapid and intense changes, in the middle of a crisis, the future of which cannot be adequately evaluated and predicted. However, we try to trace our way safely and to move firmly with the implementation of our plans. Our aim is to keep Bank of Cyprus healthy, to take all the necessary measures so that it remains the fixed point of reference for security and safety for its shareholders, customers,

employees and society.

All along this way, I would like to personally thank the Chairman of the Board of Directors, Mr Theodoros Aristodemou, the Vice-Chairman Mr Andreas Artemis and the members of the Board of Directors for their support and cooperation with the Executive Management. I would also like to express warm thanks to my colleagues in the senior management of the Group and all the staff for their efforts.

I would like to give my heartfelt thanks to Mr Vassos Shiarly who has been a close associate of mine for many years and I wish him every success in his new duties as Minister of Finance.

The heart of the Organisation is its human resources, driving the Organisation forward in these difficult conditions with its continuous efforts, showing dedication and enthusiasm. I assure you that we will do everything possible so that together we can overcome the crisis.



**ANDREAS ELIADES**

*Group Chief Executive Officer*



BANK OF CYPRUS GROUP  
vice-chairman's statement

Year 2011 has been marked by the restructuring of Greek government debt with the impairment of Greek Government Bonds, which has negatively affected the results of our Group for this year, leading to a loss after tax of €1.371 million. However, at operating level the Group achieved the profitability targets set, recording profit after tax excluding the impairment of Greek Government Bonds of €312 million, despite the very negative global financial conditions especially in the two major markets in which it operates. In the same year, excluding the impairment of Greek Government Bonds, profit before provisions, which reflects the Group's ability to generate income, increased by 11% reaching €805 million, absorbing the increased provisions that have arisen due to the ongoing financial crisis.

The strong infrastructure that we have built in previous years, both in Greece and in Cyprus, the prudent lending policy that we have followed, as well as the preventive management of problem accounts through collateral enhancement, have constituted a significant advantage for the containment of non performing loans. At the end of 2011, the cost to income ratio improved to 47,8% from 50,0% in 2010, while the loans to deposits ratio stood at 92%, allowing us to continue supporting our customers and the economy in general.

During 2011, the Group strengthened its capital base by issuing Convertible Enhanced Capital Securities (CECS), while during the first months of 2012 the Group proceeded to strengthen it further through the issue of shares and the voluntary exchange of CECS to shares totalling €592 million. As a result of the above, as well as of other targeted actions, the pro-forma total capital ratio as at 31 December 2011, including the issue of shares was 8,4%. Efforts to strengthen our capital base continue and despite the significant loss caused by the impairment of Greek Government Bonds, Bank of Cyprus is taking the necessary actions in order to cover the relatively small difference that remains, so that by 30 June 2012 it will be able to satisfy the increased capital targets set by the European Banking Authority.



**ANDREAS ARTEMIS**  
*Vice-chairman*

Year 2012 is expected to be another very difficult year, especially after the recent developments in Greece. Unfortunately, we are in the middle of a period of rapid, intense and unpredictable changes in the economic and political scene. However, we make steady progress by continuously evaluating the developments and risks in all our markets of activity, taking the necessary measures.

I would like to thank Mr Andreas Eliades, Chief Executive Officer, as well as the other members of the Group's Senior Executive Management for their hard work and their tireless and continuous efforts, as well as their excellent cooperation with the Board of Directors. I would also like to thank all the officers and staff, whose commitment and devotion constitute a driving force in the achievement of our goals through these hard times, while at the same time encouraging and strengthening us for the future.

BANK OF CYPRUS GROUP  
vice-chairman's statement

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I would also like to thank our customers for their continuous support in the adverse conditions that we are all experiencing.

Finally, I would like to express my deep appreciation and gratitude to our shareholders for their unwavering support and the continuous trust they give to the Group, despite the serious setback we have recently experienced. I would like to repeat our commitment to work tirelessly in order to restore the pace of previous years, creating value for the benefit of our shareholders.

BANK OF CYPRUS PUBLIC COMPANY LTD  
shareholder information

### As at 31 December 2011

Authorised share capital	€3.000.000.000
Number of authorised shares	3.000.000.000
Issued share capital	€899.527.638
Number of issued shares	899.527.638
Market capitalisation as at 30 December 2011 based on the closing share price	€548.711.859
Weighting on the Cyprus Stock Exchange (CSE)	24,25%
Weighting on the Athens Exchange (ATHEX)	2,54%
Weighting on the FTSE 20 - ATHEX	4,68%

### Useful information on the Bank of Cyprus Share for 2011

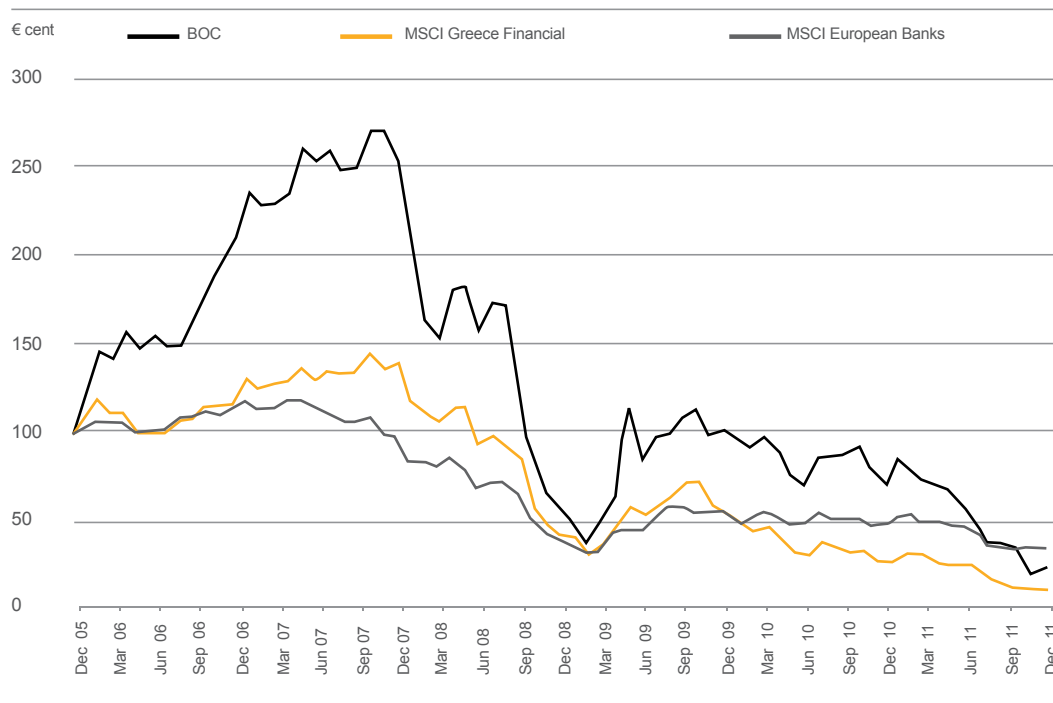
Average daily trading volume (CSE/ATHEX)	€657.757/€3.529.753
Share price high	€2,96
Share price low	€0,44
Closing share price as at 30 December 2011 (CSE/ATHEX)	€0,61
Symbol (CSE/ATHEX)	BOCY/KYΠP
ISIN	CY0000100111

### Share Performance

During 2011, the Bank's share price was affected by the difficult market conditions and particularly by the uncertainty concerning the Greek economy. Throughout the year. The Bank's share price displayed high volatility with the highest price recorded on 14 March 2011 at €2,96 and the lowest on 16 December 2011 at €0,44. During 2011, the share experienced a 76% decrease following the trend of the FTSE ATHEX BANKS INDEX for the corresponding period, which decreased by 79%.

BANK OF CYPRUS PUBLIC COMPANY LTD  
shareholder information

### Share Performance vs MSCI Indices



### Key Shareholder Data

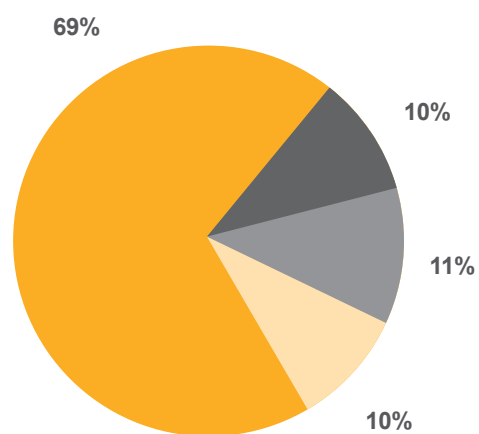
Number of shareholders		2007	2008	2009	2010	2011
By type	- Private	61.899	76.665	77.447	80.913	85.661
	- Institutional	1.066	944	1.374	1.431	820
<b>Total</b>		<b>62.965</b>	<b>77.609</b>	<b>78.821</b>	<b>82.344</b>	<b>86.481</b>
By geographical segment	- Cyprus	43.506	47.101	46.063	47.824	50.775
	- Greece	16.945	27.903	29.703	31.408	33.161
	- Other countries	2.514	2.605	3.055	3.112	2.545
<b>Total</b>		<b>62.965</b>	<b>77.609</b>	<b>78.821</b>	<b>82.344</b>	<b>86.481</b>

BANK OF CYPRUS PUBLIC COMPANY LTD  
shareholder information

**Key Shareholder Data** (continued)

Number of shareholders		2010	%	2011	%
By type	- <i>Private</i>	615.399.008	68,76	712.644.405	79,22
	- <i>Institutional</i>	279.549.190	31,24	186.883.233	20,78
<b>Total</b>		<b>894.948.198</b>	<b>100,00</b>	<b>899.527.638</b>	<b>100,00</b>
By geographical segment	- <i>Cyprus</i>	463.177.535	51,75	547.377.990	60,85
	- <i>Greece</i>	100.408.467	11,22	115.016.107	12,79
	- <i>Other countries</i>	331.362.196	37,03	237.133.541	26,36
<b>Total</b>		<b>894.948.198</b>	<b>100,00</b>	<b>899.527.638</b>	<b>100,00</b>

Shareholder structure as at 31 December 2011



- Retail investors, physical and legal persons
- Odella Resources Ltd
- Foreign institutional investors
- Cypriot and Greek institutional investors

BANK OF CYPRUS PUBLIC COMPANY LTD  
shareholder information

**Parallel Trading and Share Transfers between Stock Exchanges**

The shares of Bank of Cyprus are listed in parallel on the CSE and the ATHEX. On 31 December 2011, 59% of the total Bank of Cyprus shares were registered on the Central Registry/Depository of the CSE; the remaining 41% were registered on the Dematerialised Securities System (DSS) of the Hellenic Exchanges.

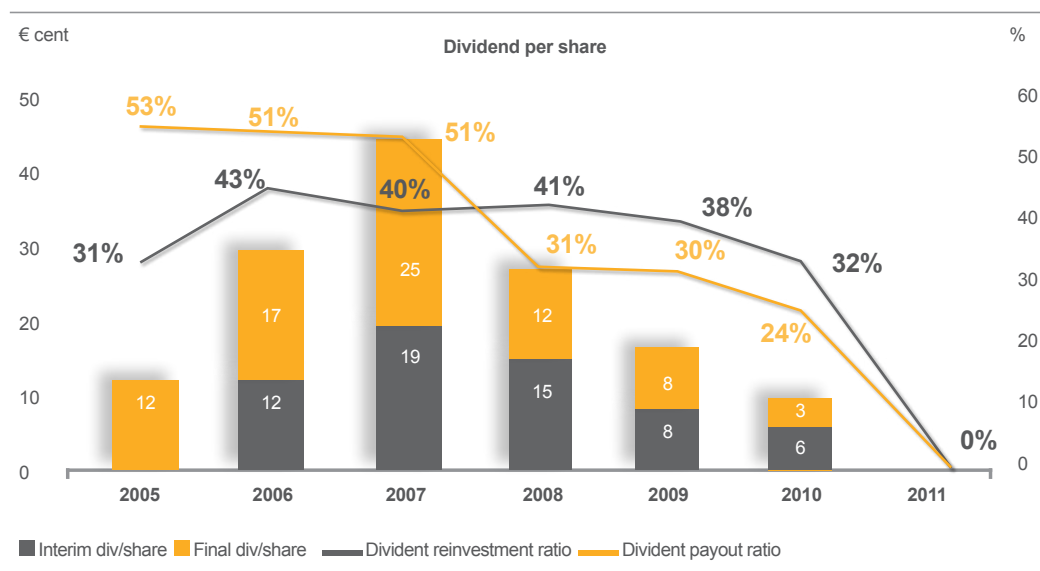
All shareholders are entitled to transfer all or part of their shares from the CSE in Cyprus to the DSS in Greece for trading on the ATHEX and vice versa (for trading on the CSE).

Shares may be transferred only if (i) they have been fully settled (trade date plus three working days) and (ii) are free of any encumbrance or third party claim.

The transfer of fully settled shares is completed on the working day following the day of receipt of the transfer request by the Hellenic Exchanges or the CSE, provided that the investor has correctly declared the required information in order to register the shares on the DSS or on the CSE.

**Dividend**

The Bank distributes dividend to its shareholders after taking into account its performance and capital position. In order to preserve capital, the Board of Directors does not propose the payment of dividend for the year 2011.



BANK OF CYPRUS PUBLIC COMPANY LTD  
shareholder information

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### Dividend Reinvestment Plan

The Dividend Reinvestment Plan allows shareholders to reinvest all or part of the dividends payable to them in additional Bank of Cyprus shares at a discount. According to the 10% discount currently offered, dividends can be reinvested at 90% of the weighted average closing price of the share on the CSE and the ATHEX for the first five working days that the share is quoted ex-dividend. Bank of Cyprus reserves the right to change the percentage discount offered.

Participation in the Dividend Reinvestment Plan is voluntary and shareholders may join or withdraw from it at any time by notifying Bank of Cyprus in writing. Participation in the plan continues to be applied for all future dividends until revoked by the shareholder or the plan is terminated or suspended by the Bank.

### Credit Ratings

During the ongoing turbulent economic environment, rating agencies reviewed and adjusted the ratings of the Bank on various occasions.

Agency	Long term	Short term	Date of last review
Moody's	B1 (negative outlook)	NP	14 March 2012
Fitch	BB+ (negative outlook)	B	2 February 2012

### Investor Relations

The market volatility necessitates continuous and timely communication with the investor community. The Investor Relations team has responded effectively to the increased demand for information regarding the developments on the Group's business, performance and strategy.

For this purpose, in 2011 the Investor Relations team, with the participation of the Group's senior management in most cases, held numerous meetings and conference calls with analysts and investors and attended international conferences.

BANK OF CYPRUS GROUP  
group operations



## BANK OF CYPRUS GROUP

## introduction to group operations

The year 2011 was the year with the greatest challenges for the Group to date, given the continuing tight liquidity, the high capital impairment due to the PSI and the further increase in the cost of risk in the Greek banking market. In these conditions, the economic drive of the Group has become evident in terms of both capital adequacy and liquidity.

Even after the impairment of Greek Government Bonds by 74%, the Group has maintained a significant capital base (tier 1 ratio of 7,5%), which is expected to be reinforced through reliable organic profitability, the effective management of risk weighted assets and other measures. The first has improved further, despite the adverse conditions, having achieved an increase in profit before provisions of 11% and an increase of 2% in profit after tax (excluding the impairment of Greek Government Bonds), thanks to our strong commitment to the maximisation of revenue and cost containment, while respecting our personnel.

Furthermore, the Group's liquidity remains one of the healthiest in Europe, with a loans to deposits ratio of 92%, financing from the European Central Bank at 6% of assets and significant liquid funds.

Given these facts, the Bank of Cyprus Group is the strongest and most reliable among its direct competitors. The Group's goal for the next year is to continue to create confidence for its depositors, further enhancing its liquidity position.

**YIANNIS PEHLIVANIDIS***First Deputy Group Chief Executive Officer*

## BANK OF CYPRUS GROUP

## introduction to group operations

Year 2011 has proved to be one of the most difficult years for the Group and the main markets in which it operates. The consequences of the financial crisis which continued without an improvement in the Greek market, have spread across the Cypriot market which has experienced the worst year since the beginning of the crisis.

At the same time, the restructuring of Greek bonds has resulted in losses of billions of euros in the books of banks that held those bonds as a part of their liquid funds.

Although the Group has recorded losses of €1.371 million for 2011 mainly due to the impairment of Greek bonds, it has presented significant durability and consistency for yet another year, achieving the profitability targets set for 2011, increasing profit before provisions by 11% and profit after tax excluding the impairment of Greek Government Bonds by 2%.

The Group, within the context of its strategic priority to maintain its capital adequacy as well as its compliance with the increased regulatory capital requirements, developed a Capital Strengthening Plan in 2011. The first phase of the plan involved a Rights Issue and the voluntary exchange of Convertible Enhanced Capital Securities to shares in March 2012, which has significantly strengthened the Bank's core tier 1 capital by €592 million despite the uncertain and adverse market conditions. The plan will be complemented with the strengthening of the Bank's capital position through profitability, the effective management of risk weighted assets and other targeted actions.

In the current adverse economic conditions, the maintenance of the Group's liquidity remains a very important parameter. During 2011, the Group managed to maintain its healthy liquidity with a loans to deposits ratio of 92%, having minimum debt repayments over the next two years and minimal reliance on wholesale funding. This provides a significant strategic advantage to the Group given the current sterility of money markets and the intense deposit competition observed in the main markets in which it operates. The Group's fundamental and firm



**YIANNIS KYPRI**

*Deputy Group Chief Executive Officer*

strategic objective is the self-financing of each market in which it operates.

It is expected that the adverse conditions of 2011 will continue in 2012, especially in the Cypriot and Greek markets. However, relying on its solid foundations and prudent strategy, the Group is in a position to cope with the oncoming difficulties.

BANK OF CYPRUS GROUP  
group operations

## BANKING IN CYPRUS

### Retail Banking

In 2011 Bank of Cyprus focused on deposit growth and the management of loan portfolio quality.

Despite the fierce competition for attracting deposits in the Cypriot market and the general negative environment, the well-established relationships of Bank of Cyprus with its retail customers and the latter's confidence in the Bank continued to be reflected in 2011 in the local euro deposits portfolio, which recorded an increase of 6,5% compared to the previous year. The influx of deposits came from term deposits and also from the savings product range "Everything about Savings".

The Bank demonstrated in practice its commitment to its customers even in difficult times; the branch network arranged a number of meetings with customers throughout the year aiming to support retail customers during this difficult economic environment. Due to the negative economic environment which marked year 2011, the loan growth rate, although positive, declined compared to previous years.

### Cards

Bank of Cyprus has long established itself as the leader in the Cypriot card market, with a 39% market share in 2011, which is considerably higher than its competitors. The Bank's success over recent years is due both to its card product portfolio, as well as to the loyalty schemes offered which are designed to meet customers' needs. Bank of Cyprus is the only Cypriot bank which offers American Express cards as well as offering MasterCard and Visa cards, which are also offered by competitors.

In April 2011, the Bank relaunched the Sunmiles American Express scheme, which now offers even more benefits to Sunmiles American Express cardholders. Specifically, cardholders now accumulate Sunmiles points much faster through their everyday purchases, thereby increasing the possibility for more travel. Furthermore, cardholders continue to

collect points through the purchase of Cyprus Airways tickets and to enjoy discounts and many other benefits.

The Bank launched promotional campaigns which offered American Express cardholders double benefits until the end of the year and cash draws to Bank of Cyprus cardholders. In addition, another draw scheme was introduced from November whereby a lucky cardholder will win an all-inclusive package for the London 2012 Olympic Games. This scheme will run from November 2011 to May 2012. Furthermore, one cent per transaction is donated to the Cyprus Olympic Team.

In addition to the above schemes, the Bank continued to reward its cardholders with many more privileges and benefits, such as preferential prices throughout the year for various product and service categories in Cyprus and abroad through the American Express Selects scheme. Moreover, during the Christmas period, the Bank sent a large number of discount coupons to all its clients.

Year 2012 will be significant because of the market challenges resulting from the ongoing economic crisis. During 2012 the Bank aims to introduce new products and improve existing ones so as to retain its competitive advantage and leading position in the Cyprus card market.

### Alternative Distribution Channels

The 1bank service offers subscribers the opportunity to carry out banking transactions through the phone or the internet, 24 hours a day. The 1bank service covers four different distribution channels: internet banking, mobile banking, interactive voice response transactions (IVR) and a call centre with customer service agents. The internet, mobile and call centre channels offer their services in three languages: Greek, English and Russian.

In addition to saving time, one other major advantage offered by the alternative distribution channels of 1bank is lower transaction costs compared to transactions carried out through branches. This allows the Bank to offer internet and phone transactions at a lower cost or completely free of charge.

## BANK OF CYPRUS GROUP

### group operations

#### **Banking in Cyprus**

Retail Banking  
Alternative Distribution  
Channels  
(continued)

The number of 1bank subscribers grows rapidly from year to year, recording an increase of 20% in 2011 compared to 2010, with a similar increase in the number of transactions. In addition, in 2011 the 1bank call centre handled almost 450.000 customer and subscriber calls (incoming and outgoing).

In March 2011, retail subscribers were offered the ability to connect and monitor their accounts at Bank of Cyprus Greece under their existing subscriber account in Cyprus. Subscribers in Greece are also able to access their accounts which are held in Cyprus.

Within this framework, since October 2011, the Bank's branches in both countries are able to service customers in relation to their 1bank subscription (new subscriber applications, account connections, new code issuance, etc.). This functionality represents a significant innovation not only for Cyprus, but also for Greece.

In November 2011, Mobile Banking was launched exclusively for devices with iOS and Android operating systems (smart.1bank.com).

The aim of 1bank is, as always, the ongoing enhancement of its operations in order to provide even better customer service.

#### **Small and Medium-Sized Enterprises**

Banking services are offered to Small and Medium-Sized Enterprises (SMEs) via the 20 Business Centres operating across Cyprus. In 2011, the Business Centres focused on providing new loans, but at the same time placed special importance on the support of their customers, in order to help them fulfil their current obligations. The above policy aimed to help customers maintain their businesses at a time when the economy is in need of stimulation.

As part of the measures to support the economy, Bank of Cyprus signed two agreements with the European Investment Bank (member of the European Investment Bank Group) in April

2011, as part of the Jeremie European Initiative in Cyprus. These two agreements allow Bank of Cyprus to provide up to €50 million of new loans to Micro and Small enterprises ("MSEs"), €35 million of which is to be provided to start-up enterprises. These loans are offered under particularly favourable terms with respect to the repayment period, grace period, collateral required and pricing. The Bank, acknowledging the need of Cypriot businesses for further growth and development, continued its successful series of business lectures entitled "Go for it" with the aim of keeping businesses informed and supporting them in various aspects of their business activity. A wealth of topics was addressed in 2011 such as "The future of Nicosia", "Entrepreneurship in times of crisis" and "Larnaca 21st century: Embracing the future".

#### **Corporate Banking Division**

Bank of Cyprus is the first choice for large corporate banking customers in Cyprus who receive exceptional service from the Bank's nine Corporate Banking Centres and 50 Customer Relationship Officers whose aim is to be continuously aware of each customer's individual circumstances and needs. Exceptional customer service is not solely confined to servicing customers' financial needs but also extends to the continuous effort to develop and maintain the Bank's relationship with each customer and to add value to their business.

In 2011, the Division achieved its goal of growing the loan portfolio while at the same time maintaining service quality. This was achieved both by increasing business with existing customers and also by attracting new clients. The servicing of corporate customers entails the provision of a comprehensive range of products and services, cooperation and coordination with other Group units and the provision of suitable solutions to all client financing requirements in a fast and flexible manner.

The continuous improvement and development of products and services involves the introduction of new financing options which are compatible with the nature of new generation business projects.

## BANK OF CYPRUS GROUP

### group operations

#### **Banking in Cyprus**

Corporate Banking Division  
(continued)

The purpose of the Project Finance & Loan Syndication Unit is the structuring of syndicated loans and the examination and assessment of specialised project finance. The Unit was introduced in response to the high demand for the financing of public and private joint ventures on projects such as roads, marinas, desalination plants etc., as well as for specialised private projects, such as renewable energy sources, shopping malls, hospitals, golf courses etc.

At the same time, in response to the increasing needs of corporate customers for liquidity optimisation, operating cost reduction and effective cash flow management, the Bank has launched the Cash Management service which offers a comprehensive framework of services with emphasis on developing and further strengthening long-term customer relations.

#### **Bank of Cyprus Factors**

The Bank's Factoring Division continued to be the leading provider of factoring services in the Cyprus market. With the primary objective of promptly identifying, correctly assessing and effectively managing credit risk, the Division has maintained its client-oriented policy by offering high quality products and services that meet its customers' needs. The broad range of factoring services provided, in conjunction with the credit assessment and credit insurance of company receivables, are proving to be exceptionally useful to the Division's customers.

The Division's pioneering position in the factoring market has raised the bar in customer service. Customers are offered direct and easy access to their accounts both through the internet and through the Bank's branch network and can monitor client sales, collections and balances on a daily basis.

The Division's long-standing experience, together with its in-depth knowledge and flexibility, have been the major contributors to its success and ensure similar success in the future.

#### **International Banking Division**

The Bank's International Banking Units (IBUs) have been operating in Cyprus since 1991, servicing clients with international activities. Currently, the Bank operates four IBUs, one in each city. The IBUs are characterised by the flexibility and adaptability of the services offered in order to meet the constantly changing needs of their particularly demanding client base. In 2011, the IBUs continued their successful performance, offering outstanding customer service in a very competitive environment, given that all banks operating in Cyprus place great importance on the International Banking Sector. Despite the negative economic climate and intense competition, the IBUs have managed to significantly increase their business volumes and profitability.

The key factors contributing to the success and rapid growth of the IBUs are the high level of service offered, their customer-oriented approach and the establishment of long-term relations with customers and associates with utmost confidentiality. The Bank's commitment to offer high quality services and to meet customers' needs was confirmed by independent experts in March 2009, when Bank of Cyprus became the first bank to receive an ISO 9001:2009 certification for all its IBUs in Cyprus. Furthermore, in October 2011 the Bank's International Banking Division obtained the internationally recognised European Certification in Business Excellence at the level "Committed to Excellence in Europe" of the European Foundation for Quality Management (EFQM), as well as the Greek Certification "Always be the best" (Αιέν Αριστεύειν) at the level "Adopting the Principles of Business Excellence" for all IBUs.

Recognising the potential offered by technology, the IBUs are constantly promoting the improvement and enhancement of the use of technology with a view to automating and improving the efficiency of their operations, as well as eliminating distances with the Bank's international client base. During 2011, several important technological and other projects were completed, which contribute to

## BANK OF CYPRUS GROUP

### group operations

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#### **Banking in Cyprus**

International Banking Division  
(continued)

the improvement of customer service, such as the ability to carry out multiple payment orders through the Bank's 1bank service. Furthermore, important upgrades were made to the innovative IBU Gateway system, which was introduced by the International Banking Division in 2010 for its business associates. The system provides direct access to the Bank's products and services and enables on-line communication and servicing of each business associate.

In Greece, the Athens IBU has been operating successfully since November 2008. Its purpose is to provide services to the Group's international customers operating in Greece.

#### **Representative Offices**

In 2011, the Representative Offices maintained their successful presence abroad, contributing significantly to the Group's profitability. Their dynamic presence covers South Africa, Russia, Ukraine and Serbia.

The Representative Offices provide Group customers with a high quality service, wherever they may be, thereby bridging geographical distance. Their experienced and well trained personnel provide information on and access to the entire range of Group services.

In Russia, the Group operates three Representative Offices with great success, located in Moscow, St. Petersburg and Ekaterinburg. Great focus is placed on servicing clients and exploiting synergies between the Group and Uniastrum Bank.

The Representative Office in Ukraine operates with very satisfactory results. Similarly to Russia, the Ukraine Representative Office is responsible for exploiting synergies between the Group and Bank of Cyprus Ukraine.

The Representative Office in South Africa has continued to perform well this year. It primarily serves the Hellenic community, thereby contributing to the maintenance of economic

and other ties between Greek immigrants and Greece and Cyprus.

The Representative Office in Belgrade commenced its operations in 2011 with very satisfactory results. Due to its geographical position, the Office covers not only Serbia, but also the rest of the former Yugoslav republics.

In 2011, the Bank submitted an application to the Central Bank of India to open a Representative Office in Bombay.

BANK OF CYPRUS GROUP  
group operations

## BANKING IN GREECE

### Retail Banking and Small and Medium-sized Enterprises

#### *Retail Banking*

Successfully addressing the particular challenges of the unstable, uncertain and volatile economic and banking environment in 2011, Retail Banking has achieved its key strategic targets, which were the following:

- Rational management of deposits focusing on maintaining volume growth, controlling deposit cost and further improving the deposit mix. As a result, the Bank has increased its market share in savings accounts to 2,9% in December 2011 from 2,5% in December 2010.
- Increase of its active customer base, especially its deposit customer base, by focusing on payroll products, while strengthening parallel operations and therefore operating profit. Consequently, in 2011 the Bank has more than doubled its new payroll accounts in comparison to 2010, reaching around 45.000 new accounts and thus increasing the number of total active payroll customers to approximately 150.000.
- In the loans sector, the Bank has followed the market pace, while also focusing on its policies for managing loan quality.

In 2011, the Bank has completed and implemented its new 1bank on-line banking platform, which was strongly advertised in the domestic market, broadening the Bank's potential for developing its operations and at the same time, upgrading its innovative and technological profile.

Meanwhile, by exploiting its customer-oriented profile, the Bank carried out an extended study for the redesign of key customer service operations through the branch network, in order to further strengthen its flexibility, simplify procedures, satisfy customers and reduce operating costs. The first changes have already been introduced and the implementation of this project will continue in the first months of 2012.

In order to adapt to the current economic conditions, the Bank has also redesigned the operating structure for both its Centralised Divisions as well as its branch network in order to optimise policy application, to strengthen flexibility and efficiency and to reduce operating costs.

The key pillars for the achievement of the above objectives were the following:

- Fast and flexible decision-making.
- Strengthening the Bank's image by focusing on reputation, transparency and customer-oriented approach, using a combination of targeted communication policies.
- Continuous and consistent motivation of employees and dedication to the Bank's objectives.

The Bank's objectives for 2012 are based on the following axes:

- Substantial and continuous monitoring of the loan portfolio quality.
- Strengthening liquidity, while also focusing on the cost of deposits.
- Continuing to optimise organisational and technological infrastructures, through innovation and product differentiation.

#### ***Small and Medium-sized Enterprises***

The Bank of Cyprus Group recognises the importance of small and medium-sized businesses (SMEs) to the economic growth of Greece and tries to support Greek businessmen through the provision of specialised services.

In the context of the general recessionary environment afflicting Greece, the Group tries to support SMEs so that they are able to cope in the new environment created by the conditions in the Greek and the global economy. Paying particular attention to the export sector, the Bank tries to strengthen the reputation of Greek enterprises through the provision of letters of guarantee and letters of credit for the facilitation of their transactions. Meanwhile, the Bank continues to support its customers' investment plans through the NSRF programs.

## BANK OF CYPRUS GROUP

### group operations

#### **Banking in Greece**

Retail Banking and Small and Medium-sized Enterprises  
Small and Medium-sized Enterprises  
*(continued)*

Special emphasis is placed on the management of the portfolio quality, increasing profitability through the maintenance of a high interest margin to counter the high cost of money, and maximising deposit retention.

#### **Cards**

In 2011, the Bank had satisfactory results in the cards sector in Greece, given the current prevailing adverse conditions.

As regards credit cards, the Bank focused on the optimisation of client service and on servicing its existing customers.

As regards debit cards, volume growth continued in 2011. Specifically, the number of active debit cards increased by 17% and the amount of transactions increased by 14% (the number of transactions increased by more than 24%) as a result of the actions taken to educate cardholders in using debit cards instead of cash for their transactions. Information campaigns for the use of the card will continue throughout 2012 as there is significant scope for further improvement.

At the same time, prepaid cards continued to account for a significant share of both the Bank's card portfolio as well as the prepaid card market in Greece and have been growing steadily despite the negative effects of the crisis. In 2011, the number of active prepaid cards increased by 12% and the total value of transactions increased by 8% (the number of transactions increased by 19%), as a result of the Bank's promotion campaign for these cards.

Furthermore, in the middle of the year the Bank commenced a collaboration with one of the largest private healthcare groups. Cardholders are offered substantial discounts and benefits with regards to health services (medical exams, medical visits, etc.) paid for using the Bank's cards.

Finally in 2011, the Bank, aiming to increase the number of transactions, carried out numerous competitions in cooperation with both Visa and MasterCard international and the Athinorama

Club, through which cardholders are offered the chance to win cash prizes and free entertainment.

#### **Direct Payments**

The Direct Payments Service provides customers the ability to settle their accounts with a large number of public organisations and private companies. This is a dynamic and constantly expanding sector, with new businesses being incorporated.

Accounts can be settled either through an ad hoc payment order or automatically through a direct debit, by charging the customer's bank account. In any case, the procedure can be carried out through the service channel which best meets each customer's specific needs, the Bank's branch network or the alternative distribution channels (Internet Banking, Phone Banking, ATMs).

In 2011, 41 new companies and organisations joined the Direct Payments Service, bringing their total number to over 150. Furthermore, there was a significant increase of 19% compared to 2010 in instructions for direct debits held with the Bank.

#### **Customer Relationship Management (CRM) Systems**

The COSMOS system is the comprehensive customer service and management system (Operational CRM) of the Bank. It has been designed to support the Bank's customer oriented approach by providing important information such as Group-level customer profiles (360° view) and the ability to design, implement and monitor promotional activities (up/cross selling) through campaigns. At the same time, it supports the recording and monitoring of customer-related matters such as interest in products, competition characteristics and any problems or complaints. The COSMOS system is the main customer information reception and processing system, with more than 2.000 users in the Bank. In 2011, over 50 promotional and information initiatives were carried out by the branch network and the alternative channels (ATMs, SMS, e-mail), with exceptional effectiveness.



## BANK OF CYPRUS GROUP

### group operations

#### **Banking in Greece**

Retail Banking and Small and Medium-sized Enterprises  
Customer Relationship Management (CRM) Systems  
(continued)

The Informational CRM system collates, processes and utilises any available information from the majority of the Bank's and its subsidiaries' systems and provides the Bank's centralised divisions and branches with comprehensive and detailed profiling of customers and their transactions. The system's special tools provide a large number of reports which support management decision making, further utilisation of the existing customer base, promotional activities, customer base analysis (segmentation and behavioural scoring) and, for the purpose of credit risk management, target setting and evaluation of the progress of the Bank's branches, products and campaigns. In 2011, the Bank implemented innovative data mining methodologies for the purposes of effective cross-selling and targeted «next best offer» to selected customers of the Bank.

#### **Alternative Distribution Channels**

The Bank offers its customers in Greece a range of self-service services, aiming to provide them with better customer service and ensuring complete coverage of their needs. Specifically, in addition to the Internet and Phone Banking services, the following specialised services are offered:

- On-line Trading, for providing information on and executing stock exchange transactions, and
- i-card, which allows cardholders to monitor their card transactions.

Year 2011 was a milestone year for the alternative distribution channels, since in November the Bank launched the innovative 1bank service which ensures for the first time, through the Internet, Mobile or Phone banking, a comprehensive snapshot of the customer's relationship with the Group both in Greece and Cyprus. The customers' response is positive and, by the end of 2011, approximately 28.000 users of the old applications have been using 1bank. More than 50.000 customers used the Alternative Distribution Channels' services in 2011, making approximately 3,7 million visits and carrying out more than 600.000 transactions.

The 1bank service has replaced the Bank's previous Internet and Phone Banking services and represents

the base for the development of self-service services offered to customers through the use of advances in technology. Within this context, the Bank has already prepared its next moves in this field.

In addition to the services offered by the Alternative Distribution Channels, the Bank's Contact Centre in Greece handled customer requests relating to information about cards, execution of banking transactions (Phone Banking), applications for loans (Loan by Phone) and general information on the Bank's products and services. At the same time, the Bank extended the functionality of its infrastructure in order to enhance customer service, focusing on areas such as Personal Banking.

#### **Corporate Business Sector** **Corporate Banking**

The year 2011 was very difficult for Greece. The adverse economic conditions led the country into recession, which in turn had a negative impact on businesses. Nonetheless, loan arrears were maintained at acceptable levels and at the same time the Bank recorded increased revenues.

Within this difficult economic environment, the Corporate Banking Division continues to support its customers by providing them with selected services which help enterprises cope with the crisis in the best possible way.

The objective for 2011 is to maintain the loan portfolio quality at a satisfactory level and enhance its profitability.

#### **Shipping Division**

Volatility in business activity, at times violent, is common in the shipping industry. However, the conditions formed since 2009 are characterised by extreme situations. Especially in 2011, the business activity and confidence of the shipping community reached its lowest point so far, as a result of the prevailing market conditions.

The key factors that led to this development were:

- the global recession and its negative impact on freight rates,

BANK OF CYPRUS GROUP  
group operations

**Banking in Greece**

Corporate Business Sector  
Shipping Division  
(continued)

- the oversupply of new ships and consequential increased supply of shipping services, which significantly exceeded the corresponding demand,
- increased oil prices, resulting in an increase of ships' operating costs, and
- the increased hardship of the international banking sector and its naturally reduced support to the shipping industry.

The world shipping industry generally expects that market conditions will deteriorate more before the market starts to recover somewhat, probably in the first semester of 2013.

The Bank's primary concern for 2011, but also its key objective for 2012, is to continue servicing and supporting its existing customers. The Bank's selective customer selection and its prudent portfolio management so far, have contributed to the containment of non-performing loans. Bank of Cyprus provided customers who encountered difficulties, effective support in overcoming their problems.

**Leasing**  
**Kyprou Leasing**

Since its incorporation in 1997, Kyprou Leasing has grown into one of the leading leasing companies in the Greek market, ranking second for a number of years. It is accredited with the ISO 9001 certification from TÜV CERT and pursues a consistent policy of offering high-quality services to its customers.

Relying on its highly trained personnel, Kyprou Leasing focuses on customer-oriented services and satisfaction of customer needs and has transformed leasing from a simple financing tool into a dynamic and necessary business partner, by creating flexible and specialised leasing products which meet the needs of businesses and entrepreneurs.

Kyprou Leasing remains focused on providing quality customer service and improving the quality of its portfolio by containing its non-performing loans. In this context, the Company's strategic objectives for 2012 are to:

- improve the quality of the existing customer base, and
- accommodate the lending needs and be able to support the Group's customers.

**Factoring Services**

**Kyprou Factors**

Despite the ongoing recession, Kyprou Factors maintained its significant position in the Greek factoring market and continued to provide liquidity to its business partners. At the same time, Kyprou Factors established new partnerships in order to offer administration factoring services.

The strategic objectives of Kyprou Factors for 2012 continue to be the increase of turnover, while maintaining a healthy portfolio and improving profitability. These strategic objectives will be achieved by focusing on:

- providing custom-tailored products (using cutting-edge technology),
- maintaining the capacity to service customers with a large number of debtors, and
- selectively expanding the portfolio through market penetration of both SMEs and corporate customers that trade both locally and abroad.

## BANK OF CYPRUS GROUP

### group operations

#### **BANKING IN RUSSIA**

Uniastrum Bank has been a member of the Bank of Cyprus Group for more than three years, during which it maintained good ratings and achieved increased core profitability. At the end of 2011, Uniastrum's regional network numbered 199 outlets, including 44 regional branches, in 48 regions nationwide.

Year 2011 saw an upturn of the Russian banking sector primarily due to stable growth in customer borrowing. During the year, Uniastrum focused heavily on two high income segments, small business and retail lending. Priority was also given to diversifying funding sources and to growing the depositor base of the Bank.

In 2011 the Group's loan portfolio in Russia increased by 6,2%, reaching €2,0 billion as at 31 December 2011. Deposits on the same date amounted to €1,3 billion, marking an increase of 16%.

Since mid 2010, Uniastrum has been implementing a program to upgrade its branches with Uniastrum's new corporate identity, with a view to sharpening its competitive edge and boosting business volumes. In 2011 six modern banking centres were launched, specially located for enhanced customer convenience in Moscow, Saint Petersburg, Kursk, Kazan, and Omsk. Likewise, in order to improve customer service, in the fall of 2011 the Bank extended its opening hours in Moscow and the Moscow region. Furthermore, some Uniastrum outlets now operate seven days a week.

#### **Retail Banking**

In 2011, Russia's retail banking sector was marked by stable asset and liability growth.

During the year, Uniastrum Bank improved and extended its retail product line, targeting specific customer segments, which were offered specially designed product packages. The commitment to building relationships with existing clientele became a key component of the Bank's retail activities. Uniastrum's cross-selling options currently include exclusive

consumer credit and credit card offers, which are continuously being expanded.

In 2011, the Bank stepped up its efforts to boost corporate sales. To this end it organised presentations of its retail products to existing and potential corporate clients.

Furthermore, with a view to promoting its retail products, Uniastrum utilised a number of new marketing tools and channels in 2011, using a popular television personality as the face of the Bank's advertising campaign for its flagship retail products.

Uniastrum's plans for 2012 include the further improvement of lending terms and conditions via even more efficient sanctioning procedures and the continuation of efforts for corporate sales growth and expansion of the product mix for sound, low risk business clients.

In 2011, Uniastrum's retail deposit portfolio grew by 23%, outperforming the monthly market average growth. A consistent uptrend in the number of new depositors was noted, whilst most existing customers remained loyal to the Bank and opted to renew their deposits.

#### ***New products***

##### ***Consumer loans***

In the summer of 2011, Uniastrum introduced a new personal loan product called "Access", which uses risk-based pricing to calculate the interest rate payable, which in turn, is based on an analysis of the customer's credit history and their risk profile. The use of risk-based pricing enables more attractive terms to be offered to reliable borrowers while also ensuring that less reliable customers pay more for credit.

##### ***Cards***

Uniastrum's range of card solutions includes over ten product groups, each of which is geared to specific customer needs and objectives. The Bank's extensive network of 560 in-house ATMs and 95 payment kiosks ensures maximum convenience for cardholders. During the year, the Bank improved the overall functioning and

## BANK OF CYPRUS GROUP

### group operations

#### **Banking in Russia**

Retail Banking  
New Products  
Cards  
(continued)

cost-effectiveness of its ATM network. In the spring of 2011, Uniastrum cards were redesigned to align them with the corporate style of the Bank of Cyprus Group.

Uniastrum also launched its Privileges Programme for its Visa card or MasterCard holders. Under the programme cardholders enjoy substantial discounts and benefits on a wide range of products and services at stores, cafes, and restaurants, as well as by healthcare, education, and sports establishments.

#### ***Car related products***

In the summer of 2011, Uniastrum introduced its auto finance programme "U-Drive", which allows borrowers to purchase a new or secondhand vehicle and automatically receive a credit card with a spending limit equal to 10% of the principal amount.

Also in 2011, Uniastrum Bank and Toyota Bank launched a joint programme under which the customers of Toyota Bank could repay their loans at Uniastrum Bank's outlets. The joint programme offers high quality service to Toyota Bank customers and gives Uniastrum Bank the opportunity for cross selling its loan products to Toyota Bank's customers.

#### **Corporate Banking**

Uniastrum offers corporate clients a broad array of products and services and at the same time operates as a dependable business partner for Russian and foreign companies conducting their activities in different sectors and regions of Russia. The Bank's corporate business is well diversified, encompassing banking products and financial services that are developed in collaboration with Group specialists and which fully correspond with the highest global standards for quality services.

#### ***Cash management***

Uniastrum offers cash management services to its clients at competitive rates which are formulated on the basis of in depth market analysis and expectations about future market conditions. The Bank is part of an international

network of correspondent banks, enabling the routing of customer interbank payment transactions in the shortest possible time between regions, as well as abroad. Due to its well-ramified branch network, Uniastrum is able to reduce remittance times to a minimum, while its uniform standard of service ensures efficient, high quality processing operations.

During 2011, Uniastrum Bank opened over 6.000 new checking accounts for companies and sole proprietors, achieving an annual increase of 17%, bringing the total number of clients to over 45.500, and also an increase in business client checking account balances.

#### ***Time deposits***

In 2011 Uniastrum Bank offered clients four types of time deposits in rubles, as well as in foreign currency.

Notable features include the possibility of topping up the deposit account, early withdrawal of funds, full or partial withdrawal, and choice on how and when interest is paid.

In 2012, the Bank is planning to further expand its client base through the introduction of new product features, thus aiming to increase its commission income.

#### ***Corporate lending***

Uniastrum's main competitive advantage in corporate lending is derived from its competitively priced long-term investment loans, whose interest rates determined in accordance with the client's risk profile. Combined with the newly introduced methods for credit risk assessment, this resulted in a marked improvement in the quality of new corporate loans.

Uniastrum's corporate lending program is geared towards the development and expansion of the client's current business. This is achieved through the offering of a comprehensive number of credit products that cover the needs of corporate clients for enhancing their operating capital, acquiring property and equipment, upgrading manufacturing facilities, overhauling and maintaining fixed assets,

BANK OF CYPRUS GROUP  
group operations

**Banking in Russia**  
Corporate Banking  
Corporate lending  
(continued)

refinancing their credit portfolio and securing trade finance. Such products include loans, revolving and non-revolving credit lines, overdraft facilities, tender, advance payment and contract performance guarantees and trade finance.

**Small Business Enterprises (SME) lending**

Uniastrum's development strategy focuses on supporting Small Business Enterprises (SME). Thanks to their ability to adapt quickly to changes in the market environment, small business owners are today among the Bank's most valuable clients.

Uniastrum's small business lending strategy aims at expanding its credit portfolio while simultaneously maintaining its quality, devising new innovative products and upgrading its sales system.

Uniastrum offers a range of different products designed to meet small businesses' goals and plans. The features of these products include flexible repayment terms and competitive interest rates. Uniastrum has a diversified SME client base engaged in different economic sectors including trade, food and manufacturing industries, transport, services, etc.

In 2011, Uniastrum delivered on its commitment to continue building its SME segment. The loan portfolio grew at a rate that was higher than the industry average. During 2011, the share of the SME portfolio in the Bank's overall portfolio grew, while the number of clients increased by 38%, reaching around 3.000.

**New products**

In 2011 small business owners were offered the following products: U-Prime, business development loans, commercial real estate loans, commercial transport loans, overdraft facilities, bank guarantees and leasing products.

Uniastrum also devised an all-purpose credit package called "Smart Loan" for small companies and sole proprietors, which includes, among other benefits, special

programs for specific business sectors, as well as exclusive offers for clients with a positive credit history. The "Small Business Smart Loan" is a credit structuring kit which enables an enterprise, assisted by a Bank loan officer, to put together an optimum business finance package best suited to its individual needs.

Uniastrum expanded the scope of its unique SME loan program so as to include small enterprises operating in the commercial real estate and housing markets. Under the program, leasing companies can obtain funds to acquire property and equipment, as well as for investment purposes. Among the program's core benefits are a streamlined application and bank decision process.

As part of its active efforts to develop its SME segment, Uniastrum holds seminars and workshops for small business owners, and participates in forums, conferences, round tables and other functions aimed at providing the small business community with advice and assistance.

Throughout 2011, the Bank continued to build on its working partnerships with regional small business assistance funds, which provide guarantees for under collateralised borrowers. To date, Uniastrum has signed agreements with 35 regional SME assistance funds.

Similarly, in line with the Bank's strategy to focus on the small business segment, was Uniastrum's collaboration with the SME Bank under the government-sponsored Small and Medium Enterprise Financial Assistance Program. During 2011, three agreements with SME Bank were signed.

Uniastrum makes every effort to ensure that all credit procedures are kept as simple and streamlined as possible. Equal attention is paid to developing and enhancing its online services for this segment with a view to reducing loan sanctioning periods and improving service quality. In 2012, the Bank's priority will be to design package solutions for different business

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group operations

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**Banking in Russia**

Corporate Banking

New products

*(continued)*

segments, which will include merging some of the Bank's more popular products and services into a single business package.

**Alternative distribution channels**

Uniastrum's commitment to the deployment of state-of-the-art technology continued during the year with the upgrading of its electronic banking services for retail customers. The enhanced functionality of the Bank's internet solutions offers clients the ability to perform over 50 different online operations, which include online information on their accounts, loans and deposits, transfers between their own accounts and third party accounts, foreign exchange services and payment for services provided by more than 800 Russian companies.

Furthermore, in order to enhance the security of customer transactions, the Bank switched to an electronic transaction certificate exchange system which uses randomly generated eToken passwords.

In 2011, Uniastrum conducted a successful campaign geared towards attracting as many customers as possible to the Bank's mobile texting service.

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## BANKING IN OTHER COUNTRIES

### Ukraine

Despite the negative economic and banking environment during 2011, Bank of Cyprus Ukraine achieved its strategic expansion plans and maintained its profitability.

The Bank continued the development and expansion of its modern and dynamic network in key regions of Ukraine. By the end of 2011, 42 branches were in operation in nine regions (Kyiv, Lviv, Odessa, Kharkiv, Zhytomyr, Zaporizhyya, Crimea, Dnipropetrovsk and Donetsk).

The Bank has pursued business development opportunities in all banking segments (retail, SMEs, corporate), while at the same time developing both loan and deposit products. In the second half of 2011, great emphasis was placed on the development of deposit products with considerable success, as deposit balances doubled by the year-end. In addition, a number of new loan products were introduced for retail clients (consumer loans, car loans and mortgage loans) and SMEs (commercial car loans and commercial property loans). Furthermore, Bank of Cyprus Ukraine has significantly improved its position in the cards sector. Debit card products were completely redesigned and re-priced, while the introduction of credit cards to selective customers was initiated.

In 2011, Bank of Cyprus Ukraine improved and strengthened its business banking structure while continuing to pursue its prudent lending strategy. At the same time, it expanded its product line for SME and corporate clients and continued its policy to assist customers to overcome financial difficulties. The Bank was very active in applying the policies and directives of the Group in terms of strategy and business expansion, as well as for the management of the existing loan portfolio, with results that outperformed equivalent local and foreign banks in Ukraine.

The main strategic plans and goals of the Bank for 2012 are the following:

- Achieve the budgeted profit targets set by

the Group.

- Achieve the self-financing targets of the branch network.
- Increase the deposit portfolio and improve the “loans-to-deposits” ratio.
- Introduce new local currency loan products.
- Further improve the quality of the existing loan portfolio.
- Complete the implementation of the new Group IT system and introduce new internet banking.
- Develop new innovative sales processes.
- Enhance service quality.

A major task and landmark for 2012 will be the relocation and operation from the new head office building in Kiev by the end of the year. It is expected that the new branch which will be located in the new head office will be operational by May 2012 in order to service the increased needs of the city expected as a result of the European Football Championship which will be held in Ukraine in June 2012.

### Romania

In 2011, Bank of Cyprus Romania (BOC Romania) achieved its main objectives of maintaining its liquidity position through the attraction of new deposits and of maintaining its profitability levels through effective cost management.

In 2011, business development was based on the full operational utilisation of the existing branch network by focusing on sectors less affected by the crisis and companies that demonstrated a balanced financial position and healthy performance. BOC Romania undertook pro-active measures to limit credit risk and effectively manage arrears, while enhancing business relationships with the existing client base.

BOC Romania currently offers a wide range of financial services with particular emphasis on a high standard of customer service for retail, SME, corporate and premier customers. Benefiting from low fixed costs, in 2011 the Bank focused on building a strong internal organisational structure, while creating a competitive advantage through its flexibility and personalised service.

## BANK OF CYPRUS GROUP

### group operations

#### Banking in Other Countries

Romania  
(continued)

After the third year of operation of BOC Romania's internet banking and Visa Classic debit card, the number of subscribers to internet banking increased by 50% during the 2011, while a significant number of new Visa Classic cards were issued. Furthermore, following the launch of a salary scheme product, the Bank succeeded in gaining new customers in this sector.

In spite of the fragile situation of European economies and fierce local competition, BOC Romania managed to expand its customer base, particularly in retail banking. Despite the relatively low investment in marketing, the Bank has managed to enhance its brand awareness by capitalising on its flexibility and the provision of personalised services.

The financial crisis had a negative impact on lending growth. Nonetheless, BOC Romania managed to maintain its profitability at similar levels to those of 2010, by continuing its prudent business strategy.

Although the economic recovery remains fragile, BOC Romania is not only in a position to meet challenges but also to capitalise on opportunities by moving swiftly and decisively to reposition its business and to demonstrate profitability and risk discipline.

#### United Kingdom

Bank of Cyprus UK made a positive contribution to the Group's profitability in 2011 despite the continuing European and global financial crisis.

In view of the difficult market conditions, during 2011 the Bank continued to focus on risk management, conserving liquidity for good quality and adequately remunerated lending.

Costs remained flat in 2011 compared to 2010 due to efficiency gains achieved through further automation, enhanced online banking capability and cost savings. As a result, Bank of Cyprus UK is well placed to face the continuing adverse economic climate and to capitalise on opportunities arising from an improvement in the economy.

In November 2011, Bank of Cyprus UK announced its intention to incorporate by transferring its business from a branch to a UK company. In a challenging and uncertain international economic climate, the Group believes that the incorporation of its UK business best serves the interests of its customers and other stakeholders. Incorporation will take place as soon as possible after completion of the necessary formalities to obtain supervisory and court consent.

Bank of Cyprus UK will continue to offer a quality relationship-based service to small enterprises and to self-fund its lending by offering competitive rates to its savers.

#### Australia

During 2011, the Bank of Cyprus Group proceeded with the sale of its subsidiary bank in Australia, Bank of Cyprus Australia Ltd (BOCA), to Bendigo and Adelaide Bank Limited. The decision to sell BOCA is in line with the Group's strategy for further strengthening its capital position and its liquid funds.

Bendigo and Adelaide Bank Limited will continue serving the banking needs of the Cypriot and Greek community in Australia through BOCA.



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## GENERAL INSURANCE SERVICES

### General Insurance of Cyprus

The Group provides general insurance services in Cyprus through its subsidiary, General Insurance of Cyprus (GIC).

Despite the ongoing economic crisis, GIC's positive performance continued throughout 2011, significantly increasing its organic profitability.

By applying prudent insurance principles in terms of pricing and risk taking, as well as through the rational development of each business line, GIC maintains an insurance portfolio that is unique in the Cypriot insurance market in terms of both composition and quality.

The success of GIC is also a result of its clear strategy which is based on the promotion of insurance products in a professional manner using the latest bancassurance methods, the utilisation of the potential offered by modern technology and the ongoing training and development of its staff.

In 2011, the Company also placed particular importance on its preparation for the adoption of the European Union's Solvency II Directive, which lays down the new supervisory framework and methodology for calculating capital adequacy for insurance companies and is expected to come into effect in 2014. Within this context, the Company prepared and implemented a detailed action plan for the timely compliance with the provisions of the Directive.

### Kyprou Asfalistiki

The Group provides general insurance services in the Greek market via Kyprou Asfalistiki, which is a branch of GIC. In the nine years since it was established, Kyprou Asfalistiki has demonstrated dynamic growth in terms of both generating insurance premiums and profitability.

Kyprou Asfalistiki offers all types of general insurance services with the exception of motor insurance, legal protection, credit and

guarantees. Its main objective continues to be the provision of insurance services to the Group's customers in Greece, through the creation of products offering comprehensive coverage, which can be tailored to meet the specialised requirements of specific sectors of the market.

The products of Kyprou Asfalistiki are promoted mainly through the branch network of Bank of Cyprus Greece, while more specialised customer requirements are serviced directly by the highly-trained officers of Kyprou Asfalistiki.

The key strategy of Kyprou Asfalistiki is to maintain the high level of professionalism and customer orientation of its staff in order to ensure that Group customers are provided with the best possible insurance service.

## LIFE INSURANCE SERVICES

### EuroLife

The Group provides life insurance services in Cyprus through its subsidiary EuroLife.

In 2011, EuroLife maintained its leading position in the Cypriot life insurance market. Despite the slowdown of the Company's growth as a result of the ongoing economic crisis, total premiums earned in Cyprus increased in 2011.

In 2011, the stock markets affecting the value of the units of EuroLife's funds recorded substantial losses, and as a result the funds also registered negative returns (with the exception of the Guaranteed fund), which were, however, relatively contained due to the wide diversification of the investments. Despite the negative returns in 2011, EuroLife's funds continue offering positive returns in the medium and long term, thereby adding value to customers' policies.

The Company achieved satisfactory profitability in 2011 even though it has been affected by bond impairment and a reduction in new business, as a result of the ongoing economic crisis. The Company

## BANK OF CYPRUS GROUP

### group operations

#### Life Insurance Services

EuroLife  
(continued)

has established itself as the most profitable life insurance company in the Cypriot market. The Company's continuous growth and enviable success is a product of the following factors:

- proper strategic planning,
- effective exploitation of synergies with the Group,
- high level of professionalism,
- prompt and high quality customer service,
- proper investment management, and
- reliable personnel.

EuroLife's main strategic objectives for 2012 are to:

- be the first choice for individual and group life insurance,
- enhance its market share in the accident and health insurance sector,
- continue to offer products and services which cater to the personal needs and wishes of both the Bank's customer base and clients from the remaining market, by offering individual and collective products which are competitive and flexible,
- achieve higher levels of customer satisfaction without compromising profitability, and
- maintain strong and lasting relationships with its customers, staff, insurance consultants, the Group and its other partners.

#### Kyprou Zois

Kyprou Zois, a branch of EuroLife, offers life insurance services in the Greek market. Kyprou Zois offers life insurance products which:

- correspond and are linked to the products and services offered by the Group to both retail and corporate customers in Greece,
- are promoted via the Bank's established distribution channels using simple procedures which comprise an extension of those used for banking products, and
- are mass-marketed to targeted groups of the Bank's customers to provide informed insurance services.

Kyprou Zois offers life insurance policies for all types of loan products offered by Bank of Cyprus to private individuals, both retail and business professionals. The insurance products linked

to loans (mortgage, business, consumer and personal loans) and credit cards, have among the highest penetration rates in the Greek banking market.

Furthermore, Kyprou Zois has developed stand-alone products for accident cover, life assurance, supplementary pensions, beneficiary policies for children and wage schemes that are marketed both through the Bank's branches and directly to customers using the Bank's CRM infrastructure. Moreover, Kyprou Zois has been assigned the pension plan of the Group's personnel in Greece.

Recently, Kyprou Zois introduced an automated risk assessment system allowing the Bank's branches to independently provide immediate issuance of insurance contracts.

Kyprou Zois has recorded consistently impressive growth and is ranked as one of the most profitable life insurance companies in the Greek market.

In 2011 Kyprou Zois introduced new innovative products to the Greek market, the main one being 'Kyprou Pension'. The objective for 2012 is to further penetrate the Bank's customer base, both business professionals and retail, by offering products that are not linked to loans.

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group operations

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## **BROKERAGE AND INVESTMENT SERVICES**

### **The Cyprus Investment and Securities Corporation (CISCO)**

CISCO provides a full range of investment services in Cyprus, covering brokerage, fund management and investment banking services.

Since October 2006, CISCO has been operating as a remote member of the Athens Exchange (ATHEX) executing trades on the ATHEX.

The expansion of the Brokerage Division's operations and customer base led to an increase in the market share of transactions on the Cyprus Stock Exchange (CSE) in recent years. In 2011 CISCO had a market share of 21,3% compared with 14,4% in 2008. CISCO also increased its market share on the ATHEX, executing transactions which amounted to approximately €240 million.

The expansion of the Company's client base through the CISCO on-line service played a key part in increasing CISCO's market share both on the CSE and the ATHEX. In 2011, the Company introduced a new online trading platform for trading on the international stock markets using multi-currency bank accounts.

The Investment Banking Division's activities focused on the provision of advisory services for the secondary market, issues of bonds and share capital and advisory services for mergers and acquisitions. Furthermore, it provided consultancy services on financial planning, corporate restructuring and business planning. The Investment Banking Division was also heavily involved in the issuance of the Convertible Enhanced Capital Securities conducted by the Group in the first half of 2011.

The Company's Fund Management Division expanded its wide range of institutional and retail customers. The Fund Management Division's client base includes provident and pension funds, investment companies, insurance companies and private investors from Cyprus and abroad. The Fund Management Division offers an extensive

range of services and provides products which cover the international capital markets. During 2011, the Division recorded significant business growth primarily due to new client relationships with pension funds.

CISCO's main strategic objective remains to maintain its leading role in all three sectors of its operations. Its immediate goals are to increase turnover, to introduce new innovative products and services, to expand the Company's client base and to take advantage of synergies with the Group.

### **Kyprou Securities**

The knock-on effect of the ongoing recession on the real economy continued in 2011 and was reflected on the Greek securities market by an overall drop in share prices and trading volumes on the ATHEX.

Despite this, Kyprou Securities continued to expand its operations by taking advantage of the wide customer base of the Group's branch network in Greece and also by attracting customers from the competition through the provision of consistently professional service, flexibility in its pricing policy, improved product base and alternative distribution channels.

Within this context, the Company continued to promote its new online trading platform for trading on ATHEX and international stock markets using multi-currency bank accounts. Furthermore, the development of the platform for the trading of ATHEX listed derivatives has commenced. An extensive marketing campaign was also rolled out via the branch network, the mass media and the internet. As a result of these actions, the number of online customer transactions as a percentage of the total number of transactions has increased from 25% in 2010 to 38% in 2011, while the total number of customers has increased by 9%.

In 2012, alternative types of investments will continue to supplement customers' choice of investments through the use of different distribution channels. Kyprou Securities will continue to strengthen its position in this sector by

## BANK OF CYPRUS GROUP

### group operations

#### **Brokerage and Investment Services**

Kyprou Securities  
(continued)

responding to today's challenges and emerging opportunities.

#### **Investment Banking Division**

The Investment Banking Division's activities focused on the provision of advisory services on the secondary market for share capital increases and bond issues and on mergers and acquisitions.

#### **Kyprou Asset Management AEDAK**

Having commenced the adaptation of its products and services since 2010 with its primary focus on foreign markets, Kyprou Asset Management AEDAK has succeeded in offering interesting investment proposals to Greek investors, thus attracting new capital, despite the negative environment in the markets.

In 2011, Kyprou Asset Management AEDAK demonstrated prudent management of existing funds and, in cooperation with the Private Banking Service of Bank of Cyprus Greece, managed to significantly expand its Discretionary Portfolio Management Division, offering prudent risk exposure in the international markets through all-encompassing procedures and a customer-oriented approach.

The Company has further expanded its cooperation with large international investment houses, representing, marketing and distributing their mutual funds and UCITS. As a result, in addition to the mutual funds of UBS Asset Management, Kyprou Asset Management also offers mutual funds of BNP Paribas, BlackRock, Franklin Templeton, JP Morgan, Pictet and Invesco.

The Company's investment strategy objective continues to be the outperformance of benchmark indices at the lowest possible investment risk.

#### **Fund Management**

In 2011, the Fund Management Division addressed adequately the great challenges that occurred in the capital markets. The Group expanded its wide range of institutional and retail customers by participating successfully in fund

management tenders. The Fund Management Division's customer base includes pension funds, investment companies, insurance companies and private investors from Cyprus and abroad. The Fund Management Division offers an extensive range of services and provides products which cover the international capital markets. In 2011, the range of offered products was expanded with a series of model portfolios with predefined investment strategies, which customers can select depending on their financial needs.

#### **Group Wealth Management & Global Markets**

The Group Wealth Management & Global Markets Division comprises of the following units: Private Banking, Institutional Wealth Management & Global Markets, Investment Strategy & Advisory Management and Wealth Management Banking Services.

In addition, the Division further offers Asset Management, Custody, Investment Banking and Brokerage services. As a result, the services offered to the customers provide a comprehensive financial relationship which is based on the values that distinguish the Bank of Cyprus Group: Trust, Security, and Integrity.

#### **Private Banking**

Private Banking aims to provide a complete range of investment and banking products and services to high net worth individuals through its offices in Cyprus, Greece and the Channel Islands.

During the last few years, the Division has adopted a holistic approach policy, under which clients are advised by a team of professionals specialised on international markets. The team proposes the best possible fund and risk management solutions, tailor-made to the investment profile and objectives of each customer.

The year 2011 was successful for the Private Banking Division. Despite the turbulence in international markets, the Division has enhanced its range of investment products and services, through collaborations with international fund management houses.

## BANK OF CYPRUS GROUP

### group operations

#### **Brokerage and Investment Services**

Group Wealth Management  
& Global Markets  
Private Banking  
(continued)

The aim of the Private Banking Division for 2012 continues to be the upgrade of the services offered and the expansion of its customer base both in Cyprus and abroad.

#### ***Institutional Wealth Management & Global Markets***

The objective of the Institutional Wealth Management & Global Markets Division is to meet the needs of the Group's institutional customers such as asset management companies, financial institutions, insurance companies, pension and provident funds and also to service corporate customers and organisations.

The Division provides advisory fund and risk management services to its customers, with the aim of achieving the best possible asset allocation based on the investment objectives for each customer.

2011 was the Division's second year of operation and its performance in terms of both funds under management and income are indicative of the Division's effective planning and organisation.

The Division's objective for 2012 is to further strengthen its position by introducing technological enhancements, as well as further enhancing its product base. As Cyprus is becoming a financial and energy centre, the Institutional Wealth Management & Global Markets Division will be at the forefront of developments with a catalytic role.

#### ***Investment Strategy & Advisory Management***

The Investment Strategy & Advisory Management Division has a significant role in the investment research and the portfolio advisory management of the customer base of the Group Wealth Management & Global Markets Division.

The Division is a significant tool for Investment Advisors and Fund Managers, as it offers daily and weekly telephone conversations, market reports, periodic analysis on financial market developments, news updates, as well as enhanced investment strategy and model portfolios.

Recognising the importance of research and development, the Group has strengthened its Investment Strategy & Advisory Management Division in 2011. The Division now includes the Equity Market Department that covers securities (domestic and foreign), aiming to further enhance its investment services. At the same time, the Division has expanded its model portfolios by introducing the Global Absolute Return Portfolio in Euros and US Dollars.

The Division cooperates with international fund management houses, evaluates their mutual funds and promotes new collaborations (as part of an open architecture approach). Moreover, the Division monitors the investment risk that derives from the inclusion of mutual funds in the model portfolios.

#### ***Custody and Trust Department***

The Custody Department provides a full range of custody services for investing in the Cyprus, Greek and international markets. The funds under the Bank's custody are in excess of €2,8 billion. The Bank, through its Custody Units in Cyprus and Greece, and with an extensive network of partners worldwide, is in a position to serve Group clients in respect of both their local and global needs.

The services offered include:

- transaction settlement,
- safekeeping of certificates,
- client reporting,
- monitoring and execution of corporate actions,
- proxy voting,
- collection of interest and dividends,
- deduction of withholding tax at source, and
- tax refund claims.

Furthermore, the Department provides custody services and other specialised services for International Collective Investment Schemes (ICIS).

#### **Bank of Cyprus Channel Islands**

Bank of Cyprus Channel Islands offers innovative deposit and lending products to Group customers. It also provides Private Banking customers with investment and brokerage services.

## BANK OF CYPRUS GROUP

### group operations

#### GROUP TREASURY

Group Treasury is responsible for the proactive management of the Group's assets and liabilities based on a strategy laid down by the Group Assets and Liabilities Committee (ALCO).

Group Treasury participates in the money and bond markets and manages the Group's liquidity risk, with the objective of increasing profitability through the effective management of liquid funds and liabilities. Liquid funds are placed mainly in deposits and liquid bonds with high credit ratings. Liquidity is raised mainly through bond issuance programmes in Cyprus and abroad. Moreover, alternative sources of liquidity include the European Central Bank (ECB) via its Main Refinancing Operations and interbank financing. Within this context, the Group has obtained funding from the ECB and from other banks by placing bonds as collateral.

In 2011, the government debt crisis in the Eurozone had deteriorated and as a result Portugal followed Greece and Ireland in resorting to support packages from the European Union and the International Monetary Fund. Moreover, the credit rating agencies proceeded with a number of downgrades of sovereigns and banks. The Group currently has significant liquid funds as a result of Group Treasury activities in the capital markets.

In the context of enhancing the Group's liquidity and profitability, Group Treasury completed the establishment of a €5 billion covered bonds program in July 2011 and proceeded with the issue of two covered bonds amounting to €1,7 billion, which are secured by mortgage loan portfolios of the Bank in Greece and Cyprus.

#### INFORMATION TECHNOLOGY AND ORGANISATION & METHODS

2011 was marked by the introduction of the new Core Banking System, thereby laying the foundations for the Group's technological strategy

of standardisation under common infrastructure, systems and processes.

The new Core Banking System, a "new generation" system, offers:

- multi-currency transactions and functionality,
- multilingual functionality,
- collateral management at account level with automated adjustment and calculation of the available realisable value,
- simplified teller transactions, and
- fully automated cheque management and processing system.

The above ensure the fastest response to the market's business needs and the enhancement of synergies among the Group's units, thereby allowing for customer service at Group level while containing the cost of development, operation and maintenance of the technological infrastructure.

In 2011, although the Information Technology Division (ITD) focused on the implementation of the above major project, it nevertheless completed many other projects that contributed to the achievement of the Group's wider strategy.

#### Green IT

Green IT is a new and fast developing area through which a contribution is made to environmental issues. In 2011, the ITD focused on recycling old and defunct computers and reducing the energy consumption of information systems. These actions resulted in a reduction of the electricity consumed by branches in Cyprus by 50% which is equivalent to a similar reduction in CO<sub>2</sub> emissions. In simpler terms, this corresponds to the withdrawal of 101 cars or, even better, to the reforestation of 158,000 m<sup>2</sup>. The aim is to save more energy not only in IT, but also through IT with the implementation of applications that lead to a friendlier environment.

#### Main Information Technology Projects in 2011

##### *1bank – Internet Banking*

The enhancement of this strategic project continued during 2011. In addition to infrastructure improvements, year 2011 was marked by the

## BANK OF CYPRUS GROUP

### group operations

#### Information Technology and Organisation & Methods

Main Information Technology Projects in 2011  
*1bank – Internet Banking (continued)*

inclusion of Greece on the same '1bank' online system that is used in Cyprus.

Some of the new, common capabilities are:

- Users can view detailed information about their accounts held in Cyprus and Greece using a single login code, as well as historical information for up to 2 years.
- Money transfers between accounts (from Cyprus to Greece and vice versa).
- Payment of over 90 different Greek utility bills and credit card payments.
- Providing a summary view of the user's account balances, offering user-friendly functionalities, such as account classification and filtering.
- Information on cards (detailed statements, new transactions, monthly statements), mutual funds and currency exchange rates for Greece and Cyprus.

The new functionality for 'Mass Payments' was introduced in 2011 and proved to be particularly useful for companies. In addition, specialised functionality was provided to certain customers who were offered the capability of making mass transactions.

#### **1bank for Smart Devices**

In the context of introducing new technologies and with the aim of providing services to the new generation of customers, the Group was the first in Cyprus to provide the 1bank application for iOS (iPhone, iPad) and Android Smartphones.

This application is an updated version of the 1bank Mobile Banking application, through which banking transactions can be safely completed via mobile phones or other 'smart' devices by logging on to smart.1bank.com, easily and directly 24 hours a day.

#### **New Insurance System of Kyprou Asfalistikí in Greece**

In the context of the Group's strategy for common infrastructure and systems in all countries, the ITD installed and implemented in 2011 at Kyprou Asfalistikí in Greece the same insurance system as its parent company, EuroLife, in Cyprus.

The new system:

- covers all existing operations of Kyprou Asfalistikí,
- enables fast development of new requests,
- is fully compatible with the system used by the parent company in Cyprus, and
- offers automated dispatch of documents to clients.

#### **Compliance Systems**

In this crucial area, where apart from ensuring the smooth conduct of operations in a financial institution, numerous compliance obligations also arise, significant actions have been taken which can be summarised as follows:

- Filtering of the entire customer base of the Bank in Cyprus and its subsidiary, CISCO.
- Connection to Bank of Cyprus Romania to allow the completion of checks of new and existing customers.
- Automated report creation primarily covering anti-money laundering issues.

Furthermore, the upgrading of systems is of particular importance in order to meet the growing workload and to enable the interconnection with new countries.

#### **Straight Through Processing (STP)**

The automated execution of inward and outward bank transfers was another major project in 2011. Following the successful pilot implementation of the automation of inward transfers, the Division proceeded with the successful implementation for outward transfers.

#### **Video Broadcasting**

In the context of implementing innovative technologies and with the aim of better marketing of the Bank's products, but also improving direct communication with staff and clients, a special system was installed in all the branches in Cyprus to promote products, services and also internal communication.

A television appliance installed in a public area in branches communicates with a central marketing broadcasting system for the promotion of the Group's operations and services. This technology

## BANK OF CYPRUS GROUP

### group operations

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#### **Information Technology and Organisation & Methods**

Main Information Technology  
Projects in 2011  
*Video Broadcasting*  
(continued)

also enables live broadcasting of picture and sound, thus fulfilling the need for immediate staff updates related to the Group's strategy, training etc.

#### ***Unified Communications System***

With the geographical expansion and growth of the Group's operations, the improvement of communication, co-operation and consequently the productivity of the units of the Group is of vital importance, especially when this results in a reduction of operating costs.

During 2011 the unified communications policy was implemented, allowing users to carry out:

- audio/video calls and meetings,
- interactive product presentations, remote training, support etc., and
- text messaging/chat.

In addition to the above, the majority of overseas phone calls are made through local exchanges, thereby limiting costs to local rates.

#### ***E-mail***

The centralised infrastructure required to operate e-mails was another major infrastructure project in 2011 which aimed at achieving economies of scale.

The Group's e-mail system operates using the same processor, the same common security systems as well as a central administration team. As a result, the maintenance, management and monitoring of the systems is now easier.

#### ***Organisational Structure***

The O&M Group Foreign Operations Division was formed at the end of 2010 for the better support of the Group's international operations in the area of IT and O&M.

The main objective of the Division is the standardisation of banking methodologies and processes, and the organisation of operations at a Group level in order to achieve economies of scale and significant synergies, as well as the effective monitoring and oversight of operations.



BANK OF CYPRUS GROUP  
group operations

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## OPERATIONS

The key objective of the Group Operations Division is to free up, as much as possible, the branch network and all Group customer service channels from time-consuming back-office procedures.

The Division's objective is achieved through the centralisation of services which are specialised and benefit from significant accumulated experience, thus offering support to the front-line and high-quality services to the Group's customers that are directly serviced by the centralised services.

The consolidation of operations into centralised services operating with simplified and automated procedures, results in cost reduction and an improvement in the productivity of both front-line and support personnel.

The above role, which is considered to be a continuous objective of the Division, is achieved in conjunction with the IT and O&M Division, following in-depth examination and identification of all processes that can be carried out centrally. Examples of centralised services include debt collection, international transactions, loan execution and the alternative distribution channels.

The aforementioned centralised services operate in both Cyprus and Greece, with the prospect of implementing the same operating standards in all countries in which the Group operates. Increasing convergence between procedures and the use of common systems, provide the ability to exploit and utilise synergies between different countries, depending on the current market conditions and circumstances.

In addition, all services that support the Group's branch network such as Procurement, Property Valuation and Technical Support Services, fall under the control and responsibility of the Group Operations Division.

## BANK OF CYPRUS GROUP

### group risk management

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The effective management of risk is one of the prime strategic objectives for the Bank of Cyprus Group. The Group's ability to effectively manage the consequences of the ongoing financial crisis is enhanced by its conservative risk profile, its focus on traditional banking services and the preservation of a sound liquidity position through its strong deposit base.

The Group has established a specific framework for effective risk management, which consists of committees and departments that are ultimately overseen by the Board of Directors of the Bank. The General Manager Risk Management has been assigned the responsibility for the development and implementation of this framework. The Credit, Market and Operational Risk Departments report to the General Manager Risk Management. Local risk management departments have been developed in all the countries in which the Group operates. The departments apply the Group's principles and risk culture in the context of the local banking environment. The practices applied are in accordance with the directives of the regulatory authorities and the respective directives of the Basel Accord.

#### **CREDIT RISK MANAGEMENT**

Credit risk is the risk arising from the probability of one or more borrowers not fulfilling their obligations towards the Group. The Group pays particular attention to the best possible management of credit risk, which is the most significant risk faced by commercial banks.

The Bank has various credit sanctioning authorities with different sanctioning limits depending on the type of financing to be provided. The sanctioning authorities are designated by Group Management and their sanctioning limits are subject to regular review. In addition to the amount of the facility, sanctioning limits also take into account other parameters such as the customer's business activity, credit rating as determined by the Bank's internal scoring systems, etc.

The Group, capitalising on its long term experience, has developed and applies a

prudent credit risk policy which is based on traditional lending criteria with particular focus on repayment ability. As a consequence of this multi-year process and gradual establishment of the credit risk policy in the new countries of operation of the Group, is the gradual development of a uniform Group-wide lending culture.

The traditional lending criteria are combined with modern methods of evaluating the creditworthiness of customers. Specifically, during 2011 the new upgraded credit rating system for businesses was implemented, whereas the upgrading of the credit scoring system for retail customers will be completed in 2012 for Russia and Cyprus. Furthermore, during 2012 the Group will proceed with the further automation of management reporting, capital adequacy calculation and risk measurement, using new modern systems.

The Group has established credit control departments in all countries of operation. The purpose of these departments is to ensure that the local sanctioning authorities apply the Group credit risk policy while at the same time monitoring the progress of the Group's portfolio, thereby ensuring the timely identification of potential problem customers.

#### **MARKET RISK MANAGEMENT**

Group Market Risk Management is responsible for measuring and monitoring market risks, liquidity risk and credit risk with correspondent banks and countries, at Group level. The policies for these risks are approved by the Board of Directors. The Group Asset and Liability Committee (ALCO) is responsible for the management and monitoring of these risks, within the approved policies.

The Group has a very low appetite for market risks and does not operate any trading books. The centralisation of Market Risk Management and Treasury Divisions increases the efficiency and control of these areas.

## BANK OF CYPRUS GROUP

### group risk management

#### Market Risk Management (continued)

Regarding foreign exchange and interest rate risk, during 2011 the Group continued to cover most of its structural balance sheet positions.

As far as liquidity risk is concerned, the Group has very little reliance on funding from capital markets, since it uses almost exclusively deposits and long-term debt to fund its illiquid assets.

The Group follows a conservative policy for its liquid asset investments. Limits are based on a detailed analysis of the financial conditions and other data of each bank. The changes in the ratings and the financial position, as well as other developments are monitored on a daily basis, and where necessary the limits are changed. Deposits with other banks have short-term maturities.

Concentration risk is also monitored for the Group's assets, liabilities and derivatives. During 2011 concentration limits or targets were approved for certain categories.

Moreover, within the framework of the legislation for the issuance of covered bonds which was enacted in Cyprus in 2010, the Group has strengthened its liquidity position through the following actions:

- In June 2011, the securitisation of Greek mortgage loans was converted to a covered bond, for an amount of €700 million.
- In December 2011, the first issue of a covered bond with Cyprus mortgage loans was completed, for an amount of €1 billion.

#### OPERATIONAL RISK

Operational risk management at a Group level is based on a coherent operational risk framework. This, in conjunction with the agreed level of risk tolerance, helps in the early identification of operational risks, and in implementing timely response and mitigation measures.

The strategy of the Group for the management of operational risk in 2011 aimed to minimise the impact of losses (expected losses) that the Group suffered as a result of its day-to-day activities and to avoid or reduce the possibility that the Group has

extensive losses from extreme unexpected incidents (unexpected losses). To implement the above, the Group's strategy was based on the following pillars:

- Strengthening the common operational risk management framework in all countries that the Group operates.
- Improving the predictive reliability of methods and tools for management of operational risks while increasing their effectiveness.
- Targeted training for staff in the recognition and management of operational risks.
- Development of an information security management framework.

The qualitative and quantitative methods and tools applied for the identification and evaluation of operational risk aim towards the provision of correct information on operational risks to the local management for determining appropriate measures to mitigate the risks.

These tools consist of:

- Systematic analysis of the root causes and lessons learned from activities that caused actual or potential losses in order to identify inherent risks and take necessary steps for their mitigation. A prerequisite for the above is the collection of losses derived from operational risk events and their subsequent recording on the Internal Loss Database.
- Systematic use of information on external events occurring in the banking industry to reduce the possibility of losses to the Group from similar events.
- Collection and processing of basic operational risk indicators for early identification of areas of operational risks and improvement of the effectiveness of existing controls to mitigate risks.
- Conducting risk control self assessments within business units, to identify risks and the timely adoption of mitigation measures.
- Emphasis on raising awareness on fraud cases in accordance with best industry practices, as well as improvements in systems and procedures to help combat fraud incidents, to ensure that the Group's exposure to activities that involve high operational risks are actively managed.

BANK OF CYPRUS GROUP  
group risk management

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## LEGAL RISK

Legal risk is defined as the risk of damages, outflows or losses that the Group may be called upon to pay to third parties resulting from acts and/or omissions of the Group or its employees that may be proved to constitute violations of its legal obligations in all the countries in which it operates.

Internal Legal Services in Cyprus is responsible for the management of the Group's legal risk, working in close cooperation with the companies and branches of the Group, and the legal departments and relevant business units of the countries in which the Group operates. Particular emphasis is given to contracts entered into by the Group so as to ensure compliance with the legal, regulatory and supervisory framework and at the same time to provide the counterparty (customer, associate, employee, etc) with all the necessary information regarding its commitments towards the Group.

The senior management of the Group places great importance on the proper measurement and monitoring of the risks associated with litigation and other legal issues.

## GROUP COMPLIANCE UNIT

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation the Group may suffer as a result of a failure to comply with laws, regulations and codes of conduct.

The goal of the Group Compliance Unit is the further enhancement of policies and procedures in order to ensure the effective management of compliance risks.

The adverse financial environment, the increased regulatory obligations, the new regulatory developments and the strategic objectives of the Group highlight the need for strengthening the compliance function and enhancing the necessary culture. In this context, the key priorities of the

Group Compliance Unit are as follows:

- Upgrading the unit's infrastructure including the implementation of an effective automated system for compliance.
- Further enhancement of the procedures for the prompt identification, assessment and management of compliance risks.
- Constant monitoring and implementation of new regulatory developments that affect the Group.
- Upgrading the internal reporting procedures on compliance issues.
- Reviewing the Group's governance policy and its implementation across the Group so as to achieve homogeneity and effective organisation of the compliance function.
- Effective use of the role of the local compliance officer.
- Further enhancement of the systems and procedures in relation to anti money laundering and terrorist financing so as to achieve the senior management's decision for zero tolerance.

The planned activities are expected to further enhance the professionalism and integrity of the Group that constitute the main defence against any new compliance challenges and risks that may arise in the continuously changing financial environment.

BANK OF CYPRUS GROUP

## summary report on corporate social responsibility

*The complete Corporate Social Responsibility Report of the Bank of Cyprus Group will be uploaded on the Group's website soon.*

**In the 113 years of its existence, the Bank of Cyprus Group has without doubt proven its contribution to society. Right from the outset, its primary concern was people. Ever since, it has continued investing in its own people, in education, in the arts, in health, in culture, in the environment and in sports, knowing that these are the surest investments for a society with vision and prospects.**

## HUMAN RESOURCES DIVISION

The Group's human resources are undoubtedly its most important asset for developing its business operations and maintaining its leading position.

Bank of Cyprus has received the 'Investors in People' certification, which is the only comprehensive and internationally accredited quality model in the field of HR management and development.

## SOCIAL CONTRIBUTION PROGRAMMES AND ACTIONS

### Education

#### *Oikade Educational Programme*

Oikade is a unique educational programme, which has been operated by Bank of Cyprus since 1999, under the auspices of the Greek and Cypriot Ministries of Education and the Greek Ministry of Foreign Affairs. The Programme is a global electronic network in which 150 primary schools in Cyprus, Greece, and Greek-speaking schools abroad participate, exchanging information, learning about customs and traditions and actively participating in a global children's community.

### *Careers Fair*

The organisation of the Careers Fair commenced in 1999 in Nicosia and has continued every year since then with great success. The Fair is organised in collaboration with the Cyprus Association of Counselling and Career Guidance Teachers (OELMEK).

### *Chair in Finance at the University of Cyprus*

In 2003, Bank of Cyprus acquired the Chair in Finance at the University of Cyprus and has been financing it since then.

### *Top Pupil Prizes*

Since 2006 the Bank has awarded cash prizes to top pupils at all senior high schools in Cyprus.

### *Student Prizes*

The Bank awards prizes to outstanding students primarily in the fields of economic science and management from higher education institutions in Cyprus, as well as the MBA courses run by the University of Cyprus.

### *Best School Newsletter Prize*

Since the 2007–2008 school year, the Bank has organised a competition to choose the best senior high school newsletter in Cyprus.

### Health

#### *Bank of Cyprus Oncology Centre*

The Bank of Cyprus Oncology Centre was founded in cooperation with the Republic of Cyprus and begun offering its services in 1998. Up to the end of 2011, Bank of Cyprus had contributed around €40 million to construct, equip, upgrade and run the Centre, making this the largest donation ever made in Cyprus.

## BANK OF CYPRUS GROUP

## summary report on corporate social responsibility

**Social Contribution  
Programmes and Actions  
Health**

Bank of Cyprus Oncology  
Centre  
(continued)

***Cyprus Anti-Cancer Society and  
"Chain of Life"***

Since 1998, Bank of Cyprus has been supporting the Cyprus Anti-Cancer Society and Group staff in Cyprus have successfully organised a series of volunteer events under the name "Chain of Life". The enthusiasm and positive energy of all those involved has resulted in the collection of more than €9,5 million to date.

**Culture*****Bank of Cyprus Cultural Foundation***

The Bank of Cyprus Cultural Foundation manages six collections: Coins, Maps, Engravings-Old Photographs-Watercolours, Manuscripts and Rare Books, Contemporary Cypriot Art and Cypriot Antiquities, and two museums: the Museum of the History of Cypriot Coinage and the Archaeological Museum of the George and Nefeli Giabra Pierides Collection (donated by Clio and Solon Triantafyllides).

**Sport*****Major Sponsor of the Cyprus Olympic  
Committee***

Since 2006, Bank of Cyprus has been the Major Sponsor of the Cyprus Olympic Committee. Furthermore, from November 2011 until May 2012, the Bank donates 1 cent for every transaction with Bank of Cyprus VISA cards in Cyprus, for the preparation of the Cyprus Olympic Team for the 2012 Olympic Games.

**Environment*****Donation of fire engines***

Bank of Cyprus contributed to endeavours in both Cyprus and Greece for the prevention and extinguishment of fires by donating 11 rapid intervention fire engines to Greek municipalities in 2007 and 17 flexible vehicles with fire extinguishing systems to the Cypriot Ministry of Interior in 2008. In January 2012 the Bank announced the donation of 5 flexible fire extinguishing vehicles to the Game Fund and the Cypriot Ministry of Interior.

***Environmental products***

The Bank supports business plans on renewable energy and environmentally friendly products. In January 2012, the Bank announced 3 new «Green Loan» products: housing loan, car loan and photovoltaic systems. These three modern financing programs, are a long term investment for the environment, while saving energy and money.

***Workplace***

Bank of Cyprus installs air conditioning units that use environmentally-friendly gases, energy saving light bulbs, "power adjusting" equipment to make better use of energy, application of noise control systems etc. Additionally, paper and other equipment recycling programmes are operating in offices and branches across the Group.

***Other Actions***

Among other actions, the cleaning of the city centres of Larnaca and Pahos will take place during 2012, following the cleaning of Nicosia and Limassol. Furthermore, the Group's Annual Report will not be printed for a second consecutive year, saving huge quantities of paper and energy.

**BANK OF CYPRUS GROUP**

corporate governance report,  
financial review and  
financial statements

*The Corporate Governance Report, the Financial Review  
and the Financial Statements of the Group are available  
on the Group's website.*

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BANK OF CYPRUS GROUP  
other information



## BANK OF CYPRUS GROUP

## milestones

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- 1899** Establishment and operation of the “Nicosia Savings Bank”.
  - 1912** Nicosia Savings Bank renamed “Bank of Cyprus” and recognised as a public company.
  - 1943** Bank of Cyprus merges with banking institutions in other towns. Ancient Cyprus coin bearing the inscription “Koinon Kypriou” (common to all Cypriots) adopted as the Bank’s emblem.
  - 1944** Establishment of Mortgage Bank of Cyprus.
  - 1951** Establishment of General Insurance of Cyprus.
  - 1955** Establishment of Bank of Cyprus (London).
  - 1964** Establishment of Bank of Cyprus Finance Corporation.
  - 1973** Reorganisation of the Group, with the establishment of Bank of Cyprus (Holdings) to take over the shares of Bank of Cyprus and all its subsidiaries.
  - 1980** Acquisition of Chartered Bank in Cyprus.
  - 1982** Establishment of The Cyprus Investment and Securities Corporation (CISCO).
  - 1983** Acquisition of Kermia by the Group. Representative Offices opened in Greece and Australia.
  - 1984** Establishment of the Bank of Cyprus Cultural Foundation.
  - 1989** Establishment of the life insurance company EuroLife.
  - 1991** Bank of Cyprus opens its first branch in Greece. Establishment of the Bank of Cyprus Medical Foundation.
  - 1992** Establishment of Bank of Cyprus Factors in Cyprus.
  - 1993** Establishment of ABC Factors, the first factoring company in Greece. Karmazi Properties & Investments acquired and renamed Kermia Properties & Investments.
  - 1995** Representative Office opened in South Africa. Museum of the History of Cypriot Coinage founded.
  - 1996** The first Greek-speaking offshore bank, Bank of Cyprus (Channel Islands) established in Guernsey, Channel Islands.
  - 1997** Kyprou Leasing established in Greece. Opening of the first branch of Bank of Cyprus in the United Kingdom.
  - 1998** Representative Office opened in Russia (Moscow). Kyprou Mutual Fund Management Company (AEDAK) established in Greece. Opening of the Bank of Cyprus Oncology Centre.
  - 1999** Group restructuring, with shares of Bank of Cyprus (Holdings) being replaced by Bank of Cyprus shares. “Oikade” educational programme launched.
  - 2000** Listing of the Group’s share on the Athens Exchange. Establishment of Bank of Cyprus Australia and operation of its first branches. Electronic banking introduced to provide alternative service channels (internet, telephone, WAP).
  - 2001** Kyprou Asfalistikí, a branch of General Insurance of Cyprus, and Kyprou Zois a branch of EuroLife, open in Greece. Greek company Victory Securities acquired and renamed Kyprou Securities. Sale of 50% stake in ABC Factors.
  - 2002** Bank of Cyprus Factors starts providing factoring services in Greece.
  - 2004** Merger of Bank of Cyprus (London) and the UK branch of Bank of Cyprus. Representative office opened in Ukraine.
  - 2005** Merger of the operations of Bank of Cyprus Factors and Bank of Cyprus Finance Corporation with Bank of Cyprus. 100th branch opened in Greece.
  - 2006** Commencement of leasing operations in Romania through Cyprus Leasing (Romania).
  - 2007** Banking services commenced in Romania and Russia.
  - 2008** Commencement of banking services in Ukraine through the acquisition of AvtoZAZbank. Acquisition of 80% of Uniastrom Bank in Russia and expansion into the retail banking sector of the local market.
  - 2010** Representative office opened in Serbia.
  - 2011** Sale of Bank of Cyprus Australia.

## BANK OF CYPRUS GROUP

## boards of directors of the main group subsidiaries

**CYPRUS****General Insurance of Cyprus Ltd**

G. M. Georgiades (Chairman), D. P. Ioannou, C. Mouskis, S. Petraki-Charalambous, S. Polyviou, Ch. G. Christofides, A. Stylianou

**EuroLife Ltd**

C. Z. Severis (Chairman), D. P. Ioannou, C. Mouskis, M. Pissarides, Ch. G. Christofides, A. Stylianou

**Cyprus Investment and Securities Corporation Ltd (CISCO)**

D. P. Ioannou (Chairman), P. Antoniadis, C. Damtsas, A. Diogenous, C. Z. Severis, N. Karydas, A. Sofroniou, S. Kyritsis

**Kermia Ltd**

A. Artemis (Chairman), P. Antoniadis, C. Damtsas, A. Theocharides, C. Hadjipanayiotou, Ch. G. Christofides, A. Stylianou

**GREECE****Kyprou Leasing SA**

I. Seiradakis (Chairman), A. Andreadakis, M. Der Krikorian, A. Stylianou, A. Hadjinicolaou

**Kyprou Asset Management (AEDAK)**

C. Patsalides (Chairman), V. Karellas, A. Andreadakis, M. Christofidou, A. Hadjinicolaou, G. Lambros

**Kyprou Securities SA**

N. Karydas (Chairman), I. Seiradakis, S. Kyritsis, N. Nikolaidis, D. P. Ioannou, A. Sofroniou, N. Strombolis

**OTHER COUNTRIES****CB Uniastrum Bank LLC**

G. Piskov (Chairman), G. Zakarian, A. Eliades, Y. Pehlivanidis, Y. Kypri, Ch. Hadjimitsis, N. Karydas, A. Brechalov, A. Andreadakis

**PJSB Bank of Cyprus**

Y. Kypri (Chairman), Y. Pehlivanidis, Ch. Hadjimitsis, N. Karydas, L. Isodiou, G. Christodoulides, C. Patsalides, M. Pantelidou, A. Andreadakis

**Bank of Cyprus (Channel Islands) Ltd**

V. G. Rologis (Chairman), I. Bisson, D. P. Ioannou, S. Neophytou, J. Robinson, Ch. G. Christofides

BANK OF CYPRUS GROUP  
divisional boards

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**United Kingdom Divisional Board**

V. G. Rologis (Chairman), C. Z. Severis (Vice-Chairman), A. Artemis, J. D. Buddle, A. J. Jacovides, D. P. Ioannou, I. Koumi, S. Neophytou, P. H. Nunnerley, Ch. G. Christofides, Ch. Hadjimitsis

**Ukraine Divisional Board**

C. Mouskis (Chairman), M. Mavrommatis (Vice-Chairman), A. Artemis, G. M. Georgiades, A. Diogenous, E. Xenophontos, C. Hadjipapas, A. Eliades, Y. Pehlivanidis, Y. Kypri, Ch. Hadjimitsis, N. Karydas, T. Taoushanis

**Romania Divisional Board**

C. Mouskis (Chairman), A. Diogenous (Vice-Chairperson), A. Artemis, G. M. Georgiades, M. Mavrommatis, E. Xenophontos, C. Hadjipapas, A. Eliades, Y. Pehlivanidis, Y. Kypri, Ch. Hadjimitsis, N. Karydas, A. Andreadakis

**Russia Divisional Board**

A. Artemis (Chairman), G. M. Georgiades (Vice-Chairman), A. J. Jacovides, M. Mavrommatis, C. Mouskis, V. G. Rologis, N. P. Tsakos, S. J. Constantinides, A. Eliades, Y. Pehlivanidis, Y. Kypri, Ch. Hadjimitsis, N. Karydas, T. Taoushanis

BANK OF CYPRUS GROUP

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**Coordination and Supervision:**

Group Communications and Marketing Department

**Editing:**

Deputy Group Chief Executive Officer's Office

Group Finance Department

**Concept and Layout:**

George Hadjiloizou

**Portraits:**

Pantelis Hadjiminias