GLOBALSERVE INTERNATIONAL NETWORK

HAIRCUT

While a lot of publicity is being given to the exposure of the Greek Government bonds that the Cyprus Banks hold, and further to the announcement on the final haircut of 50 per cent loss, a lot of our clients and associates have asked us to publish information and commentaries on this matter.

- Basically the three main Cyprus banks have an exposure on Greek government bonds of 5billions as follows:

1. Marfin Laiki Popular Bank €2.9 billions
2. Bank of Cyprus €2 billions
3. Hellenic Bank €110 million

- However their operations over the years including the current year are steadily highly profitable and fast growing despite the crisis as the two major banks have presence in emerging and expanding markets of East Europe.

They have already taken steps and proceeded with the issue of additional capital to accommodate the expected loss of the Greek bonds.

The strict Central Bank policy and their highly conservative lending policies have protected them from higher risks.

In view of the above the banks have announced that measures taken result to the loss being bearable and no assistance is needed by either the government or the Central Bank of Cyprus or the European Council which have come forward offering their support to any European Bank.

Furthermore it is important to note that in Cyprus, the deposits are guaranteed by the government up to €100,000 per entity. The authorities and the Central Bank just after the announcement of the Haircut have announced their determination to support any bank which asks for assistance in case its own measures are not effective.

For specific figures we publish below the press release of Marfin Laiki Popular Bank, Bank of Cyprus and Hellenic Bank.

MARFIN LAIKI BANK

Marfin Popular Bank Ltd has participated in the capital exercise of the European Banking Authority ("EBA") in cooperation with the Central Bank of Cyprus, for restoring stability and confidence in the markets. The capital exercise involves 70 European banks and its objective is to create an exceptional capital buffer for banks in order to build up their capital bases and reach a 9% Core Tier 1 ratio by the end of June 2012, through the simulation of extreme and immediate haircuts in sovereign exposures. The capital exercise was implemented according to June 2011 balance sheet data and market prices of sovereign exposures as of 30 September 2011. The estimated additional capital buffer for Marfin Popular Bank is €2,116m. This amount is a preliminary and indicative estimate subject to alterations based on end-September 2011 data and will be revised by Marfin Popular Bank and the Central Bank of Cyprus. The revised amount will present the base for the plans to strengthen the capital base until June 2012. For the purpose of strengthening its the capital base, Marfin Popular Bank has already announced the following initiatives:

• The completion of the already approved exchange offer of capital securities for an

• amount up to €738m, which, according to EBA, is eligible to absorb potential losses

• and is acceptable by EBA as capital buffer.

• The issuance of convertible securities of €660m, of which €65m have already been

• issued

• A deferred tax benefit of €165m

•Other actions, include amongst others, the impact of the internally generated capital through organic profitability until June 2012 as well as the ongoing deleveraging plan, which in total are expected to enhance the capital base by €600m The combination of all the above measures will further improve the capital position of the bank by over €2bn. Marfin Popular Bank is well positioned to take all the necessary measures for any required future capital needs following the conclusion of the capital exercise. The management of Marfin Popular Bank estimates that the above developments will contribute significantly to further safeguarding the banking system, thus supporting economic stability and growth.

The €3.6 billion that the Cypriot banks need according to the European Banking Authority, will be reduced considerably when a detailed assessment of the value of bond held is carried out, a Central Bank announcement said yesterday .

Preliminary results of European Banking Authority Capital Exercise for addressing concerns over sovereign exposure.

Bank of Cyprus Public Company Ltd (the Bank) was subject to a Capital Exercise for addressing concerns over sovereign exposure (Capital Exercise) on its portfolio of sovereign bonds conducted by the European Banking Authority (EBA) in cooperation with the Central Bank of Cyprus.

The Capital Exercise, carried out on 70 European banks, seeks to assess the banks' required capital buffers to reach a level of 9% Core Tier 1 ratio by the end of June 2012 assuming a severe and immediate impairment of sovereign debt holdings. The Capital Exercise has been carried out using the balance sheet as at June 2011 and market prices as at 30 September 2011 of sovereign bonds held by banks.

The required total capital buffer identified for Bank of Cyprus is €1.472 mn. This is a preliminary and indicative figure which is subject to change on the basis of end September data and will be reviewed by banks and supervisory authorities. It is the revised, latter figure that will form the basis for any plans required to increase levels of capitalisation in the period to June 2012.

EBA intends to consider contingent convertibles, which are intended to absorb potential contingent losses, as eligible for the capital buffer. The Bank of Cyprus has in issue €887 mn Convertible Enhanced Capital Securities (CECS) which are currently part of Tier 1 capital, are Basel III compliant and which have truly loss absorbing characteristics. Taking into account the already issued €887 mn CECS, the additional amount of capital buffer required based on the preliminary estimate by EBA is €585 mn. **Bank of Cyprus is in a position to cover the required additional capital buffer of €585 mn through internal profit generation for the 12 month period ending June 2012 and other actions among which is the efficient management of risk weighted assets**.

In the challenging environment of the last few years, the Bank has proved it can improve its recurring profitability and liquidity. The Bank maintains a loans to deposits ratio of 86% at 30 June 2011, has minimal reliance on wholesale funding (deposits to total assets ratio of 78% at 30 June 2011) and limited refinancing needs over the next couple of years. The high level of liquidity and conservative funding structure of the Bank are a strong competitive advantage particularly in the prevailing adverse conditions.

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, life and general insurance. The Group currently operates through a total of 610 branches, of which 219 operate in Russia, 185 in Greece, 141 in Cyprus, 35 in Ukraine, 12 in Romania, 13 in Australia 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 9 representative offices in Russia, Romania, Ukraine, Canada, Serbia and South Africa. The Bank of Cyprus Group employs 11.841 staff worldwide.

At 30 June 2011, the Group's Total Assets amounted to €41,80bn and the Shareholders' Funds were €3,70 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website www.bankofcyprus.com.

Hellenic Bank Group: **Prudent management and proactive measures in order to manage through the challenging economic environment**

Hellenic Bank Group, having limited exposure to the Greek Government Bonds, amounting to only €110mln and acting proactively in June 2011, has already recognized impairment of €23mln, which represents 21% of all Greek Government bonds held. Hellenic Bank Group has the capacity to absorb any further impairment arising from the today EU decision

Hellenic Bank Group closely monitors and carefully evaluates the developments and proactively takes all the necessary measures.

On 30 June 2011 following the recognition of 21% impairment on all Greek Government bonds, the Group's Capital Adequacy Ratio was 14% (June 2010: 14%) while the Tier I Capital Ratio was 11% (June 2010: 10%).

The Group maintains comfortable liquidly taking advantage of its stable deposit base. The ratio of gross loans to deposits at 30 June 2011 was 75%, whilst the ratio of net loans to deposits was 67%.

The Group continues to focus on maintaining and improving the quality of the portfolio, ensuring sound liquidity, preserving strong capital adequacy ratios, and effectively addressing the challenges of the economic environment in which it operates. The effectiveness of Hellenic Bank business model and the prudent management of its resources are confirmed.