INVESTIGATION REPORT

BANK OF CYPRUS – HOLDINGS OF GREEK GOVERNMENT BONDS

PREPARED FOR THE CENTRAL BANK OF CYPRUS

26 MARCH 2013

ALVAREZ & MARSAL

GLOBAL FORENSIC AND DISPUTE SERVICES, LLP

STRICTLY PRIVATE & CONFIDENTIAL

Table of Contents

DRAMATIS PERSONAE

Name	Defined name	Role within Bank of Cyprus[1]
BANK OF CYPRUS		
Mr Andreas Eliades	Mr Eliades	Group Chief Executive Officer until 10 July 2012
Mr Nicolas Karydas	Mr Karydas	Group General Manager Risk Management and Markets
Mr Yiannis Kypri	Mr Kypri	Group Chief General Manager, now Group Chief Executive Officer
Mr Christis Hadjimitsis	Mr Hadjimitsis	Group General Manager Finance and Strategy
Dr Christakis Patsalides	Dr Patsalides	Senior Manager Group Treasury and Private Banking
Mr Theodoros Alepis	Mr Alepis	Head Group Treasury Asset Liability Management
Ms Despina Kyriakidou	Ms Kyriakidou	Manager Group Treasury Asset Liability Management & Foreign Treasuries
Ms Maria Christofidou	Ms Christofidou	Manager Group Market Risk
Mr Constantinos Tsolakkis	Mr Tsolakkis	Group Internal Auditor
Mr Costas Pitsillos	Mr Pitsillos	Manager Group Back Office & Treasury
Ms Eliza Livadiotou	Ms Livadiotou	Manager Group Finance and Tax Planning
Mr Evdokimos Xenophontos	Mr Xenophontos	Member of the Board of Directors and Audit Committee
Mr George Georgiades	Mr Georgiades	Member of the Board of Directors and Chairman of Risk Committee
Mr Costas Severis	Mr Severis	Member of the Board of Directors and Chairman of Audit Committee
Mr George Koumantaris	Mr Koumantaris	Group Treasury
Ms Annita Domianou	Ms Domianou	Group Treasury
Mr Kryiacos Tsolakis	Mr K Tsolakis	Group Finance
Mr Christos Mouskis	Mr Mouskis	Former Non Executive Director
CENTRAL BANK OF CYPRUS		
Mr Athanasios Orphanides	Mr Orphanides	Former Governor of the Central Bank of Cyprus
Mr Christos Phanopoulos	Mr Phanopoulos	Director Bank Supervision and Regulation Department
Mr Costas Poullis	Mr Poullis	Former Senior Director Bank Supervision and Regulation Department
Mr Spyros Stavrinakis	Mr Stavrinakis	Senior Director
Ms Argyro Procopiou	Ms Procopiou	Assistant Director, Bank Supervision and Regulation Department
EXTERNAL AUDITORS		
Mr Savvas Pentaris	Mr Pentaris	Senior Manager, Assurance & Advisory Business Services, Ernst & Young Cyprus

[1] Job titles taken from contemporaneous documentation, including BOC 2009 Annual report, Central Bank of Cyprus' website, organisation charts and e-mail correspondence

1 Introduction

1.1 Instructions

1.1.1 Alvarez & Marsal ("A&M") was instructed by the Central Bank of Cyprus ("CBC") on 21 August 2012 to conduct an Investigation as independent persons, appointed in accordance with Section 24 of the Central Bank of Cyprus Laws of 2002 to 2007, to assist the CBC in accordance with the Mandate[2] (the "Investigation").

1.1.2 Specifically, the Investigation was tasked with assisting "the Governor to take all necessary legal and regulatory remedies, whether they concern the conduct of supervision by the Bank, the procedures followed by some systemically important local banks (hereinafter referred to as "the Cypriot banks") to acquire Greek Government Bonds and / or investing abroad in the form of a branch network and/or subsidiaries banks; having regard to the requirements specified by the provisions of the Banking Laws of 1997 to (No. 2) 2011 and the Central Bank of Cyprus Laws of 2002 to 2007 and the Regulations / Directives/ Guidelines issued under these Laws, or otherwise at the discretion of the Governor".

1.1.3 This report sets out the findings and conclusions based on work conducted up to 26 February 2013 in relation to examining the substantial losses suffered by BOC on its holdings of Greek Government Bonds ("GGBs"), following the private sector involvement ("PSI") programme in which holders of Greek debt participated in a haircut on their holdings of GGBs. We have not assessed whether any further losses may be incurred as a result of potential buybacks proposed as part of the agreement reached by Eurozone finance ministers on 27 November 2012.

1.1.4 We provided the CBC with an interim report setting out preliminary findings and conclusions based on work conducted up to 28 November 2012.

1.1.5 This report has been prepared for the CBC solely for use in relation to the Investigation and must be read in conjunction with our Statement of Protocol of 26 March 2013. It may not be used for any other purpose, reproduced or disclosed to any other party in whole or in part without our prior notice. In no event, regardless of whether notice has been provided, will we assume any liability or responsibility to any third party to which this report is disclosed or otherwise made available.

1.2 Structure of this report

1.2.1 We have conducted interviews of certain key individuals identified in this report, and therefore our findings incorporate responses or comments of these individuals. Where transcripts of those interviews are available, page references to those transcripts are noted.

[2] All capitalized terms herein shall have the meanings set forth in the Statement of Protocol, which is fully incorporated herein and must be read in conjunction herewith.

1.2.2 The report is structured as follows:

- Executive summary - summary of findings (Section 2);
- Overview of BOC – summary of the bank's history (Section 3);
- Chronological summary of GGB purchases, sales and losses (Section 4);
- BOC's losses arising due to GGBs to date (Section 5);
- Financial disclosures made by BOC (Section 6);
- Management and governance at BOC (Section 7);
- Supervision of BOC by the CBC (Section 8); and
- Chronology in regard to electronic data collection issues (Appendix A).

1.2.3 We have only exhibited a selection of documents referred to in this report. All documents referenced in this report are available for inspection in the Investigation team's office at the CBC.

1.3 Co-operation provided by the Bank of Cyprus

1.3.1 Although BOC has generally complied with the documentation requests provided to them, there have been a number of unnecessary delays and general frustrations during the course of the investigation of the Bank. These have resulted from the slow documentary responses of the Bank, the constant need to double check the information that has been provided and the need to chase the Bank for key missing documentation.

1.3.2 By way of example, the way that BOC acted in respect of the provision of electronic data to the investigation team not only resulted in unnecessary delays of over one month, but there is also evidence to demonstrate that during these delays people within the Bank were able to delete data and have attempted to ensure the deleted data could not be retrieved by the Investigation team. This is demonstrated in the chronology set out in Appendix A to this report.

2 Executive Summary

2.1 The accumulation of BOC's GGB position

2.1.1 Until 2009, the level of GGB holdings by BOC remained below €500 million[3]. During the first half of 2009 holdings of GGBs increased significantly peaking at €1.75 billion. During 2009, BOC appears to have actively traded (i.e. bought and sold) GGBs such that by the end of October 2009, BOC's holding had been divested to around €30 million. BOC's GGB portfolio remained at a negligible level throughout November 2009.

2.1.2 On 10 December 2009, Mr Kypri informed the market that BOC had sold €1.7 billion of GGBs; stating that from the beginning of the year, the Bank had decreased its exposure of GGBs from €1.8 billion to €0.1 billion[4].

2.1.3 On 10 December 2009 (i.e. the same day), BOC began repurchasing GGBs, with a rapid increase in the Bank's GGB portfolio to almost €2.4 billion by June 2010.

2.1.4 According to information provided by BOC to the Investigation team on 16 November 2012[5], total losses as a result of its GGB holdings stand at €1.9 billion, of which:

2.1.4.1 €910 million relates to the cost of restructuring due to the PSI programme;

2.1.4.2 €562 million relates to mark to market adjustments on the new bonds;

2.1.4.3 €48 million relates to transfers from AFS reserves; and

2.1.4.4 €399 million relates to the costs of unwinding hedges related to the bonds.

2.2 The key questions addressed in Report

2.2.1 BOC's GGB position that resulted in significant losses being incurred was accumulated subsequent to 10 December 2009. As a result, the key questions addressed herein are as follows:

2.2.1.1 What was the rationale for BOC to accumulate such a significant position in GGBs post 10 December 2009?

2.2.1.2 Who made the decisions to accumulate the GGB position and by what process were such decisions reached?

2.2.1.3 Were these decisions consistent with the BOC's risk management procedures and in compliance with applicable regulations?

[3] Analysis has been undertaken on purchases and sales of GGBs from 2007 onwards, and cumulative positions have been calculated assuming a zero opening position, whereas holdings of GGBs were €351 million as at 1 January 2007. The analysis does not take into account reductions in volume due to debt maturing, but this is unlikely to have a significant effect.
[4] Stockwatch news dated 10 December 2009 (written in Greek)
http://www.stockwatch.com.cy/ngcontent.cfm?a_name=news_view&ann_id=110243&lang=gr (Exhibit 2)
[5] Extract from presentation to Moody's regarding losses on GGB portfolio - "PSI Impact" (Exhibit 3)

2.2.1.4 How was the BOC position in GGBs treated and reported internally (within BOC's financial records) and externally to the CBC and others? Was this treatment and reporting accurate?

2.2.1.5 Why did BOC continue to maintain significant holdings of GGBs from the second half of 2010 to the date on which PSI was implemented?

2.2.1.6 What interaction was there between the CBC and the BOC concerning the trading in GGBs and the accumulation of BOC's GGB position?

2.2.1.7 Did the CBC fulfil its supervisory role appropriately? Are there lessons to be learnt from a review of CBC's conduct in this area?

2.3 BOC's apparent rationale for accumulating the GGB position

2.3.1 There were many different factors which would have been considered by BOC in determining its strategy whether to invest in GGBs at different points in time.

2.3.2 Whilst we have reviewed internal documents from the relevant BOC committees where the limits were approved that allowed the investment in GGBs to be made to the ultimate level of €2.4 billion, these documents do not record a clear justification or rationale for the decision to accumulate the GGB position. Notwithstanding the above lack of formal documentation, there are a number of emails which provide some detail as to the strategy and contributing factors to the decision to invest / trade in GGBs. Whilst incomplete as records they appear to indicate the following:

2.3.2.1 BOC management's desire to deliver net interest income and profit growth:

(i) Underlying profitability from 2009 onwards was being eroded by the Bank's Non-Performing Loan ("NPL") portfolio;

(ii) Based on emails and activity in 2009, it appears that BOC pursued an "absolute yield" strategy purchasing GGBs to deliver net interest income combined with a "relative value" strategy where they took advantage of selling opportunities to generate disposal gains, especially as reporting periods approached;

(iii) The Treasury department invested in amongst the highest yielding bonds, including longer maturity inflation linked bonds, which resulted in BOC ultimately experiencing higher losses on account of the related hedging that was entered into – these bonds comprised over 50% of the GGB portfolio, apparently purchased to benefit from the high yields. Hedges were put in place to swap longer dated bonds onto floating rates and maintain target durations; and

(iv) BOC became reliant on Treasury profits and its GGB strategy, with the equivalent of almost 30% of profits before tax coming from GGB related activity

in 2009. For 2010, BOC set a first quarter target for profit of €25m for Treasury[6].

2.3.2.2 Dr Patsalides stated in interview that Treasury was not a profit centre but that profit targets were set by Mr Eliades based on unrealised gains in the AFS portfolio[7]. Mr Karydas in interview[8] acknowledged that BOC treated the Treasury department as a profit centre but that *"people in the treasury [department] were not remunerated based on their profits"*. Mr Kypri[9] thought that part of the reason for his removal from Treasury was that he was too conservative and that Mr Eliades believed *"Karydas could do a better job to make additional profits"*.

2.3.2.3 The bonus structure for Mr Eliades and Mr Kypri was such that underperformance of the Bank would result in a reduction in the bonus payable to them. Mr Eliades' and Mr Kypri's bonuses included an element based on the Bank's actual performance against its budget and an element that relied on a favourable comparison of the BOC's performance with that of the largest Greek banks and the two largest Cypriot banks[10]. In 2009 and 2010, those banks were also investing in high yield GGBs and thus generating significant interest income. We note, however, that both Mr Eliades and Mr Kypri waived the bonus due to them for the year ending 31 December 2008[11].

2.3.2.4 On 16 December 2009, BOC applied and received €3 billion of European Central Bank ("ECB") funding[12]. We understand that this was not required to fund the Bank's existing Balance Sheet, but was obtained to invest in Government and/or Government guaranteed bonds[13] [14]. Shortly thereafter, on 21 December 2009, Group ALCO approved an increase in the overall limit of the Bank's bond portfolio to €6 billion[15], with the limits for investments in Greek and Cypriot bonds set at €2 billion each. The yields on Greek and Cypriot bonds were significantly higher than the rates paid on the ECB funds, and thus the ECB funding provided BOC with the opportunity to increase net interest income.

2.4 Who made the decisions at BOC to invest in GGBs?

2.4.1 As with any Bank, the BOC's risk governance structure was comprised of several committees, each of which had a defined role. Our review indicates that:

---

[6] Document ID: 0.7.12.1443992 (Exhibit 4)

[7] Dr Patsalides in interview [Page 13 and 14 of transcript/part 4]

[8] Mr Karydas in interview [Page 15 of transcript/part 1]

[9] Mr Kypri in interview [Page 16 of transcript/part 1]

[10] Mr Kypri in interview [Page 7 of transcript/part 1] advised that *"overall climate in the banking sector in the region especially in Greece and Cyprus at the time was one of growth, so competition if competition was growing faster than you and if competition made bigger profits than you, you were accountable and you would be asked questions."*

[11] Dr Patsalides in interview [Page 5 of transcript/part 1] stated that generally there was not a bonus culture within the BOC; Mr Kypri contradicts this [Page 7 of transcript/part 1]

[12] Document ID: 0.7.12.2163717 (Exhibit 5)

[13] See, for example, Document ID: 0.7.12.2163636 (Exhibit 6)

[14] Mr Karydas in interview (13 February 2013) [Page 15 of transcript/part 1] acknowledged the main reason for the purchase of GGBs using ECB funding was to profit from the spread and enjoy the high yield on GGBs.

[15] AAA rated bonds may be purchased above this limit

2.4.1.1 Group ALCO, the committee responsible for market risk management, approved increases to BOC's limits for GGB holdings without any documented rationale or evidence to support the levels approved.

2.4.1.2 There was a dominance of senior executives, in particular Mr Eliades and Mr Karydas, within the Bank resulting in a culture whereby senior management decisions were not challenged. Mr Eliades and Mr Karydas were members of the executive decision making committees and those risk committees designed to monitor the Bank's activities. Mr Eliades was also a member of the Board Risk Committee ("BRC"), with Mr Karydas, whilst not a member of the BRC, in attendance at their meetings during 2009 and 2010.

2.4.1.3 Some of the Non Executive board members did not have banking experience, exceeded allowable credit facilities with BOC[16], and appear not to have received adequate training to fulfil the role.

2.4.1.4 Mr Karydas was both the Group General Manager Risk Management and Group General Manager Markets. The holding of these dual roles did not constitute best practice and posed a potential conflict of interest[17]. In interview Mr Karydas explained that his role in relation to Risk was not a conflict as it was purely an administrative role in respect of the risk department in Cyprus as its head was based in Greece.[18]

2.4.1.5 The inherent conflicts arising from senior executives' participation in all major strategic and risk management bodies, at both executive and Board level, possibly prevented these committees from sufficiently questioning the investment in GGBs and the subsequent decision to maintain the portfolio despite the deteriorating GGB market.

2.4.1.6 On a day to day basis, Mr Karydas[19], Dr Patsalides, Ms Kryiakidou and Mr Alepis appear to have been involved in the discussions and decisions around GGB purchases.

2.5 Did the BOC follow its own risk management processes / applicable regulations?

2.5.1 We have evaluated the BOC's risk management processes to seek to understand how they operated in practice at the relevant times. However, with the benefit of hindsight, there was clearly an inability to adequately consider the risk associated with the purchase of GGBs, and in particular there was limited recognition that a default could actually take place[20]. BOC did

[16] Letter dated 23 January 2012 from Mr Poullis to Mr Aristodimou, Chairman of BOC Board advised that *"based on the data available to CBC, credit facilities granted to Mr Mouskis and persons associated to him exceed the limit provided for under criterion 22(1)(b)(ii) of the Directive."* (Exhibit 7)

[17] Letter from CBC dated 9 April 2010 (Exhibit 8)

[18] Mr Karydas in interview, [Page 4 of transcript / part 1] – Mr Karydas stated that his role was purely to ensure the staff were in the office and to approve holidays etc.

[19] Mr Kypri describes Mr Karydas as the *"main instigator"* of the GGB investments [Page 9 of transcript/part 1]

[20] Mr Karydas in interview (13 February 2013) [Page 8 of transcript/part 1] acknowledged that he never considered the possibility of a Greek government default.

not take any mitigating action as the position deteriorated. The Bank appears to have been unwilling to divest its GGB portfolio and thus crystallise the losses that had accumulated, or reduce net profits through the purchase of Credit Default Swaps ("CDSs").

2.5.2 Although the Bank had a model for setting guideline concentration limits of Treasury transactions for each country based on country credit ratings, as set out in its iCAAP reports to the CBC[21], the extract of the iCAAP report provided to us by BOC in lieu of a separate written policy also states that an unspecified much higher limit was permitted for Greece and Cyprus. The accumulation of GGBs to a value of over €2.4 billion was therefore allowed under the policy, subject to other considerations within the Risk Policy Statement.

2.5.3 We note that during 2009 and 2010, Group ALCO approved increases to the limits of GGB holdings without any clear documented rationale or supporting evidence as to the level being approved. We have also not seen any evidence of the Group ALCO monitoring GGB holdings or subsequently reviewing its previous decisions in relation to approved limits in light of developments in macroeconomic issues (such as changes in Greek ratings).

2.6 How was the BOC position reported internally / externally?

2.6.1 On acquiring bonds, BOC would classify the bonds as either HTM or AFS. The distinction is relevant because bonds held as AFS would be marked to market whereas those classified as HTM would not. Where a bond is classified within the HTM category, the Bank is recognising its intention to hold the bond until it matures and therefore there is no requirement to adjust the bond valuation at each reporting date to reflect the current market price.

2.6.2 During the course of 2009 and 2010 the accounting treatment adopted by BOC appears to be inconsistent in as much as documentary evidence suggests BOC may have been moving bonds in and out of the HTM category[22] (albeit that the bonds had not been externally reported as HTM prior to moving them). Such reclassifications could potentially be viewed as the Bank using accounting conventions to its advantage for reporting or revenue purposes, rather than to reflect the substance of its underlying transactions. The reclassifications also reflect the fact that on at least one occasion the Bank moved bonds out of the HTM category to enable them to be sold prior to maturity[23].

2.6.3 Dr Patsalides claimed that Group ALCO requested GGBs be classified as HTM so as to avoid volatility in reserves – he could not confirm whether GGBs bonds which had been sold had been classified as HTM in accordance with ALCO decisions (and therefore invoking the tainting rules) or if bonds were actually put into AFS, contrary to ALCO decisions[24].

2.6.4 In terms of other statements made internally or to the market:

[21] The iCAAP (Internal Capital Adequacy Assessment Process) report is submitted quarterly by all Cypriot banks to the Central Bank of Cyprus.
[22] Document ID 0.7.12.1194775 (Exhibit 9)
[23] Document ID 0.7.12.1194775 (Exhibit 9)
[24] Dr Patsalides in interview [page 5 and 6 of transcript/part 1]

2.6.4.1 On 10 December 2009, Mr Kypri made an announcement that was reported through Stockwatch that the Bank had divested the majority of its GGB portfolio and therefore had minimal exposure to Greek sovereign debt[25];

2.6.4.2 On 10 December 2009, a meeting was held with Mr Eliades and Dr Patsalides where Mr Eliades instructed Treasury to purchase €400 million of GGBs[26]. On the same day €150 million of GGBs were purchased; and

2.6.4.3 On 11 December 2009, Mr Karydas informed the Bank's Board of Directors that the Bank no longer had any significant exposure to GGBs[27]. In interview Mr Karydas confirmed that he had informed the board on 11 December 2009 that the bank had reduced its exposure to GGBs by disposing of its portfolio[28].

2.7 Why did BOC continue to maintain significant holdings of GGBs?

2.7.1 BOC appears to have continued to hold the bonds for a combination of reasons including continued recognition of net interest income in their financial statements and avoiding the crystallisation of losses.

2.8 What interaction was there between BOC and CBC concerning the GGB position?

2.8.1 We have reviewed the CBC's practical role, and its interaction with BOC, over the relevant period. Identified interactions of note include:

2.8.1.1 The CBC completed an annual Supervisory Review and Evaluation Process (SREP) and presentation to the BOC Supervisory College in 2009, 2010 and 2011;

2.8.1.2 The CBC initiated quarterly monitoring of GGBs from June 2009. However, the frequency of data collection and lag in receipt of data meant that the CBC had a partial picture of BOC's GGB transactions, in particular during the 1st quarter of 2010 ("Q1 2010");

2.8.1.3 On 1 March 2010, a letter was sent from Mr Poullis (Senior Director in Bank Supervision and Regulation of CBC) to Cypriot banks (including BOC) regarding exposures to Government Bonds, and in particular GGBs. Mr Poullis requested information on the strategy of investing in GGBs and what risk mitigation measures had been taken[29];

[25] Stockwatch news dated 10 December 2009 (in Greek) - http://www.stockwatch.com.cy/nqcontent.cfm?a_name=news_view&ann_id=110243&lang=gr (Exhibit 2)
[26] Interview with Dr Patsalides, 30 August 2012
[27] BOC Group Board of Directors minutes from 11 December 2009–"Ο κίνδυνος που αναλαμβάνει η Τράπεζα έναντι των ομολόγων της ελληνικής κυβέρνησης είναι χαμηλός καθώς η Τράπεζα Κύπρου μείωσε σημαντικά τις συμμετοχές της σε ελληνικά ομόλογα από την αρχή του έτους μέχρι τα τέλη Οκτωβρίου" (Exhibit 10)
[28] Mr Karydas in interview [Page 7 of transcript/Part 1]
[29] Letter from CBC to BOC - 1 March 2010 – (Exhibit 11)

2.8.1.4 A report by the Cyprus Securities and Exchange Commission[30] highlighted that only a verbal conversation took place between someone at BOC and the Governor of the Central Bank in response to the letter of 1 March 2010, and that the Board of Directors at BOC were never made aware of the letter[31]. The lack of formal response was never followed up. Mr Poullis confirmed[32] that his letter of 1 March 2010 was not responded to by BOC but that he and the Governor of the Central Bank discussed this with BOC, and BOC agreed to not buy any further GGBs (albeit Mr Poullis advised that BOC continued purchasing GGBs until April 2010). We understand from a Senior Director at the CBC that a follow-up to the letter of 1 March 2010 was eventually sent to BOC in February 2012.

2.8.1.5 On 28 March 2011 Mr Orphanides wrote to BOC, explaining that the CBC had been informed by the press that *"that the Board of Directors of the Bank of Cyprus decided to distribute a final dividend of 3 cents"*. The letter sets out the CBC's opinion *"that this information was particularly surprising to me* [Mr Orphanides] *and raised my concerns. It is reminded that by virtue of my letter dated 24 December 2010, I had strongly recommended that you do not proceed with the distribution of a final dividend with the intention to maintain the maximum possible capital base of your bank so that you are in a position to confront the forthcoming challenges."* The letter continued *"I do not consider dividend distribution as a prudent act and I urge you to use all possibilities in reinforcing your capital base"*.[33]

2.8.1.6 On 28 November 2011 Mr Poullis wrote to Mr Hadjimitsis at BOC requesting *"analysis of the actions you are taking to restore the capital adequacy indexes to the required minimum limits.*[34]*"*. This was referring to the BoC's letter dated 25 November 2011 in which BOC notified CBC the bank's regulatory capital following the impairment of Greek Government Bonds

2.9 Did the CBC fulfil its supervisory role appropriately?

2.9.1 Our findings suggest that the CBC Supervision department was potentially under-resourced, both in terms of numbers and experience of staff members. In addition, the frequency and timeliness of Sovereign Bond holding reports, prepared by BOC and submitted to CBC, meant that the CBC would not have been aware that BOC significantly increased its GGB holdings between December 2009 and March 2010, until after the event[35].

[30] Report of the Cyprus Securities and Exchange Commission dated 25 October 2012, entitled "Findings Regarding the Investment of Bank of Cyprus Public Company Ltd to Greek Government Bonds (GGB)" (ΠΟΡΙΣΜΑ ΑΝΑΦΟΡΙΚΑ ΜΕ ΤΗΝ ΕΠΕΝΔΥΣΗ ΤΗΣ ΤΡΑΠΕΖΑ ΚΥΠΡΟΥ ΔΗΜΟΣΙΑ ΕΤΑΙΡΕΙΑ ΛΤΔ ΣΕ ΟΜΟΛΟΓΑ ΕΛΛΗΝΙΚΟΥ ΔΗΜΟΣΙΟΥ (ΟΕΔ)) (Exhibit 12)
[31] Mr Karydas in interview (13 February 2013) [Page 18 of transcript/part 1] advised that the CBC was fully aware of the GGB exposure. Mr Kypri in interview (13 February 2013) [Page 6/part 2] advised that the letter was not circulated to the ALCO members or to the Board, only to Mr Karydas by Mr Eliades and it was kept secret until 2012.
[32] Mr Poullis in Interview of 25 February 2013
[33] Letter from CBC to BOC 28 March 2011 (Exhibit 13)
[34] Letter from CBC to BOC - 28 November 2011 (Exhibit 14)
[35] Reports were required quarterly and were submitted a month in arrears

2.9.2 Despite requesting details of banks' sovereign bond holdings, the CBC did not have any formal asset concentration monitoring in place. As such, the BOC's high concentration of GGBs within its sovereign bond portfolio was not in breach of any regulatory limits.

2.9.3 The CBC formally requested information regarding BOC's holdings of GGBs in March 2010; however, no written response was received from the BOC. The CBC did not follow up on this on a timely basis; the reason for which is unclear.