

Bank of Cyprus Group



Announcement

Extension of agreement with the founding shareholders of Uniastrum Bank

Nicosia, 27 July 2009

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 590 branches, of which 224 operate in Russia, 163 in Greece, 146 in Cyprus, 33 in Ukraine, 10 in Australia, 9 in Romania, 4 in the United Kingdom, and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Canada, South Africa and Ukraine. The Bank of Cyprus Group employs 11.999 staff worldwide.

At 31 March 2009, the Group's Total Assets reached €36,33 bn and the Shareholders' Funds were €2,02 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found at the Group's website www.bankofcyprus.com

Bank of Cyprus announces that a new five year shareholder agreement was signed today with Messrs George Piskov and Gagik Zakaryan, Chairman and President of Russian Uniastrum Bank respectively, thereby showing clearly the Bank's confidence in Messrs Piskov and Zakaryan and their experience and proven management capability in periods of expansion and economic growth as well as in periods of economic crisis.

The two parties, having evaluated their successful cooperation to date, signed a new agreement with which Messrs Piskov and Zakaryan will continue in their managerial roles and will continue to hold a 10% interest in Uniastrum each. In the medium term the Group intends to proceed with the listing of Uniastrum Bank in a Russian stock exchange which is expected to occur in 2014-2016. The future listing of Uniastrum will increase visibility, give access to further capital in Russian rubles and establish Uniastrum as one of the major banking institutions in the Russian market.

It is reminded that according to the initial acquisition agreement Messrs Piskov and Zakaryan retained a residual shareholding of 10% each which was subject to a three-year call/put arrangement (expiring in 2010), payable in cash.

The signing of the above agreement and the simultaneous cancelling of the previous call/put arrangement results in a change in the accounting treatment of Uniastrum in the financial statements of the Group. Up until now Uniastrum was included in the financial statements of the Group as a 100% subsidiary of the Bank. With the signing of the above shareholder agreement the recognition of the call/put arrangement as a liability is cancelled and minority interest is recognised resulting in a positive impact on the capital adequacy of the Group, with the Tier 1 capital adequacy ratio increasing by about 30 basis points (0,30%).

Founded in 1994 and headquartered in Moscow, Uniastrum Bank has one of the largest distribution networks in Russia, comprising of over 220 outlets. Uniastrum Bank offers an extensive range of retail products, enjoys high brand recognition and has excellent deposit gathering capability. The operational merger of Uniastrum Bank and the Group's subsidiary in Russia was completed in June 2009. The merger aims at achieving synergies between the two units through cost efficiencies, improving cross-selling, systems and procedures. The Group expects to leverage on the extensive distribution network of Uniastrum aiming to add significant value to the shareholders of Bank of Cyprus. At 31 March 2009, Uniastrum's customer loans and customer deposits amounted to €816mn and €882mn respectively.

On the occasion of the renewal of the agreement between Bank of Cyprus and the founding shareholders of Uniastrum Bank, Messrs George Piskov and Gagik Zakaryan, Chairman and President of Uniastrum respectively, stated that they are fully satisfied with the extension of their agreement. Messrs Piskov and Zakaryan emphasised that, through the excellent cooperation they have had with Bank of Cyprus to date, they have ascertained the high quality of management and knowhow of the Bank, as well as its sound financial base. The above, in conjunction with the extensive network of Uniastrum and their experience in the local market, comprise the guarantee for the further expansion and success of the Bank. Messrs Piskov and Zakaryan also stated that they are fully satisfied with the new five year agreement which has been signed, which creates favourable prospects.

The Chairman of the Board of Directors and the Group Chief Executive Officer of the Bank of Cyprus Group, Messrs Theodoros Aristodemou and Andreas Eliades respectively, have confirmed yet again that the selection of Uniastrum for the strategic development of Bank of Cyprus into the Russian market was the correct choice. They also stated that the extension of the agreement between Bank of Cyprus and the two founding shareholders of Uniastrum will give Bank of Cyprus the opportunity to further utilise the valuable experience of the two executives in the local market as well as their proven management capability, always with a view to create additional value for the Group's shareholders. In addition to the above, the possibility of a future listing of Uniastrum on a Russian stock exchange is expected to further strengthen the Group's growth prospects in Russia, thereby implementing the strategic direction of the Group for further expansion in the Russian Market, which is the third pillar of growth after Cyprus and Greece.