



# Bank of Cyprus Group

## Mid-year Financial Report

six months ended 30 June 2010

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# Bank of Cyprus Public Company Ltd

## Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Consolidated Financial Statements

(in accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the Interim Condensed Consolidated Financial Statements of Bank of Cyprus Public Company Ltd (the 'Company') for the six months ended 30 June 2010, confirm that, to the best of our knowledge,

- (a) the Interim Condensed Consolidated Financial Statements on pages 8 to 32
  - (i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union, and
  - (ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial statements taken as a whole, and
- (b) the Interim Management Report on pages 2 to 7 provides a fair overview on information required as per section 6, article 10 of Law 190(I)/2007.

Theodoros Aristodemou	Chairman
Andreas Artemis	Vice Chairman
Vassilis G. Rologis	Non Executive Director
Costas Z. Severis	Non Executive Director
Christakis G. Christofides	Non Executive Director
Evdokimos Xenophontos	Non Executive Director
Anna Diogenous	Non Executive Director
George M. Georgiades	Non Executive Director
Andreas J. Jacovides	Non Executive Director
Christos Mouskis	Non Executive Director
Manthos Mavrommatis	Non Executive Director
Andreas Eliades	Executive Director
Yiannis Kypri	Executive Director
Costas Hadjipapas	Non Executive Director
Nikolas P. Tsakos	Non Executive Director
Yiannis Pechlivanidis	Executive Director
Stavros J. Constantinides	Non Executive Director
Christis Hadjimitsis	Senior Group General Manager

30 August 2010

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results

The Group is in a strong position to face the continuing challenges of the economic environment, having achieved increased recurring profitability and maintained its strong balance sheet footings in the first half of 2010, in line with the business and financial targets it has set for year 2010.

The Group's profit before provisions and profit after tax and non-controlling interests for the first half of 2010 recorded a significant increase and reached €328 million and €163 million respectively, noting an increase of 27% and 10% respectively compared to the first half of 2009. At the same time there was a positive contribution to profit from all markets in which the Group operates. Net interest income recorded an increase of 28% reaching €496 million for the first half of 2010, demonstrating the Group's ability to achieve increased recurring income even in adverse economic conditions.

The Group enjoys high capital adequacy (Tier 1 ratio of 9,9%), strong liquidity (loans to deposits ratio of 83%) and satisfactory loan quality given the circumstances (non-performing loans ratio of 6,2%). The Group's capital adequacy is expected to be further strengthened through the forthcoming capital increase, with the pro-forma Tier 1 ratio at 30 June 2010 reaching 11,2%.

The performance of the first half of 2010 reaffirms the appropriateness of the Group's chosen business model. Facing effectively the challenges of the negative economic environment, the Group continues its expansion by increasing its balance sheet footings in the main markets in which it operates, strengthening its balance sheet and achieving increased recurring profitability. At the same time, the forthcoming share capital increase will offer the Group further strategic flexibility to capitalise on its liquidity by seizing profitable growth opportunities across its various markets.

The main financial highlights and footings for the first half of 2010 are set out in the table below:

	<b>Change</b>	<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>€000</b>	<b>€000</b>
Profit before provisions	+27%	327.863	259.013
Profit before tax	+10%	180.211	164.109
<b>Profit after tax and non-controlling interests</b>	<b>+10%</b>	<b>162.632</b>	<b>147.585</b>
<b>Earnings per share (basic)</b>	<b>+2,2 cent</b>	<b>27,2 cent</b>	<b>25,0 cent</b>
Gross loans	+10%	27.953.405	25.312.007
Deposits	+14%	32.553.744	28.585.593
Loans (after provisions) to deposits ratio	-3,1 p.p.*	82,8%	85,9%
Return on equity	-0,3 p.p.*	13,6%	13,9%
Cost/income ratio	-3,7 p.p.*	51,9%	55,6%
Non-performing loans ratio	+1,3 p.p.*	6,2%	4,9%

\* p.p.= percentage points, 1 percentage point = 1%

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

- **Significant increase in profitability:** Profit before provisions for the first half of 2010 reached €328 million recording an increase of 27% compared to the first half of 2009 (€259 million). Profit after tax and non-controlling interests reached €163 million recording an annual increase of 10%.
- **Strong liquidity position:** Loans to deposits ratio of 83%.
- **High return on equity:** Return on equity was maintained at high levels in a particularly demanding and negative environment (13,6%).
- **Strong capital position:** The capital adequacy ratio reached 10,9% at 30 June 2010 with the tier 1 ratio and the core tier 1 ratio reaching 9,9% and 6,7% respectively. Taking into consideration the forthcoming capital increase, the pro-forma capital adequacy ratio and core tier 1 ratio at 30 June 2010 will amount to 12,3% and 8,1% respectively.
- **Improvement of interest margin:** The Group's net interest margin reached 2,62% for the first half of 2010, an increase of 38 basis points compared to the first half of 2009 (2,24%).
- **Improved efficiency:** Cost to income ratio has improved to 51,9% for the first half of 2010 from 55,6% in the first half of 2009.
- **Significant volume growth:** At 30 June 2010 Group loans and deposits recorded an annual increase of 10% and 14% respectively, while from the beginning of 2010 the increase amounted to 5% and 14% respectively.
- **Effective credit risk management:** The non-performing loans ratio reached 6,2% at 30 June 2010 compared to 6,0% at 31 March 2010 and 5,6% at 31 December 2009. The provisions coverage ratio (provisions as % of non-performing loans) stood at 57% on 30 June 2010. The coverage ratio including tangible collateral amounted to 121% (108% taking into account tangible collateral at forced sale value).

### Geographical analysis of profitability

The **Group** recorded a significant increase in profitability for the first half of 2010 compared to the first half of 2009, with increased recurring income and positive contribution to profit from all the markets in which it operates.

Profit before provisions for the first half of 2010 reached €328 million, recording an annual increase of 27% compared to the first half of 2009. Profit after tax for the first half of 2010 reached €163 million recording an annual increase of 10% compared to the first half of 2009.

The two main markets in which the Group operates, Cyprus and Greece, noted a significant improvement in profit before provisions despite the adverse economic environment.

In Cyprus, profit before provisions for the first half of 2010 increased by 13% compared to a year earlier and reached €191 million. However, the Group, having taken into consideration the worsening of the economic environment, increased significantly the charge for impairment of loans, resulting in profit after tax and non-controlling interests for the first half of 2010 of €120 million, a 15% reduction compared to the first half of 2009.

In Greece, profit before provisions for the first half 2010 reached €98 million, recording an increase of 81% compared to the first half 2009 and despite the increased provision charge (€70 million for the first half 2010 compared to €41 million for the first half 2009) profit after tax and non-controlling interests reached €25 million versus €7 million in the first half 2009 (annual increase of 268%).

In **Russia** profit before provisions for the first half of 2010 reached €15 million, an increase of 31% compared to the first half 2009 with profit after tax and non-controlling interests reaching €3 million compared to a loss of €13 million for the first half of 2009.

Profit after tax and non-controlling interests for **other countries** (Australia, United Kingdom, Ukraine and Romania) reached €14 million recording an increase of 10% compared to the first half of 2009.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

#### Net interest income and net interest margin

By adjusting its pricing policy for the new economic environment, the Group achieved increased net interest income in the first half of 2010. **Net interest income** for the first half of 2010 reached €496 million, recording a significant annual increase of 28% compared to the first half of 2009, demonstrating the Group's ability to achieve increased recurring income despite continuing competition and the adverse economic conditions.

In Cyprus, net interest income reached €248 million for the first half of 2010, an increase of 22% versus the first half of 2009 while in Greece net interest income reached €154 million recording an increase of 40% compared to the first half of 2009. In Russia, net interest income reached €53 million recording an increase of 57% versus the first half of 2009.

The **net interest margin** of the Group reached 2,64% for the second quarter of 2010 compared to 2,36% for the second quarter of 2009 and 2,60% for the first quarter of 2010. As a result, the net interest margin for the first half of 2010 reached 2,62% recording a significant increase of 38 basis points compared to the first half of 2009 (2,24%).

The net interest margin in Cyprus for the second quarter of 2010 reached 2,13% compared to 2,10% for the first quarter of 2010. Thus, the net interest margin in Cyprus reached 2,11% for the first half of 2010 compared to 1,94% for the first half of 2009.

The net interest margin in Greece improved to 2,19% for the second quarter of 2010 versus 2,14% for the first quarter of 2010. As a result, the net interest margin in Greece for the first half of 2010 reached 2,17%, increased by 43 basis points compared to the first half of 2009 (1,74%).

The net interest margin in Russia reached 5,98% in the second quarter of 2010 (compared to 5,05% for the first quarter of 2010), while the net interest margin for the first half of 2010 reached 5,53% recording an increase of 116 basis points from the first half of 2009 (4,37%).

#### Income from fees and commissions and foreign exchange and gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries

**Net fee and commission income** amounted to €112 million in the first half of 2010, compared to €111 million in the first half of 2009.

**Foreign exchange income and gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries** for the first half of 2010 amounted to €37 million compared to €49 million for the first half of 2009, while the corresponding income for the second quarter of 2010 amounted to €10 million compared to €27 million for the first quarter of 2010.

#### Expenses

**Total expenses** for the first half of 2010 amounted to €353 million, recording an annual increase of 9% compared to €324 million in the first half of 2009. Despite the increase in operating expenses, increased income led to the reduction of the cost to income ratio to 51,9%, noting an improvement of 3,7 percentage points compared to the first half of 2009.

The cost to income ratio in Cyprus in the first half of 2010 stood at 46,2%, an improvement of 1,1 percentage points compared to the first half of 2009. In Greece the relevant ratio stood at the very satisfactory level of 50,7% compared to 62,9% in the first half of 2009.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

#### Credit risk management

The quality of the Group's loan portfolio remains at satisfactory levels taking into consideration the continuing economic crisis. At 30 June 2010, the ratio of loans past due for more than three months which are not fully covered by tangible collateral ("non-performing loans") over the Group's gross stood at 6,2%, compared to 6,0% at 31 March 2010, an increase of 20 basis points. At 31 December 2009 the relevant ratio stood at 5,6%

At 30 June 2010, the relevant ratio stood at 6,1% in Cyprus (31 March 2010: 5,9%) and at 6,8% in Greece (31 March 2010: 6,1%).

The Group, taking into consideration the macro-economic environment and the deterioration of the loan portfolio, maintained the relatively high provision charge for loan impairment, which reached 1,07% of gross loans on an annual basis for the first half of 2010 (2009: 0,96%).

As a result of increased provisions and the satisfactory level of accumulated provisions, the provisions coverage ratio (provisions/NPLs) stood at 57% at 30 June 2010. The remaining balance of NPLs is fully covered by tangible collateral. The coverage ratio taking into account tangible collateral amounted to 121% (108% if tangible collateral is valued at forced sale value).

#### Group loans

At 30 June 2010 the Group's gross loans amounted to €27,95 billion recording an annual increase of 10% and an increase of 5% from 31 December 2009. Despite the conditions prevailing in the main markets in which the Group operates and the prudent credit policy applied, the increase in loans reaffirms that the Group, based on its strong balance sheet footings and primarily on its strong liquidity continues its expansion by taking advantage of opportunities that arise.

At 30 June 2010, the Group's gross loans in Russia reached €1,87 billion recording an increase of 33% for the first half of 2010 and an annual increase of 64%.

#### Group deposits

The Group's total deposits at 30 June 2010 reached €32,55 billion recording an annual increase of 14% and an increase of 14% from 31 December 2009. The significant increase in deposits during the second quarter of 2010 is primarily due to the International Banking Services where a continuous increase in the number of customers further enhances the Group's leading market share.

The Group's strong liquidity position, with a loans to deposits ratio of 83% and its minimal reliance on wholesale funding (deposits to total assets ratio of 75% at 30 June 2010) provide the Group with a strong competitive advantage particularly in the adverse conditions prevailing in international money markets and the intense competition for deposits in the main markets in which the Group operates.

#### Capital base

At 30 June 2010, the Group's equity amounted to €2,37 billion. The Group's total capital adequacy ratio under Basel II reached 10,9% with the Core Tier 1 ratio at 6,7% and the Tier 1 ratio at 9,9%.

As already announced, the Group has decided to increase its capital through a rights issue of up to €345 million to further strengthen its capital base.

The Group's capital adequacy is expected to be further strengthened with the forthcoming capital increase, with the 30 June 2010 pro-forma capital adequacy ratio amounting to 12,3%, the Core Tier 1 ratio to 8,1% and the Tier 1 ratio to 11,2%.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

#### **Bond portfolio**

At 30 June 2010, the Group's total investment in Greek government bonds amounted to €2,1 billion, with the category loans and receivables constituting 67% of the total, the category available-for-sale 21%, and the category held to maturity 12%.

#### **Dividends**

The Board of Directors of the Company decided the payment of an interim dividend for 2010 in cash and in the form of shares.

The interim dividend in cash has been set at €0,06 per share. In addition, the Board of Directors, taking into consideration the level of reserves and the applicable legislation for dividend distribution, decided the payment of a special interim dividend payable in the form of shares amounting to €0,50 per share at the issue price of €3,25. The decision of the Board of Directors for the payment of interim dividend in the form of shares will be presented for approval at an Extraordinary General Meeting of shareholders to be held on 20 September 2010. In addition to the shareholders of the Company as at the record date, holders of the new shares which will arise following the exercise of the Rights to be issued by the Company will also be eligible to receive the interim dividend in cash and in the form of shares. The total amount of the cash dividend will amount to €46.610 thousand and the scrip dividend to €388.418 thousand.

The final dividend for 2009 of €0,08 per share, amounted to €47.856 thousand and was approved at the Annual General Meeting of the shareholders held on 26 May 2010 and was paid to the shareholders on 17 June 2010.

#### **Related party transactions**

Information on related party transactions for the six months ended 30 June 2010 in accordance with IFRSs is set out in Note 18 of the Interim Condensed Consolidated Financial Statements.

#### **Transfer of the business of Mortgage Bank of Cyprus Ltd**

The Board of Directors decided to transfer the business and the assets and liabilities of the subsidiary company Mortgage Bank of Cyprus Ltd to Bank of Cyprus Public Company Ltd with a parallel dissolution of the subsidiary company without going into liquidation. The transfer of the business aims at achieving operating synergies between the various units of the Group. The dissolution of the subsidiary company is subject to the approval and issue of the relevant court order in accordance to Cyprus legislation.

#### **Risk management**

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk and market risk (that arises from adverse movements in exchange rates, interest rates or security prices), as well as operational risk. The Group monitors and manages these risks through various control mechanisms. Information relating to Group risk management is set out in Notes 39 to 42 of the financial statements for the year ended 31 December 2009 and is not expected to change significantly during the second half of 2010.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Share capital

During the period, the Company's issued share capital increased by €6.009 thousand as a result of dividend reinvestment as set out in Note 13 of the Interim Condensed Consolidated Financial Statements.

On 8 July 2010 the Board of Directors of the Group decided the increase of the Company's share capital through a rights issue of up to €345 million to strengthen the Group's capital base.

Each outstanding ordinary share shall receive one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised will be converted into two new ordinary shares at €2,00 per each new share. As a result, the Company will issue up to 172.630.273 new ordinary shares.

The Cyprus Securities and Exchange Commission approved the Prospectus for the Bank's share capital increase on 20 August 2010. The issue is expected to be completed in late October 2010.

On 23 July 2010, the Extraordinary General Meeting of the shareholders approved the increase of the authorised share capital of the Company from €750 million to €1.100 million by creating 350 million new ordinary shares of nominal value €1,00 each which will rank pari passu with the existing ordinary shares of the Company.

30 August 2010

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the six months ended 30 June 2010

		<b>Six months ended 30 June</b>		<i>Year ended 31 December</i>
		<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
	Notes			
Turnover		<b>1.239.454</b>	1.276.710	2.481.561
Interest income		<b>1.003.509</b>	1.039.254	1.997.034
Interest expense		<b>(507.344)</b>	(651.350)	(1.149.204)
Net interest income		<b>496.165</b>	387.904	847.830
Fee and commission income		<b>117.746</b>	116.592	257.658
Fee and commission expense		<b>(5.954)</b>	(5.240)	(14.286)
Foreign exchange income		<b>18.162</b>	27.815	28.589
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries		<b>18.957</b>	20.893	87.111
Insurance income net of insurance claims		<b>30.240</b>	30.964	62.835
Other income		<b>5.674</b>	3.929	16.761
		<b>680.990</b>	582.857	1.286.498
Staff costs		<b>(217.108)</b>	(201.200)	(413.933)
Other operating expenses		<b>(136.019)</b>	(122.644)	(260.319)
<b>Profit before provisions</b>		<b>327.863</b>	259.013	612.246
Provisions for impairment of loans and advances	8	<b>(145.605)</b>	(95.663)	(247.935)
<b>Profit before share of profit of associate</b>		<b>182.258</b>	163.350	364.311
Share of (loss)/profit of associate		<b>(2.047)</b>	759	910
<b>Profit before tax</b>		<b>180.211</b>	164.109	365.221
Taxation		<b>(22.827)</b>	(13.237)	(43.227)
<b>Profit after tax</b>		<b>157.384</b>	150.872	321.994
Attributable to:				
<b>Non-controlling interests ((loss)/profit)</b>		<b>(5.248)</b>	3.287	8.850
<b>Owners of the Company</b>		<b>162.632</b>	147.585	313.144
<b>Basic earnings per share (cent)</b>	6	<b>27,2</b>	25,0	52,8
<b>Diluted earnings per share (cent)</b>	6	<b>25,0</b>	23,1	48,6

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the three months from 1 April to 30 June 2010

		<b>Three months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>€000</b>	<b>€000</b>
	Notes		
Turnover		<b>639.763</b>	631.971
Interest income		<b>525.186</b>	517.087
Interest expense		<b>(270.563)</b>	(310.437)
Net interest income		<b>254.623</b>	206.650
Fee and commission income		<b>62.690</b>	59.577
Fee and commission expense		<b>(3.170)</b>	(2.265)
Foreign exchange income		<b>10.186</b>	7.512
Net (losses)/gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries		<b>(74)</b>	23.656
Insurance income net of insurance claims		<b>15.168</b>	15.703
Other income		<b>3.898</b>	2.911
		<b>343.321</b>	313.744
Staff costs		<b>(109.445)</b>	(102.941)
Other operating expenses		<b>(71.445)</b>	(65.033)
<b>Profit before provisions</b>		<b>162.431</b>	145.770
Provisions for impairment of loans and advances		<b>(72.107)</b>	(60.785)
<b>Profit before share of profit of associate</b>		<b>90.324</b>	84.985
Share of (loss)/profit of associate		<b>(1.574)</b>	919
<b>Profit before tax</b>		<b>88.750</b>	85.904
Taxation		<b>(10.766)</b>	2.839
<b>Profit after tax</b>		<b>77.984</b>	88.743
Attributable to:			
<b>Non-controlling interests ((loss)/profit)</b>		<b>(3.286)</b>	4.229
<b>Owners of the Company</b>		<b>81.270</b>	84.514
<b>Basic earnings per share (cent)</b>	6	<b>13,6</b>	14,3
<b>Diluted earnings per share (cent)</b>	6	<b>12,5</b>	13,1

## Bank of Cyprus Group

### Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>157.384</b>	150.872
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
Gains/(losses) on translation of the net investment in overseas subsidiaries and branches	<b>82.410</b>	(30.947)
Transfer to consolidated income statement on disposal of subsidiaries	<b>362</b>	-
	<b>82.772</b>	(30.947)
<b>Available-for-sale investments</b>		
(Losses)/gains from revaluation before tax	<b>(251.296)</b>	84.019
Transfer to the consolidated income statement on impairment	<b>1.597</b>	103
Transfer to the consolidated income statement on sale	<b>13.878</b>	4.638
Taxation	<b>2.098</b>	(1.269)
	<b>(233.723)</b>	87.491
<b>Cash flow hedges</b>		
Gains from revaluation before tax	<b>1.518</b>	-
Transfer to the consolidated income statement on termination of hedge accounting	-	(7.602)
Taxation	<b>(152)</b>	760
	<b>1.366</b>	(6.842)
<b>Property revaluation</b>		
Losses from revaluation before tax	-	(3.994)
Taxation	-	810
	-	(3.184)
<b>Other comprehensive (expense)/income after tax</b>	<b>(149.585)</b>	46.518
<b>Total comprehensive income for the period</b>	<b>7.799</b>	197.390
Attributable to:		
<b>Non-controlling interests ((expense)/income)</b>	<b>(204)</b>	3.294
<b>Owners of the Company (income)</b>	<b>8.003</b>	194.096

## Bank of Cyprus Group

### Interim Consolidated Statement of Comprehensive Income

for the three months from 1 April to 30 June 2010

	<i>Three months ended</i>	
	<i>30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
<b>Profit after tax</b>	<b>77.984</b>	88.743
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
Gains on translation of the net investment in overseas subsidiaries and branches	<b>27.924</b>	17.812
Transfer to consolidated income statement on disposal of subsidiaries	<b>362</b>	-
	<b>28.286</b>	17.812
<b>Available-for-sale investments</b>		
(Losses)/gains from revaluation before tax	<b>(188.317)</b>	119.069
Transfer to the consolidated income statement on impairment	<b>1.597</b>	103
Transfer to the consolidated income statement on sale	<b>19.940</b>	(2.554)
Taxation	<b>801</b>	(3.423)
	<b>(165.979)</b>	113.195
<b>Cash flow hedges</b>		
Gains/(losses) from revaluation before tax	<b>763</b>	(1.013)
Taxation	<b>(76)</b>	101
	<b>687</b>	(912)
<b>Property revaluation</b>		
Losses from revaluation before tax	-	(100)
Taxation	<b>4</b>	25
	<b>4</b>	(75)
<b>Other comprehensive (expense)/income after tax</b>	<b>(137.002)</b>	130.020
<b>Total comprehensive (expense)/income for the period</b>	<b>(59.018)</b>	218.763
Attributable to:		
<b>Non-controlling interests ((expense)/income)</b>	<b>(2.206)</b>	4.232
<b>Owners of the Company ((expense)/income)</b>	<b>(56.812)</b>	214.531

# Bank of Cyprus Group

## Interim Consolidated Balance Sheet

as at 30 June 2010

		<b>30 June</b>	<i>31 December</i>
		<b>2010</b>	<i>2009</i>
	Notes	€000	€000
<b>Assets</b>			
Cash and balances with central banks		<b>2.337.457</b>	1.043.791
Placements with banks		<b>5.667.666</b>	5.947.768
Reverse repurchase agreements		<b>120.222</b>	120.137
Investments	7	<b>6.200.770</b>	4.928.113
Derivative financial assets		<b>112.900</b>	60.739
Loans and advances to customers	8	<b>26.968.147</b>	25.635.780
Life insurance business assets attributable to policyholders		<b>534.462</b>	541.574
Property and equipment		<b>418.846</b>	406.272
Intangible assets		<b>502.828</b>	453.141
Other assets	9	<b>329.633</b>	267.534
Investment in associate		<b>4.506</b>	6.552
<b>Total assets</b>		<b>43.197.437</b>	39.411.401
<b>Liabilities</b>			
Obligations to central banks and amounts due to banks		<b>5.213.174</b>	5.290.897
Repurchase agreements		<b>647.566</b>	494.806
Derivative financial liabilities		<b>316.815</b>	139.551
Customer deposits		<b>32.553.745</b>	28.584.561
Insurance liabilities		<b>621.824</b>	618.097
Debt securities in issue	10	<b>88.782</b>	519.111
Other liabilities	11	<b>345.143</b>	332.037
Subordinated loan stock	12	<b>945.730</b>	946.843
<b>Total liabilities</b>		<b>40.732.779</b>	36.925.903
<b>Equity</b>			
Share capital	13	<b>604.206</b>	598.197
Share premium		<b>723.649</b>	712.170
Revaluation and other reserves		<b>(119.835)</b>	28.613
Retained earnings		<b>1.164.632</b>	1.084.132
<b>Equity attributable to the owners of the Company</b>		<b>2.372.652</b>	2.423.112
<b>Non-controlling interests</b>		<b>92.006</b>	62.386
<b>Total equity</b>		<b>2.464.658</b>	2.485.498
<b>Total liabilities and equity</b>		<b>43.197.437</b>	39.411.401

**Th. Aristodemou** Chairman  
**A. Artemis** Vice Chairman  
**A. Eliades** Group Chief Executive Officer  
**Y. Kypri** Deputy Group Chief Executive Officer  
**Chr. Hadjimitsis** Senior Group General Manager

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Cash flow hedge reserve	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
<b>1 January 2010</b>	<b>598.197</b>	<b>712.170</b>	<b>1.084.132</b>	<b>101.583</b>	<b>(8.537)</b>	<b>32</b>	<b>74.599</b>	<b>12.420</b>	<b>(138.138)</b>	<b>(13.346)</b>	<b>2.423.112</b>	<b>62.386</b>	<b>2.485.498</b>
Reattribution of reserves due to change in ownership percentage of subsidiary (Note 17)	-	-	(29.824)	-	-	-	-	-	-	-	(29.824)	29.824	-
Cost of share-based payments	-	-	1.766	-	-	-	-	-	-	-	1.766	-	1.766
Acquisition of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(58)	(58)	-	(58)
Disposal of shares of the Company by subsidiaries and associates	-	-	(816)	-	-	-	-	-	-	1.407	591	-	591
Defence contribution on deemed dividend distribution	-	-	(570)	-	-	-	-	-	-	-	(570)	-	(570)
Increase in value of in-force life insurance policies	-	-	(5.327)	-	-	-	5.327	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	495	-	-	-	(495)	-	-	-	-	-	-
Dividend paid and reinvested (Note 14)	6.009	11.479	(47.856)	-	-	-	-	-	-	-	(30.368)	-	(30.368)
Total comprehensive income/(expense) for the period	-	-	162.632	-	(233.671)	1.366	-	-	77.676	-	8.003	(204)	7.799
<b>30 June 2010</b>	<b>604.206</b>	<b>723.649</b>	<b>1.164.632</b>	<b>101.583</b>	<b>(242.208)</b>	<b>1.398</b>	<b>79.431</b>	<b>12.420</b>	<b>(60.462)</b>	<b>(11.997)</b>	<b>2.372.652</b>	<b>92.006</b>	<b>2.464.658</b>
<b>1 January 2009</b>	<b>586.662</b>	<b>676.949</b>	<b>877.225</b>	<b>104.673</b>	<b>(115.318)</b>	<b>6.842</b>	<b>67.099</b>	<b>5.173</b>	<b>(152.507)</b>	<b>(15.721)</b>	<b>2.041.077</b>	<b>15.290</b>	<b>2.056.367</b>
Cost of share-based payments	-	-	4.346	-	-	-	-	-	-	-	4.346	-	4.346
Increase in value of in-force life insurance policies	-	-	(3.781)	-	-	-	3.781	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	393	-	-	-	(393)	-	-	-	-	-	-
Acquisition of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(185)	(185)	-	(185)
Disposal of shares of the Company by subsidiaries and associates	-	-	(272)	-	-	-	-	-	-	451	179	-	179
Dividend paid and reinvested (Note 14)	7.083	20.753	(70.399)	-	-	-	-	-	-	-	(42.563)	-	(42.563)
Derecognition of equity component of Convertible Bonds 2013/2018	-	-	4.756	-	-	-	-	(4.756)	-	-	-	-	-
Issue of Convertible Capital Securities	-	-	-	-	-	-	-	12.003	-	-	12.003	-	12.003
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	-	(9.805)	-	-	-	-	-	-	-	(9.805)	-	(9.805)
Total comprehensive income/(expense) for the period	-	-	147.585	(3.184)	87.491	(6.842)	-	-	(30.954)	-	194.096	3.294	197.390
<b>30 June 2009</b>	<b>593.745</b>	<b>697.702</b>	<b>950.048</b>	<b>101.489</b>	<b>(27.827)</b>	<b>-</b>	<b>70.487</b>	<b>12.420</b>	<b>(183.461)</b>	<b>(15.455)</b>	<b>2.199.148</b>	<b>18.584</b>	<b>2.217.732</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

		<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>€000</b>	<b>€000</b>
	<b>Notes</b>		
<b>Net cash flow from operating activities</b>			
Profit before tax		180.211	164.109
Share of loss/(profit) of associate		2.047	(759)
Provisions for impairment of loans and advances		145.605	95.663
Depreciation of property and equipment and amortisation of intangible assets		22.490	22.141
Increase in value of in-force life insurance policies		(5.327)	(3.781)
Amortisation of discounts/premiums		(132.443)	2.116
Cost of share-based payments		1.766	4.346
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(160.888)	(136.465)
Gain on disposal of subsidiary		(1.944)	-
		51.517	147.370
Net increase in loans and advances to customers and other accounts		(1.910.311)	(173.855)
Net increase in customer deposits and other accounts		4.220.353	1.096.590
		2.361.559	1.070.105
Tax paid		(20.894)	(40.071)
<b>Net cash flow from operating activities</b>		<b>2.340.665</b>	<b>1.030.034</b>
<b>Cash flow from investing activities</b>			
Purchases of investments		(3.513.953)	(3.104.305)
Proceeds on disposal/redemption of investments		2.179.316	1.956.319
Interest from investments		99.343	120.309
Dividend income from equity shares		1.206	1.209
Acquisition of subsidiaries		-	(322)
Proceeds on disposal of subsidiaries		2.883	-
Purchases of property and equipment		(18.382)	(14.247)
Proceeds on disposal of property and equipment		2.685	374
Purchases of intangible assets		(4.829)	(4.145)
Proceeds on disposal of intangible assets		-	14
Purchases of investment property		(13.834)	(76)
Proceeds on disposal of investment property		1.965	169
<b>Net cash flow used in investing activities</b>		<b>(1.263.600)</b>	<b>(1.044.701)</b>
<b>Cash flow from financing activities</b>			
Redemption of subordinated loan stock		(453.295)	(51.806)
Issue of subordinated loan stock		14.679	118.164
Dividend payment		(30.368)	(42.563)
Interest on subordinated loan stock		(21.757)	(24.077)
Acquisition of own shares		(58)	(185)
Disposal of own shares		591	179
<b>Net cash flow used in financing activities</b>		<b>(490.208)</b>	<b>(288)</b>
<b>Net increase/(decrease) in cash and cash equivalents for the period</b>		<b>586.857</b>	<b>(14.955)</b>
<b>Cash and cash equivalents</b>			
1 January		6.156.656	4.787.848
Exchange adjustments		75.953	(14.866)
Net increase/(decrease) in cash and cash equivalents for the period		586.857	(14.955)
30 June	15	6.819.466	4.758.027

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (the 'Group') and were authorised for issue by a resolution of the Board of Directors on 30 August 2010.

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The principal activities of the Company and its subsidiaries during the period continued to be the provision of banking, financial and insurance services.

The Company was incorporated in Cyprus as a limited liability company in 1930 and is a public company under the Cyprus Companies Law, the Cyprus Stock Exchange Laws and Regulations and the Income Tax Law of Cyprus.

### 2. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2010 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Information performed by the Independent Auditor of the Entity".

### 3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year 2009.

The preparation of the Interim Condensed Consolidated Financial Statements in accordance with IFRSs requires the Group's management to make judgements and estimates which have a material impact on the amounts presented in the financial statements. These judgements and estimates are consistent with those followed for the preparation of the audited Consolidated Financial Statements for the year 2009 except for the judgement of a significant fall in the fair value of available for sale equity securities below cost, which is required for the determination of impairment of available for sale investments. The Group judges as significant a fall in the fair value of an equity security, of more than 25% below cost (previously 20%). The most important factor which is taken into account for this judgement is the expected volatility in equity security prices.

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

### 4. Significant accounting policies

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 are consistent with those followed for the preparation of the annual financial statements for the year 2009, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2010, which did not have any material impact on the Group's financial statements:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters'.
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Arrangements'.
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement — Eligible Hedged Items'.
- IFRIC 17 'Distributions of Non-cash Assets to Owners'.
- Improvements to International Financial Reporting Standards (issued in April 2009).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit and has the following reportable operating segments: Cyprus, Greece and Russia. The Group's activities in the United Kingdom, Channel Islands, Australia, Romania and Ukraine are separate operating segments for which information is provided to management but, due to their size, have been aggregated for disclosure purposes into one segment, namely 'Other countries'.

Group management monitors the operating results of each business segment separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit after tax and non-controlling interests. Inter-segment transactions and balances are eliminated on consolidation. Inter-segment transactions are made on an arm's length basis.

The loans and advances to customers, the customer deposits and the related income and expense are included in the segment where the business is originated, instead of the segment where the transaction is recorded.

Operating segment disclosures are provided as presented to the Group's Senior Executive Management, whereby each segment's capital is on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the Central Bank of Cyprus. As a result, subsidiaries or branches with capital in excess of the predefined level are charged with additional interest expense using current market interest rates, whereas subsidiaries or branches with lower capital than the predefined level benefit accordingly. The Group's total profit as presented in the consolidated income statement is not affected. Gains/(losses) on disposal of subsidiaries and amortisation of intangible assets arising on acquisitions are included in Cyprus.

	Cyprus	Greece	Russia	Other countries	Total
<b>Six months ended 30 June 2010</b>	€000	€000	€000	€000	€000
Net interest income	248.147	153.228	53.459	41.331	<b>496.165</b>
Net fee and commission income	60.948	25.998	19.326	5.520	<b>111.792</b>
Foreign exchange income	11.424	2.137	3.731	870	<b>18.162</b>
Net gains/(losses) on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	7.980	11.089	-	(112)	<b>18.957</b>
Insurance income net of insurance claims	24.661	5.579	-	-	<b>30.240</b>
Other income	2.163	1.398	1.126	987	<b>5.674</b>
	<b>355.323</b>	<b>199.429</b>	<b>77.642</b>	<b>48.596</b>	<b>680.990</b>
Staff costs	(111.140)	(59.487)	(32.689)	(13.792)	<b>(217.108)</b>
Other operating expenses	(52.939)	(41.717)	(29.429)	(11.934)	<b>(136.019)</b>
<b>Profit before provisions</b>	<b>191.244</b>	<b>98.225</b>	<b>15.524</b>	<b>22.870</b>	<b>327.863</b>
Provisions for impairment of loans and advances	(60.054)	(70.003)	(9.489)	(6.059)	<b>(145.605)</b>
Share of loss of associate	(2.047)	-	-	-	<b>(2.047)</b>
<b>Profit before tax</b>	<b>129.143</b>	<b>28.222</b>	<b>6.035</b>	<b>16.811</b>	<b>180.211</b>
Taxation	(14.322)	(3.058)	(3.019)	(2.428)	<b>(22.827)</b>
<b>Profit after tax</b>	<b>114.821</b>	<b>25.164</b>	<b>3.016</b>	<b>14.383</b>	<b>157.384</b>
Less non-controlling interests (loss/(profit))	5.044	-	205	(1)	<b>5.248</b>
<b>Profit after tax and non-controlling interests</b>	<b>119.865</b>	<b>25.164</b>	<b>3.221</b>	<b>14.382</b>	<b>162.632</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
<b>Six months ended 30 June 2009</b>	€000	€000	€000	€000	€000
Net Interest income	202.772	109.503	34.135	41.494	<b>387.904</b>
Net fee and commission income	59.581	25.376	21.198	5.197	<b>111.352</b>
Foreign exchange income	18.860	936	7.761	258	<b>27.815</b>
Net gains on sale, revaluation and impairment of investments and derivative financial instruments	12.583	5.278	2.894	138	<b>20.893</b>
Insurance income net of insurance claims	26.070	4.894	-	-	<b>30.964</b>
Other income	2.348	326	1.175	80	<b>3.929</b>
	<b>322.214</b>	<b>146.313</b>	<b>67.163</b>	<b>47.167</b>	<b>582.857</b>
Staff costs	(107.581)	(51.781)	(28.799)	(13.039)	<b>(201.200)</b>
Other operating expenses	(44.892)	(40.281)	(26.533)	(10.938)	<b>(122.644)</b>
<b>Profit before provisions</b>	<b>169.741</b>	<b>54.251</b>	<b>11.831</b>	<b>23.190</b>	<b>259.013</b>
Provisions for impairment of loans and advances	(24.000)	(41.320)	(24.070)	(6.273)	<b>(95.663)</b>
Share of profit of associate	759	-	-	-	<b>759</b>
<b>Profit before tax</b>	<b>146.500</b>	<b>12.931</b>	<b>(12.239)</b>	<b>16.917</b>	<b>164.109</b>
Taxation	(2.239)	(6.099)	(1.018)	(3.881)	<b>(13.237)</b>
<b>Profit after tax</b>	<b>144.261</b>	<b>6.832</b>	<b>(13.257)</b>	<b>13.036</b>	<b>150.872</b>
Less non-controlling interests (profit)	(3.287)	-	-	-	<b>(3.287)</b>
<b>Profit/(loss) after tax and non-controlling interests</b>	<b>140.974</b>	<b>6.832</b>	<b>(13.257)</b>	<b>13.036</b>	<b>147.585</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Segmental analysis (continued)

#### Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, foreign exchange income, net gains/(losses) on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries, insurance income net of insurance claims and other income.

The total revenue by segment and inter-segment revenue is analysed below:

	Cyprus	Greece	Russia	Other countries	Total
<b>Six months ended 30 June 2010</b>	€000	€000	€000	€000	€000
Banking and financial services	340.263	169.650	83.900	55.007	<b>648.820</b>
Insurance services	25.942	5.509	-	-	<b>31.451</b>
Property and hotel business	691	28	-	-	<b>719</b>
Total revenue with third parties	366.896	175.187	83.900	55.007	<b>680.990</b>
Inter-segment (expense)/revenue	(11.573)	24.242	(6.258)	(6.411)	-
<b>Total revenue</b>	<b>355.323</b>	<b>199.429</b>	<b>77.642</b>	<b>48.596</b>	<b>680.990</b>

<b>Six months ended 30 June 2009</b>					
Banking and financial services	309.558	117.186	68.515	54.645	<b>549.904</b>
Insurance services	27.380	5.079	-	-	<b>32.459</b>
Property and hotel business	470	24	-	-	<b>494</b>
Total revenue with third parties	337.408	122.289	68.515	54.645	<b>582.857</b>
Inter-segment (expense)/revenue	(15.194)	24.024	(1.352)	(7.478)	-
<b>Total revenue</b>	<b>322.214</b>	<b>146.313</b>	<b>67.163</b>	<b>47.167</b>	<b>582.857</b>

#### Analysis of assets

	Cyprus	Greece	Russia	Other countries	Total
<b>30 June 2010</b>	€000	€000	€000	€000	€000
<b>Assets</b>	30.178.687	15.344.308	1.977.273	3.244.923	<b>50.745.191</b>
Inter-segment assets					(7.547.754)
<b>Total assets</b>					<b>43.197.437</b>

<b>31 December 2009</b>					
<b>Assets</b>	24.994.001	16.383.209	2.024.939	3.265.300	<b>46.667.449</b>
Inter-segment assets					(7.256.048)
<b>Total assets</b>					<b>39.411.401</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 6. Earnings per share

	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
<b>Basic earnings per share</b>				
Profit after tax attributable to the owners of the Company (€ thousand)	<b>162.632</b>	147.585	<b>81.270</b>	84.514
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>598.551</b>	589.168	<b>599.028</b>	589.951
Basic earnings per share (cent)	<b>27,2</b>	25,0	<b>13,6</b>	14,3
<b>Diluted earnings per share</b>				
Basic earnings after tax attributable to the owners of the Company (€ thousand)	<b>162.632</b>	147.585	<b>81.270</b>	84.514
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	<b>17.656</b>	16.468	<b>8.830</b>	8.431
Diluted earnings after tax attributable to the owners of the Company (€ thousand)	<b>180.288</b>	164.053	<b>90.100</b>	92.945
Weighted average number of shares used for basic earnings per share (thousand)	<b>598.551</b>	589.168	<b>599.028</b>	589.951
Adjustment for the conversion of Convertible Bonds and Convertible Capital Securities (thousand)	<b>121.679</b>	121.872	<b>121.459</b>	121.852
Diluted weighted average number of shares during the period (thousand)	<b>720.230</b>	711.040	<b>720.487</b>	711,803
Diluted earnings per share (cent)	<b>25,0</b>	23,1	<b>12,5</b>	13,1

The Convertible Bonds 2013/2018 and the Convertible Capital Securities (Note 12) constitute potentially dilutive ordinary shares.

The Share Options 2008/2010 (Note 13) do not constitute potentially dilutive ordinary shares, as their conversion into ordinary shares would not reduce earnings per share.

The diluted earnings per share are calculated after adjusting the weighted average number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares are converted into shares by their holders.

The weighted average number of shares for the six months ended 30 June 2009 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan arising from the dividend payments in December 2009 and June 2010.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Investments

	<b>30 June 2010</b>	<i>31 December 2009</i>
	<b>€000</b>	<i>€000</i>
Investments at fair value through profit or loss	<b>207.081</b>	346.127
Investments available-for-sale	<b>2.831.867</b>	4.168.056
Investments held-to-maturity	<b>1.053.226</b>	93.079
Investments classified as loans and receivables	<b>2.108.596</b>	320.851
	<b>6.200.770</b>	4.928.113

#### Reclassification of trading investments

On 1 April 2010, the Group reclassified certain debt securities from trading investments to investments classified as loans and receivables in view of the fact that the Group had no intention to trade or sell these debt securities in the near future and these securities met the definition of loans and receivables at the date of reclassification. The book value and fair value of the reclassified debt securities is presented below:

	<b>30 June 2010</b>		<i>1 April 2010</i>
	<b>Book value</b>	<b>Fair value</b>	<i>Book value and fair value</i>
	<b>€000</b>	<b>€000</b>	<i>€000</i>
Trading investments reclassified to loans and receivables	<b>133.367</b>	<b>134.471</b>	132.570

The gain recognised in the consolidated income statement for the six months ended 30 June 2010 as a result of the revaluation of the reclassified debt securities, amounted to €441 thousand (2009: gain of €2.233 thousand). This gain represents the revaluation of the reclassified debt securities up to the date of reclassification.

Had the Group not reclassified the debt securities on 1 April 2010, the consolidated income statement would have included losses from the revaluation of these debt securities of €54 thousand.

On 1 April 2010, the effective interest rate of the reclassified debt securities ranged from 1,22% to 4,37% per annum. The Group expects to recover all cash flows relating to these debt securities.

On 1 July 2008, in light of the rare circumstances arising as a result of the deterioration of the world's markets in 2008, the Group identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to available-for-sale investments. The book value of the reclassified debt securities which is equal to their fair value is presented below:

	<b>30 June 2010</b>	<i>31 December 2009</i>	<i>1 July 2008</i>
	<b>€000</b>	<i>€000</i>	<i>€000</i>
Trading investments reclassified to available-for-sale investments	<b>20.122</b>	19.081	17.385

Had the Group not reclassified the debt securities on 1 July 2008, the consolidated income statement would have included gains from the revaluation of these securities of €709 thousand (year 2009: gains of €2.480 thousand) which, following the reclassification, were recorded in the revaluation reserve of available-for-sale investments in equity.

### 7. Investments (continued)

#### Reclassification of available-for-sale investments

On 1 April 2010, the Group reclassified certain available-for-sale debt securities to investments classified as loans and receivables in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities for the foreseeable future. The book value and fair value of the reclassified debt securities is presented below:

	30 June 2010		1 April 2010
	Book value	Fair value	Book value and fair value
	€000	€000	€000
Available-for sale investments reclassified to loans and receivables	1.339.293	1.002.878	1.328.231

The loss recognised in the revaluation reserve of available-for-sale investments in equity as a result of the revaluation of the reclassified investments from 1 January 2010 to the date of reclassification amounted to €48.017 thousand (2009: loss of €8.252 thousand).

Had the Group not reclassified these debt securities on 1 April 2010, the Group's equity would have included additional losses from the revaluation of these debt securities of €278.472 thousand.

On 1 April 2010, the effective interest rate of the reclassified debt securities ranged from 3,36% to 6,10% per annum. The Group expects to recover all cash flows relating to these debt securities.

The Group had also reclassified certain available-for-sale debt securities to investments classified as loans and receivables as from 1 October 2008, in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities for the foreseeable future. The book value and fair value of the reclassified debt securities is presented below:

	30 June 2010		31 December 2009		1 October 2008
	Book value	Fair value	Book value	Fair value	Book value and fair value
	€000	€000	€000	€000	€000
Available-for sale investments reclassified to loans and receivables	168.892	173.707	172.941	170.678	169.196

Had the Group not reclassified these debt securities on 1 October 2008, the Group's equity would have included gains from the revaluation of these debt securities of €3.234 thousand (year 2009: losses of €3.395 thousand) which would have been otherwise included in the revaluation reserve of available-for-sale investments in equity.

On 1 April 2010 the Group reclassified certain debt securities from available-for-sale investments to investments held-to-maturity, in view of the fact that the Group had the intention and ability to hold these investments until their maturity. The book value and fair value of the reclassified debt securities is presented below:

	30 June 2010		1 April 2010
	Book value	Fair value	Book value and fair value
	€000	€000	€000
Available-for sale investments reclassified to held-to-maturity investments	505.958	420.320	498.237

For the three months from 1 January to 31 March 2010, the loss recognised in equity in the revaluation reserve of available-for-sale investments as a result of the revaluation of the reclassified investments amounted to €1.661 thousand (2009: gain of €5.120 thousand).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Investments (continued)

#### Reclassification of available-for-sale investments (continued)

Had the Group not reclassified these debt securities on 1 April 2010, the Group's equity would have included losses from the revaluation of these debt securities of €81.385 thousand which would have been included in the revaluation reserve of available-for-sale investments.

On 1 April 2010, the effective interest rate of the reclassified debt securities ranged from 3,96% to 6,31% per annum. The Group expects to recover all cash flows relating to these debt securities.

### 8. Loans and advances to customers

	<b>30 June 2010</b>	<i>31 December 2009</i>
	<b>€000</b>	<i>€000</i>
Loans and advances to customers	<b>27.953.405</b>	26.508.048
Provisions for impairment of loans and advances	<b>(985.258)</b>	(872.268)
	<b>26.968.147</b>	25.635.780

The movement in the provisions for impairment of loans and advances to customers is presented in the table below:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<i>2009</i>
	<b>€000</b>	<i>€000</i>
1 January	<b>872.268</b>	687.914
Exchange adjustments	<b>16.652</b>	(1.083)
Applied in writing off impaired loans and advances	<b>(34.290)</b>	(19.595)
Interest accrued on impaired loans and advances	<b>(18.790)</b>	(10.483)
Collection of loans and advances previously written off	<b>3.813</b>	736
Charge for the period	<b>145.605</b>	95.663
30 June	<b>985.258</b>	753.152

### 9. Other assets

Other assets at 30 June 2010 include investment properties of €67.699 thousand (31 December 2009: €53.007 thousand).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Debt securities in issue

	<i>Contractual interest rate</i>	<b>30 June 2010</b>	<i>31 December 2009</i>
		<b>€000</b>	<b>€000</b>
<b>Medium term senior debt</b>			
€500 million 2007/2010	Three-month Euribor plus 0,20%	-	450.992
SEK 50 million 2009/2012	OMX Stockholm 30 index	<b>5.014</b>	4.852
SEK 100 million 2010/2014	Return of specific shares	<b>10.701</b>	-
RUB 1.500 million 2010	16%	-	2.303
€2 million 2010/2016	DJ EUROSTOXX 50	<b>2.000</b>	-
USD 2 million 2010/2016	S&P 500 index	<b>1.816</b>	-
		<b>19.531</b>	458.147
<b>Short term commercial paper</b>			
In Euro	-	<b>24.917</b>	29.495
In US Dollars	-	<b>28.497</b>	13.527
		<b>53.414</b>	43.022
<b>Other debt securities in issue</b>			
RUB Certificates of Deposit and Promissory Notes	11%	<b>15.345</b>	17.450
Interest-free loan from the European Development Bank	-	<b>492</b>	492
		<b>88.782</b>	519.111

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and other creditors of the Group.

In May 2009 the Group completed the securitisation of mortgage loans, as a result of which €1.000 million residential mortgage backed notes were issued. In September 2009, the Group completed the securitisation of finance lease receivables, as a result of which €689 million notes were issued. The liability arising from the issue of these notes is not included in the consolidated balance sheet of the Group as all notes issued are held by the Group.

#### Medium term senior debt

In 2003 the Company established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2009: €4.000 million).

Under the EMTN Programme, the Company issued in March 2010 SEK 100 million 2010/2014 bonds, the redemption amount of which is linked to the return of specific shares listed on the Stockholm Stock Exchange.

In May 2009, the Company issued the SEK 50 million 2009/2012 bonds, the redemption amount of which is linked to the OMX Stockholm 30 Index.

In May 2010, the Company issued the €2 million 2010/2016 and USD 2 million 2010/2016 bonds, the redemption amount of which is linked to the DJ EUROSTOXX 50 and S&P 500 index, respectively.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 10. Debt securities in issue (continued)

The RUB 1.500 million 2010 bond in Russian Rubles was issued at par by CB Uniastrum Bank LLC in April 2007 and matured in April 2010 and was redeemed at par.

The €500 million 2007/2010 bond which was issued in June 2007 matured in June 2010 and was redeemed at par.

#### Short term commercial paper

In 2006 the Company established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2009: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted.

#### Other debt securities in issue

The RUB Certificates of Deposits and Promissory Notes were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities up to one year.

### 11. Other liabilities

Other liabilities at 30 June 2010 include provisions for pending litigation or claims of €4.710 thousand (31 December 2009: €9.156 thousand).

### 12. Subordinated loan stock

	<i>Contractual interest rate</i>	<b>30 June 2010</b>	<i>31 December 2009</i>
		<b>€000</b>	<b>€000</b>
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	<b>139.302</b>	142.618
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	<b>123.775</b>	123.773
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	<b>41.130</b>	41.090
Convertible Capital Securities (€645 million)	5,50%	<b>634.393</b>	633.304
Subordinated Bonds in US Dollars 2013/2014/2015	2,50%	<b>7.130</b>	6.058
		<b>945.730</b>	946.843

The subordinated loan stock is not secured and the rights and claims of loan stockholders are subordinated to the claims of depositors and other creditors of the Company, but have priority over those of the shareholders of the Company.

#### Subordinated Bonds

In 2003 the Company established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2009: €4.000 million).

Under the EMTN Programme, the Company issued in May 2006, €200 million 2011/2016 bonds maturing in May 2016. The Company has the option to call the bonds in whole during or after May 2011. The interest rate of the bonds was set at the three-month Euribor plus 0,60% until May 2011, increasing to plus 1,60% thereafter. The bonds are listed on the Luxembourg Stock Exchange.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 12. Subordinated loan stock (continued)

#### Subordinated Bonds (continued)

The Subordinated Bonds in US Dollars 2013/2014/2015 were issued by CB Uniastrum Bank LLC and mature as follows: US\$2 million on 31 December 2013, US\$2,5 million on 31 December 2014 and US\$2 million on 31 December 2015. The interest rate can be changed unilaterally by the issuer at any time until maturity.

#### Convertible Bonds

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with nominal value of €573 million in Euro, maturing in June 2018. The Convertible Bonds carried a fixed interest rate of 7,50% per annum until 30 June 2009 and floating interest rate thereafter, set at the six-month Euribor plus 1,00% until June 2013 and plus 3,00% thereafter.

The Bonds can be converted to shares at the price of €10,50 per share. As a result of the forthcoming rights issue to the Company's shareholders (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the conversion price of the Convertible Bonds will be adjusted in accordance with the relevant terms of issue. The conversion periods are between 15-30 September of years 2010-2012 and 15-30 March of years 2011-2013. The Convertible Bonds may be redeemed at the option of the Company on or after September 2013, subject to the prior consent of the Central Bank of Cyprus. The Convertible Bonds 2013/2018 are listed on the Cyprus Stock Exchange.

On 6 June 2009, Convertible Bonds 2013/2018 with nominal value €527 million were exchanged for Convertible Capital Securities of the same nominal value.

#### Convertible Capital Securities

On 6 June 2009, the Company issued €645 million Convertible Capital Securities. The Convertible Capital Securities were offered to eligible shareholders of the Company (in the ratio of Convertible Capital Securities with nominal value of €11 for every 10 shares held). The issue proceeds were received through the exchange of Convertible Bonds 2013/2018 with nominal value of €527 million and the remaining €118 million was received in cash.

The Convertible Capital Securities bear a fixed interest rate of 5,50% per annum for the first five years and a floating interest rate set at the six-month Euribor plus 3,00% per annum thereafter. The Convertible Capital Securities may be converted into ordinary shares of the Company at the option of the holders at the conversion price of €5,50 per share. As a result of the forthcoming rights issue to the Company's shareholders (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the conversion price of the Convertible Capital Securities will be adjusted in accordance with the relevant terms of issue. The conversion periods are between 15-30 September of years 2010-2013 and 15-30 March of years 2011-2014.

The Convertible Capital Securities are perpetual, but may be redeemed at the option of the Company, at par together with any accrued interest, on 30 June 2014 or on any other interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

The Convertible Capital Securities are listed on the Cyprus Stock Exchange and the Athens Exchange.

#### Capital Securities

The €126 million Capital Securities 12/2007 were issued in Cyprus Pounds in December 2007. The Capital Securities are perpetual, but may be redeemed in whole, at the option of the Company, at par together with any accrued interest, five years after their issue date or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

The interest rate of Capital Securities 12/2007 was fixed at 6,00% per annum for the first six months and floating thereafter, set at the three-month Euribor plus 1,25% per annum. The Capital Securities are listed on the Cyprus Stock Exchange.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 13. Share capital

	30 June 2010		31 December 2009	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Shares of €1,00 each	<b>750.000</b>	<b>750.000</b>	750.000	750.000
<i>Issued and fully paid</i>				
1 January	<b>598.197</b>	<b>598.197</b>	586.662	586.662
Dividend reinvestment	<b>6.009</b>	<b>6.009</b>	11.535	11.535
30 June 2010/31 December 2009	<b>604.206</b>	<b>604.206</b>	598.197	598.197

On 23 July 2010, the Extraordinary General Meeting of the shareholders approved the increase of the authorised share capital of the Company from €750 million to €1.100 million by creating 350 million new ordinary shares of nominal value €1,00 each which will rank pari passu with the existing ordinary shares of the Company.

The Company has in force a Dividend Reinvestment Plan under which all shareholders have the option to reinvest all or part of their dividend in shares of the Company at a 10% discount on the market value of the shares. The reinvestment price for the dividend paid on 17 June 2010 was set at €2,91 per share, for the dividend paid on 8 December 2009 was set at €4,25 per share and for the dividend paid on 10 June 2009 was set at €3,93 per share.

As a result of the dividend reinvestment during the year 2009, 11.534.686 shares were issued and the Company's share capital and share premium increased by €11.535 thousand and €35.221 thousand respectively.

As a result of the dividend reinvestment during the six months ended 30 June 2010, 6.009.613 shares were issued and the Company's share capital and share premium increased by €6.009 thousand and €11.479 thousand respectively.

All issued ordinary shares carry the same rights.

The share premium is not available for distribution to equity holders.

#### Share-based payments – Share Options

On 14 May 2008, the Annual General Meeting of the Company's shareholders approved the granting of share options to Group employees without these shares being first offered to existing shareholders and authorised the Board of Directors to issue up to 15 million shares of the Company.

In the context of the above decision, on 28 May 2008 the Board of Directors authorised the granting of 12,5 million share options to Group employees in Cyprus and Greece who were in service on 28 May 2008 ('Share Options 2008/2010'). The Extraordinary General Meeting of the shareholders of the Company on 23 June 2009 approved the amendment of the terms of the Share Options 2008/2010, modifying their exercise price and exercise period.

On 9 July 2009, the Board of Directors, authorised the granting of up to 2,5 million additional Share Options 2008/2010 to Group employees who were in service on 30 June 2009.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 13. Share capital (continued)

#### Share-based payments – Share Options (continued)

Each Share Option 2008/2010 gives its holder the right to purchase one share of the Company at the price of €5,50 per share (previously €9,41 per share). As a result of the forthcoming rights issue to the Company's shareholders (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the exercise price will be adjusted in accordance with the relevant terms of issue.

On 31 December 2009, 2/3 of the Share Options 2008/2010 granted had vested to the beneficiaries; the remaining 1/3 of the share options will vest on 31 December 2010. The Share Options 2008/2010 can be exercised by their holders from 1 January to 31 March of 2011, 2012 and 2013 (previously 2011-2012) and from 1 November to 31 December 2012 and 2013 (previously 2012). The Share Options 2008/2010 are not transferable and are unlisted.

### 14. Dividend

The Board of Directors of the Company decided the payment of an interim dividend for 2010 in cash and in the form of shares.

The interim dividend in cash has been set at €0,06 per share. In addition, the Board of Directors, taking into consideration the level of reserves and the applicable legislation for dividend distribution, decided the payment of a special interim dividend payable in the form of shares amounting to €0,50 per share at the issue price of €3,25. The decision of the Board of Directors for the payment of interim dividend in the form of shares will be presented for approval at an Extraordinary General Meeting of shareholders to be held on 20 September 2010. In addition to the shareholders of the Company as at the record date, holders of the new shares which will arise following the exercise of the Rights to be issued by the Company will also be eligible to receive the interim dividend in cash and in the form of shares. The total amount of the cash dividend will amount to €46.610 thousand and the scrip dividend to €388.418 thousand.

The proposed ex-dividend date is 26 October 2010, that is buy transactions that take place before market close of the Cyprus Stock Exchange and the Athens Exchange on 25 October 2010 will be eligible to the dividend. The interim dividend in cash and in the form of shares will be paid on 11 November 2010.

The payment of the final dividend for 2009 amounting to €0,08 per share (total dividend €47.856 thousand) was approved at the Annual General Meeting of the shareholders on 26 May 2010 and was paid to the shareholders on 17 June 2010.

In June 2009 the final dividend paid to the shareholders for the year 2008 was €0,12 per share, amounting to €70.399 thousand.

### 15. Cash and cash equivalents

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>€000</b>	<b>€000</b>
Cash and non obligatory balances with central banks	<b>1.725.575</b>	417.961
Placements with banks repayable within three months	<b>5.105.190</b>	4.340.066
	<b>6.830.765</b>	4.758.027

### 16. Staff numbers

The number of persons employed by the Group at 30 June 2010 was 11.945 (31 December 2009: 12.127).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. Group companies

At 30 June 2010, the Group companies and branches, their activities, their country of incorporation and the percentage held by the Company (directly or indirectly) are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
Mortgage Bank of Cyprus Ltd	Cyprus	Commercial bank	100,0
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking	100,0
General Insurance of Cyprus Ltd	Cyprus	General insurance	100,0
EuroLife Ltd	Cyprus	Life insurance	100,0
Kermia Ltd	Cyprus	Property trading and development	100,0
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100,0
Kermia Hotels Ltd	Cyprus	Hotel business	100,0
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100,0
Tefkros Investments Ltd	Cyprus	Investment fund	100,0
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100,0
JCC Payment Systems Ltd	Cyprus	Credit card transactions processing	45,0
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	49,9
Diners Club (Cyprus) Ltd	Cyprus	Diners Club credit card facilities	100,0
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80,0
Otherland Properties Ltd	Cyprus	Intermediate holding company	100,0
Gosman Properties Ltd	Cyprus	Intermediate holding company	100,0
Bank of Cyprus Public Company Ltd (branch)	Greece	Commercial bank	N/A
Kyprou Leasing SA	Greece	Leasing	100,0
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100,0
Kyprou Securities SA	Greece	Investment banking	100,0
Kyprou Mutual Fund Management Company (AEDAK)	Greece	Management of mutual funds	100,0
Kyprou Properties SA	Greece	Property management	100,0
Kyprou Insurance Services Ltd	Greece	General insurance brokers	100,0
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100,0
Kyprou Asfalistikí (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100,0
Bank of Cyprus United Kingdom (branch)	United Kingdom	Commercial bank	N/A
Katoikia I Mortgage Finance Plc	United Kingdom	Special purpose entity	-
Katoikia I Holdings Ltd	United Kingdom	Special purpose entity	-
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100,0
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100,0
Bank of Cyprus Australia Ltd	Australia	Commercial bank	100,0
Bank of Cyprus Romania (branch)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100,0
Otherland Properties Dorobanti SRL	Romania	Property investment	100,0
S.C. O.N.T. Carpati S.A	Romania	Hotel business	93,8

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
CB Uniastrum Bank LLC	Russia	Commercial bank	80,0
Leasing Company Uniastrum Leasing	Russia	Leasing	100,0
OJSB Bank of Cyprus	Ukraine	Commercial bank	99,7
Kyprou Finance (NL) B.V.	Netherlands	Financing company	100,0

On 1 April 2010, the Company obtained control of Gosman Properties Ltd which owns 93,8% of the share capital of S.C. O.N.T. Carpati S.A. in Romania. The cost of acquisition amounted to €8 million. Based on provisional fair values of the identifiable assets and liabilities of S.C. O.N.T. Carpati S.A. as at the date of acquisition, no goodwill has been recognised.

During 2009 the Group proceeded with a reduction in the share capital of the subsidiary company LLC CB Bank of Cyprus, which was renamed to Leadbank LLC on 26 January 2010. On 9 June 2010 the disposal of 100% of the share capital of Leadbank LLC was completed.

On 31 October 2008, the Company acquired (through BOC Russia (Holdings) Ltd) 80% of the share capital of CB Uniastrum Bank LLC and Uniastrum Leasing LLC in Russia. The two founding shareholders who lead the management of CB Uniastrum Bank LLC and Uniastrum Leasing LLC maintain, through BOC Russia (Holdings) Ltd, a 10% interest each.

Until 27 July 2009, this residual shareholding in CB Uniastrum Bank LLC was subject to a put/call option arrangement and extinguishment of the liability over a three year period, payable in cash, depending on the financial performance of the two companies during this period. This arrangement was accounted for in the consolidated financial statements as a liability. This resulted in accounting as if the Group had already acquired the shares subject to this arrangement. Therefore, no non-controlling interest was recognised for reporting purposes in relation to the shares that were subject to this arrangement. On 27 July 2009 the Company signed a new five year owner agreement with the two founding shareholders of CB Uniastrum Bank LLC, by which they will each maintain their management roles as well as continue to hold a residual 10% interest in CB Uniastrum Bank LLC.

The signing of the above agreement resulted in a change in the accounting treatment of CB Uniastrum Bank LLC in the consolidated financial statements of the Group. Pursuant to the signing of the agreement and the cancellation of the put/call option arrangement and extinguishment of the related liability, CB Uniastrum Bank LLC is included in the consolidated financial statements of the Group as an 80% subsidiary with the corresponding recognition of a 20% non-controlling interest. Upon this change in ownership, the difference between the extinguished liability and the share of assets and liabilities attributable to the non-controlling interests was treated as a transaction between owners.

On 1 September 2009 Cyprus Leasing LLC and Uniastrum Leasing LLC merged to form Leasing Company Uniastrum Leasing which provides finance lease services in Russia and is 100% owned by the Group.

During 2009, Katoikia I Mortgage Finance Plc, Katoikia I Holdings Ltd, Misthosis Funding Plc and Misthosis Funding (Holding) Ltd were incorporated as special purpose entities for the securitisation of housing loans and finance lease receivables. The securitisations aim at further enhancing the prudential liquidity ratios of the Group.

All Group companies are accounted for as subsidiaries using the consolidation method, except for JCC Payment Systems Ltd for which proportional consolidation is used.

### 18. Related party transactions

	<b>30 June 2010</b>	<i>31 December 2009</i>
	<b>€000</b>	<b>€000</b>
Loans and other advances:		
- members of the Board of Directors and key management personnel	<b>7.892</b>	8.576
- connected persons	<b>218.490</b>	205.196
	<b>226.382</b>	213.772
Deposits:		
- members of the Board of Directors and key management personnel	<b>74.334</b>	82.906
- connected persons	<b>46.027</b>	42.787
	<b>120.361</b>	125.693
Debt securities in issue and subordinated loan stock:		
- members of the Board of Directors and key management personnel	<b>17.133</b>	17.508
- connected persons	<b>2.547</b>	3.615
	<b>19.680</b>	21.123

Interest income and expense from related parties for the six months ended 30 June 2010 amounted to €4.883 thousand and €2.887 thousand (corresponding period of 2009: €4.794 thousand and €3.833 thousand) respectively.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €85.562 thousand (31 December 2009: €58.094 thousand). There were also contingent liabilities and commitments to Group key management personnel and their connected persons amounting to €246 thousand (31 December 2009: €512 thousand). Using forced-sale values, the total unsecured amount of the loans and advances and of the contingent liabilities and commitments in respect of related parties at 30 June 2010 amounted to €8.789 thousand (31 December 2009: €27.086 thousand).

During the six months ended 30 June 2010 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €108 thousand (corresponding period of 2009: €114 thousand) to companies of the Commercial General Insurance Group in which Mr Andreas Artemis holds an indirect interest; purchases of equipment and services amounting to €82 thousand (corresponding period of 2009: €218 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €375 thousand (corresponding period of 2009: €155 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €73 thousand (corresponding period of 2009: €74 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis.

Connected persons include spouses, minor children and companies in which directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as directors or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 18. Related party transactions (continued)

#### Fees and emoluments of members of the Board of Directors and Group key management personnel

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
<b>Directors' emoluments</b>		
<i>Executives</i>		
Salaries and other short term benefits	<b>951</b>	797
Employer's contributions	<b>33</b>	28
Retirement benefit plan costs	<b>97</b>	84
	<b>1.081</b>	909
Share options	<b>243</b>	695
<i>Non executives</i>		
Fees	<b>379</b>	406
Emoluments of a non executive director who is also an employee of the Company	<b>97</b>	95
Total fees and emoluments of directors	<b>1.800</b>	2.105
<b>Key management personnel emoluments</b>		
Salaries and other short term benefits	<b>520</b>	729
Employer's contributions	<b>27</b>	27
Retirement benefit plan costs	<b>56</b>	71
Share options	<b>91</b>	348
Total key management personnel emoluments	<b>694</b>	1.175
<b>Total</b>	<b>2.494</b>	3.280

In the context of the Share Options 2008/2010 granted by the Company to the Group's employees, 2.000.000 share options were granted to two executive directors, 12.000 were granted to a non-executive director in his capacity as employee of the Company and 1.000.000 were granted to key management personnel (Note 13).

The executive directors participate in the main retirement benefit plan for the Group's permanent employees in Cyprus, which is a defined benefit plan. Their total retirement benefits increased during the six months ended 30 June 2010 by €371 thousand (corresponding period of 2009: €290 thousand).

### 19. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2010 amounts to €23.211 thousand (corresponding period of 2009: €18.392 thousand).
- The Group's provision for pending litigation or claims at 30 June 2010 is set out in Note 11. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 19. Other information (continued)

- In September 2009, an action was filed against the Company in Cyprus by the Trustees of the AremisSoft Corporation Liquidating Trust, which is similar in substance to the one filed in New York, in 2006. No detailed statement of claim has been filed to date. In the generally endorsed writ, the Trustees, on behalf of the investors of AremisSoft, claim the amount of US\$350 million (€285 million), in damages, which according to their allegations, have resulted from, inter alia, an alleged conspiracy between the Company and two of the major shareholders of AremisSoft, alleged fraudulent transactions through bank accounts held with the Company in Cyprus and in the United Kingdom, alleged breach of contract and alleged negligence. The Group does not expect to have any material financial impact as a result of this action.

### 20. Events after the balance sheet date

- On 8 July 2010, the Board of Directors of the Group decided the increase of the Company's share capital through a rights issue of up to €345 million to strengthen the Group's capital base.

In the context of this decision, the Extraordinary General Meeting held of the shareholders on 23 July 2010 approved the increase of the authorised share capital of the Company from €750 million to €1.100 million by creating 350 million new ordinary shares of nominal value €1,00 each which will rank pari passu with the existing ordinary shares of the Company.

Each outstanding ordinary share shall receive one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised will be converted into two new ordinary shares at €2,00 per each new share. As a result, the Company will issue up to 172.630.273 new ordinary shares.

The Cyprus Securities and Exchange Commission approved the Prospectus for the Bank's share capital increase on 20 August 2010. The issue is expected to be completed in late October 2010.

- On 15 July 2010, the Board of Directors decided to transfer the business and the assets and liabilities of the subsidiary company Mortgage Bank of Cyprus Ltd to the Company with a parallel dissolution of the subsidiary company without going into liquidation. The transfer of the business aims at achieving operating synergies between the various units of the Group.

The dissolution of the subsidiary company is subject to the approval and issue of the relevant court order in accordance to Cyprus legislation.

## Report of the Independent Auditors to the Board of Directors of Bank of Cyprus Public Company Ltd on Review of the Interim Condensed Consolidated Financial Statements

### *Introduction*

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 8 to 32, which comprise the interim consolidated balance sheet as at 30 June 2010, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia  
30 August 2010



**FINANCIAL INFORMATION**  
**FOR THE PERIOD FROM 1 JANUARY 2010 TO**  
**30 JUNE 2010**  
**as stipulated by Decision 4/507/28.04.2009 of**  
**the Board of Directors of the**  
**Greek Capital Markets Commission**

The financial information presented below is aiming to provide a general awareness about the financial position and results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements prepared in accordance with International Financial Reporting Standards are available, together with the independent auditors' review report, when required. These are also available at the Registered Office of the Company (51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, CY-1398 Nicosia, Cyprus, Telephone: +357 22 122128, Fax: +357 22 378422).

Website: [www.bankofcyprus.com](http://www.bankofcyprus.com) - Investor Relations/Financial Information.

Date of approval of the interim financial statements for the period ended 30 June 2010 by the Board of Directors: 30 August 2010.

Independent auditors: Ernst & Young Cyprus Limited.

Type of auditor's report: Unqualified opinion.

## Bank of Cyprus Group

### Extracts from the Interim Consolidated Income Statement and Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
Net interest income	<b>496.165</b>	387.904
Net fee and commission income	<b>111.792</b>	111.352
Foreign exchange income	<b>18.162</b>	27.815
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	<b>18.957</b>	20.893
Insurance income net of insurance claims	<b>30.240</b>	30.964
Other income	<b>5.674</b>	3.929
	<b>680.990</b>	582.857
Staff costs	<b>(217.108)</b>	(201.200)
Other operating expenses	<b>(136.019)</b>	(122.644)
<b>Profit before provisions</b>	<b>327.863</b>	259.013
Provisions for impairment of loans and advances	<b>(145.605)</b>	(95.663)
<b>Profit before share of profit of associate</b>	<b>182.258</b>	163.350
Share of (loss)/profit of associate	<b>(2.047)</b>	759
<b>Profit before tax</b>	<b>180.211</b>	164.109
Taxation	<b>(22.827)</b>	(13.237)
<b>Profit after tax</b>	<b>157.384</b>	150.872
Attributable to:		
<b>Non-controlling interests ((loss)/profit)</b>	<b>(5.248)</b>	3.287
<b>Owners of the Company</b>	<b>162.632</b>	147.585
<b>Basic earnings per share (€)</b>	<b>0,2717</b>	0,2505
<b>Profit after tax</b>	<b>157.384</b>	150.872
Other comprehensive (expense)/income after tax	<b>(149.585)</b>	46.518
<b>Total comprehensive income for the period</b>	<b>7.799</b>	197.390
Attributable to:		
<b>Non-controlling interest ((loss)/profit)</b>	<b>(204)</b>	3.294
<b>Owners of the Company (profit)</b>	<b>8.003</b>	194.096

**Bank of Cyprus Group**  
 Extracts from the Interim Consolidated Income Statement and  
 Statement of Comprehensive Income

for the three months from 1 April to 30 June 2010

	<b>Three months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
Net interest income	<b>254.623</b>	206.650
Net fee and commission income	<b>59.520</b>	57.312
Foreign exchange income	<b>10.186</b>	7.512
Net (losses)/gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	<b>(74)</b>	23.656
Insurance income net of insurance claims	<b>15.168</b>	15.703
Other income	<b>3.898</b>	2.911
	<b>343.321</b>	313.744
Staff costs	<b>(109.445)</b>	(102.941)
Other operating expenses	<b>(71.445)</b>	(65.033)
<b>Profit before provisions</b>	<b>162.431</b>	145.770
Provisions for impairment of loans and advances	<b>(72.107)</b>	(60.785)
<b>Profit before share of profit of associate</b>	<b>90.324</b>	84.985
Share of (loss)/profit of associate	<b>(1.574)</b>	919
<b>Profit before tax</b>	<b>88.750</b>	85.904
Taxation	<b>(10.766)</b>	2.839
<b>Profit after tax</b>	<b>77.984</b>	88.743
Attributable to:		
<b>Non-controlling interests ((loss)/profit)</b>	<b>(3.286)</b>	4.229
<b>Owners of the Company</b>	<b>81.270</b>	84.514
<b>Basic earnings per share (€)</b>	<b>0,1354</b>	0,1433
<b>Profit after tax</b>	<b>77.984</b>	88.743
Other comprehensive (expense)/income after tax	<b>(137.002)</b>	130.020
<b>Total comprehensive (expense)/income for the period</b>	<b>(59.018)</b>	218.763
Attributable to:		
<b>Non-controlling interests ((loss)/profit)</b>	<b>(2.206)</b>	4.232
<b>Owners of the Company ((loss)/profit)</b>	<b>(56.812)</b>	214.531

**Bank of Cyprus Group**  
Extracts from the Interim Consolidated Balance Sheet

as at 30 June 2010

		<b>30 June 2010</b>	<i>31 December 2009</i>
	Notes	€000	€000
<b>Assets</b>			
Cash and balances with central banks		<b>2.337.457</b>	1.043.791
Placements with banks		<b>5.667.666</b>	5.947.768
Reverse repurchase agreements		<b>120.222</b>	120.137
Investments	3	<b>6.200.770</b>	4.928.113
Derivative financial assets		<b>112.900</b>	60.739
Loans and advances to customers		<b>26.968.147</b>	25.635.780
Life insurance business assets attributable to policyholders		<b>534.462</b>	541.574
Property and equipment		<b>418.846</b>	406.272
Intangible assets		<b>502.828</b>	453.141
Other assets		<b>329.633</b>	267.534
Investment in associate		<b>4.506</b>	6.552
<b>Total assets</b>		<b>43.197.437</b>	39.411.401
<b>Liabilities</b>			
Obligations to central banks and amounts due to banks		<b>5.213.174</b>	5.290.897
Repurchase agreements		<b>647.566</b>	494.806
Derivative financial liabilities		<b>316.815</b>	139.551
Customer deposits		<b>32.553.745</b>	28.584.561
Insurance liabilities		<b>621.824</b>	618.097
Debt securities in issue		<b>88.782</b>	519.111
Other liabilities	4	<b>345.143</b>	332.037
Subordinated loan stock		<b>945.730</b>	946.843
<b>Total liabilities</b>		<b>40.732.779</b>	36.925.903
<b>Equity</b>			
Share capital		<b>604.206</b>	598.197
Reserves		<b>1.768.446</b>	1.824.915
<b>Equity attributable to the owners of the Company</b>		<b>2.372.652</b>	2.423.112
<b>Non-controlling interests</b>		<b>92.006</b>	62.386
<b>Total equity</b>		<b>2.464.658</b>	2.485.498
<b>Total liabilities and equity</b>		<b>43.197.437</b>	39.411.401

**Bank of Cyprus Group**  
Extracts from the Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Total equity at 1 January</b>	<b>2.485.498</b>	2.056.367
Total comprehensive income for the period	<b>7.799</b>	197.390
Dividend paid and reinvested	<b>(30.368)</b>	(42.563)
Acquisition of shares of the Company by subsidiaries and associates	<b>(58)</b>	(185)
Disposal of shares of the Company by subsidiaries and associates	<b>591</b>	179
Defence contribution on deemed dividend distribution	<b>(570)</b>	-
Cost of share-based payments	<b>1.766</b>	4.346
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	(9.805)
Issue of Convertible Capital Securities	-	12.003
<b>Total equity at 30 June</b>	<b>2.464.658</b>	2.217.732

**Bank of Cyprus Group**  
Extracts from the Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>157.384</b>	150.872
Foreign currency translation reserve	<b>82.772</b>	(30.947)
Available-for-sale investments	<b>(233.723)</b>	87.491
Cash flow hedges	<b>1.366</b>	(6.842)
Property revaluation	-	(3.184)
<b>Total comprehensive income for the period</b>	<b>7.799</b>	197.390

**Bank of Cyprus Group**

## Extracts from the Interim Consolidated Statement of Comprehensive Income

for the three months from 1 April to 30 June 2010

	<b>Three months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>77.984</b>	88.743
Foreign currency translation reserve	<b>28.286</b>	17.812
Available-for-sale investments	<b>(165.979)</b>	113.195
Cash flow hedges	<b>687</b>	(912)
Property revaluation	<b>4</b>	(75)
<b>Total comprehensive (expense)/income for the period</b>	<b>(59.018)</b>	218.763

**Bank of Cyprus Group**

## Extracts from the Interim Consolidated Cash Flow Statement

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Net cash flow from operating activities</b>	<b>2.340.665</b>	1.030.034
<b>Net cash flow used in investing activities</b>	<b>(1.263.600)</b>	(1.044.701)
<b>Net cash flow used in financing activities</b>	<b>(490.208)</b>	(288)
<b>Net increase/(decrease) in cash and cash equivalents for the period</b>	<b>586.857</b>	(14.955)
Exchange adjustments	<b>75.953</b>	(14.866)
<b>Total cash inflow/(outflow) for the period</b>	<b>662.810</b>	(29.821)
Cash and cash equivalents at 1 January	<b>6.156.656</b>	4.787.848
<b>Cash and cash equivalents at 30 June</b>	<b>6.819.466</b>	4.758.027

**Bank of Cyprus Public Company Ltd**  
 Extracts from the Interim Income Statement and  
 Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
Net interest income	<b>419.331</b>	337.476
Net fee and commission income	<b>86.301</b>	82.452
Foreign exchange income	<b>14.785</b>	20.615
Dividends from subsidiaries	<b>23.961</b>	1.403
Net gains on sale, revaluation and impairment of investments and derivative financial instruments	<b>32.761</b>	13.771
Other income	<b>2.285</b>	1.518
	<b>579.424</b>	457.235
Staff costs	<b>(167.492)</b>	(157.377)
Other operating expenses	<b>(92.550)</b>	(84.185)
<b>Profit before provisions</b>	<b>319.382</b>	215.673
Provisions for impairment of loans and advances	<b>(130.147)</b>	(63.086)
<b>Profit before tax</b>	<b>189.235</b>	152.587
Taxation	<b>(14.019)</b>	(6.929)
<b>Profit after tax</b>	<b>175.216</b>	145.658
<b>Basic earnings per share (€)</b>	<b>0,2922</b>	0,2474
<b>Profit after tax</b>	<b>175.216</b>	145.658
Other comprehensive (expense)/income after tax	<b>(194.351)</b>	68.600
<b>Total comprehensive (expense)/income for the period</b>	<b>(19.135)</b>	214.258

**Bank of Cyprus Public Company Ltd**  
**Extracts from the Interim Income Statement and**  
**Statement of Comprehensive Income**

for the three months from 1 April to 30 June 2010

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
Net interest income	<b>213.811</b>	184.962
Net fee and commission income	<b>44.318</b>	40.574
Foreign exchange income	<b>8.949</b>	5.672
Dividends from subsidiaries	<b>23.961</b>	1.403
Net gains on sale, revaluation and impairment of investments and derivative financial instruments	<b>11.124</b>	14.420
Other income	<b>1.782</b>	1.151
	<b>303.945</b>	248.182
Staff costs	<b>(83.613)</b>	(82.356)
Other operating expenses	<b>(48.184)</b>	(45.092)
<b>Profit before provisions</b>	<b>172.148</b>	120.734
Provisions for impairment of loans and advances	<b>(63.356)</b>	(37.536)
<b>Profit before tax</b>	<b>108.792</b>	83.198
Taxation	<b>(5.154)</b>	2.136
<b>Profit after tax</b>	<b>103.638</b>	85.334
<b>Basic earnings per share (€)</b>	<b>0,1730</b>	0,1446
<b>Profit after tax</b>	<b>103.638</b>	85.334
Other comprehensive (expense)/income after tax	<b>(184.173)</b>	122.917
<b>Total comprehensive (expense)/income for the period</b>	<b>(80.535)</b>	208.251

**Bank of Cyprus Public Company Ltd**  
Extracts from the Interim Balance Sheet

as at 30 June 2010

		<b>30 June 2010</b>	<i>31 December 2009</i>
	Notes	€000	€000
<b>Assets</b>			
Cash and balances with central banks		<b>2.171.960</b>	806.392
Placements with banks		<b>5.435.612</b>	5.574.876
Reverse repurchase agreements		<b>120.222</b>	120.137
Investments	3	<b>6.101.822</b>	4.835.360
Derivative financial assets		<b>112.749</b>	60.625
Loans and advances to customers		<b>23.090.602</b>	22.348.253
Bank accounts of Group Companies		<b>3.968.970</b>	3.710.358
Investments in Group Companies		<b>970.284</b>	901.819
Property and equipment		<b>283.534</b>	276.022
Intangible assets		<b>16.663</b>	16.123
Other assets		<b>114.265</b>	87.349
Investment in associate		<b>9.410</b>	11.457
<b>Total assets</b>		<b>42.396.093</b>	38.748.771
<b>Liabilities</b>			
Obligations to central banks and amounts due to banks		<b>5.190.631</b>	5.273.140
Repurchase agreements		<b>647.566</b>	494.806
Derivative financial liabilities		<b>316.023</b>	139.404
Customer deposits		<b>30.695.551</b>	26.930.934
Bank accounts of Group Companies		<b>1.963.836</b>	1.872.510
Debt securities in issue		<b>72.945</b>	498.866
Other liabilities	4	<b>233.230</b>	212.192
Subordinated loan stock		<b>938.600</b>	940.785
<b>Total liabilities</b>		<b>40.058.382</b>	36.362.637
<b>Equity</b>			
Share capital		<b>604.206</b>	598.197
Reserves		<b>1.733.505</b>	1.787.937
<b>Total equity</b>		<b>2.337.711</b>	2.386.134
<b>Total liabilities and equity</b>		<b>42.396.093</b>	38.748.771

**Bank of Cyprus Public Company Ltd**  
Extracts from the Interim Statement of Changes in Equity

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Total equity at 1 January</b>	<b>2.386.134</b>	2.134.750
Total comprehensive (expense)/income for the period	<b>(19.135)</b>	214.258
Dividend paid and reinvested	<b>(30.368)</b>	(42.563)
Cost of share-based payments	<b>1.650</b>	4.140
Defence contribution on deemed dividend distribution	<b>(570)</b>	-
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	(9.805)
Issue of Convertible Capital Securities	-	12.003
<b>Total equity at 30 June</b>	<b>2.337.711</b>	2.312.783

**Bank of Cyprus Public Company Ltd**  
Extracts from the Interim Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>175.216</b>	145.658
Foreign currency translation reserve	<b>(10.054)</b>	864
Available-for-sale investments	<b>(185.663)</b>	74.578
Cash flow hedges	<b>1.366</b>	(6.842)
<b>Total comprehensive (expense)/income for the period</b>	<b>(19.135)</b>	214.258

**Bank of Cyprus Public Company Ltd**

## Extracts from the Interim Statement of Comprehensive Income

for the three months from 1 April to 30 June 2010

	<b>Three months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>103.638</b>	85.334
Foreign currency translation reserve	<b>(9.872)</b>	814
Available-for-sale investments	<b>(174.988)</b>	123.015
Cash flow hedges	<b>687</b>	(912)
<b>Total comprehensive (expense)/income for the period</b>	<b>(80.535)</b>	208.251

**Bank of Cyprus Public Company Ltd**

## Extracts from the Interim Cash Flow Statement

for the six months ended 30 June 2010

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Net cash flow from operating activities</b>	<b>2.664.754</b>	878.806
<b>Net cash flow used in investing activities</b>	<b>(1.247.455)</b>	(995.817)
<b>Net cash flow (used in)/from financing activities</b>	<b>(488.460)</b>	4.625
<b>Net increase/(decrease) in cash and cash equivalents for the period</b>	<b>928.839</b>	(112.386)
Exchange adjustments	<b>35.468</b>	(32.240)
<b>Total cash inflow/(outflow) for the period</b>	<b>964.307</b>	(144.626)
Cash and cash equivalents at 1 January	<b>5.609.211</b>	4.295.310
<b>Cash and cash equivalents at 30 June</b>	<b>6.573.518</b>	4.150.684

# Bank of Cyprus Group

## Notes

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.
2. The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 are consistent with those followed for the preparation of the annual financial statements for year 2009, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2010, which did not have any material impact on the Group's financial statements:
  - Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters'.
  - Amendments to IFRS 2 'Group Cash-settled Share-based Payment Arrangements'.
  - Amendment to IAS 39 'Financial Instruments: Recognition and Measurement — Eligible Hedged Items'.
  - IFRIC 17 'Distributions of Non-cash Assets to Owners'.
  - Improvements to International Financial Reporting Standards (issued in April 2009).
3. Investments of the Group and the Company are analysed as follows:

	<b>30 June</b>	<i>31 December</i>
	<b>2010</b>	<i>2009</i>
<b>Group</b>	<b>€000</b>	<b>€000</b>
Investments of fair value through profit or loss	<b>207.081</b>	346.127
Investments available-for-sale	<b>2.831.867</b>	4.168.056
Investments held-to-maturity	<b>1.053.226</b>	93.079
Investments classified as loans and receivables	<b>2.108.596</b>	320.851
	<b>6.200.770</b>	4.928.113
<b>Company</b>		
Investments of fair value through profit or loss	<b>185.450</b>	312.495
Investments available-for-sale	<b>2.762.858</b>	4.110.674
Investments held-to-maturity	<b>1.044.918</b>	91.340
Investments classified as loans and receivables	<b>2.108.596</b>	320.851
	<b>6.101.822</b>	4.835.360

4. Other liabilities at 30 June 2010 include provisions for pending litigation or claims of €4.710 thousand for the Group and the Company and other provisions of €8.746 thousand for the Group and €8.000 thousand for the Company. There are no other significant pending litigation, claims or assessments against the Group or the Company, the outcome of which would have a material effect on the Group's or Company's financial position or operations.

## Bank of Cyprus Group Notes

5. The number of persons employed by the Group at 30 June 2010 was 11,945 persons (30 June 2009: 12,020) and by the Company was 6,563 persons (30 June 2009: 6,593).
6. The number of shares of the Company held by its subsidiaries and associates (including shares that are held by life insurance subsidiaries which hold the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 30 June 2010 was 5,773 thousand and their cost of acquisition was €32,726 thousand.
7. The Group subsidiaries and branches as at 30 June 2010 and the method of consolidation used are set out in Note 17 of the Interim Condensed Consolidated Financial Statements.

On 1 April 2010, the Company acquired control of Gosman Properties Ltd which owns 93,8% of the share capital of S.C. O.N.T. Carpati S.A. in Romania. The cost of acquisition amounted to €8 million. Based on temporary fair value estimates of the fair value of the identifiable assets and liabilities of S.C. O.N.T. Carpati S.A. as at the date of acquisition, no goodwill has arisen.

During 2009 the Group proceeded with a reduction in the share capital of the subsidiary company LLC CB Bank of Cyprus, which was renamed to Leadbank LLC on 26 January 2010. On 4 February 2010 the Group signed an agreement to sell 100% of the share capital of Leadbank LLC.

On 31 October 2008, the Company acquired (through BOC Russia (Holdings) Ltd) 80% of the share capital of CB Uniastrum Bank LLC and Uniastrum Leasing LLC in Russia. The two founding shareholders who lead the management of CB Uniastrum Bank LLC and Uniastrum Leasing LLC maintain, through BOC Russia (Holdings) Ltd, a 10% interest each.

Until 27 July 2009, this residual shareholding in CB Uniastrum Bank LLC was subject to a put/call option arrangement and extinguishment of the liability over a three year period, payable in cash, depending on the financial performance of the two companies during this period. This arrangement was accounted for in the consolidated financial statements as a liability. This resulted in accounting as if the Group had already acquired the shares subject to this arrangement. Therefore, no non-controlling interest was recognised for reporting purposes in relation to the shares that were subject to this arrangement. On 27 July 2009 the Company signed a new five year owner agreement with the two founding shareholders of CB Uniastrum Bank LLC, by which they will maintain their management roles as well as continue to hold a residual 10% interest in Uniastrum each.

The signing of the above agreement resulted in a change in the accounting treatment of CB Uniastrum Bank LLC in the consolidated financial statements of the Group. Pursuant to the signing of the agreement and the cancellation of the put/call option arrangement and extinguishment of the related liability, CB Uniastrum Bank LLC is included in the consolidated financial statements of the Group as an 80% subsidiary with the corresponding recognition of a 20% non-controlling interest. Upon this change in ownership, the difference between the extinguished liability and the share of assets and liabilities attributable to the non-controlling interests was treated as a transaction between owners.

On 1 September 2009 Cyprus Leasing LLC and Uniastrum Leasing LLC merged to form Leasing Company Uniastrum Leasing which provides finance lease services in Russia and is 100% owned by the Group.

## Bank of Cyprus Group Notes

During 2009, Katoikia I Mortgage Finance Plc, Katoikia I Holdings Ltd, Misthosis Funding Plc and Misthosis Funding (Holding) Ltd were incorporated as special purpose entities for the securitisation of housing loans and finance lease receivables. The securitisations aim at further enhancing the prudential liquidity ratios of the Group.

All Group companies are accounted for as subsidiaries using the consolidation method, except for JCC Payment Systems Ltd for which proportional consolidation is used.

There were no other changes in the companies being consolidated and their accounting treatment compared to 30 June and 31 December 2009, except as described above.

8. The Board of Directors of the Company decided the payment of an interim dividend for 2010 in cash and in the form of shares.

The interim dividend in cash has been set at €0,06 per share. In addition, the Board of Directors, taking into consideration the level of reserves and the applicable legislation for dividend distribution, decided the payment of a special interim dividend payable in the form of shares amounting to €0,50 per share at the issue price of €3,25. The decision of the Board of Directors for the payment of interim dividend in the form of shares will be presented for approval at an Extraordinary General Meeting of shareholders to be held on 20 September 2010. In addition to the shareholders of the Company as at the record date, holders of the new shares which will arise following the exercise of the Rights to be issued by the Company will also be eligible to receive the interim dividend in cash and in the form of shares. The total amount of the cash dividend will amount to €46.610 thousand and the scrip dividend to €388.418 thousand.

The proposed ex-dividend date is 26 October 2010, that is buy transactions that take place before market close of the Cyprus Stock Exchange and the Athens Exchange on 25 October 2010 will be eligible to the dividend. The interim dividend in cash and in the form of shares will be paid on 11 November 2010.

The payment of the final dividend for 2009 amounting to €0,08 per share and totalling €47.856 thousand was approved at the Annual General Meeting of the shareholders on 26 May 2010 and was paid to the shareholders on 17 June 2010.

In June 2009 the final dividend paid to the shareholders for the year 2008 was €0,12 per share, amounting to €70.399 thousand.

9. Related party transactions:

- (a) Loans and other advances to members of the Board of Directors and key management personnel: €7.892 thousand for the Group and the Company.
- (b) Loans and other advances to other connected persons: €218.490 thousand for the Group and €4.187.460 thousand for the Company.
- (c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €85.808 thousand for the Group and the Company.
- (d) Deposits by members of the Board of Directors and key management personnel: €74.334 thousand for the Group and the Company.

- (e) Deposits by other connected persons: €46.027 thousand for the Group and €2.009.863 thousand for the Company.
  - (f) Income (mainly interest income): €4.883 thousand for the Group and €70.297 thousand for the Company.
  - (g) Expense (mainly interest expense): €2.887 thousand for the Group and €30.250 thousand for the Company.
  - (h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €3.132 thousand for the Group and €2.913 thousand for the Company.
  - (i) Debt securities in issue and subordinated loan stock to members of the Board of Directors and key management personnel: €17.133 thousand for the Group and the Company.
  - (j) Debt securities in issue and subordinated loan stock to other connected persons: €2.547 thousand for the Group and the Company.
- 10.** On 8 July 2010, the Board of Directors of the Group decided the increase of the Company's share capital through a rights issue of up to €345 million to strengthen the Group's capital base.

In the context of this decision, the Extraordinary General Meeting held of the shareholders on 23 July 2010 approved the increase of the authorised share capital of the Company from €750 million to €1.100 million by creating 350 million new ordinary shares of nominal value €1,00 each which will rank pari passu with the existing ordinary shares of the Company.

Each outstanding ordinary share shall receive one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised will be converted into two new ordinary shares at €2,00 per each new share. As a result, the Company will issue up to 172.630.273 new ordinary shares.

The Cyprus Securities and Exchange Commission approved the Prospectus for the Bank's share capital increase on 20 August 2010. The issue is expected to be completed in late October 2010.

On 15 July 2010, the Board of Directors decided to transfer the business and the assets and liabilities of the subsidiary company Mortgage Bank of Cyprus Ltd to the Company with a parallel dissolution of the subsidiary company without going into liquidation. The transfer of the business aims at achieving operating synergies between the various units of the Group.

The dissolution of the subsidiary company is subject to the approval and issue of the relevant court order in accordance to Cyprus legislation.