

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2010

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2010

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Interim Consolidated Income Statement

for the nine months ended 30 September 2010

	Notes	Nine months ended 30 September		<i>Year ended 31 December</i>
		2010	2009	2009
		€000	€000	€000
Turnover		1.899.767	1.888.715	2.481.561
Interest income		1.546.913	1.526.811	1.997.034
Interest expense		(779.357)	(910.335)	(1.149.204)
Net interest income		767.556	616.476	847.830
Fee and commission income		179.854	182.438	257.658
Fee and commission expense		(9.219)	(10.389)	(14.286)
Foreign exchange income		27.654	38.237	28.589
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries		26.792	66.390	87.111
Insurance income net of insurance claims		45.656	46.071	62.835
Other income		4.862	9.878	16.761
		1.043.155	949.101	1.286.498
Staff costs		(323.327)	(307.199)	(413.933)
Other operating expenses		(208.240)	(188.194)	(260.319)
Profit before provisions		511.588	453.708	612.246
Provisions for impairment of loans and advances	8	(229.001)	(156.046)	(247.935)
Profit before share of profit of associate		282.587	297.662	364.311
Share of (loss)/profit of associate		(1.818)	1.953	910
Profit before tax		280.769	299.615	365.221
Taxation		(36.786)	(26.641)	(43.227)
Profit after tax		243.983	272.974	321.994
Attributable to:				
Non-controlling interests ((loss)/profit)		(3.818)	8.444	8.850
Owners of the Company		247.801	264.530	313.144
Basic earnings per share (cent)	6	36,2	39,2	46,3
Diluted earnings per share (cent)	6	30,2	35,7	42,6

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Interim Consolidated Income Statement

for the three months from 1 July to 30 September 2010

	Notes	Three months ended 30 September	
		2010	2009
		€000	€000
Turnover		660.313	612.005
Interest income		543.404	487.557
Interest expense		(272.013)	(258.985)
Net interest income		271.391	228.572
Fee and commission income		62.108	65.846
Fee and commission expense		(3.265)	(5.149)
Foreign exchange income		9.492	10.422
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries		7.835	45.497
Insurance income net of insurance claims		15.416	15.107
Other (expense)/income		(812)	5.949
		362.165	366.244
Staff costs		(106.219)	(105.999)
Other operating expenses		(72.221)	(65.550)
Profit before provisions		183.725	194.695
Provisions for impairment of loans and advances		(83.396)	(60.383)
Profit before share of profit of associate		100.329	134.312
Share of profit of associate		229	1.194
Profit before tax		100.558	135.506
Taxation		(13.959)	(13.404)
Profit after tax		86.599	122.102
Attributable to:			
Non-controlling interests (profit)		1.430	5.157
Owners of the Company		85.169	116.945
Basic earnings per share (cent)	6	12,4	17,3
Diluted earnings per share (cent)	6	10,3	15,4

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Interim Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2010

	Nine months ended 30 September	
	2010	2009
	€000	€000
Profit after tax	243.983	272.974
Other comprehensive income		
Foreign currency translation reserve		
Gains/(losses) on translation of the net investment in overseas subsidiaries and branches	24.912	(41.615)
Transfer to consolidated income statement on disposal of subsidiary	362	-
	25.274	(41.615)
Available-for-sale investments		
(Losses)/gains from revaluation before tax	(271.499)	140.582
Transfer to the consolidated income statement on impairment	1.536	161
Transfer to the consolidated income statement on sale	13.883	16.305
Taxation	2.143	(3.252)
	(253.937)	153.796
Cash flow hedges		
Gains from revaluation before tax	1.976	212
Transfer to the consolidated income statement on termination of hedge accounting	-	(7.602)
Taxation	(198)	738
	1.778	(6.652)
Property revaluation		
Losses from revaluation before tax	-	(3.983)
Taxation	-	806
	-	(3.177)
Other comprehensive (expense)/income after tax	(226.885)	102.352
Total comprehensive income for the period	17.098	375.326
Attributable to:		
Non-controlling interests ((expense)/income)	(2.551)	8.395
Owners of the Company (income)	19.649	366.931

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Interim Consolidated Statement of Comprehensive Income

for the three months from 1 July to 30 September 2010

	Three months ended 30 September	
	2010	2009
	€000	€000
Profit after tax	86.599	122.102
Other comprehensive income		
Foreign currency translation reserve		
Losses on translation of the net investment in overseas subsidiaries and branches	(57.498)	(10.668)
Available-for-sale investments		
(Losses)/gains from revaluation before tax	(20.203)	56.563
Transfer to the consolidated income statement on impairment	(61)	58
Transfer to the consolidated income statement on sale	5	11.667
Taxation	45	(1.983)
	(20.214)	66.305
Cash flow hedges		
Gains from revaluation before tax	458	212
Taxation	(46)	(22)
	412	190
Property revaluation		
Gains from revaluation before tax	-	11
Taxation	-	(4)
	-	7
Other comprehensive (expense)/income after tax	(77.300)	55.834
Total comprehensive income for the period	9.299	177.936
Attributable to:		
Non-controlling interests ((expense)/income)	(2.345)	5.101
Owners of the Company (income)	11.644	172.835

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Interim Consolidated Balance Sheet

as at 30 September 2010

		30 September 2010	31 December 2009
	Notes	€000	€000
Assets			
Cash and balances with central banks		1.132.104	1.043.791
Placements with banks		5.783.368	5.947.768
Reverse repurchase agreements		120.142	120.137
Investments	7	5.726.586	4.928.113
Derivative financial assets		86.624	60.739
Loans and advances to customers	8	27.312.229	25.635.780
Life insurance business assets attributable to policyholders		551.978	541.574
Property and equipment		412.221	406.272
Intangible assets		468.871	453.141
Other assets	9	360.165	267.534
Investment in associate		4.421	6.552
Total assets		41.958.709	39.411.401
Liabilities			
Obligations to central banks and amounts due to banks		5.014.564	5.290.897
Repurchase agreements		602.859	494.806
Derivative financial liabilities		433.322	139.551
Customer deposits		31.448.190	28.584.561
Insurance liabilities		638.175	618.097
Debt securities in issue	10	85.449	519.111
Other liabilities	11	305.682	332.037
Subordinated loan stock	12	954.652	946.843
Total liabilities		39.482.893	36.925.903
Equity			
Share capital	13	604.230	598.197
Share premium		723.761	712.170
Revaluation and other reserves		(189.293)	28.613
Retained earnings		1.247.459	1.084.132
Equity attributable to the owners of the Company		2.386.157	2.423.112
Non-controlling interests		89.659	62.386
Total equity		2.475.816	2.485.498
Total liabilities and equity		41.958.709	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

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 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	€000	€000
1 January 2010	598.197	712.170	1.084.132	101.583	(8.537)	32	74.599	12.420	(138.138)	(13.346)	2.423.112	62.386	2.485.498
Reattribution of reserves due to change in ownership percentage of subsidiary (Note 17)	-	-	(29.824)	-	-	-	-	-	-	-	(29.824)	29.824	-
Cost of share-based payments	-	-	2.620	-	-	-	-	-	-	-	2.620	-	2.620
Acquisition of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(58)	(58)	-	(58)
Disposal of shares of the Company by subsidiaries and associates	-	-	(2.283)	-	-	-	-	-	-	3.743	1.460	-	1.460
Defence contribution on deemed dividend distribution	-	-	(570)	-	-	-	-	-	-	-	(570)	-	(570)
Increase in value of in-force life insurance policies	-	-	(7.261)	-	-	-	7.261	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	700	-	-	-	(700)	-	-	-	-	-	-
Conversion of Convertible Bonds and Convertible Capital Securities	24	112	-	-	-	-	-	-	-	-	136	-	136
Dividend paid and reinvested (Note 14)	6.009	11.479	(47.856)	-	-	-	-	-	-	-	(30.368)	-	(30.368)
Total comprehensive income/(expense) for the period	-	-	247.801	-	(253.989)	1.778	-	-	24.059	-	19.649	(2.551)	17.098
30 September 2010	604.230	723.761	1.247.459	101.583	(262.526)	1.810	81.160	12.420	(114.079)	(9.661)	2.386.157	89.659	2.475.816

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2009

	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	€000	€000
1 January 2009	586.662	676.949	877.225	104.673	(115.318)	6.842	67.099	5.173	(152.507)	(15.721)	2.041.077	15.290	2.056.367
Cost of share-based payments	-	-	8.914	-	-	-	-	-	-	-	8.914	-	8.914
Acquisition of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(667)	(667)	-	(667)
Disposal of shares of the Company by subsidiaries and associates	-	-	(1.085)	-	-	-	-	-	-	1.996	911	-	911
Increase in value of in-force life insurance policies	-	-	(5.863)	-	-	-	5.863	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	613	-	-	-	(613)	-	-	-	-	-	-
Dividend paid and reinvested (Note 14)	7.083	20.753	(70.399)	-	-	-	-	-	-	-	(42.563)	-	(42.563)
Transfer to retained earnings on change in ownership of subsidiary	-	-	(26.685)	-	-	-	-	-	26.685	-	-	-	-
Change in ownership of subsidiary	-	-	38.264	-	-	-	-	-	-	-	38.264	32.191	70.455
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	-	-	264.530	(3.177)	153.796	(6.652)	-	-	(41.566)	-	366.931	8.395	375.326
30 September 2009	593.745	697.702	1.080.465	101.496	38.478	190	72.349	12.420	(167.388)	(14.392)	2.415.065	55.876	2.470.941

Bank of Cyprus Group
Interim Consolidated Statement of Cash Flows
for the nine months ended 30 September 2010

		Nine months ended 30 September	
		2010	2009
		€000	€000
	Notes		
Net cash flow from operating activities			
Profit before tax		280.769	299.615
Share of loss/(profit) of associate		1.818	(1.953)
Provisions for impairment of loans and advances		229.001	156.046
Depreciation of property and equipment and amortisation of intangible assets		33.924	32.967
Increase in value of in-force life insurance policies		(7.261)	(5.863)
Amortisation of discounts/premiums		(66.576)	2.070
Cost of share-based payments		2.620	8.914
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(216.860)	(257.525)
Gain on disposal of subsidiary		(1.944)	-
		255.491	234.271
Net increase in loans and advances to customers and other accounts		(2.422.684)	(580.694)
Net increase in customer deposits and other accounts		2.969.078	779.990
		801.885	433.567
Tax paid		(39.506)	(56.058)
Net cash flow from operating activities		762.379	377.509
Cash flow from investing activities			
Purchases of investments		(3.578.218)	(4.369.770)
Proceeds on disposal/redemption of investments		2.693.293	3.407.936
Interest from investments		115.422	199.584
Dividend income from equity shares		1.745	1.421
Acquisition of subsidiaries		-	(322)
Proceeds on disposal of subsidiaries		2.883	-
Purchases of property and equipment		(26.502)	(22.323)
Proceeds on disposal of property and equipment		2.591	335
Purchases of intangible assets		(6.662)	(5.631)
Proceeds on disposal of intangible assets		21	14
Purchases of investment property		(22.773)	(2.223)
Proceeds on disposal of investment property		1.965	171
Net cash flow used in investing activities		(816.235)	(790.808)
Cash flow from financing activities			
Redemption of senior debt		(453.295)	(51.787)
Issue of senior debt		15.009	118.164
Dividend paid		(30.368)	(42.563)
Interest on subordinated loan stock		(32.844)	(35.779)
Acquisition of own shares		(58)	(667)
Disposal of own shares		1.460	911
Net cash flow used in financing activities		(500.096)	(11.721)
Net decrease in cash and cash equivalents for the period		(553.952)	(425.020)
Cash and cash equivalents			
1 January		6.156.656	4.787.848
Exchange adjustments		48.329	(2.730)
Net decrease in cash and cash equivalents for the period		(553.952)	(425.020)
30 September	15	5.651.033	4.360.098

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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 9 November 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 nine months ended 30 September 2010 have not been audited by the Group's external auditors.

3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 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 nine months ended 30 September 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).

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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, 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 whose capital is in excess of the predefined level, are charged with additional interest expense calculated 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
Nine months ended 30 September 2010	€000	€000	€000	€000	€000
Net interest income	386.879	229.625	85.755	65.297	767.556
Net fee and commission income	94.392	36.782	30.574	8.887	170.635
Foreign exchange income	17.393	2.878	5.659	1.724	27.654
Net gains/(losses) on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	14.432	13.074	(534)	(180)	26.792
Insurance income net of insurance claims	37.434	8.222	-	-	45.656
Other income/(expense)	3.270	1.183	1.224	(815)	4.862
	553.800	291.764	122.678	74.913	1.043.155
Staff costs	(168.080)	(85.869)	(48.211)	(21.167)	(323.327)
Other operating expenses	(81.280)	(63.579)	(44.864)	(18.517)	(208.240)
Profit before provisions	304.440	142.316	29.603	35.229	511.588
Provisions for impairment of loans and advances	(100.515)	(101.467)	(16.864)	(10.155)	(229.001)
Share of loss of associate	(1.818)	-	-	-	(1.818)
Profit before tax	202.107	40.849	12.739	25.074	280.769
Taxation	(21.838)	(6.687)	(4.613)	(3.648)	(36.786)
Profit after tax	180.269	34.162	8.126	21.426	243.983
Less non-controlling interests (loss/(profit))	4.323	-	(501)	(4)	3.818
Profit after tax and non-controlling interests	184.592	34.162	7.625	21.422	247.801

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Notes to the Interim Condensed Consolidated Financial Statements

5. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
Nine months ended 30 September 2009	€000	€000	€000	€000	€000
Net Interest income	323.752	178.512	50.576	63.636	616.476
Net fee and commission income	89.512	37.040	38.050	7.447	172.049
Foreign exchange income	25.135	1.480	10.672	950	38.237
Net gains on sale, revaluation and impairment of investments and derivative financial instruments	57.001	6.413	2.695	281	66.390
Insurance income net of insurance claims	38.631	7.440	-	-	46.071
Other income	4.701	810	4.157	210	9.878
	538.732	231.695	106.150	72.524	949.101
Staff costs	(165.960)	(80.918)	(41.054)	(19.267)	(307.199)
Other operating expenses	(68.788)	(61.957)	(39.581)	(17.868)	(188.194)
Profit before provisions	303.984	88.820	25.515	35.389	453.708
Provisions for impairment of loans and advances	(64.200)	(55.244)	(27.053)	(9.549)	(156.046)
Share of profit of associate	1.953	-	-	-	1.953
Profit before tax	241.737	33.576	(1.538)	25.840	299.615
Taxation	(8.177)	(11.920)	(1.122)	(5.422)	(26.641)
Profit after tax	233.560	21.656	(2.660)	20.418	272.974
Less non-controlling interests (profit)	(7.287)	-	(1.157)	-	(8.444)
Profit/(loss) after tax and non-controlling interests	226.273	21.656	(3.817)	20.418	264.530

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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
Nine months ended 30 September 2010	€000	€000	€000	€000	€000
Banking and financial services	521.385	253.371	135.586	83.401	993.743
Insurance services	39.471	8.322	-	-	47.793
Property and hotel business	1.597	22	-	-	1.619
Total revenue with third parties	562.453	261.715	135.586	83.401	1.043.155
Inter-segment (expense)/revenue	(8.653)	30.049	(12.908)	(8.488)	-
Total revenue	553.800	291.764	122.678	74.913	1.043.155

Nine months ended 30 September 2009					
Banking and financial services	512.672	193.840	108.505	83.705	898.722
Insurance services	40.600	7.760	-	-	48.360
Property and hotel business	1.800	219	-	-	2.019
Total revenue with third parties	555.072	201.819	108.505	83.705	949.101
Inter-segment (expense)/revenue	(16.340)	29.876	(2.355)	(11.181)	-
Total revenue	538.732	231.695	106.150	72.524	949.101

Analysis of assets

	Cyprus	Greece	Russia	Other countries	Total
30 September 2010	€000	€000	€000	€000	€000
Assets	29.165.066	15.280.020	1.925.574	3.270.439	49.641.099
Inter-segment assets					(7.682.390)
Total assets					41.958.709

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

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Notes to the Interim Condensed Consolidated Financial Statements

6. Earnings per share

	<i>Nine months ended 30 September</i>		<i>Three months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Basic earnings per share				
Profit after tax attributable to the owners of the Company (€ thousand)	247.801	264.530	85.169	116.945
Weighted average number of shares in issue during the period, adjusted with the bonus element on the rights issue, excluding shares of the Company held by subsidiaries and associates (thousand)	684.749	674.178	686.926	676.650
Basic earnings per share (cent)	36,2	39,2	12,4	17,3
Diluted earnings per share				
Basic earnings after tax attributable to the owners of the Company (€ thousand)	247.801	264.530	85.169	116.945
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	26.484	25.806	8.828	9.338
Diluted earnings after tax attributable to the owners of the Company (€ thousand)	274.285	290.336	93.997	126.283
Weighted average number of shares used for basic earnings per share (thousand)	684.749	674.178	686.926	676.650
Adjustment for the issue of shares resulting from the rights issue, the conversion of Convertible Bonds and Convertible Capital Securities (thousand)	222.913	138.950	225.556	141.388
Diluted weighted average number of shares (thousand)	907.662	813.128	912.482	818.038
Diluted earnings per share (cent)	30,2	35,7	10,3	15,4

The weighted average number of shares for the basic earnings per share has been adjusted with the bonus element of the rights issue which took place in September 2010 (Note 20).

The Convertible Bonds 2013/2018 and the Convertible Capital Securities (Note 12) and the shares which arose from the exercise of the rights issue 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 by adjusting the weighted average number of shares used for the basic earnings per share, under the assumption that all potentially dilutive ordinary shares are converted into shares by their holders.

The weighted average number of shares for the nine months ended 30 September 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 and under the rights issue which took place in September 2010.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

7. Investments

	30 September 2010	31 December 2009
	€000	€000
Investments at fair value through profit or loss	208.054	346.127
Investments available-for-sale	2.740.605	4.168.056
Investments held-to-maturity	653.581	93.079
Investments classified as loans and receivables	2.124.346	320.851
	5.726.586	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:

	30 September 2010		1 April 2010
	Book value	Fair value	Book value and fair value
	€000	€000	€000
Trading investments reclassified to loans and receivables	132.128	133.229	132.570

The gain recognised in the consolidated income statement for the nine months ended 30 September 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 €132 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:

	30 September 2010	31 December 2009	1 July 2008
	€000	€000	€000
Trading investments reclassified to available-for-sale investments	19.887	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 €777 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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

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 September 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	1.321.746	992.464	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 their 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 €273.013 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 September 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	169.300	177.077	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 €5.959 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 September 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	501.294	442.937	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 €54.104 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

	30 September 2010	31 December 2009
	€000	€000
Loans and advances to customers	28.349.896	26.508.048
Provisions for impairment of loans and advances	(1.037.667)	(872.268)
	27.312.229	25.635.780

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

	Nine months ended 30 September	
	2010	2009
	€000	€000
1 January	872.268	687.914
Exchange adjustments	4.420	(2.691)
Applied in writing off impaired loans and advances	(44.638)	(35.448)
Interest accrued on impaired loans and advances	(28.320)	(18.988)
Collection of loans and advances previously written off	4.936	1.766
Charge for the period	229.001	156.046
30 September	1.037.667	788.599

9. Other assets

Other assets at 30 September 2010 include investment properties of €82.770 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>	30 September 2010	<i>31 December 2009</i>
		€000	€000
Medium term senior debt			
€500 million 2007/2010	Three-month Euribor plus 0,20%	-	450.992
SEK 50 million 2009/2012	OMX Stockholm 30 index	5.214	4.852
SEK 100 million 2010/2014	Return of specific shares	11.140	-
RUB 1.500 million 2010	16%	-	2.303
€2 million 2010/2016	DJ EUROSTOXX 50	2.000	-
USD 2 million 2010/2016	S&P 500 index	1.512	-
		19.866	458.147
Short term commercial paper			
In Euro	-	24.987	29.495
In US Dollars	-	7.313	13.527
		32.300	43.022
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	32.791	17.450
Interest-free loan from the European Development Bank	-	492	492
		85.449	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)

Medium term senior debt (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 September 2010 include provisions for pending litigation or claims of €3.244 thousand (31 December 2009: €9.156 thousand).

12. Subordinated loan stock

	<i>Contractual interest rate</i>	30 September 2010	<i>31 December 2009</i>
		€000	€000
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	139.179	142.618
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	123.713	123.773
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	41.591	41.090
Convertible Capital Securities (€645 million)	5,50%	643.774	633.304
Subordinated Bonds in US Dollars 2013/2014/2015	2,50%	6.395	6.058
		954.652	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 €8,11 per share. As a result of the rights issue to the Company's shareholders during October 2010 (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the conversion price of the Convertible Bonds was adjusted in accordance with the relevant terms of issue from €10,50 to €8,11 per share. 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.

During the first conversion period between 15-30 September 2010, 45.866 Convertible Bonds were converted into shares.

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 €4,24 per share. As a result of the rights issue to the Company's shareholders during October 2010 (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the conversion price of the Convertible Capital Securities was adjusted in accordance with the relevant terms of issue from €5,50 to €4,24 per share. 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.

During the first conversion period between 15-30 September 2010, 90.001 Convertible Capital Securities were converted into shares.

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.

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Notes to the Interim Condensed Consolidated Financial Statements

12. Subordinated loan stock (continued)

Capital Securities (continued)

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.

13. Share capital

	30 September 2010		31 December 2009	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Shares of €1,00 each	1.100.000	1.100.000	750.000	750.000
<i>Issued and fully paid</i>				
1 January	598.197	598.197	586.662	586.662
Dividend reinvestment	6.009	6.009	11.535	11.535
Conversion of Convertible Bonds and Convertible Capital Securities	24	24	-	-
30 September 2010/31 December 2009	604.230	604.230	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 divided into 750 million ordinary shares of nominal value €1,00 each to €1.100 million divided into 1.100 million ordinary shares of nominal value €1,00 each, 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 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 nine months ended 30 September 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.

As a result of the conversion of Convertible Bonds and Convertible Capital Securities, 23.632 shares were issued on 30 September 2010 and the Company's share capital and share premium increased by €24 thousand and €112 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.

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Notes to the Interim Condensed Consolidated Financial Statements

13. Share capital (continued)

Share-based payments – Share Options (continued)

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.

Each Share Option 2008/2010 gave its holder the right to purchase one share of the Company at the price of €5,50 per share. As a result of the rights issue to the Company's shareholders during October 2010 (Note 20) and the special distribution of interim dividend in the form of shares (Note 14), the exercise price has been adjusted in accordance with the relevant terms of issue from €5,50 to €4,24 per share.

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 an interim dividend in the form of shares was approved at an Extraordinary General Meeting of the shareholders held on 20 September 2010. In addition to the shareholders of the Company as at the record date, holders of the new shares which arose following the exercise of the Rights issued by the Company (Note 20), are eligible to receive the interim dividend in cash and in the form of shares. The total amount of the cash dividend amounts to €46.610 thousand and the scrip dividend to €388.418 thousand.

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

	30 September 2010	30 September 2009
	€000	€000
Cash and non obligatory balances with central banks	405.623	392.325
Placements with banks repayable within three months	5.245.410	3.967.773
	5.651.033	4.360.098

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Notes to the Interim Condensed Consolidated Financial Statements

16. Staff numbers

The number of persons employed by the Group at 30 September 2010 was 11.929 (31 December 2009: 12.127).

17. Group companies

At 30 September 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 Asset Management (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

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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.

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.

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

	30 September 2010	31 December 2009
	€000	€000
Loans and other advances:		
- members of the Board of Directors and key management personnel	7.936	8.576
- connected persons	227.905	205.196
	235.841	213.772
Deposits:		
- members of the Board of Directors and key management personnel	74.426	82.906
- connected persons	52.543	42.787
	126.969	125.693
Debt securities in issue and subordinated loan stock:		
- members of the Board of Directors and key management personnel	17.133	17.508
- connected persons	2.547	3.615
	19.680	21.123

Interest income and expense from related parties for the nine months ended 30 September 2010 amounted to €7.638 thousand and €4.353 thousand (corresponding period of 2009: €7.055 thousand and €5.635 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 €79.481 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 €228 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 September 2010 amounted to €10.203 thousand (31 December 2009: €27.086 thousand).

During the nine months ended 30 September 2010, the remuneration of the members of the Board of Directors and key management personnel amounted to €3.802 thousand (corresponding period of 2009: €5.237 thousand).

During the nine months ended 30 September 2010 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €160 thousand (corresponding period of 2009: €157 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 €269 thousand (corresponding period of 2009: €229 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €466 thousand (corresponding period of 2009: €156 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €106 thousand (corresponding period of 2009: €107 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

19. Other information

- The total capital expenditure of the Group for the nine months ended 30 September 2010 amounts to €33.164 thousand (corresponding period of 2009: €27.954 thousand).
- The Group's provision for pending litigation or claims at 30 September 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.
- In September 2009, an action was filed against the Company by the Trustees of the AremiSoft Corporation Liquidating Trust, which is similar in substance to the one filed in New York, in 2006. In the detailed statement of claim filed in October 2010 the Trustees, on behalf of the investors of AremiSoft, claim the amount of approximately USD\$ 550 million (€402 million) plus interest and costs, 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 AremiSoft, alleged fraudulent transactions through bank accounts held with the Company in Cyprus and 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 rank pari passu with the existing ordinary shares of the Company.

The issue was successfully completed on 22 October 2010 by issuing 172.630.273 new shares at an issue price €2,00 each. As a result the company's proceeds amounted to €345 million.

Each outstanding ordinary share received one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised were converted into two new ordinary shares at €2,00 per each new share.



FINANCIAL INFORMATION

FOR THE PERIOD FROM 1 JANUARY 2010 TO

30 SEPTEMBER 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 - Investor Relations/Financial Information.

Date of approval of the interim financial statements for the period ended 30 September 2010 by the Board of Directors: 9 November 2010.

Bank of Cyprus Group

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

for the nine months ended 30 September 2010

	Nine months ended 30 September	
	2010	2009
	€000	€000
Net interest income	767.556	616.476
Net fee and commission income	170.635	172.049
Foreign exchange income	27.654	38.237
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	26.792	66.390
Insurance income net of insurance claims	45.656	46.071
Other income	4.862	9.878
	1.043.155	949.101
Staff costs	(323.327)	(307.199)
Other operating expenses	(208.240)	(188.194)
Profit before provisions	511.588	453.708
Provisions for impairment of loans and advances	(229.001)	(156.046)
Profit before share of profit of associate	282.587	297.662
Share of (loss)/profit of associate	(1.818)	1.953
Profit before tax	280.769	299.615
Taxation	(36.786)	(26.641)
Profit after tax	243.983	272.974
Attributable to:		
Non-controlling interests ((loss)/profit)	(3.818)	8.444
Owners of the Company	247.801	264.530
Basic earnings per share (€)	0,3619	0,3924
Profit after tax	243.983	272.974
Other comprehensive (expense)/income after tax	(226.885)	102.352
Total comprehensive income for the period	17.098	375.326
Attributable to:		
Non-controlling interest ((expense)/income)	(2.551)	8.395
Owners of the Company (income)	19.649	366.931

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

for the three months from 1 July to 30 September 2010

	Three months ended 30 September	
	2010	2009
	€000	€000
Net interest income	271.391	228.572
Net fee and commission income	58.843	60.697
Foreign exchange income	9.492	10.422
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries	7.835	45.497
Insurance income net of insurance claims	15.416	15.107
Other (expense)/income	(812)	5.949
	362.165	366.244
Staff costs	(106.219)	(105.999)
Other operating expenses	(72.221)	(65.550)
Profit before provisions	183.725	194.695
Provisions for impairment of loans and advances	(83.396)	(60.383)
Profit before share of profit of associate	100.329	134.312
Share of profit of associate	229	1.194
Profit before tax	100.558	135.506
Taxation	(13.959)	(13.404)
Profit after tax	86.599	122.102
Attributable to:		
Non-controlling interests (profit)	1.430	5.157
Owners of the Company	85.169	116.945
Basic earnings per share (€)	0,1240	0,1728
Profit after tax	86.599	122.102
Other comprehensive (expense)/income after tax	(77.300)	55.834
Total comprehensive income for the period	9.299	177.936
Attributable to:		
Non-controlling interests ((expense)/income)	(2.345)	5.101
Owners of the Company (income)	11.644	172.835

Bank of Cyprus Group
Extracts from the Interim Consolidated Balance Sheet

as at 30 September 2010

		30 September	31 December
		2010	2009
		€000	€000
	Notes		
Assets			
Cash and balances with central banks		1.132.104	1.043.791
Placements with banks		5.783.368	5.947.768
Reverse repurchase agreements		120.142	120.137
Investments	3	5.726.586	4.928.113
Derivative financial assets		86.624	60.739
Loans and advances to customers		27.312.229	25.635.780
Life insurance business assets attributable to policyholders		551.978	541.574
Property and equipment		412.221	406.272
Intangible assets		468.871	453.141
Other assets		360.165	267.534
Investment in associate		4.421	6.552
Total assets		41.958.709	39.411.401
Liabilities			
Obligations to central banks and amounts due to banks		5.014.564	5.290.897
Repurchase agreements		602.859	494.806
Derivative financial liabilities		433.322	139.551
Customer deposits		31.448.190	28.584.561
Insurance liabilities		638.175	618.097
Debt securities in issue		85.449	519.111
Other liabilities	4	305.682	332.037
Subordinated loan stock		954.652	946.843
Total liabilities		39.482.893	36.925.903
Equity			
Share capital		604.230	598.197
Reserves		1.781.927	1.824.915
Equity attributable to the owners of the Company		2.386.157	2.423.112
Non-controlling interests		89.659	62.386
Total equity		2.475.816	2.485.498
Total liabilities and equity		41.958.709	39.411.401

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

for the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
Total equity at 1 January	2.485.498	2.056.367
Total comprehensive income for the period	17.098	375.326
Dividend paid and reinvested	(30.368)	(42.563)
Acquisition of shares of the Company by subsidiaries and associates	(58)	(667)
Disposal of shares of the Company by subsidiaries and associates	1.460	911
Defence contribution on deemed dividend distribution	(570)	-
Change in ownership of subsidiary	-	70.455
Cost of share-based payments	2.620	8.914
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	(9.805)
Conversion of Convertible Bonds and Convertible Capital Securities	136	-
Issue of Convertible Capital Securities	-	12.003
Total equity at 30 September	2.475.816	2.470.941

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

for the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
Profit after tax	243.983	272.974
Foreign currency translation reserve	25.274	(41.615)
Available-for-sale investments	(253.937)	153.796
Cash flow hedges	1.778	(6.652)
Property revaluation	-	(3.177)
Total comprehensive income for the period	17.098	375.326

Bank of Cyprus Group

Extracts from the Interim Consolidated Statement of Comprehensive Income

for the three months from 1 July to 30 September 2010

	Three months ended 30 September	
	2010	2009
	€000	€000
Profit after tax	86.599	122.102
Foreign currency translation reserve	(57.498)	(10.668)
Available-for-sale investments	(20.214)	66.305
Cash flow hedges	412	190
Property revaluation	-	7
Total comprehensive income for the period	9.299	177.936

Bank of Cyprus Group

Extracts from the Interim Consolidated Cash Flow Statement

for the nine months ended 30 September 2010

	Nine months ended 30 September	
	2010	2009
	€000	€000
Net cash flow from operating activities	762.379	377.509
Net cash flow used in investing activities	(816.235)	(790.808)
Net cash flow used in financing activities	(500.096)	(11.721)
Net decrease in cash and cash equivalents for the period	(553.952)	(425.020)
Exchange adjustments	48.329	(2.730)
Total cash outflow for the period	(505.623)	(427.750)
Cash and cash equivalents at 1 January	6.156.656	4.787.848
Cash and cash equivalents at 30 September	5.651.033	4.360.098

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

for the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
Net interest income	648.449	540.958
Net fee and commission income	129.423	122.081
Foreign exchange income	21.940	27.786
Dividends from subsidiaries	24.277	1.403
Net gains on sale, revaluation and impairment of investments and derivative financial instruments	40.248	8.208
Other income	2.705	2.561
	867.042	702.997
Staff costs	(249.538)	(243.386)
Other operating expenses	(141.820)	(131.240)
Profit before provisions	475.684	328.371
Provisions for impairment of loans and advances	(205.836)	(116.865)
Profit before tax	269.848	211.506
Taxation	(24.624)	(17.655)
Profit after tax	245.224	193.851
Basic earnings per share (€)	0,3575	0,2868
Profit after tax	245.224	193.851
Other comprehensive (expense)/income after tax	(251.509)	111.213
Total comprehensive (expense)/income for the period	(6.285)	305.064

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

for the three months from 1 July to 30 September 2010

	Three months ended	
	30 September	
	2010	2009
	€000	€000
Net interest income	229.118	203.482
Net fee and commission income	43.122	39.629
Foreign exchange income	7.155	7.171
Dividends from subsidiaries	316	-
Net gains/(losses) on sale, revaluation and impairment of investments and derivative financial instruments	7.487	(5.563)
Other income	420	1.043
	287.618	245.762
Staff costs	(82.046)	(86.009)
Other operating expenses	(49.270)	(47.055)
Profit before provisions	156.302	112.698
Provisions for impairment of loans and advances	(75.689)	(53.779)
Profit before tax	80.613	58.919
Taxation	(10.605)	(10.726)
Profit after tax	70.008	48.193
Basic earnings per share (€)	0,1019	0,0712
Profit after tax	70.008	48.193
Other comprehensive (expense)/income after tax	(57.158)	42.613
Total comprehensive income for the period	12.850	90.806

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

as at 30 September 2010

		30 September	31 December
		2010	2009
		€000	€000
	Notes		
Assets			
Cash and balances with central banks		963.443	806.392
Placements with banks		5.485.009	5.574.876
Reverse repurchase agreements		120.142	120.137
Investments	3	5.635.260	4.835.360
Derivative financial assets		85.863	60.625
Loans and advances to customers		23.452.553	22.348.253
Bank accounts of Group Companies		4.195.116	3.710.358
Investments in Group Companies		932.114	901.819
Property and equipment		283.427	276.022
Intangible assets		16.057	16.123
Other assets		99.477	87.349
Investment in associate		9.325	11.457
Total assets		41.277.786	38.748.771
Liabilities			
Obligations to central banks and amounts due to banks		4.983.210	5.273.140
Repurchase agreements		602.859	494.806
Derivative financial liabilities		433.307	139.404
Customer deposits		29.520.127	26.930.934
Bank accounts of Group Companies		2.198.788	1.872.510
Debt securities in issue		52.166	498.866
Other liabilities	4	187.550	212.192
Subordinated loan stock		948.257	940.785
Total liabilities		38.926.264	36.362.637
Equity			
Share capital		604.230	598.197
Reserves		1.747.292	1.787.937
Total equity		2.351.522	2.386.134
Total liabilities and equity		41.277.786	38.748.771

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

for the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
Total equity at 1 January	2.386.134	2.134.750
Total comprehensive (expense)/income for the period	(6.285)	305.064
Dividend paid and reinvested	(30.368)	(42.563)
Cost of share-based payments	2.475	8.160
Defence contribution on deemed dividend distribution	(570)	-
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	(9.805)
Conversion of Convertible Bonds and Convertible Capital Securities	136	-
Issue of Convertible Capital Securities	-	12.003
Total equity at 30 September	2.351.522	2.407.609

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

for the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>€000</i>	<i>€000</i>
Profit after tax	245.224	193.851
Foreign currency translation reserve	(12.250)	2.100
Available-for-sale investments	(241.037)	115.765
Cash flow hedges	1.778	(6.652)
Total comprehensive (expense)/income for the period	(6.285)	305.064

Bank of Cyprus Public Company Ltd

Extracts from the Interim Statement of Comprehensive Income

for the three months from 1 July to 30 September 2010

	Three months ended 30 September	
	2010	2009
	€000	€000
Profit after tax	70.008	48.193
Foreign currency translation reserve	(2.196)	1.236
Available-for-sale investments	(55.374)	41.187
Cash flow hedges	412	190
Total comprehensive income for the period	12.850	90.806

Bank of Cyprus Public Company Ltd

Extracts from the Interim Cash Flow Statement

for the nine months ended 30 September 2010

	Nine months ended 30 September	
	2010	2009
	€000	€000
Net cash flow from operating activities	1.013.998	419.698
Net cash flow used in investing activities	(794.175)	(788.547)
Net cash flow used in financing activities	(499.190)	(6.695)
Net decrease in cash and cash equivalents for the period	(279.367)	(375.544)
Exchange adjustments	30.555	(13.806)
Total cash outflow for the period	(248.812)	(389.350)
Cash and cash equivalents at 1 January	5.609.211	4.295.310
Cash and cash equivalents at 30 September	5.360.399	3.905.960

Bank of Cyprus Group

Notes

1. The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 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 nine months ended 30 September 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:

	<i>30 September 2010</i>	<i>31 December 2009</i>
Group	€000	€000
Investments of fair value through profit or loss	208.054	346.127
Investments available-for-sale	2.740.605	4.168.056
Investments held-to-maturity	653.581	93.079
Investments classified as loans and receivables	2.124.346	320.851
	5.726.586	4.928.113
Company		
Investments of fair value through profit or loss	186.141	312.495
Investments available-for-sale	2.678.903	4.110.674
Investments held-to-maturity	645.870	91.340
Investments classified as loans and receivables	2.124.346	320.851
	5.635.260	4.835.360

4. Other liabilities at 30 September 2010 include provisions for pending litigation or claims of €3.244 thousand for the Group and the Company and other provisions of €8.856 thousand for the Group and €8.002 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 September 2010 was 11.929 persons (30 September 2009: 12.137) and by the Company was 6.576 persons (30 September 2009: 6.629).
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 September 2010 was 5.501 thousand and their cost of acquisition was €30.254 thousand.
7. The Group subsidiaries and branches as at 30 September 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 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.

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.

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 September 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 was approved at an Extraordinary General Meeting of shareholders held on 20 September 2010. In addition to the shareholders of the Company as at the record date, holders of the new shares which arose following the exercise of the Rights issued by the Company (Note 20) are eligible to receive the interim dividend in cash and in the form of shares. The total amount of the cash dividend amounts to €46.610 thousand and the scrip dividend to €388.418 thousand.

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.

9. Related party transactions:

- (a) Loans and other advances to members of the Board of Directors and key management personnel: €7.936 thousand for the Group and the Company.

- (b) Loans and other advances to other connected persons: €227.905 thousand for the Group and €4.423.021 thousand for the Company.

- (c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €79.709 thousand for the Group and the Company.

- (d) Deposits by members of the Board of Directors and key management personnel: €74.426 thousand for the Group and the Company.
 - (e) Deposits by other connected persons: €52.543 thousand for the Group and €2.251.331 thousand for the Company.
 - (f) Income (mainly interest income): €7.638 thousand for the Group and €111.436 thousand for the Company.
 - (g) Expense (mainly interest expense): €4.353 thousand for the Group and €45.017 thousand for the Company.
 - (h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €4.803 thousand for the Group and €4.480 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 rank pari passu with the existing ordinary shares of the Company.

The issue was successfully completed on 22 October 2010 by issuing 172.630.273 new shares at an issue price €2,00 each. As a result the company's proceeds amounted to €345 million.

Each outstanding ordinary share received one nil paid pre-emptive subscription right. Every 7 pre-emptive subscription rights exercised were converted into two new ordinary shares at €2,00 per each new share.