

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the three months ended

31 March 2010

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2010

Contents	Page
Interim Consolidated Income Statement	1
Interim Consolidated Statement of Comprehensive Income	2
Interim Consolidated Balance Sheet	3
Interim Consolidated Statement of Changes in Equity	4
Interim Consolidated Statement of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	6

Bank of Cyprus Group

Interim Consolidated Income Statement

for the three months ended 31 March 2010

	Notes	Three months ended 31 March		<i>Year ended 31 December</i>
		2010	2009	2009
		€000	€000	€000
Turnover		598.367	644.739	2.481.561
Interest income		478.323	522.167	1.997.034
Interest expense		(236.781)	(340.913)	(1.149.204)
Net interest income		241.542	181.254	847.830
Fee and commission income		55.056	57.015	257.658
Fee and commission expense		(2.784)	(2.975)	(14.286)
Foreign exchange income		7.976	20.303	28.589
Net gains/(losses) on sale, revaluation and impairment of investments and derivative financial instruments		19.031	(2.763)	87.111
Insurance income net of insurance claims		15.072	15.261	62.835
Other income		1.776	1.018	16.761
		337.669	269.113	1.286.498
Staff costs		(107.663)	(98.259)	(413.933)
Other operating expenses		(64.574)	(57.611)	(260.319)
Profit before provisions		165.432	113.243	612.246
Provisions for impairment of loans and advances	8	(73.498)	(34.878)	(247.935)
Profit before share of profit of associate		91.934	78.365	364.311
Share of (loss)/profit of associate		(473)	(160)	910
Profit before tax	5	91.461	78.205	365.221
Taxation		(12.061)	(16.076)	(43.227)
Profit after tax		79.400	62.129	321.994
Attributable to:				
Non-controlling interests ((loss)/profit)		(1.962)	(942)	8.850
Owners of the Company		81.362	63.071	313.144
Basic earnings per share (cent)	6	13,6	10,7	52,9
Diluted earnings per share (cent)	6	12,5	10,7	48,7

Bank of Cyprus Group

Interim Consolidated Statement of Comprehensive Income

for the three months ended 31 March 2010

	Three months ended 31 March	
	2010	2009
	€000	€000
Profit after tax	79.400	62.129
Other comprehensive income		
Foreign currency translation reserve		
Exchange adjustments before and after tax	54.486	(48.759)
Available-for-sale investments		
Losses from revaluation before tax	(62.979)	(35.050)
Transfer to the consolidated income statement on redemption/sale	(6.062)	7.192
Taxation	1.297	2.154
	(67.744)	(25.704)
Cash flow hedges		
Gains from revaluation before tax	755	1.013
Transfer to the consolidated income statement on termination of hedge accounting	-	(7.602)
Taxation	(76)	659
	679	(5.930)
Property revaluation		
Losses from revaluation before tax	-	(3.894)
Taxation	(4)	785
	(4)	(3.109)
Other comprehensive expense after tax	(12.583)	(83.502)
Total comprehensive income/(expense) for the period	66.817	(21.373)
Attributable to:		
Non-controlling interests (profit/(loss))	2.002	(938)
Owners of the Company	64.815	(20.435)

Bank of Cyprus Group

Interim Consolidated Balance Sheet

as at 31 March 2010

		31 March	31 December
		2010	2009
		€000	€000
	Notes		
Assets			
Cash and balances with central banks		913.186	1.043.791
Placements with banks		4.799.215	5.947.768
Reverse repurchase agreements		120.097	120.137
Investments	7	5.719.404	4.928.113
Derivative financial assets		156.464	60.739
Loans and advances to customers	8	26.265.962	25.635.780
Life insurance business assets attributable to policyholders		555.407	541.574
Property and equipment		411.563	406.272
Intangible assets		486.398	453.141
Other assets	9	295.298	267.534
Investment in associate		6.079	6.552
Total assets		39.729.073	39.411.401
Liabilities			
Obligations to central banks and amounts due to banks		4.994.262	5.290.897
Repurchase agreements		305.939	494.806
Derivative financial liabilities		264.381	139.551
Customer deposits		29.203.103	28.584.561
Insurance liabilities		636.641	618.097
Debt securities in issue	10	524.804	519.111
Other liabilities	11	290.037	332.037
Subordinated loan stock	12	956.486	946.843
Total liabilities		37.175.653	36.925.903
Equity			
Share capital	13	598.197	598.197
Share premium		712.170	712.170
Revaluation and other reserves		14.685	28.613
Retained earnings		1.163.980	1.084.132
Equity attributable to the owners of the Company		2.489.032	2.423.112
Non-controlling interests		64.388	62.386
Total equity		2.553.420	2.485.498
Total liabilities and equity		39.729.073	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 three months ended 31 March 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
Cost of share-based payments	-	-	856	-	-	-	-	-	-	-	856	-	856
Disposals of shares of the Company by subsidiaries and associates	-	-	(336)	-	-	-	-	-	-	585	249	-	249
Increase in value of in-force life insurance policies	-	-	(2.228)	-	-	-	2.228	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	194	-	-	-	(194)	-	-	-	-	-	-
Total comprehensive income/ (expense) for the period	-	-	81.362	(4)	(67.751)	679	-	-	50.529	-	64.815	2.002	66.817
31 March 2010	598.197	712.170	1.163.980	101.579	(76.288)	711	76.633	12.420	(87.609)	(12.761)	2.489.032	64.388	2.553.420
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	-	-	2.015	-	-	-	-	-	-	-	2.015	-	2.015
Purchases of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(66)	(66)	-	(66)
Increase in value of in-force life insurance policies	-	-	(1.493)	-	-	-	1.493	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	157	-	-	-	(157)	-	-	-	-	-	-
Total comprehensive income/ (expense) for the period	-	-	63.071	(3.109)	(25.704)	(5.930)	-	-	(48.763)	-	(20.435)	(938)	(21.373)
31 March 2009	586.662	676.949	940.975	101.564	(141.022)	912	68.435	5.173	(201.270)	(15.787)	2.022.591	14.352	2.036.943

Bank of Cyprus Group

Interim Consolidated Statement of Cash Flows

for the three months ended 31 March 2010

		Three months ended 31 March	
		2010	2009
		€000	€000
	Notes		
Net cash flow from operating activities			
Profit before tax		91.461	78.205
Share of loss of associate		473	160
Provisions for impairment of loans and advances		73.498	34.878
Depreciation of property and equipment and amortisation of intangible assets		8.863	8.001
Amortisation of discounts/premiums		(298)	23.144
Cost of share-based payments		856	2.015
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(57.020)	(52.242)
		117.833	94.161
Net increase in loans and advances to customers and other accounts		(743.182)	(25.171)
Net increase in customer deposits and other accounts		215.140	311.409
		(410.209)	380.399
Tax paid		(10.016)	(13.067)
Net cash flow (used in)/from operating activities		(420.225)	367.332
Cash flow from investing activities			
Purchases of investments		(1.841.628)	(920.305)
Proceeds on disposal/redemption of investments		1.036.289	704.590
Interest from investments		48.677	56.256
Dividend income from equity shares		5	41
Purchase of property and equipment		(5.902)	(7.039)
Proceeds on disposal of property and equipment		291	237
Purchase of intangible assets		(2.287)	(1.814)
Proceeds on disposal of intangible assets		18	-
Purchase of investment properties		(288)	(55)
Proceeds on disposal of investment properties		1.845	-
Net cash flow used in investing activities		(762.980)	(168.089)
Cash flow from financing activities			
Issue of subordinated loan stock		35	-
Issue/(redemption) of debt securities in issue		9.892	(69.168)
Interest on subordinated loan stock		(10.674)	(12.666)
Purchases of own shares		-	(66)
Disposal of own shares		249	-
Net cash flow used in financing activities		(498)	(81.900)
Net (decrease)/increase in cash and cash equivalents for the period		(1.183.703)	117.343
Cash and cash equivalents			
At 1 January		6.156.656	4.787.851
Exchange adjustments		(2.860)	(105.685)
Net (decrease)/increase in cash and cash equivalents for the period		(1.183.703)	117.343
At 31 March	15	4.970.093	4.799.509

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 26 May 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 services 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 three months ended 31 March 2010 have not been audited by the Group's external auditors.

3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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.

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 three months ended 31 March 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 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 and are made on an arm's length basis.

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.

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.

	Cyprus	Greece	Russia	Others countries	Total
Three months ended 31 March 2010	€000	€000	€000	€000	€000
Net interest income	120.078	76.770	23.412	21.282	241.542
Net fee and commission income	30.802	11.575	7.432	2.463	52.272
Foreign exchange income	4.699	888	1.667	722	7.976
Net gains/(losses) on sale, revaluation and impairment of investments and derivative financial instruments	8.985	10.111	(6)	(59)	19.031
Insurance income net of insurance claims	12.197	2.875	-	-	15.072
Other (expenses)/income	(76)	220	1.314	318	1.776
	176.685	102.439	33.819	24.726	337.669
Staff costs	(55.712)	(29.721)	(15.552)	(6.678)	(107.663)
Other operating expenses	(25.102)	(20.352)	(13.328)	(5.792)	(64.574)
Profit before provisions	95.871	52.366	4.939	12.256	165.432
Provisions for impairment of loans and advances	(29.175)	(37.699)	(3.266)	(3.358)	(73.498)
Share of loss of associate	(473)	-	-	-	(473)
Profit before tax	66.223	14.667	1.673	8.898	91.461
Taxation	(5.347)	(4.547)	(1.339)	(828)	(12.061)
Profit after tax	60.876	10.120	334	8.070	79.400
Non-controlling interests	1.378	-	585	(1)	1.962
Profit after tax and non-controlling interests	62.254	10.120	919	8.069	81.362

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

5. Segmental analysis (continued)

	Cyprus	Greece	Russia	Others countries	Total
Three months ended 31 March 2009	€000	€000	€000	€000	€000
Net Interest income	95.334	48.609	18.974	18.337	181.254
Net fee and commission income	29.367	12.686	9.477	2.510	54.040
Foreign exchange income	14.042	473	5.240	548	20.303
Net (losses)/gains on sale, revaluation and impairment of investments and derivative financial instruments	(3.476)	819	(359)	253	(2.763)
Insurance income net of insurance claims	12.801	2.460	-	-	15.261
Other income	187	208	522	101	1.018
	148.255	65.255	33.854	21.749	269.113
Staff costs	(50.942)	(25.244)	(15.662)	(6.411)	(98.259)
Other operating expenses	(19.730)	(18.678)	(14.063)	(5.140)	(57.611)
Profit before provisions	77.583	21.333	4.129	10.198	113.243
Provisions for impairment of loans and advances	(14.850)	(12.046)	(6.008)	(1.974)	(34.878)
Share of loss of associate	(160)	-	-	-	(160)
Profit before tax	62.573	9.287	(1.879)	8.224	78.205
Taxation	(8.124)	(2.235)	(3.882)	(1.835)	(16.076)
Profit after tax	54.449	7.052	(5.761)	6.389	62.129
Non-controlling interests	943	-	-	(1)	942
Profit after tax and non-controlling interests	55.392	7.052	(5.761)	6.388	63.071

Analysis of assets

	Cyprus	Greece	Russia	Other countries	Total
31 March 2010	€000	€000	€000	€000	€000
Assets	25.222.573	15.981.052	2.152.645	3.438.384	46.794.654
Inter-segment assets					(7.065.581)
Total assets					39.729.073
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

6. Earnings per share

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
Basic earnings per share		
Profit after tax attributable to the owners of the Company (€ thousand)	81.362	63.071
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	596.995	587.324
Basic earnings per share (cent)	13,6	10,7
Diluted earnings per share		
Basic earnings after tax attributable to the owners of the Company (€ thousand)	81.362	63.071
Interest on Convertible Bonds and Convertible Capital Securities (€ thousand)	8.825	-
Diluted earnings after tax attributable to the owners of the Company (€ thousand)	90.187	63.071
Weighted average number of shares used for basic earnings per share (thousand)	596.995	587.324
Adjustment for the conversion of Convertible Bonds and Convertible Capital Securities (thousand)	121.679	-
Diluted weighted average number of shares during the period (thousand)	718.674	587.324
Diluted earnings per share (cent)	12,5	10,7

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

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 three months ended 31 March 2009 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan arising from the dividend payments in June and December 2009.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

7. Investments

	31 March 2010	<i>31 December 2009</i>
	€000	<i>€000</i>
Investments at fair value through profit or loss	345.957	346.127
Investments available-for-sale	4.987.381	4.168.056
Investments held-to-maturity	68.039	93.079
Investments classified as loans and receivables	318.027	320.851
	5.719.404	4.928.113

Reclassification of trading investments

In accordance with the provisions of the amended IAS 39, 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 on 1 July 2008 did not intend to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading to available-for-sale investments. The book value of the reclassified debt securities which is equal to their fair value, is presented below:

	31 March 2010	<i>31 December 2009</i>	<i>1 July 2008</i>
	€000	<i>€000</i>	<i>€000</i>
Investments reclassified from trading to available-for-sale	18.506	19.081	17.385

Had the Group not reclassified the debt securities on 1 July 2008, the consolidated income statement would have included losses from the revaluation of these securities of €610 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.

Reclassification of available-for-sale investments

In accordance with the provisions of the amended IAS 39, the Group reclassified certain available-for-sale debt securities to 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 did not have the intention to sell these securities in the foreseeable future. The book value and fair value of the reclassified debt securities, is presented below:

	31 March 2010		<i>31 December 2009</i>		<i>1 October 2008</i>
	Book value	Fair value	<i>Book value</i>	<i>Fair value</i>	<i>Book value and fair value</i>
	€000	€000	<i>€000</i>	<i>€000</i>	<i>€000</i>
Available-for sale investments reclassified to loans and receivables	169.741	171.489	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 €393 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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

8. Loans and advances to customers

	31 March 2010	31 December 2009
	€000	€000
Loans and advances to customers	27.206.112	26.508.048
Provisions for impairment of loans and advances	(940.150)	(872.268)
	26.265.962	25.635.780

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

	Three months ended 31 March	
	2010	2009
	€000	€000
1 January	872.268	687.914
Exchange adjustments	8.738	(3.762)
Applied in writing off impaired loans and advances	(7.124)	(12.504)
Interest accrued on impaired loans and advances	(9.219)	(5.074)
Collection of loans and advances previously written off	1.989	173
Charge for the period	73.498	34.878
31 March	940.150	701.625

9. Other assets

Other assets at 31 March 2010 include investment properties of €51.546 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>	31 March 2010	<i>31 December 2009</i>
		€000	€000
Medium term senior debt			
€500 million 2007/2010	Three-month Euribor plus 0,20%	450.055	450.992
SEK50 million 2009/2012	OMX Stockholm 30 index	4.911	4.852
SEK100 million 2010/2014	Return of specific shares	10.466	-
RUB1.500 million 2010	16%	2.607	2.303
		468.039	458.147
Short term commercial paper			
In Euro	-	31.485	29.495
In US Dollars	-	14.084	13.527
		45.569	43.022
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	10.704	17.450
Interest-free loan from the European Development Bank	-	492	492
		524.804	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 SEK100 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 SEK50 million 2009/2012 bonds, the redemption amount of which is linked to the OMX Stockholm 30 Index.

The RUB1.000 million 2009 and RUB1.500 million 2010 bonds were issued at par by CB Uniastrum Bank LLC in February 2006 and April 2007 and mature in February 2009 and April 2010, respectively. During 2009, the issuer has redeemed the RUB 1.000 million 2009 bond at par.

The €500 million 2007/2010 bonds are listed on the Luxembourg Stock Exchange. The RUB1.500 million 2010 bond is listed on the Moscow Interbank Currency Exchange (MICEX).

10. Debt securities in issue *(continued)*

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 31 March 2010 include provisions for pending litigation or claims of €9.692 thousand (31 December 2009: €9.156 thousand).

12. Subordinated loan stock

	<i>Contractual interest rate</i>	31 March 2010	<i>31 December 2009</i>
		€000	€000
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	142.020	142.618
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	123.774	123.773
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	41.544	41.090
Convertible Capital Securities (€645 million)	5,50%	642.703	633.304
Subordinated Bonds in US Dollars 2013/2014/2015	2,50%	6.445	6.058
		956.486	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.

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. Interest can be changed unilaterally by the issuer at any time until maturity.

12. Subordinated loan stock (continued)

Convertible Bonds

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with nominal value of €573 million, 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. The conversion periods are between 15-30 September of years 2010-2012 and 15-31 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 an equal nominal rate.

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 of 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. The conversion periods are between 15-30 September of years 2010-2013 and 15-31 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, equal to the three-month Euribor plus 1,25% per annum. The Capital Securities are listed on the Cyprus Stock Exchange.

13. Share capital

	31 March 2010		31 December 2009	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Shares of €1,00 each	750.000	750.000	750.000	750.000
<i>Issued and fully paid</i>				
At 1 January	598.197	598.197	586.662	586.662
Dividend reinvestment	-	-	11.535	11.535
At 31 March 2010/31 December 2009	598.197	598.197	598.197	598.197

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 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.

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.

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). 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

On 24 February 2010, the Board of Directors decided to propose the payment of a final dividend of €0,08 per share amounting to €47.856 thousand, which will be proposed for approval at the Annual General Meeting of the shareholders on 26 May 2010. The proposed ex-dividend date will be 2 June 2010, that is buy transactions that will take place before market close of the Cyprus Stock Exchange and Athens Exchange on 1 June 2010 will be eligible to receive the dividend, which will be paid on 17 June 2010.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

15. Cash and cash equivalents

	31 March 2010	31 March 2009
	€000	€000
Cash and non obligatory balances with central banks	329.997	476.658
Placements with banks repayable within three months	4.640.096	4.322.851
	4.970.093	4.799.509

16. Staff numbers

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

17. Group companies

The companies and branches included in the Interim Condensed Consolidated Financial Statements of the Group, 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
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 Asfalistiki (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	-

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

17. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
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
LLC CB Bank of Cyprus	Russia	Commercial bank	100,0
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 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 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.

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.

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 and Interfund Investments Plc for which the equity method is used.

18. Related party transactions

	31 March 2010	<i>31 December 2009</i>
	€000	€000
Loans and other advances:		
- members of the Board of Directors and key management personnel	9.994	8.576
- connected persons	208.355	205.196
	218.349	213.772
Deposits:		
- members of the Board of Directors and key management personnel	77.856	82.906
- connected persons	42.265	42.787
	120.121	125.693
Debt securities in issue and subordinated loan stock:		
- members of the Board of Directors and key management personnel	17.215	17.508
- connected persons	3.547	3.615
	20.762	21.123

Interest income and expense from related parties for the three months ended 31 March 2010 amounted to €2.470 thousand and €1.464 thousand (corresponding period of 2009: €2.474 thousand and €2.008 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 €57.153 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 €259 thousand (31 December 2009: €512 thousand). Using forced-sales values, the total unsecured amount of the loans and advances and contingent liabilities and commitments in respect of related parties at 31 March 2010 amounted to €9.888 thousand (31 December 2009: €27.086 thousand).

During the three months ended 31 March 2010, the remuneration of the members of the Board of Directors and key management personnel amounted to €1.265 thousand (corresponding period of 2009: €1.392 thousand).

During the three months ended 31 March 2010 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €47 thousand (corresponding period 2009: €48 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 €38 thousand (corresponding period 2009: €112 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €339 thousand (corresponding period 2009: €128 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €38 thousand (corresponding period 2009: €37 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.

19. Other information

- The total capital expenditure of the Group for the three months ended 31 March 2010 amounts to €8.189 thousand (corresponding period of 2009: €8.853 thousand).
- The Group's provision for pending litigation or claims at 31 March 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 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 (€260 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.