

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements  
for the nine months ended

**30 September 2009**

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# Bank of Cyprus Group

## Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2009

<b>Contents</b>	<b>Page</b>
Interim Consolidated Income Statement for the nine months ended 30 September 2009	1
Interim Consolidated Income Statement for the three months from 1 July to 30 September 2009	2
Interim Consolidated Balance Sheet	3
Interim Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2009	4
Interim Consolidated Statement of Comprehensive Income for the three months from 1 July to 30 September 2009	5
Interim Consolidated Statement of Changes in Equity	6
Interim Consolidated Cash Flow Statement	8
Notes to the Interim Condensed Consolidated Financial Statements	9

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the nine months ended 30 September 2009

		<i>Nine months ended 30 September</i>		<i>Year ended 31 December</i>
		<i>2009</i>	<i>2008</i>	<i>2008</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>
	Notes			
Turnover		<b>1.888.715</b>	1.834.812	2.690.380
Interest income		<b>1.526.811</b>	1.469.000	2.098.057
Interest expense		<b>(910.335)</b>	(891.406)	(1.305.906)
Net interest income		<b>616.476</b>	577.594	792.151
Fee and commission income		<b>182.438</b>	165.535	227.214
Fee and commission expense		<b>(10.389)</b>	(10.876)	(9.408)
Foreign exchange income		<b>38.237</b>	51.306	158.790
Net gains/(losses) on sale, change in fair value and impairment of investments and derivative financial instruments		<b>66.390</b>	(15.812)	(59.719)
Insurance income net of insurance claims		<b>46.071</b>	47.851	61.120
Other income		<b>9.878</b>	25.631	35.104
		<b>949.101</b>	841.229	1.205.252
Staff costs		<b>(307.199)</b>	(234.401)	(330.988)
Other operating expenses		<b>(188.194)</b>	(142.165)	(220.631)
<b>Profit before provisions</b>	5	<b>453.708</b>	464.663	653.633
Provisions for impairment of loans and advances	8	<b>(156.046)</b>	(40.305)	(91.601)
<b>Profit before share of profit of associate</b>		<b>297.662</b>	424.358	562.032
Share of profit/(loss) of associate		<b>1.953</b>	(7.582)	(10.418)
<b>Profit before tax</b>	5	<b>299.615</b>	416.776	551.614
Taxation		<b>(26.641)</b>	(58.514)	(72.931)
<b>Profit after tax</b>		<b>272.974</b>	358.262	478.683
Attributable to:				
<b>Non-controlling interests (profit/(loss))</b>		<b>8.444</b>	(16.403)	(23.705)
<b>Owners of the Company</b>		<b>264.530</b>	374.665	502.388
<b>Basic earnings per share (cent)</b>	6	<b>44,9</b>	65,4	87,4
<b>Diluted earnings per share (cent)</b>	6	<b>40,8</b>	60,5	82,0

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the three months from 1 July to 30 September 2009

	Notes	<b>Three months ended 30 September</b>	
		<b>2009</b>	<b>2008</b>
		<b>€000</b>	<b>€000</b>
Turnover		<b>612.005</b>	671.874
Interest income		<b>487.557</b>	537.943
Interest expense		<b>(258.985)</b>	(343.533)
Net interest income		<b>228.572</b>	194.410
Fee and commission income		<b>65.846</b>	56.085
Fee and commission expense		<b>(5.149)</b>	(3.844)
Foreign exchange income		<b>10.422</b>	35.446
Net gains/(losses) on sale, change in fair value and impairment of investments and derivative financial instruments		<b>45.497</b>	(12.687)
Insurance income net of insurance claims		<b>15.107</b>	18.479
Other income		<b>5.949</b>	2.463
		<b>366.244</b>	290.352
Staff costs		<b>(105.999)</b>	(81.605)
Other operating expenses		<b>(65.550)</b>	(49.301)
<b>Profit before provisions</b>		<b>194.695</b>	159.446
Provisions for impairment of loans and advances		<b>(60.383)</b>	(14.070)
<b>Profit before share of profit of associate</b>		<b>134.312</b>	145.376
Share of profit/(loss) of associate		<b>1.194</b>	(1.671)
<b>Profit before tax</b>		<b>135.506</b>	143.705
Taxation		<b>(13.404)</b>	(17.043)
<b>Profit after tax</b>		<b>122.102</b>	126.662
Attributable to:			
<b>Non-controlling interests (profit/(loss))</b>		<b>5.157</b>	(4.362)
<b>Owners of the Company</b>		<b>116.945</b>	131.024
<b>Basic earnings per share (cent)</b>	<b>6</b>	<b>19,7</b>	22,7
<b>Diluted earnings per share (cent)</b>	<b>6</b>	<b>17,7</b>	18,4

# Bank of Cyprus Group

## Interim Consolidated Balance Sheet

as at 30 September 2009

		<b>30 September</b>	<b>31 December</b>
		<b>2009</b>	<b>2008</b>
		<b>€000</b>	<b>€000</b>
	Notes		
<b>Assets</b>			
Cash and balances with central banks		952.778	1.017.073
Placements with banks		4.192.135	4.582.076
Reverse repurchase agreements		120.135	120.000
Investments	7	5.459.011	4.240.719
Life insurance business assets attributable to policyholders		538.506	447.679
Loans and advances to customers	8	24.815.810	24.449.316
Property and equipment		405.660	419.395
Intangible assets		389.413	442.445
Other assets	9	313.354	382.850
Investment in associate		7.302	5.663
<b>Total assets</b>		<b>37.194.104</b>	<b>36.107.216</b>
<b>Liabilities</b>			
Amounts due to banks		3.328.066	2.832.298
Repurchase agreements		305.861	305.000
Customer deposits		28.576.085	27.935.747
Insurance liabilities		594.531	506.447
Debt securities in issue	10	529.889	959.169
Other liabilities	11	478.718	578.103
Subordinated loan stock	12	966.522	934.085
<b>Total liabilities</b>		<b>34.779.672</b>	<b>34.050.849</b>
<b>Equity</b>			
Share capital	13	593.745	586.662
Share premium		697.702	676.949
Revaluation and other reserves		43.153	(99.759)
Retained earnings		1.023.956	877.225
<b>Equity attributable to the owners of the Company</b>		<b>2.358.556</b>	<b>2.041.077</b>
<b>Non-controlling interests</b>		<b>55.876</b>	<b>15.290</b>
<b>Total equity</b>		<b>2.414.432</b>	<b>2.056.367</b>
<b>Total liabilities and equity</b>		<b>37.194.104</b>	<b>36.107.216</b>
<b>Contingent liabilities and commitments</b>			
Contingent liabilities		1.941.821	1.962.350
Commitments		4.103.991	4.249.627

**Th. Aristodemou** Chairman  
**A. Artemis** Vice Chairman  
**A. Eliades** Group Chief Executive Officer  
**Y. Kypri** Group Chief General Manager  
**Chr. Hadjimitsis** Group General Manager Finance and Strategy

**Bank of Cyprus Group**  
Interim Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2009

	<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>
	<i>€000</i>	<i>€000</i>
<b>Profit after tax</b>	<b>272.974</b>	358.262
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
Losses on translation of net investment in overseas subsidiaries and branches	<b>(41.615)</b>	(1.093)
<b>Available-for-sale investments</b>		
Gains/(losses) from change in fair value before tax	<b>140.582</b>	(125.429)
Transfer to the income statement on impairment	<b>161</b>	3.661
Transfer to the income statement on redemption/sale	<b>16.305</b>	(8.185)
Taxation	<b>(3.252)</b>	892
	<b>153.796</b>	(129.061)
<b>Cash flow hedges</b>		
Gains from change in fair value before tax	<b>212</b>	986
Transfer to the income statement on termination of hedge accounting	<b>(7.602)</b>	(1.409)
Taxation	<b>738</b>	47
	<b>(6.652)</b>	(376)
<b>Property revaluation</b>		
Losses from change in fair value before tax	<b>(3.983)</b>	-
Taxation	<b>806</b>	46
	<b>(3.177)</b>	46
<b>Other comprehensive income/(expense) after tax</b>	<b>102.352</b>	(130.484)
<b>Total comprehensive income for the period</b>	<b>375.326</b>	227.778
Attributable to:		
<b>Non-controlling interests (income/(expense))</b>	<b>8.395</b>	(16.404)
<b>Owners of the Company</b>	<b>366.931</b>	244.182
	<b>375.326</b>	227.778

## Bank of Cyprus Group

### Interim Consolidated Statement of Comprehensive Income

for the three months from 1 July to 30 September 2009

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
<b>Profit after tax</b>	<b>122.102</b>	126.662
<b>Other comprehensive income</b>		
<b>Foreign currency translation reserve</b>		
(Losses)/gains on translation of net investment in overseas subsidiaries and branches	<b>(10.668)</b>	330
<b>Available-for-sale investments</b>		
Gains/(losses) from change in fair value before tax	<b>56.563</b>	(39.950)
Transfer to the income statement on impairment	<b>58</b>	865
Transfer to the income statement on termination of hedge accounting	<b>11.667</b>	3.160
Taxation	<b>(1.983)</b>	(92)
	<b>66.305</b>	(36.017)
<b>Cash flow hedges</b>		
Gains from change in fair value before tax	<b>212</b>	1.674
Taxation	<b>(22)</b>	(168)
	<b>190</b>	1.506
<b>Property revaluation</b>		
Gains from change in fair value before tax	<b>11</b>	-
Taxation	<b>(4)</b>	3
	<b>7</b>	3
<b>Other comprehensive income/(expense) after tax</b>	<b>55.834</b>	(34.178)
<b>Total comprehensive income for the period</b>	<b>177.936</b>	92.484
Attributable to:		
<b>Non-controlling interests (income/(expense))</b>	<b>5.101</b>	(4.363)
<b>Owners of the Company</b>	<b>172.835</b>	96.847
	<b>177.936</b>	92.484

# Bank of Cyprus Group

## 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		
<b>At 1 January 2009</b>	<b>586.662</b>	<b>676.949</b>	<b>877.225</b>	<b>104.673</b>	<b>(115.318)</b>	<b>6.842</b>	<b>67.099</b>	<b>5.173</b>	<b>(152.507)</b>	<b>(15.721)</b>	<b>2.041.077</b>	<b>15.290</b>	<b>2.056.367</b>
Cost of share-based payments	-	-	8.914	-	-	-	-	-	-	-	8.914	-	8.914
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)	-	-	-	-	-	-
Transfer to retained earnings on disposal of non-controlling interests	-	-	(26.685)	-	-	-	-	-	26.685	-	-	-	-
Loss on disposal of non-controlling interests	-	-	(18.245)	-	-	-	-	-	-	-	(18.245)	-	(18.245)
Purchase 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
Dividend paid and reinvested	7.083	20.753	(70.399)	-	-	-	-	-	-	-	(42.563)	-	(42.563)
Derecognition of equity component of Convertible Bonds 2013/2018	-	-	4.756	-	-	-	-	(4.756)	-	-	-	-	-
Issue of Convertible Capital Securities	-	-	-	-	-	-	-	12.003	-	-	12.003	-	12.003
Exchange of Convertible Bonds 2013/2018 with Convertible Capital Securities	-	-	(9.805)	-	-	-	-	-	-	-	(9.805)	-	(9.805)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	32.191	32.191
Total comprehensive income/(expense) for the period	-	-	264.530	(3.177)	153.796	(6.652)	-	-	(41.566)	-	366.931	8.395	375.326
<b>At 30 September 2009</b>	<b>593.745</b>	<b>697.702</b>	<b>1.023.956</b>	<b>101.496</b>	<b>38.478</b>	<b>190</b>	<b>72.349</b>	<b>12.420</b>	<b>(167.388)</b>	<b>(14.392)</b>	<b>2.358.556</b>	<b>55.876</b>	<b>2.414.432</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2008

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Cash flow hedge reserve	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
<b>At 1 January 2008</b>	<b>483.726</b>	<b>688.349</b>	<b>607.668</b>	<b>100.773</b>	<b>47.510</b>	<b>1.032</b>	<b>57.665</b>	-	<b>(3.321)</b>	<b>(17.334)</b>	<b>1.966.068</b>	<b>39.122</b>	<b>2.005.190</b>
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 to €1,00 each	82.497	(82.497)	-	-	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	2.687	-	-	-	-	-	-	-	<b>2.687</b>	-	<b>2.687</b>
Increase in value of in-force life insurance policies	-	-	(7.845)	-	-	-	7.845	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	845	-	-	-	(845)	-	-	-	-	-	-
Purchase of shares of the Company by subsidiaries and associates	-	-	-	-	-	-	-	-	-	(700)	<b>(700)</b>	-	<b>(700)</b>
Disposal of shares of the Company by subsidiaries and associates	-	-	(717)	-	-	-	-	-	-	2.834	<b>2.117</b>	-	<b>2.117</b>
Equity component of convertible bond	-	-	-	-	-	-	-	5.173	-	-	<b>5.173</b>	-	<b>5.173</b>
Dividend paid and reinvested	7.187	48.437	(141.556)	-	-	-	-	-	-	-	<b>(85.932)</b>	-	<b>(85.932)</b>
Dividend paid by subsidiaries net of reinvestment	-	-	-	-	-	-	-	-	-	-	-	(368)	<b>(368)</b>
Change in non-controlling interests and acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	539	<b>539</b>
Total comprehensive income/(expense) for the period	-	-	374.665	46	(129.060)	(376)	-	-	(1.093)	-	<b>244.182</b>	(16.404)	<b>227.778</b>
<b>At 30 September 2008</b>	<b>573.410</b>	<b>654.289</b>	<b>835.747</b>	<b>100.819</b>	<b>(81.550)</b>	<b>656</b>	<b>64.665</b>	<b>5.173</b>	<b>(4.414)</b>	<b>(15.200)</b>	<b>2.133.595</b>	<b>22.889</b>	<b>2.156.484</b>

# Bank of Cyprus Group

## Interim Consolidated Cash Flow Statement

for the nine months ended 30 September 2009

		<i>Nine months ended 30 September</i>	
		<i>2009</i>	<i>2008</i>
	<i>Notes</i>	<i>€000</i>	<i>€000</i>
<b>Net cash flow from operating activities</b>			
Profit before tax		299.615	416.776
Share of (profit)/loss of associate		(1.953)	7.582
Provisions for impairment of loans and advances		156.046	40.305
Depreciation of property and equipment and amortisation of intangible assets		27.104	21.828
Amortisation of discounts/premiums		2.070	(11.529)
Cost of share-based payments		8.914	2.687
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(257.525)	(128.239)
		234.271	349.410
Net increase in loans and advances to customers and other accounts		(580.694)	(3.810.722)
Net increase in customer deposits and other accounts		779.990	1.472.889
		433.567	(1.988.423)
Tax paid		(56.058)	(38.351)
<b>Net cash flow from/(used in) operating activities</b>		<b>377.509</b>	<b>(2.026.774)</b>
<b>Cash flow from investing activities</b>			
Purchases of investments		(4.369.770)	(818.383)
Proceeds on disposal/redemption of investments		3.407.936	897.978
Interest from investments		199.584	149.101
Dividend income from equity shares		1.421	4.581
Acquisition of subsidiaries and associates		(322)	(14.789)
Purchases of property and equipment		(22.323)	(28.577)
Proceeds on disposal of property and equipment		335	491
Purchases of intangible assets		(5.631)	(5.289)
Proceeds on disposal of intangible assets		14	66
Purchases of investment property		(2.223)	(1.918)
Proceeds on disposal of investment property		171	19.912
<b>Net cash flow (used in)/from investing activities</b>		<b>(790.808)</b>	<b>203.173</b>
<b>Cash flow from financing activities</b>			
Redemption of subordinated loan stock		(51.787)	(91.229)
Issue of subordinated loan stock		118.164	573.410
Dividend payment		(42.563)	(85.932)
Interest on subordinated loan stock		(35.779)	(32.465)
Dividend paid by subsidiaries to non-controlling interests		-	(368)
Acquisition of own shares		(667)	(700)
Disposal of own shares		911	2.117
<b>Net cash flow (used in)/from financing activities</b>		<b>(11.721)</b>	<b>364.833</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(425.020)</b>	<b>(1.458.768)</b>
<b>Cash and cash equivalents</b>			
At 1 January		4.787.848	6.793.635
Exchange adjustments		(2.730)	(1.093)
Net decrease in cash and cash equivalents		(425.020)	(1.458.768)
At 30 September	15	4.360.098	5.333.774

# 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 (together with the Company, the 'Group') and were authorised for issue by a resolution of the Board of Directors on 4 November 2009.

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 and financial services, insurance business and property and hotel business.

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 2009 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 2009 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 2008.

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 2008.

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 2009 are consistent with those followed for the preparation of the annual financial statements for the year 2008, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2009, which did not have any material impact on the Group's financial statements, other than the provision of additional disclosures. During the period the Group also adopted an accounting policy for the treatment of disposals of non-controlling interests without loss of control, since the Group had not previously entered in such transactions.

#### *IFRS 8 'Operating Segments'*

IFRS 8 requires additional disclosure of information about the Group's operating segments and replaces the requirement to identify primary and secondary reporting segments. The Group has concluded that the operating segments determined in accordance with IFRS 8 are the same as the geographic segments previously identified under IAS 14 as secondary segments. IFRS 8 disclosures are set out in Note 5, including revised comparative information.

#### 4. Significant accounting policies (continued)

##### *IAS 1 'Presentation of Financial Statements' (Revised)*

IAS 1 (revised) requires the discrimination between changes in equity attributable to the owners of the Company and other changes. The main revision to IAS 1 is the introduction of the statement of comprehensive income that combines all items of income and expense recognised in the income statement together with other comprehensive income recognised in equity either in one single statement or in two linked statements. The Group has elected to present two statements and has made the required revisions to the presentation of these interim financial statements.

##### *Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'*

The amendment is intended to enhance the disclosures for fair value measurement and liquidity risk. Entities are required to use a 3-level hierarchy of disclosures for financial instruments recorded at fair value. The Group will make any necessary changes to the presentation of its annual financial statements for the year 2009.

##### *Improvements to IFRSs*

In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The IASB has separated the 34 amendments of this edition in two parts: Part I deals with amendments resulting in accounting changes and Part II deals with editorial or terminology amendments with minimal impact. There are separate transitional provisions for each standard. These improvements did not have any impact on the financial position or performance of the Group but may require additional disclosures which will be included in the Group's annual financial statements for the year 2009.

##### *IFRIC 13 'Customer Loyalty Programmes'*

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group maintains loyalty programmes that fall within the scope of this interpretation, the adoption of which did not have any material impact on its financial statements.

##### *IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'*

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. It provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gains or loss, relating to both the net investment and the hedging instrument, to be recycled to the income statement on disposal of the net investment. This Interpretation did not have any impact on the Group's financial statements.

##### *Amendments to IFRS 2 'Share-based Payment'*

These amendments clarify the definition of a vesting condition and prescribe the treatment for an award that is effectively cancelled. These amendments did not have any impact on the Group's financial statements.

##### *IAS 23 'Borrowing Costs' (Revised)*

The revised IAS 23 requires the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The option in the previous standard to expense borrowing costs to the income statement in case of a qualifying asset has been eliminated. In accordance with IAS 23 (revised), borrowing costs are capitalised on qualifying assets with a commencement date after 1 January 2009. The Group made no adjustment for borrowing costs incurred prior to 1 January 2009 that have been expensed. This revision did not have any material impact on the Group's financial statements.

#### 4. Significant accounting policies (continued)

*IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement'*

The amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. These amendments did not have any impact on the Group's financial statements.

*Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation'*

The amendments provide a limited scope exemption for puttable instruments to be classified as equity if they fulfill a number of specified features. These amendments did not have any impact on the Group's financial statements, as the Group has not issued such instruments.

*Disposals of non-controlling interests without loss of control*

Upon disposal of non-controlling interests in a subsidiary without loss of control by the Group, the difference between the proceeds from disposal of the non-controlling interests in the subsidiary and the non-controlling interests' share of the assets and liabilities is treated partly as goodwill and partly as an equity transaction. Specifically, the share of goodwill that corresponds to the percentage of shareholding transferred to the non-controlling interest holders is deducted from goodwill. The share of the cumulative amount of exchange differences relating to the percentage of shareholding transferred to the non-controlling interests is deducted from the foreign currency reserve. The resulting gain or loss is recognised in retained earnings.

#### 5. Segmental analysis

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

Management monitors the operating results of each business unit separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit before tax.

Intersegment transactions and balances are eliminated on consolidation.

Bank of Cyprus Group  
Notes to the Interim Condensed Consolidated Financial Statements

5. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
<b>Nine months ended 30 September 2009</b>	€000	€000	€000	€000	€000
Net interest income	323.752	178.512	50.576	63.636	<b>616.476</b>
Net fee and commission income	89.512	37.040	38.050	7.447	<b>172.049</b>
Foreign exchange income	25.135	1.480	10.672	950	<b>38.237</b>
Net gains on sale, change in fair value and impairment of investments and derivative financial instruments	57.001	6.413	2.695	281	<b>66.390</b>
Insurance income net of insurance claims	38.631	7.440	-	-	<b>46.071</b>
Other income	4.701	810	4.157	210	<b>9.878</b>
	<b>538.732</b>	<b>231.695</b>	<b>106.150</b>	<b>72.524</b>	<b>949.101</b>
Staff costs	(165.960)	(80.918)	(41.054)	(19.267)	<b>(307.199)</b>
Other operating expenses	(68.788)	(61.957)	(39.581)	(17.868)	<b>(188.194)</b>
<b>Profit before provisions</b>	<b>303.984</b>	<b>88.820</b>	<b>25.515</b>	<b>35.389</b>	<b>453.708</b>
Provisions for impairment of loans and advances	(64.200)	(55.244)	(27.053)	(9.549)	<b>(156.046)</b>
Share of profit of associate	1.953	-	-	-	<b>1.953</b>
<b>Profit/(loss) before tax</b>	<b>241.737</b>	<b>33.576</b>	<b>(1.538)</b>	<b>25.840</b>	<b>299.615</b>
<b>Nine months ended 30 September 2008</b>					
Net interest income	327.091	206.286	5.791	38.426	<b>577.594</b>
Net fee and commission income	97.498	46.588	469	10.104	<b>154.659</b>
Foreign exchange income	46.587	2.524	586	1.609	<b>51.306</b>
Net (losses)/gains on sale, change in fair value and impairment of investments and derivative financial instruments	(12.052)	(3.784)	-	24	<b>(15.812)</b>
Insurance income net of insurance claims	41.058	6.793	-	-	<b>47.851</b>
Other income	24.750	609	98	174	<b>25.631</b>
	<b>524.932</b>	<b>259.016</b>	<b>6.944</b>	<b>50.337</b>	<b>841.229</b>
Staff costs	(136.412)	(76.470)	(2.942)	(18.577)	<b>(234.401)</b>
Other operating expenses	(66.557)	(57.745)	(3.489)	(14.374)	<b>(142.165)</b>
<b>Profit before provisions</b>	<b>321.963</b>	<b>124.801</b>	<b>513</b>	<b>17.386</b>	<b>464.663</b>
Provisions for impairment of loans and advances	(4.080)	(34.106)	(1)	(2.118)	<b>(40.305)</b>
Share of loss of associate	(7.582)	-	-	-	<b>(7.582)</b>
<b>Profit before tax</b>	<b>310.301</b>	<b>90.695</b>	<b>512</b>	<b>15.268</b>	<b>416.776</b>

Bank of Cyprus Group  
Notes to the Interim Condensed Consolidated Financial Statements

5. Segmental analysis (continued)

	Cyprus	Greece	Russia	Other countries	Total
<b>30 September 2009</b>	€000	€000	€000	€000	€000
<b>Assets</b>	24.927.260	14.743.351	1.696.379	3.053.144	<b>44.420.134</b>
Intersegment assets					(7.226.030)
<b>Total assets</b>					<b>37.194.104</b>
<b>31 December 2008</b>					
<b>Assets</b>	21.525.360	14.415.926	1.736.298	2.958.274	<b>40.635.858</b>
Intersegment assets					(4.528.642)
<b>Total assets</b>					<b>36.107.216</b>

Segmental analysis is presented on the same basis as provided to management and as such, each segment's capital is presented on the same basis as a percentage of the segment's risk weighted assets. The Group's total profit as set out in the consolidated income statement is not affected by this. The loans and advances to customers and customer deposits and the related income and expense are included in the segment in which the business is originated, instead of the segment recording the transaction.

6. Earnings per share

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Basic earnings per share</b>				
Profit after tax attributable to the owners of the Company (€ thousand)	<b>264.530</b>	374.665	<b>116.945</b>	131.024
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>589.347</b>	572.765	<b>593.630</b>	577.137
Basic earnings per share (cent)	<b>44,9</b>	65,4	<b>19,7</b>	22,7
<b>Diluted earnings per share</b>				
Profit after tax attributable to the owners of the Company, adjusted for the Convertible Bonds and Convertible Capital Securities (€ thousand)	<b>290.336</b>	380.052	<b>126.283</b>	136.411
Weighted average number of shares in issue during the period, adjusted for the conversion of Convertible Bonds and Convertible Capital Securities and excluding shares of the Company held by subsidiaries and associates (thousand)	<b>710.812</b>	627.756	<b>715.095</b>	740.853
Diluted earnings per share (cent)	<b>40,8</b>	60,5	<b>17,7</b>	18,4

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 of nominal value €46 million and the Convertible Capital Securities of nominal value €645 million (Note 12) constitute potentially dilutive 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 nine months ended 30 September 2008 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan arising from the dividend payments in December 2008 and June 2009.

Bank of Cyprus Group  
Notes to the Interim Condensed Consolidated Financial Statements

**7. Investments**

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>€000</b>	<b>€000</b>
Investments at fair value through profit or loss	<b>347.201</b>	334.371
Investments available-for-sale	<b>4.189.263</b>	3.053.729
Investments held-to-maturity	<b>94.151</b>	309.851
Investments classified as loans and receivables	<b>828.396</b>	542.768
	<b>5.459.011</b>	4.240.719

**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 that have occurred during 2008, the Group identified the investments in debt securities which on 1 July 2008 did not intend to trade or sell in the foreseeable future. These investments 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:

	<b>30 September 2009</b>	<b>31 December 2008</b>	<b>1 July 2008</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Investments held for trading reclassified as available-for-sale	<b>18.952</b>	15.454	17.385

Had the Group not reclassified the debt securities on 1 July 2008, the income statement for the nine months ended 30 September 2009 would have included profits from change in the fair value of these debt securities of €3.684 thousand (year 2008: losses of €1.845 thousand) which, following the reclassification, were recorded in the revaluation reserve for available-for-sale investments in equity.

**Reclassification of available-for-sale investments**

In accordance with the provisions of the amended IAS 39, the Group has 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:

	<b>30 September 2009</b>		<b>31 December 2008</b>		<b>1 October 2008</b>
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>	<b>Book value and fair value</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Available-for-sale investments reclassified to loans and receivables	<b>170.213</b>	<b>168.570</b>	169.768	164.895	169.196

Had the Group not reclassified these debt securities on 1 October 2008, the Group's equity at 30 September 2009 would have included losses from change in fair value of these debt securities of €2.547 thousand (31 December 2008: losses of €4.158 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**

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>€000</b>	<b>€000</b>
Loans and advances to customers	<b>25.604.409</b>	25.137.230
Provisions for impairment of loans and advances	<b>(788.599)</b>	(687.914)
	<b>24.815.810</b>	24.449.316

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

	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
At 1 January	<b>687.914</b>	579.007
Acquisition of subsidiaries	-	3.396
Exchange adjustments	<b>(2.691)</b>	1.223
Applied in writing off impaired loans and advances	<b>(35.448)</b>	(24.401)
Interest accrued on impaired loans and advances	<b>(18.988)</b>	(20.676)
Collection of loans and advances previously written off	<b>1.766</b>	9.865
Charge for the period	<b>156.046</b>	40.305
<b>At 30 September</b>	<b>788.599</b>	588.719

**9. Other assets**

Other assets at 30 September 2009 include investment properties of €48.284 thousand (31 December 2008: €33.293 thousand).

## 10. Debt securities in issue

	<i>Contractual interest rate</i>	<b>30 September 2009</b>	<i>31 December 2008</i>
		€000	€000
<b>Medium term senior debt</b>			
€300 million 2006/2009	Three-month Euribor plus 0,33%	-	286.350
€500 million 2007/2010	Three-month Euribor plus 0,20%	<b>450.883</b>	480.130
€30 million 2008/2011	Three-month Euribor plus 0,65%	-	30.349
US\$50 million 2008/2013	Six-month Libor plus 0,50%	-	36.275
SEK50 million 2009/2012	-	<b>4.869</b>	-
RUB1.000 million 2009	11%	-	2.073
RUB1.500 million 2010	16%	<b>1.984</b>	1.651
		<b>457.736</b>	836.828
<b>Short term commercial paper</b>			
In Euro	-	<b>26.979</b>	74.933
In U.S. Dollars	-	<b>40.578</b>	20.092
		<b>67.557</b>	95.025
<b>Other debt securities in issue</b>			
RUB certificates of deposit and promissory notes	10,8%	<b>4.104</b>	26.824
Interest-free loan from the European Development Bank	-	<b>492</b>	492
		<b>4.596</b>	27.316
		<b>529.889</b>	959.169

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.

### 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 2008: €4.000 million). Under the EMTN Programme, the Company issued in May 2009, SEK50 million 2009/2012 bonds, the redemption amount of which is linked to the return of the OMX Stockholm 30 index.

The €300 million 2006/2009 bonds issued in June 2006, matured in June 2009 and were redeemed at par.

In addition, the holders of the US\$50 million 2008/2013 bonds, issued in July 2008, and the holders of the €30 million 2008/2011 bonds, issued in April 2008, exercised their put option in January and April 2009 respectively and the bonds were redeemed at par.

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 bought back the RUB1.000 million 2009 bonds at par. The RUB1.500 million 2010 were substantially bought back at par.

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

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 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 2008: €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 deposit 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 2009 include provisions for pending litigation or claims of €3.244 thousand (31 December 2008: €3.244 thousand).

### 12. Subordinated loan stock

	<i>Contractual interest rate</i>	<b>30 September 2009</b>	<i>31 December 2008</i>
		<b>€000</b>	<b>€000</b>
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	<b>147.636</b>	187.748
Capital Securities Series B (€51 million)	Base rate plus 1,00%	-	50.713
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	<b>123.883</b>	124.034
Convertible Bonds 2013/2018 (€573 million)	7,50% until 30 June 2009 and six- month Euribor plus 1,00% thereafter	<b>45.078</b>	563.726
Convertible Capital Securities	5,50%	<b>644.022</b>	-
Subordinated Bonds in Ukrainian Hryvnia 12/2016	12,00%	-	1.806
Subordinated Bonds in US Dollars 2013/2014/2015	2,50%	<b>5.903</b>	6.058
		<b>966.522</b>	934.085

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 2008: €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 Ukrainian Hryvnia maturing on 31 December 2016 were issued by OJSB Bank of Cyprus in Ukraine in May 2008 and were repaid at par in January 2009.

## 12. Subordinated loan stock (continued)

### Subordinated Bonds (continued)

The Subordinated Bonds in US Dollars 2013/2014/2015 were issued by CB Uniastrum Bank LLC. These bonds 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.

### 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 of nominal value €527 million were exchanged for Convertible Capital Securities of equal nominal value. As at 30 September 2009 the nominal value of Convertible Bonds 2013/2018 was €46 million.

### Convertible Capital Securities

On 6 June 2009, the Company issued €645 million Convertible Capital Securities. The Convertible Capital Securities were offered to eligible shareholders (in the ratio Convertible Capital Securities of nominal value €11 for every 10 shares held as at 12 May 2009) as well as to holders of Convertible Bonds 2013/2018 and other investors. 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 6-month Euribor plus 3,00% 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

In May 2009, the Group exercised its option to redeem the Capital Securities Series B at par.

The €51 million Capital Securities Series B and the €126 million Capital Securities 12/2007 were issued in Cyprus Pounds in March 2004 and December 2007 respectively. 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 Capital Securities Series B carried a floating interest rate, which was equal to the base rate at the beginning of each three-month period plus 1,00%. 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

	30 September 2009		31 December 2008	
	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	586.662	586.662	566.223	483.726
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 to €1,00 each	-	-	-	82.497
Dividend reinvestment	7.083	7.083	20.439	20.439
At 30 September 2009/31 December 2008	593.745	593.745	586.662	586.662

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 discount on the market value of the shares. For the dividend paid in December 2008 the discount was set at 15%. For all other dividends the discount has been set at 10%. The reinvestment price for the dividend paid on 10 June 2009 was set at €3,93 per share, for the dividend paid on 9 December 2008 was set at €2,71 per share and for the dividend paid on 10 June 2008 was set at €7,74 per share.

As a result of the dividend reinvestment during 2008, 20.438.573 shares were issued and the Company's share capital and share premium increased by €20.439 thousand and €71.097 thousand respectively.

As a result of the dividend reinvestment during the nine months ended 30 September 2009, 7.082.906 shares were issued and the Company's share capital and share premium increased by €7.083 thousand and €20.753 thousand respectively.

All issued ordinary shares carry the same rights.

#### Share Options

On 14 May 2008, the Annual General Meeting of the shareholders approved the granting of share options to Group employees, without these shares being first offered to existing shareholders. In this context, the Board of Directors was authorised 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 Company's shareholders on 23 June 2009 approved the amendment of the terms of the Share Options 2008/2010, modifying their exercise price and the exercise period.

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 total Share Options 2008/2010 granted will vest 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 years 2011-2013 (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.

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

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 14. Dividends

The Board of Directors of the Company has decided to proceed with the payment of an interim dividend for year 2009 of €0,08 per share, amounting to €47.500 thousand, which will be paid to shareholders on 8 December 2009. The ex-dividend date is 23 November 2009. Buy transactions that take place before market close of the Cyprus Stock Exchange and the Athens Exchange on 20 November 2009 will be eligible to the dividend. The interim dividend is not recognised as a liability in the financial statements until its payment to shareholders.

In December 2008, the interim dividend paid to shareholders for the year 2007 was €0,15 per share amounting to €86,011 thousand.

The payment of the final dividend for 2008 amounting to €0,12 per share and totalling €70.399 thousand was approved at the Annual General Meeting of the shareholders on 13 May 2009 and was paid to the shareholders on 10 June 2009.

In June 2008, the final dividend paid to the shareholders for the year 2007 was €0,25 per share, amounting to €141.556 thousand.

### 15. Cash and cash equivalents

	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
Cash and non obligatory balances with central banks	<b>392.325</b>	241.535
Placements with banks repayable within three months	<b>3.967.773</b>	5.092.239
	<b>4.360.098</b>	5.333.774

### 16. Staff numbers

The number of persons employed by the Group at 30 September 2009 was 12.137 (31 December 2008: 12.127).

### 17. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 30 September 2009 include the following companies, by country of incorporation:

**Cyprus:** Bank of Cyprus Public Company Ltd, Mortgage Bank of Cyprus Ltd, Cyprus Investment and Securities Corporation Ltd (CISCO), General Insurance of Cyprus Ltd, EuroLife Ltd, Kermia Ltd, Kermia Properties & Investments Ltd, Kermia Hotels Ltd, BOC Ventures Ltd, Tefkros Investments Ltd, Bank of Cyprus Mutual Funds Ltd, JCC Payment Systems Ltd, Cytrustees Investment Public Company Ltd, Diners Club (Cyprus) Ltd, BOC Russia (Holdings) Ltd, Otherland Properties Ltd and Interfund Investments Plc.

**Greece:** Bank of Cyprus Public Company Ltd (branch of the Company), Kyprou Leasing SA, Kyprou Commercial SA, Kyprou Securities SA, Kyprou Mutual Fund Management Company (AEDAK), Kyprou Properties SA, Kyprou Insurance Services Ltd, Kyprou Zois (branch of EuroLife Ltd) and Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd).

**United Kingdom:** Bank of Cyprus United Kingdom (branch of the Company), Katoikia 1 Mortgage Finance Plc and Misthosis Funding Plc.

**Channel Islands:** Bank of Cyprus (Channel Islands) Ltd and Tefkros Investments (CI) Ltd.

**Australia:** Bank of Cyprus Australia Ltd.

**Romania:** Bank of Cyprus Romania (branch of the Company), Cyprus Leasing (Romania) IFN SA and Otherland Properties Dorobanti SRL.

**Russia:** LLC CB Bank of Cyprus, CB Uniastrum Bank LLC and Leasing Company Uniastrum Leasing.

**Ukraine:** OJSB Bank of Cyprus (previously JSC AvtoZAZbank).

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. Group companies (continued)

All companies are wholly owned subsidiaries of the Group, except for the following:

Company	Shareholding		Accounting treatment
	30 September 2009	31 December 2008	
JCC Payment Systems Ltd	45,0%	45,0%	Proportional consolidation
Cytrustees Investment Public Company Ltd	49,9%	49,9%	Consolidation
Interfund Investments Plc	22,8%	22,8%	Equity method
OJSB Bank of Cyprus	99,7%	99,7%	Consolidation
BOC Russia (Holdings) Ltd	80,0%	80,0%	Consolidation

On 26 May 2008, the Company completed the acquisition of the Ukrainian bank JSC AvtoZAZbank which was renamed on 1 January 2009 to OJSB Bank of Cyprus. The Company initially acquired 97,2% of the share capital of OJSB Bank of Cyprus. OJSB Bank of Cyprus is accounted for as a subsidiary since the date of the acquisition. In December 2008, the Group's shareholding in OJSB Bank of Cyprus increased to 99,7% following the injection of additional capital by the Company.

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. These companies are accounted for as subsidiaries since the date of their acquisition. 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 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 shareholder agreement with the two founding shareholders of CB Uniastrum Bank LLC who will maintain their management roles and will each continue to hold a residual 10% interest in Uniastrum.

The signing of the above agreement resulted in a change in the accounting treatment of CB Uniastrum Bank LLC in the financial statements of the Group. Pursuant to the signing of the agreement and the cancellation of the call/put option arrangement, CB Uniastrum Bank LLC is included in the financial statements of the Group as an 80% subsidiary with the corresponding recognition of a 20% non-controlling interest.

On 4 March 2009, Katoikia 1 Mortgage Finance Plc, a special purpose entity, was incorporated in the United Kingdom. On 20 May 2009, Katoikia 1 Mortgage Finance Plc issued €1 billion of Residential Mortgage Backed Securities. These securities are listed on the Luxemburg Stock Exchange and are held by the Group. On 15 April 2009, Misthosis Funding Plc, a special purpose entity, was incorporated in the United Kingdom. On 21 September 2009, Misthosis Funding Plc issued €689 million notes. These notes are listed on the Irish Stock Exchange and are held by the Group. The securitisations aim at further enhancing the Group's prudential liquidity ratios. Katoikia 1 Mortgage Finance Plc and Misthosis Funding Plc are included in the financial statements as subsidiaries.

On 1 September 2009 Cyprus Leasing LLC and Uniastrum Leasing LLC merged into Leasing Company Uniastrum Leasing.

## 18. Related party transactions

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>€000</b>	<b>€000</b>
Loans and advances:		
- members of the Board of Directors and key management personnel	<b>8.231</b>	7.321
- connected persons	<b>206.624</b>	215.984
	<b>214.855</b>	223.305
Deposits:		
- members of the Board of Directors and key management personnel	<b>84.221</b>	78.287
- connected persons	<b>49.606</b>	66.218
	<b>133.827</b>	144.505
Debt securities in issue and subordinated loan stock:		
- members of the Board of Directors and key management personnel	<b>17.508</b>	13.800
- connected persons	<b>4.238</b>	1.569
	<b>21.746</b>	15.369

Interest income and expense from related parties for the nine months ended 30 September 2009 amounted to €7.055 thousand and €5.635 thousand (corresponding period of 2008: €8.828 thousand and €4.874 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 €56.781 thousand (31 December 2008: €49.689 thousand). There were also contingent liabilities and commitments to Group key management personnel and their connected persons amounting to €262 thousand (31 December 2008: €378 thousand). Based on forced-sales values, the total unsecured amount of the loans and advances and contingent liabilities and commitments in respect of related parties amounted on 30 September 2009 to €27.519 thousand (31 December 2008: €55.520 thousand).

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.

### Fees

During the nine months ended 30 September 2009, the remuneration of the members of the Board of Directors and key management personnel amounted to €5.237 thousand (corresponding period of 2008: €4.608 thousand which included an ex-gratia payment of €678 thousand paid to a former executive director who departed from the Group).

### Other transactions

Mr Andreas Artemis, Vice-Chairman of the Board of Directors of the Company, holds an indirect interest and is Chairman of the board of directors of the Commercial General Insurance Ltd group which is engaged in general insurance business and with whom General Insurance of Cyprus Ltd, a subsidiary of the Group, has entered into reinsurance arrangements. The total reinsurance premiums assigned to the Commercial General Insurance Ltd group for the nine months ended 30 September 2009 amounted to €157 thousand (corresponding period of 2008: €768 thousand).

## 18. Related party transactions *(continued)*

### Other transactions *(continued)*

Mrs Anna Diogenous, member of the Board of Directors of the Company, holds an indirect interest in the company Pylones SA Hellas, which supplies the Company with equipment and services following tender procedures and in the company Unicars Ltd which supplies the Group in Cyprus with cars and related services. The total purchases from these companies for the nine months ended 30 September 2009 amounted to €229 thousand (corresponding period of 2008: €559 thousand). In addition, the company Mellon Cyprus Ltd which supplies the Group with equipment has an indirect relationship to Mrs Anna Diogenous. The total purchases from this company for the nine months ended 30 September 2009 amounted to €156 thousand (corresponding period of 2008: €421 thousand).

Mr Costas Z. Severis, member of the Board of Directors of the Company, is the main shareholder of the company D. Severis and Sons Ltd, which is a general agent of the Group's subsidiary, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd for the nine months ended 30 September 2009 amounted to €107 thousand (corresponding period of 2008: €112 thousand).

## 19. Other information

- The total capital expenditure of the Group for the nine months ended 30 September 2009 amounts to €27.954 thousand (corresponding period of 2008: €33.866 thousand).
- The Group's provision for pending litigation or claims at 30 September 2009 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 2006, the Trustees of the AremisSoft Corporation Liquidating Trust filed a civil action against the Bank in the USA for at least \$50 million, their main claim being that the Company, in breach of its obligations to AremisSoft, permitted the principal shareholder of AremisSoft to execute transactions leading to the appropriation by him of significant sums belonging to AremisSoft. In August 2007, a US federal judge granted the Company's motion to dismiss the civil action and held that the appropriate forum for trial are the courts of the Republic of Cyprus. On 29 August 2007, the Trustees filed an application for reconsideration of the judgement issued by the court, which was denied on 31 March 2009. On 14 April 2009, the Trustees filed a further application for reconsideration of the court's denial of the application which was also denied on 7 August 2009. On 29 April 2009 the Trustees filed a notice of appeal against the judgement of August 2007 and on 28 August 2009 this appeal was dismissed by the Court of Appeals. As a result, all proceedings before the American courts have now come to an end. The Group does not expect to have any material financial impact as a result of this action.
- The US Attorney for the Southern District of New York, pursuant to a coordination agreement with the Trustees of the AremisSoft Corporation Liquidating Trust, filed on 15 October 2007 a civil action against the Company based on very similar allegations as the ones set out in the Trustees of the AremisSoft Corporation Liquidating Trust's civil action already dismissed by the federal judge. Despite the fact that the Company did not engage in any conduct in the United States, the US Attorney's civil action claims that the Company violated US Law by enabling the principal shareholder of AremisSoft to transfer \$162 million of proceeds, emanating from his own fraudulent conduct, through accounts maintained with the Company. On 31 March 2009, a judgement was issued dismissing this civil action. On 14 April 2009, the US Attorney filed a motion to amend the judgement, reinstate the action and grant it leave to file an amended complaint. The motion to amend the judgement, reinstate the action and grant it leave to file an amended complaint was denied on 5 August 2009. Furthermore, on 1 June 2009, the US Attorney filed a notice of appeal against the judgement of 31 March 2009. This appeal is expected to be withdrawn by the US Attorney, at which point all proceedings before the American courts shall come to an end. The Group does not expect to have any material financial impact as a result of this action.