



Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2009

Contents	Page
Interim Consolidated Income Statement	1
Interim Consolidated Balance Sheet	2
Interim Consolidated Statement of Comprehensive Income	3
Interim Consolidated Statement of Changes in Equity	4
Interim Consolidated Cash Flow Statement	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 2009

		Three months ended 31 March		Year ended 31 December
		2009	2008	2008
	Notes	€000	€000	€000
Turnover		644.739	582.157	2.690.380
Interest income		522.167	469.858	2.098.057
Interest expense		(340.913)	(284.443)	(1.305.906)
Net interest income		181.254	185.415	792.151
Fee and commission income		57.015	51.419	227.214
Fee and commission expense		(2.975)	(3.429)	(9.408)
Foreign exchange income		20.303	7.617	158.790
Net losses on sale, change in fair value and impairment of financial instruments		(2.763)	(9.251)	(59.719)
Insurance income net of insurance claims		15.261	15.873	61.120
Other income		1.018	12.506	35.104
		269.113	260.150	1.205.252
Staff costs		(98.259)	(74.237)	(330.988)
Other operating expenses		(57.611)	(44.647)	(220.631)
Profit before provisions		113.243	141.266	653.633
Provisions for impairment of loans and advances	8	(34.878)	(14.651)	(91.601)
Profit before share of loss of associates		78.365	126.615	562.032
Share of losses of associates		(160)	(5.220)	(10.418)
Profit before tax	5	78.205	121.395	551.614
Taxation		(16.076)	(17.431)	(72.931)
Profit after tax		62.129	103.964	478.683
Attributable to:				
Non-controlling interests (loss)		(942)	(12.090)	(23.705)
Owners of the Company (profit)		63.071	116.054	502.388
Basic earnings per share (cent)	6	10,8	20,4	87,6
Diluted earnings per share (cent)	6	10,8	20,4	82,1

Bank of Cyprus Group

Interim Consolidated Balance Sheet

as at 31 March 2009

		31 March	31 December
		2009	2008
	Notes	€000	€000
Assets			
Cash and balances with central banks		781.580	1.017.073
Placements with banks		4.732.141	4.582.076
Reverse repurchase agreements		120.304	120.000
Investments	7	4.510.199	4.240.719
Life insurance business assets attributable to policyholders		442.607	447.679
Loans and advances to customers	8	24.525.104	24.449.316
Property and equipment		408.685	419.395
Intangible assets		417.134	442.445
Other assets	9	384.152	382.850
Investments in associates		5.503	5.663
Total assets		36.327.409	36.107.216
Liabilities			
Amounts due to banks		3.039.485	2.832.298
Repurchase agreements		305.938	305.000
Customer deposits		28.055.365	27.935.747
Insurance liabilities		505.371	506.447
Debt securities in issue	10	929.136	959.169
Other liabilities	11	535.778	578.103
Subordinated loan stock	12	919.393	934.085
Total liabilities		34.290.466	34.050.849
Equity			
Share capital	13	586.662	586.662
Share premium		676.949	676.949
Revaluation and other reserves		(181.995)	(99.759)
Retained earnings		940.975	877.225
Equity attributable to the owners of the Company		2.022.591	2.041.077
Non-controlling interests		14.352	15.290
Total equity		2.036.943	2.056.367
Total liabilities and equity		36.327.409	36.107.216
Contingent liabilities and commitments			
Contingent liabilities		1.875.884	1.962.350
Commitments		4.029.312	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 three months ended 31 March 2009

	Three months ended 31 March	
	2009	2008
	€000	€000
Profit after tax	62.129	103.964
Other comprehensive income		
Exchange adjustments reserve		
Exchange adjustments before and after tax	(48.759)	(1.274)
Available-for-sale investments		
Losses from change in fair value before tax	(35.050)	(39.773)
Transfer to the income statement on impairment	-	2.856
Transfer to the income statement on redemption/sale	7.192	(9.845)
Taxation	2.154	(19)
	(25.704)	(46.781)
Cash flow hedges		
Gains/(losses) from change in fair value before tax	1.013	(963)
Transfer to the income statement on redemption/sale	(7.602)	-
Taxation	659	88
	(5.930)	(875)
Property revaluation		
Losses from change in fair value before tax	(3.894)	-
Taxation	785	-
	(3.109)	-
Other comprehensive income/(loss) after tax	(83.502)	(48.930)
Total comprehensive income/(loss) for the period	(21.373)	55.034
Attributable to:		
Non-controlling interests (loss)	(938)	(12.090)
Owners of the Company ((loss)/income)	(20.435)	67.124
	21.373	55.034

Bank of Cyprus Group

Interim Consolidated Statement of Changes in Equity

for the three months ended 31 March 2009

	Attributable to 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 bonds	Exchange adjustments reserve	Shares of the Company	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
At 1 January 2008	483.726	688.349	607.668	100.773	47.510	1.032	57.665	-	(3.321)	(17.334)	1.966.068	39.122	2.005.190
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)	-	-	-	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance policies	-	-	(2.295)	-	-	-	2.295	-	-	-	-	-	-
Tax on increase in value of in-force life insurance policies	-	-	256	-	-	-	(256)	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	116.054	-	(46.781)	(875)	-	-	(1.274)	-	67.124	(12.090)	55.034
At 31 March 2008	566.223	605.852	721.683	100.773	729	157	59.704	-	(4.595)	(17.334)	2.033.192	27.032	2.060.224

At 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
Acquisitions of shares of the Company held 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/(loss) for the period	-	-	63.071	(3.109)	(25.704)	(5.930)	-	-	(48.763)	-	(20.435)	(938)	(21.373)
At 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 Cash Flow Statement

for the three months ended 31 March 2009

		Three months ended 31 March	
		2009	2008
	Notes	€000	€000
Net cash flow from operating activities			
Profit before tax		78.205	121.395
Share of loss of associates		160	5.220
Provisions for impairment of loans and advances		34.878	14.651
Depreciation of property and equipment and amortisation of intangible assets		8.001	4.883
Amortisation of discounts/premiums		23.144	(6.860)
Cost of share-based payments		2.015	-
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(52.242)	(54.287)
		94.161	85.002
Net increase in loans and advances to customers and other accounts		(25.171)	(992.782)
Net increase/(decrease) in customer deposits and other accounts		242.241	(881.322)
		311.231	(1.789.102)
Tax paid		(13.067)	(7.567)
Net cash flow from/(used in) operating activities		298.164	(1.796.669)
Cash flow from investing activities			
Purchases of investments		(920.305)	(444.443)
Proceeds on disposal/redemption of investments		704.590	380.070
Interest from investments		56.256	47.865
Dividend income from equity shares		41	13
Purchase of property and equipment		(7.039)	(9.067)
Proceeds on disposal of property and equipment		237	28
Purchase of intangible assets		(1.814)	(1.552)
Purchase of investment property		(55)	(406)
Proceeds on disposal of investment property		-	12.329
Net cash flow used in investing activities		(168.089)	(15.163)
Cash flow from financing activities			
Redemption of subordinated loan stock		-	(91.229)
Interest on subordinated loan stock		(12.666)	(8.556)
Acquisition of own shares		(66)	-
Net cash flow used in financing activities		(12.732)	(99.785)
Net increase/(decrease) in cash and cash equivalents for the period		117.343	(1.911.617)
Cash and cash equivalents			
At 1 January		4.787.851	6.793.635
Exchange adjustments		(105.685)	(1.274)
Net increase/(decrease) in cash and cash equivalents for the period		117.343	(1.911.617)
At 31 March	15	4.799.509	4.880.744

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 28 May 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 three months ended 31 March 2009 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 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 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 adjustments and estimates are consistent with those followed for the preparation of the audited Consolidated Financial Statements for 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 three months ended 31 March 2009 are consistent with those followed for the preparation of the annual financial statements for 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. They do, however, give rise to additional disclosures.

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.

IAS 1 'Presentation of Financial Statements' (Revised)

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. The Group has made the required revisions to the presentation of these interim financial statements.

4. Significant accounting policies (continued)

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 the necessary changes to the presentation of its annual financial statements in 2009.

Improvements to IFRSs

In May 2008, the 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 do require additional disclosures which will be included in the Group's annual financial statements for 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, but its adoption 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. The Group did not sell any net investments during the period, thus the adoption of the Interpretation did not have any impact on its financial position or performance.

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 making decisions about resource allocation and performance assessment. 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
Profit before tax	€000	€000	€000	€000	€000
Three months ended 31 March 2009	62.573	9.287	(1.879)	8.224	78.205
Three months ended 31 March 2008	84.264	30.786	74	6.271	121.395

At 31 March 2009					
Assets	22.993.658	14.560.769	1.717.537	3.240.661	42.512.625
Inter-segment assets					(6.185.216)
Total assets					36.327.409
At 31 December 2008					
Assets	21.525.360	14.415.926	1.736.298	2.958.274	40.635.858
Inter-segment assets					(4.528.642)
Total assets					36.107.216

Generally, pricing between segments is based on market rates.

All geographical sector analysis is shown following restatements of the results of each segment so as to bring each segment's capital to 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 these restatements.

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

	Three months ended 31 March	
	2009	2008
Basic and diluted earnings per share		
Profit after tax attributable to the owners of the Company (€ thousand)	63.071	116.054
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	585.218	568.576
Basic and diluted earnings per share (cent)	10,8	20,4

The Group had issued share options to its employees, which constitute potentially dilutive ordinary shares.

The Share Options 2008/2010 and the Convertible Bonds 2013/2018 do not constitute potentially dilutive ordinary shares, as their conversion into ordinary shares would not reduce earnings per share.

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

The weighted average number of shares for the three months ended 31 March 2008 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 2008.

7. Investments

	31 March 2009	31 December 2008
	€000	€000
Investments at fair value through profit or loss	331.648	334.371
Investments available-for-sale	3.547.869	3.053.729
Investments held-to-maturity	85.127	309.851
Investments classified as loans and receivables	545.555	542.768
	4.510.199	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:

	1 July 2008	31 December 2008	31 March 2009
	€000	€000	€000
Investments held for trading reclassified as available-for-sale	17.385	15.454	15.664

Had the Group not reclassified the debt securities on 1 July 2008, the income statement for the three months ended 31 March 2009 would have included profits from change in the fair value of these debt securities of €186 thousand (year ended 31 December 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:

	1 October 2008	31 December 2008		31 March 2009	
	Book value and fair value	Book value	Fair value	Book value	Fair value
	€000	€000	€000	€000	€000
Available-for-sale investments reclassified to loans and receivables	169.196	169.768	164.895	168.745	168.965

Had the Group not reclassified these debt securities on 1 October 2008, the Group's equity at 31 March 2008 would have included gains from change in fair value of these debt securities of €2.308 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.

8. Loans and advances to customers

	31 March 2009	31 December 2008
	€000	€000
Loans and advances to customers	25.226.729	25.137.230
Provisions for impairment of loans and advances	(701.625)	(687.914)
	24.525.104	24.449.316

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

	Three months ended 31 March	
	2009	2008
	€000	€000
At 1 January	687.914	579.007
Exchange adjustments	(3.762)	(237)
Applied in writing off impaired loans and advances	(12.504)	(12.226)
Interest accrued on impaired loans and advances	(5.074)	(8.273)
Collection of loans and advances previously written off	173	12.355
Charge for the period	34.878	14.651
At 31 March	701.625	585.277

9. Other assets

Other assets at 31 March 2009 include investment properties of €33.363 thousand (31 December 2008: €33.293 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 2009	<i>31 December 2008</i>
		€000	€000
Medium term senior debt			
€300 million 2006/2009	Three-month Euribor plus 0,33%	269.199	286.350
€500 million 2007/2010	Three-month Euribor plus 0,20%	466.713	480.130
€30 million 2008/2011	Three-month Euribor plus 0,65%	30.183	30.349
US\$50 million 2008/2013	Six-month Libor plus 0,50%	-	36.275
RUB 1.000 million 2009	11%	-	2.073
RUB 1.500 million 2010	14%	1.566	1.651
		767.661	836.828
Short term commercial paper			
In Euro	-	141.601	74.933
In U.S. Dollars	-	-	20.092
		141.601	95.025
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	10,8%	19.382	26.824
Interest-free loan from the European Development Bank	-	492	492
		929.136	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 had the following senior debt in issue at 31 December 2008 and 31 March 2009.

The €300 million 2006/2009 bonds issued in June 2006 and the €500 million 2007/2010 issued in June 2007.

The €30 million 2008/2011 bonds issued in April 2008, which offered debt holders a put option at par during or after October 2008. This option was exercised in April 2009.

The US\$50 million 2008/2013 bonds issued in July 2008, which offered debt holders a put option at par during or after January 2009. This option was exercised in January 2009.

The RUB 1.500 million 2010 and RUB 1.000 million 2009 bonds were issued at par by CB Uniastrum Bank LLC in April 2007 and February 2006 and mature in April 2010 and February 2009, respectively. During 2008, the issuer made a public offer and has substantially bought back these bonds at par. The RUB 1.000 million 2009 bonds were fully redeemed at par in February 2009.

The issues of €500 million 2007/2010 and €300 million 2006/2009 are listed on the Luxembourg Stock Exchange. The RUB 1.500 million 2010 bonds are 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 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 the Commercial Paper 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 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>	31 March 2009	<i>31 December 2008</i>
		€000	€000
Subordinated Bonds 2011/2016 (€200 million)	Three-month Euribor plus 0,60%	165.939	187.748
Capital Securities Series B (€51 million)	Base rate plus 1,00%	50.700	50.713
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	123.942	124.034
Convertible Bonds 2013/2018 (€573 million)	7,50% until 30 June 2009 and six- month Euribor plus 1,00% thereafter	572.350	563.726
Subordinated Bonds in Ukrainian Hryvnia 12/2016	12,0%	-	1.806
Subordinated Bonds in US Dollars 2013/2014/2015	2,5%	6.462	6.058
		919.393	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 had the following subordinated debt in issue at 31 December 2008 and 31 March 2009.

The €200 million 2011/2016 bonds issued in May 2006, 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 denominated 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.

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 lender 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 bear 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 15-31 March of years 2011-2013 and 15-30 September of years 2010-2012. The 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 are listed on the Cyprus Stock Exchange (Note 20).

Capital Securities

The Capital Securities Series B amounting to €51 million were issued in Cyprus Pounds in March 2004. On 20 December 2007 the Company completed the issue of Capital Securities 12/2007 amounting to €126 million. The Capital Securities have no maturity date, but may be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at par together with any accrued interest, five years after their issue date or on any interest payment date thereafter.

Capital Securities Series B bear a floating interest rate, which is 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%. The Capital Securities are listed on the Cyprus Stock Exchange.

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

13. Share capital

	31 March 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	-	-	20.439	20.439
At 31 March 2009/31 December 2008	586.662	586.662	586.662	586.662

As at 1 January 2008, the nominal value of the share capital of the Company was increased to €1,00 per share. Share premium amounting €82.497 thousand was applied for the increase in the nominal value of the shares, so that the number of issued shares remained the same.

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, including the proposed final dividend for 2008, the discount has been set at 10%. The reinvestment price 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.

13. Share capital (continued)

All issued ordinary shares carry the same rights.

The share premium is not available for distribution to shareholders.

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 decided the establishment of a share options scheme under which 12,5 million share options were granted to permanent Group employees and employees under contract (excluding seasonal staff) in Cyprus and Greece who were in service on 28 May 2008 ('Share Options 2008/2010'). Each Share Option 2008/2010 gives its holder the right to purchase one share of the Company at the price of €9,41 each. 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 and 2012 and from 1 November to 31 December 2012. The Share Options 2008/2010 are not transferable and will not be listed (Note 20).

14. Dividend

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. The ex-dividend date was 21 May 2009, that is buy transactions that took place before market close of the Cyprus Stock Exchange and Athens Exchange on 20 May 2009 were eligible to receive the dividend, which will be paid on 10 June 2009.

15. Cash and cash equivalents

	31 March 2009	31 March 2008
	€000	€000
Cash and non obligatory balances with central banks	476.658	277.285
Placements with banks repayable within three months	4.322.851	4.603.459
	4.799.509	4.880.744

16. Staff numbers

The number of persons employed by the Group at 31 March 2009 was 11.999 (31 December 2008: 12.127).

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

17. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 31 March 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 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 Asfaltistiki (branch of General Insurance of Cyprus Ltd).

United Kingdom: Bank of Cyprus United Kingdom (branch of the Company).

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) and Cyprus Leasing (Romania) IFN SA and Otherland Properties Dorobanti SRL.

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

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

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

Company	Shareholding		Accounting treatment
	31 March 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 (Ukraine)	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. This residual shareholding is 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 is accounted for in these financial statements as a liability. This results in accounting as if the Group has already acquired the shares subject to this arrangement. Therefore, no minority interest is recognised for reporting purposes in relation to the shares that are subject to this arrangement.

There were no other changes in the companies being consolidated and their accounting treatment compared to 31 March 2008, except as described above.

18. Related party transactions

	31 March 2009 €000	31 December 2008 €000
Loans and other advances:		
- members of the Board of Directors and key management personnel	8.121	7.321
- connected persons	209.833	215.984
	217.954	223.305
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	54.610	50.067
	272.564	273.372
Tangible security	316.477	245.608
Deposits:		
- members of the Board of Directors and key management personnel	49.507	78.287
- connected persons	52.999	66.218
	102.506	144.505
Debt securities in issue and subordinated loan stock:		
- members of the Board of Directors and key management personnel	13.366	13.800
- connected persons	1.349	1.569
	14.715	15.369

Interest income and expense from related parties for the three months ended 31 March 2009 amounted to €2.474 thousand and €2.008 thousand (corresponding period of 2008: €2.003 thousand and €889 thousand) respectively.

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 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 to the Group's employees.

Remuneration

During the three months ended 31 March 2009, the remuneration of the members of the Board of Directors and key management personnel amounted to €1.392 thousand (corresponding period of 2008: €2.052 thousand which included an ex-gratia payment of €678 thousand paid to a former executive director who departed from the Group).

18. Related party transactions (continued)

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 three months ended 31 March 2009 amounted to €48 thousand (corresponding period of 2008: €250 thousand).

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 three months ended 31 March 2009 amounted to €112 thousand (corresponding period of 2008: €87 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 three months ended 31 March 2009 amounted to €128 thousand (corresponding period of 2008: €2 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 three months ended 31 March 2009 amounted to €37 thousand (corresponding period of 2008: €40 thousand).

19. Other information

- The total capital expenditure of the Group for the three months ended 31 March 2009 amounts to €8.853 thousand (corresponding period of 2008: €10.619 thousand).
- The Group's provision for pending litigation or claims at 31 March 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.
- The court of New York has issued a judgement in relation to the application which was pending before it for the payment by the Company of an amount up to \$77 million (€58 million) plus interest since May 2001, which specific customers allegedly hold with the Company. The judgement was issued on 12 March 2007 and the court ruled that at the time of service of the application there were no funds within its jurisdiction in the name of the specific customers and as a result the claim for the payment of the said amount to the applicants was rejected. An appeal was filed by the petitioner but this was not perfected within the prescribed time limits and is considered by the Group as de facto closed.
- In September 2006, the Trustees of the AremisSoft Corporation Liquidating Trust filed a civil action against the Bank for at least \$50 million (€38 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 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 28 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. The Group does not expect to have any material financial impact as a result of this action.

19. Other information (continued)

- 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. In 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 Group does not expect to have any material financial impact as a result of this action.

20. Post balance sheet events

- On 30 April 2009, the Cyprus Securities and Exchange Commission approved the Prospectus for the issue and listing on the Cyprus Stock Exchange and Athens Exchange of up to 645 million Convertible Capital Securities of nominal value €1,00 each. The issue will be offered to all registered shareholders in the ratio of €11 Convertible Capital Securities for every 10 shares held on 12 May 2009.

Shareholders may subscribe to the Convertible Capital Securities (based on the priority rights that will be allotted to them) either by paying the consideration in cash or by exchanging existing Convertible Bonds 2013/2018 of an equal nominal value.

The Convertible Capital Securities will 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 during the conversion periods (15-30 September and 15-31 March of each year up to 2014) at the conversion price of €5,50 per share.

The Convertible Capital Securities are perpetual and do not have a maturity date. The Convertible Capital Securities may be redeemed at the option of the Company at their principal amount together with the 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.

- On 20 May 2009 the Group completed the securitisation of a mortgage loan portfolio in Greece in order to further enhance its liquidity ratios. Residential Mortgage Backed Securities amounting to €1 billion were issued by Katoikia I Mortgage Finance Plc, a special purpose entity incorporated in the United Kingdom, and are listed on the Luxemburg Stock Exchange. The Residential Mortgage Backed Securities issued are held by the Company.
- On 28 May 2009 the Board of Directors of the Company decided to propose to the Extraordinary General Meeting of the shareholders of the Company the approval of the amendment of the terms of the Share Options 2008/2010 granted to Group employees in May 2008 (Note 13). The exercise price of the Share Options 2008/2010 will be amended to the higher of €5,50 or 10% above the average closing share price on the Athens Exchange during the last 30 working days before the date of the Extraordinary General Meeting of the shareholders. In addition, the exercise period of the Options is extended until 31 December 2013, instead of 31 December 2012.

On 28 May 2009 the Board of Directors also decided to grant additional 2,5 million Share Options to Group employees, which will have the same terms as the Share Options 2008/2010, as amended.