

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2008

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

Nine months ended 30 September 2008

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Interim Consolidated Income Statement

for the nine months ended 30 September 2008

		Nine months ended 30 September		Year ended 31 December
		2008	2007	2007
	Notes	€000	€000	€000
Turnover	6	1.834.812	1.559.586	2.170.650
Interest income		1.469.000	1.242.796	1.728.818
Interest expense		(891.406)	(687.832)	(976.439)
Net interest income		577.594	554.964	752.379
Fee and commission income		165.535	153.347	210.504
Fee and commission expense		(10.876)	(8.779)	(12.381)
Foreign exchange income		51.306	33.410	46.711
Net (losses)/gains on sale, change in fair value and impairment of financial instruments		(15.812)	33.429	29.050
Insurance income net of insurance claims		47.851	40.506	56.450
Other income	7	25.631	22.637	32.372
		841.229	829.514	1.115.085
Staff costs		(234.401)	(213.676)	(295.597)
Other operating expenses		(142.165)	(137.628)	(190.397)
Profit before provisions		464.663	478.210	629.091
Provisions for impairment of loans and advances	9	(40.305)	(50.764)	(55.877)
Share of (loss)/profit of associates		(7.582)	9.512	9.148
Profit before tax		416.776	436.958	582.362
Taxation		(58.514)	(62.108)	(91.843)
Profit after tax		358.262	374.850	490.519
Profit/(loss) after tax attributable to:				
Shareholders of the Company		374.665	369.389	485.168
Minority interest		(16.403)	5.461	5.351
		358.262	374.850	490.519
Basic earnings per share (cent)	8	65,9	66,2	86,8
Diluted earnings per share (cent)	8	61,0	66,2	86,8

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Interim Consolidated Income Statement

for the three months from 1 July to 30 September 2008

		Three months ended 30 September	
		2008	2007
	Notes	€000	€000
Turnover		671.874	563.359
Interest income		537.943	453.461
Interest expense		(343.533)	(260.878)
Net interest income		194.410	192.583
Fee and commission income		56.085	55.041
Fee and commission expense		(3.844)	(2.916)
Foreign exchange income		35.446	13.211
Net (losses)/gains on sale, change in fair value and impairment of financial instruments		(12.687)	14.223
Insurance income net of insurance claims		18.479	14.043
Other income	7	2.463	10.993
		290.352	297.178
Staff costs		(81.605)	(71.797)
Other operating expenses		(49.301)	(50.457)
Profit before provisions		159.446	174.924
Provisions for impairment of loans and advances		(14.070)	(18.184)
Share of (loss)/profit of associates		(1.671)	2.476
Profit before tax		143.705	159.216
Taxation		(17.043)	(17.500)
Profit after tax		126.662	141.716
Profit/(loss) after tax attributable to:			
Shareholders of the Company		131.024	139.992
Minority interest		(4.362)	1.724
		126.662	141.716
Basic earnings per share (cent)		22,9	24,9
Diluted earnings per share (cent)		18,0	24,9

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Interim Consolidated Balance Sheet

as at 30 September 2008

		30 September	31 December
		2008	2007
	Notes	€000	€000
Assets			
Cash and balances with central banks		729.877	1.325.191
Placements with banks		5.260.368	6.158.367
Reverse repurchase agreements		120.801	-
Investments at fair value through profit or loss	10	342.932	521.118
Life insurance business assets attributable to policyholders		469.643	530.610
Loans and advances to customers	9	22.829.230	18.920.921
Investments available-for-sale and held-to-maturity	10,11	3.377.812	3.548.646
Property and equipment		339.221	319.662
Intangible assets		134.240	82.127
Other assets		421.348	339.230
Investment in associate		8.821	17.318
Total assets		34.034.293	31.763.190
Liabilities			
Amounts due to banks		1.015.413	1.233.337
Repurchase agreements		305.866	435.140
Customer deposits		27.129.418	25.178.966
Insurance liabilities		508.816	608.566
Debt securities in issue	12	1.311.164	1.253.690
Other liabilities	13	460.953	379.553
Subordinated loan stock	14	1.146.179	668.748
Total liabilities		31.877.809	29.758.000
Equity			
Share capital	15	573.410	483.726
Share premium		654.289	688.349
Revaluation and other reserves	17	70.149	186.325
Retained earnings		835.747	607.668
Equity attributable to the shareholders of the Company		2.133.595	1.966.068
Minority interest		22.889	39.122
Total equity		2.156.484	2.005.190
Total liabilities and equity		34.034.293	31.763.190
Contingent liabilities and commitments			
Contingent liabilities		1.928.596	1.751.677
Commitments		4.549.559	3.417.512

Th. Aristodemou
A. Eliades
Chr. Hadjimitsis

*Chairman
Group Chief Executive Officer
Group General Manager Finance
and Strategy*

A. Artemis
Y. Kypri

*Vice Chairman
Group Chief General Manager*

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2008

	Attributable to the shareholders of the Company					Minority interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation and other reserves (Note 17) €000	Retained earnings €000	Total €000		
At 1 January 2008	483.726	688.349	186.325	607.668	1.966.068	39.122	2.005.190
Losses from change in fair value of available-for-sale investments	-	-	(125.428)	-	(125.428)	(1)	(125.429)
Gains from change in fair value of financial instruments designated as cash flow hedges	-	-	986	-	986	-	986
Deferred tax	-	-	140	845	985	-	985
Exchange adjustments	-	-	(1.093)	-	(1.093)	-	(1.093)
Increase in value of life assurance policies in force	-	-	7.845	(7.845)	-	-	-
Transfer to the income statement on impairment of debt securities	-	-	3.661	-	3.661	-	3.661
Transfer to the income statement on redemption/sale of available-for-sale investments and financial instruments designated as cash flow hedges	-	-	(9.594)	-	(9.594)	-	(9.594)
Net losses recognised directly in equity	-	-	(123.483)	(7.000)	(130.483)	(1)	(130.484)
Profits/(losses) after tax for the period	-	-	-	374.665	374.665	(16.403)	358.262
Total profits/(losses) for the period	-	-	(123.483)	367.665	244.182	(16.404)	227.778
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 each to €1 each (Note 15)	82.497	(82.497)	-	-	-	-	-
Dividend paid (Note 16) and dividend reinvested (Note 15)	7.187	48.437	-	(141.556)	(85.932)	-	(85.932)
Shares of the Company held by subsidiaries and associates							
- Acquisitions	-	-	(700)	-	(700)	-	(700)
- Disposals	-	-	2.834	(717)	2.117	-	2.117
Equity component of convertible bonds	-	-	5.173	-	5.173	-	5.173
Cost of share-based payments (Note 15)	-	-	-	2.687	2.687	-	2.687
Dividend paid by subsidiaries following reinvestment	-	-	-	-	-	(368)	(368)
Change in minority interest and acquisition of subsidiary	-	-	-	-	-	539	539
At 30 September 2008	573.410	654.289	70.149	835.747	2.133.595	22.889	2.156.484

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Interim Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2007

	Attributable to the shareholders of the Company					Minority interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation and other reserves (Note 17) €000	Retained earnings €000	Total €000		
At 1 January 2007	473.144	583.257	164.721	324.515	1.545.637	-	1.545.637
Gains from change in fair value of available-for-sale investments	-	-	5.227	-	5.227	-	5.227
Gains from change in fair value of financial instruments designated as cash flow hedges	-	-	830	-	830	-	830
Property revaluation	-	-	48.292	-	48.292	-	48.292
Deferred tax	-	-	(7.721)	1.063	(6.658)	-	(6.658)
Exchange adjustments	-	-	666	-	666	-	666
Increase in value of life assurance policies in force	-	-	7.981	(7.981)	-	-	-
Reversal of revaluation of investment in associates	-	-	(73)	(777)	(850)	-	(850)
Transfer of realised profits on disposal of property	-	-	(263)	263	-	-	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(7.291)	-	(7.291)	-	(7.291)
Net profit/(loss) recognised directly in equity	-	-	47.648	(7.432)	40.216	-	40.216
Profit after tax for the period	-	-	-	369.389	369.389	5.461	374.850
Total profit for the period	-	-	47.648	361.957	409.605	5.461	415.066
Dividend paid and dividend reinvested	3.221	39.487	-	(95.372)	(52.664)	-	(52.664)
Exercise of share options	4.043	25.472	-	-	29.515	-	29.515
Cost of share-based payments	-	-	-	3.729	3.729	-	3.729
Shares of the Company held by subsidiaries and associates	-	-	(17.609)	-	(17.609)	-	(17.609)
Acquisition of subsidiary	-	-	-	-	-	34.582	34.582
At 30 September 2007	480.408	648.216	194.760	594.829	1.918.213	40.043	1.958.256

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Interim Consolidated Cash Flow Statement

for the nine months ended 30 September 2008

		Nine months ended 30 September	
		2008	2007
	Notes	€000	€000
Net cash flow from operating activities			
Profit before tax		416.776	436.958
Share of loss/(profit) of associates		7.582	(9.512)
Provisions for impairment of loans and advances		40.305	50.764
Depreciation of property and equipment, amortisation of intangible assets and discounts/premiums		17.724	23.686
Cost of share-based payments		2.687	3.729
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(128.239)	(140.180)
		356.835	365.445
Net increase in loans and advances to customers and other accounts		(3.810.722)	(3.183.901)
Net increase in customer deposits and other accounts		1.472.889	4.337.977
		(1.980.998)	1.519.521
Tax paid		(38.351)	(42.214)
Net cash flow (used in)/from operating activities		(2.019.349)	1.477.307
Cash flow from investing activities			
Purchase of investments		(818.383)	(1.143.241)
Proceeds on disposal/redemption of investments		897.978	1.049.626
Interest on treasury bills and debt securities		149.101	145.691
Dividend income from equity shares and associates		4.581	4.377
Acquisition of subsidiaries and associates		(14.789)	(47.188)
Purchase property and equipment		(28.577)	(27.508)
Proceeds on disposals of property and equipment		557	678
Purchase intangible assets		(12.714)	(6.036)
Purchase investment property		(1.918)	(60)
Proceeds on disposal of investment property		19.912	8.312
Net cash flow from/(used in) investing activities		195.748	(15.349)
Cash flow from financing activities			
Issue of share capital		-	29.514
Issue of subordinated loan stock		573.410	-
Repayment of subordinated loan stock		(91.229)	-
Dividend payment		(85.932)	(52.664)
Interest on subordinated loan stock		(32.465)	(17.168)
Dividend paid by subsidiaries to minority		(368)	-
Acquisition of own shares		(700)	-
Disposal of own shares		2.117	-
Net cash flow from/(used in) financing activities		364.833	(40.318)
Net (decrease)/increase in cash and cash equivalents		(1.458.768)	1.421.640
Cash and cash equivalents			
At 1 January		6.793.635	4.812.201
Exchange adjustments		(1.093)	666
Net (decrease)/increase in cash and cash equivalents		(1.458.768)	1.421.640
At 30 September	18	5.333.774	6.234.507

1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiary companies, which together are referred to as the 'Group', and were authorised for issue by a resolution of the Board of Directors on 6 November 2008.

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The principal activities of the Company and its subsidiary and associated companies 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 considered a public company under 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 2008 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 2008 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). Additionally, these financial statements comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB).

All International Financial Reporting Standards (IFRSs) issued by the IASB and effective for the Group at the time of preparing these Interim Condensed Consolidated Financial Statements, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 'Financial Instruments: Recognition and Measurement', relating to portfolio hedge accounting. Since the Group is not affected by these provisions, the Interim Condensed Consolidated Financial Statements comply with both the IFRSs, as adopted by the EU and the IFRSs, as issued by the IASB.

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 ended 31 December 2007.

The preparation of the Interim Condensed Consolidated Financial Statements according to 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 Group annual financial statements for year 2007.

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand (€000), except where otherwise indicated.

4. Significant accounting policies

The accounting policies that have been followed for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2008 are consistent with those followed for the preparation of the annual financial statements for 2007 except for the adoption by the Group of the amendments of IAS 39 and IFRS 7 titled 'Reclassification of financial assets' issued in October 2008, with retrospective effect from 1 July 2008 and the adoption of an accounting policy for recording convertible bonds, as stated below, as the Group had no such instruments in issue in previous periods.

Amendments of IAS 39 and IFRS 7

The Amended IAS 39 allows, under certain circumstances, the reclassification of non-derivative financial assets from the held-for-trading category to other categories as well as the reclassification of financial assets from available-for-sale investments to loans and receivables. The Amended IFRS 7 requires additional disclosures in the financial statements of entities which adopt the above amendments of IAS 39.

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Notes to the Interim Condensed Consolidated Financial Statements

4. Significant accounting policies (continued)

Convertible bonds

On issuance of compound financial instruments that contain both liability and equity elements, these are accounted for separately, as financial liabilities and equity respectively.

When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. No gain or loss arises from initially recognising the components of the instrument separately.

The liability component is subsequently measured at amortised cost using the effective interest rate method in order to amortise the difference between the nominal value and the carrying value at inception over the period to the earliest date that the Company has the right to redeem the instrument. The equity component is not subsequently remeasured.

5. Functional and presentation currency of the financial statements

On 1 January 2008, date of the introduction of the Euro as the new official currency of the Republic of Cyprus, the functional currency of the Company and its subsidiaries in Cyprus as well as the presentation currency of the Group financial statements (including comparative amounts) changed from Cyprus pounds to the Euro. As a result of this change, as from 1 January 2008 all assets and liabilities of the Company and its subsidiaries in Cyprus have been converted using the fixed conversion rate of €1=C£0,585274. The comparative amounts presented in these financial statements have been converted into Euro using the above rate.

6. Segmental analysis

The Group has three principal business segments: banking and financial services, life and general insurance business and property and hotel business.

The Group's business is mainly conducted in three geographic segments: (a) Cyprus, (b) Greece and (c) other countries mainly the United Kingdom, Australia, Romania, Russia and Ukraine.

The primary reporting format is by business segment.

	Banking and financial services		Insurance business		Property and hotel business		Total	
	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000
Turnover	1.708.685	1.439.156	121.410	105.352	4.717	15.078	1.834.812	1.559.586
Profit before tax	365.089	394.210	33.963	29.997	17.724	12.751	416.776	436.958

7. Other income

Other income for the nine months ended 30 September 2008 includes dividend income of €3.666 thousand (corresponding period of 2007: €4.377 thousand) and for the three months ended 30 September 2008 dividend income of €540 thousand (corresponding period of 2007: €1.886 thousand). It also includes negative goodwill on the acquisition of subsidiaries amounting to €325 thousand (corresponding period of 2007: €3.089 thousand).

8. Basic and diluted earnings per share

	<i>Nine months ended 30 September</i>	
	2008	2007
Profit after tax attributable to the shareholders of the Company (€ thousand)	374.665	369.389
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	568.393	558.182
Basic earnings per share (cent)	65,9	66,2
Weighted average number of shares, adjusted for the exercise of share options and the conversion of convertible bonds excluding shares of the Company held by subsidiaries and associates (thousand)	622.965	558.182
Diluted earnings per share (cent)	61,0	66,2

On 30 September 2007 the Share Options 2001/2007 constituted potentially dilutive ordinary shares. The diluted earnings per share at 30 September 2007 were calculated after adjusting the weighted number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares were converted into shares by their holders.

On 30 September 2008 the Share Options 2008/2010 (Note 15) do not constitute potentially dilutive ordinary shares, as their conversion into ordinary shares would not reduce earnings per share.

On 30 September 2008, the Convertible Bonds 2013/2018 issued in Euro, with a nominal value of €573 million constitute potentially dilutive ordinary shares (Note 14).

The weighted average number of shares for the nine months ended 30 September 2007 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan, resulting from the dividend payments in December 2007 and June 2008.

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Notes to the Interim Condensed Consolidated Financial Statements

9. Loans and advances to customers

	30 September 2008	31 December 2007
	€000	€000
Loans and advances to customers	23.417.949	19.499.928
Provisions for impairment of loans and advances	(588.719)	(579.007)
	22.829.230	18.920.921

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

	2008	2007
	€000	€000
At 1 January	579.007	788.875
Acquisition of subsidiary	3.396	-
Exchange adjustments	1.223	2.162
Applied in writing off impaired loans and advances	(24.401)	(39.060)
Interest on impaired loans and advances	(20.676)	(24.102)
Collections of previously written off loans	9.865	14.696
Charge for the period	40.305	111.514
At 30 September	588.719	854.085

9. Loans and advances to customers *(continued)*

The charge for the nine months ended 30 September 2007 in the reconciliation above does not agree with the charge for the period as presented in the interim consolidated income statement, as part of the provision relating to suspended income in the period ended 30 September 2007 was netted off against interest and fee and commission income.

10. Reclassification of investments

The Group adopted the amendments to IAS 39 and IFRS 7 titled 'Reclassification of financial assets' and reclassified bonds held for trading to available-for-sale investments. In accordance with the provisions of Amended IAS 39, the Group identified the financial assets for which on 1 July 2008 there was no intention of trading or sale in the foreseeable future. The book value of the reclassified bonds which is equal to their fair value, is presented below:

	<i>1 July 2008</i>	<i>30 September 2008</i>
	<i>€000</i>	<i>€000</i>
Investments held for trading reclassified as available-for-sale	17.385	15.770

Had the Group not reclassified the bonds on 1 July 2008, the income statement would have included losses from change in fair value of €1.615 thousand, which following the reclassification, were recorded in the available-for-sale investments revaluation reserve.

For the three months from 1 April to 30 June 2008, the loss recognised in the income statement as a result of the change in the fair value of the reclassified investments, amounted to €630 thousand.

11. Investments available-for-sale and held-to-maturity

The investments available-for-sale at 30 September 2008 amounted to €3.342.559 thousand (31 December 2007: €3.423.199 thousand) and the investments held-to-maturity amounted to €35.253 thousand (31 December 2007: €125.447 thousand).

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Notes to the Interim Condensed Consolidated Financial Statements

12. Debt securities in issue

	Contractual interest rate	30 September 2008	<i>31 December 2007</i>
Medium term Senior Debt		€000	€000
€3 million 2003/2008	Three-month Euribor plus 0,45%	3.022	3.023
€300 million 2005/2008	Three -month Euribor plus 0,30%	-	300.478
€300 million 2006/2009	Three -month Euribor plus 0,33%	289.723	289.162
€500 million 2007/2010	Three -month Euribor plus 0,20%	489.364	492.209
€30 million 2008/2011	Three -month Euribor plus 0,45%	30.338	-
€100 million 2008/2013	Six -month Euribor plus 0,45%	102.146	-
\$50 million 2008/2013	Six-month Libor plus 0,50%	35.077	-
		949.670	1.084.872
Short term Commercial Paper			
in Euro	-	270.329	160.926
in U.S. Dollars	-	90.673	7.400
		361.002	168.326
Interest-free loan from the European Development Bank	-	492	492
		1.311.164	1.253.690

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 Company.

Medium term Senior Bonds

The Company has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2007: up to €2.000 million).

In April 2008 the Company issued €30 million Senior Debt 2008/2011 at par which has a three-year term and bears a floating rate of interest. The debt holders have a put option at par during or after October 2008. In May 2008 the Company issued €100 million Senior Debt 2008/2013 at par which has a five-year term and bears a floating rate of interest. The debt holders have a put option at par during or after November 2008. In July 2008 the Company issued \$50 million Senior Debt 2008/2013 at par which has a five-year term and bears a floating rate of interest. The debt holders have a put option at par during or after 20 January 2009.

On 9 June 2008 the €300 million Senior Debt 2005/2008 issued in June 2005 was called at par.

At 30 September 2008, the nominal amount of the €300 million Senior Debt 2006/2009 outstanding was €289.400 thousand (31 December 2007: €288.900 thousand) as €10.600 thousand (31 December 2007: €11.100 thousand) of debt was held by the Group for trading purposes. At 30 September 2008, the nominal amount of the €500 million Senior Debt 2007/2010 outstanding was €489.750 thousand (31 December 2007: €492.500 thousand) as €10.250 thousand (31 December 2007: €7.500 thousand) of debt securities were held by the Group for trading purposes.

The issues of €300 million 2006/2009, €500 million 2007/2010, €30 million 2008/2011, \$50 million 2008/2013 and €100 million 2008/2013 are listed on the Luxembourg Stock Exchange.

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Notes to the Interim Condensed Consolidated Financial Statements

12. Debt securities in issue (continued)

Short term Commercial Paper

The Company has established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2007: up to €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.

13. Other liabilities

Other liabilities at 30 September 2008 include provisions for pending litigation or claims of €3.330 thousand (31 December 2007: €3.330 thousand) and other provisions of €26.660 thousand (31 December 2007: €23.311 thousand).

14. Subordinated loan stock

	<i>Contractual interest rate</i>	30 September 2008	<i>31 December 2007</i>
		€000	€000
Subordinated Bonds 2008/2013 (€200 million)	Three-month Euribor plus 1,00%	200.647	202.227
Subordinated Bonds 2011/2016 (€200 million)	Three -month Euribor plus 0,60%	192.813	197.222
Capital Securities Series A (€111 million)	Base rate plus 1,00%	-	91.229
Capital Securities Series B (€51 million)	Base rate plus 1,00%	50.772	51.381
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25% thereafter	124.173	126.689
Convertible Bonds 2013/2018 (€573 million)	7,50% for 11 months and six month Euribor plus 1,00% thereafter	575.031	-
Subordinated Bonds denominated in Ukrainian hryvnias 12/2016	12%	2.743	-
		1.146.179	668.748

The subordinated loan stock issued by the Company 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.

The Subordinated Bonds are classified as Tier 2 Capital and the Capital Securities as Tier 1 Capital for capital adequacy purposes.

Subordinated Bonds

The Company has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2007: up to €2.000 million).

Under this Programme, the Company issued in October 2003, €200 million Subordinated Bonds 2008/2013 in Euro, bearing a floating rate of interest and maturing in October 2013. The Company has the option to call the Bonds during or after October 2008. The interest rate of the Bonds was set at the three-month Euribor plus 1,00% until October 2008 and will increase to plus 2,20% thereafter. The Bonds are listed on the Luxembourg Stock Exchange. At 30 September 2008, the nominal amount of the €200 million Subordinated Bonds 2008/2013 outstanding amounted to €197.714 thousand (31 December 2007: €199.114 thousand) as €2.286 thousand (31 December 2007: €886 thousand) of bonds were held by the Company for trading purposes.

The Company decided to exercise its option to redeem the subordinated bonds 2008/2013 on 3 October 2008 at their principal amount plus accrued interest and has obtained the relevant approval of the Central Bank of Cyprus.

14. Subordinated loan stock (continued)

Subordinated Bonds (continued)

Under the EMTN Programme, the Company also issued in May 2006, €200 million floating rate Subordinated Bonds 2011/2016 in Euro, 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 and will increase to plus 1,60% thereafter. The Bonds are listed on the Luxembourg Stock Exchange. At 30 September 2008, the nominal amount of €200 million Subordinated Bonds 2011/2016 outstanding amounted to €191.450 thousand (31 December 2007: €196.000 thousand) as €8.550 thousand (31 December 2007: €4.000 thousand) of bonds were held by the Company for trading purposes.

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with nominal value of €573.410 thousand, maturing in June 2018. The Convertible Bonds bear a fixed interest rate of 7,50% 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 one share per bond at the price of €10,50 per share. The conversion periods are between 15-31 March for years 2011-2013 and 15-30 September for years 2010-2012. The Convertible Bonds 2013/2018 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. At 30 September 2008 the nominal amount of the Convertible Bonds 2013/2018 amounted to €572.687 thousand as €723 thousand of bonds were held by the Company for trading purposes.

The subordinated bonds denominated in Ukrainian hryvnias maturing 31 December 2016 resulted from the acquisition of JSB AvtoZAZBank in May 2008.

Capital Securities

Capital Securities Series A amounting to €111 million and Series B amounting to €51 million were issued in February 2003 and March 2004 respectively, and were offered in Cyprus. 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 their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter.

The Capital Securities Series A and B bear a floating interest rate, which is revised every three months. The interest rate of Capital Securities Series A and B is equal to the base rate of the Company at the beginning of each three-month period plus 1,00%. The interest rate of Capital Securities 12/2007 is fixed at 6,00% for the first six months and floating thereafter, equal to the three-month Euribor plus 1,25%. Interest is payable quarterly. The Group exercised its option to redeem in whole the Capital Securities Series A at par on 20 February 2008. The Capital Securities Series B and 12/2007 are listed on the Cyprus Stock Exchange.

At 30 September 2008, the Capital Securities Series B and 12/2007 outstanding amounted to €50.462 thousand and €123.939 thousand (31 December 2007: €51.058 thousand and €126.437 thousand) respectively as €796 thousand of Capital Securities Series B and €2.498 thousand of Capital Securities 12/2007 (31 December 2007: €200 thousand and nil respectively) were held by the Company for trading purposes.

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15. Share capital

	30 September 2008		31 December 2007	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Shares of €1,00 each (31 December 2007: C£0,50 each)	750.000	750.000	877.911	750.000
<i>Issued and fully paid</i>				
At 1 January	566.223	483.726	553.839	473.144
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 each to €1 each	-	82.497	-	-
Dividend reinvestment	7.187	7.187	7.398	6.322
Exercise of share options	-	-	4.986	4.260
At 30 September 2008/31 December 2007	573.410	573.410	566.223	483.726

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 to €82.497 thousand (C£48.284 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 of 15% on the market value of the shares (up to 9 October 2008: 10%). The reinvestment price for the dividend paid on 10 June 2008 was set at €7,74 per share, for the dividend paid on 12 December 2007 was set at C£6,78 (€11,58) per share and for the dividend paid on 26 June 2007 was set at C£6,63 (€11,33) per share. As a result of the dividend reinvestment, 7.398.023 shares were issued during 2007 and the Company's share capital and share premium increased by €6.322 thousand and €78.415 thousand respectively. As a result of the dividend reinvestment during the first nine months ended 30 September 2008, 7.186.618 shares were issued and the Company's share capital and share premium increased by €7.187 thousand and €48.437 thousand respectively.

Shares of the Company held by subsidiaries and associates are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of such shares. The number of these shares at 30 September 2008 was 1.336 thousand (31 December 2007: 1.435 thousand). The cost of acquisition of these shares was €15.324 thousand (31 December 2007: €17.334 thousand).

In addition, the life insurance subsidiaries of the Group held, as at 30 September 2008, a total of 3.364 thousand (31 December 2007: 3.167 thousand) shares of the Company, as part of the financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €16.939 thousand (31 December 2007: €15.322 thousand).

Share-based payments – Share Options

On 14 May 2008, the Annual General Meeting of shareholders approved the granting of a share options scheme Group employees, without these shares being first offered to existing shareholders. The Board of Directors was authorised to issue up to 15 million shares of the Company under this scheme.

15. Share capital (continued)

Share-based payments – Share Options (continued)

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.

The fair value of the Share Options 2008/2010 was measured at the grant date, using the trinomial valuation model and amounted to €1,17 per share option. The main variables taken into account by the model are the share price (€8,56 on 28 May 2008), the exercise price (€9,41), the dividend yield (8,1%), the risk free interest rate (4,2%), the duration of the share options and the expected volatility of the share price (31,3% on an annual basis calculated using the historic volatility of the share).

During 2000 the Company had granted Share Options 2001/2007 to Group employees who were in service at 31 December 2000. The total number of share options granted was 3.216.700 and each option gave the holder the right to buy one share of the Company at the price of C£3,26 (€5,57) per option (as adjusted after the rights issue in December 2005). The Share Options 2001/2007 could be exercised by their holders from 31 January 2004 to 31 December 2007. The Share Options 2001/2007 were outside the scope of IFRS 2 'Share-based payments'.

During 2007, 796.807 Share Options 2001/2007 were exercised by Group employees. At 31 December 2007, there were no unexercised options, while 79.550 options during 2007 were either forfeited because of the departure of their holders from the Group or lapsed unexercised. As a result of the exercise of the share options, the Company's share capital and share premium increased by €680 thousand and €3.757 thousand respectively.

In 2006 the Company had also granted Share Options 2006/2007 to all permanent employees in Cyprus and Greece who were in service at 30 September 2006 provided they remained in service until 31 March 2007. The number of Share Options 2006/2007 granted was 4.283.300. The exercise price of the share options had been set at €6,32 and the exercise period was from 31 March to 30 June 2007 and had been extended until 31 August 2007. During the exercise period, 4.189.106 options were exercised, as a result of which, the Company's share capital and share premium increased by €3.580 thousand and €22.919 thousand respectively, while 94.194 options were forfeited because of the departure of their holders from the Group.

The cost of the share-based payments, charged to retained earnings for the period ended 30 September 2008 amounted to €2.687 thousand (corresponding period 2007: €3.729 thousand).

16. Dividend

The Board of Directors of the Company has decided to proceed with the payment of an interim dividend for year 2008 of €0,15 per share, amounting to €86.011 thousand, which will be paid to shareholders on 9 December 2008. The ex-interim dividend date has been set at 24 November 2008. The interim dividend is not recognised as a liability in the financial statements until its payment to shareholders. In December 2007 the interim dividend for 2007 of C£0,11 (€0,19) per share was paid to shareholders, amounting to €105.696 thousand.

The payment of the final dividend for 2007 amounting to €0,25 per share, and totalling €141.556 thousand was approved at the Annual General Meeting of shareholders on 14 May 2008. The dividend was paid to shareholders on 10 June 2008. In June 2007 the final dividend paid to shareholders for year 2006 was C£0,10 (€0,17) per share, amounting to €95.372 thousand.

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17. Revaluation and other reserves

	Property revaluation reserve €000	Revaluation reserve of available-for- sale investments €000	Cash flow hedge reserve €000	Life assurance in-force business reserve €000	Exchange adjustments reserve €000	Equity component of convertible bonds €000	Shares of the Company €000	Total €000
At 1 January 2008	100.773	47.510	1.032	57.665	(3.321)	-	(17.334)	186.325
(Losses)/gains from change in fair value	-	(125.428)	986	-	-	-	-	(124.442)
Deferred tax	46	892	47	(845)	-	-	-	140
Exchange adjustments	-	-	-	-	(1.093)	-	-	(1.093)
Increase in value of life assurance policies in force	-	-	-	7.845	-	-	-	7.845
Transfer to the income statement on redemption/sale	-	(8.185)	(1.409)	-	-	-	-	(9.594)
Transfer to the income statement on impairment	-	3.661	-	-	-	-	-	3.661
Acquisitions	-	-	-	-	-	-	(700)	(700)
Equity component of convertible bonds	-	-	-	-	-	5.173	-	5.173
Disposals	-	-	-	-	-	-	2.834	2.834
At 30 September 2008	100.819	(81.550)	656	64.665	(4.414)	5.173	(15.200)	70.149

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Notes to the Interim Condensed Consolidated Financial Statements

17. Revaluation and other reserves (continued)

	Property revaluation reserve €000	Revaluation reserve of available-for-sale investments €000	Cash flow hedge reserve €000	Life assurance in- force business reserve €000	Capital reserve €000	Exchange adjustments reserve €000	Shares of the Company €000	Total €000
At 1 January 2007	61.537	57.330	(914)	47.499	3.730	(4.461)	-	164.721
Gains from change in fair value	-	5.227	830	-	-	-	-	6.057
Property revaluation	48.292	-	-	-	-	-	-	48.292
Deferred tax	(7.386)	820	(92)	(1.063)	-	-	-	(7.721)
Exchange adjustments	-	-	-	-	-	666	-	666
Increase in value of life assurance policies in force	-	-	-	7.981	-	-	-	7.981
Reversal of revaluation of investments in associates	-	(73)	-	-	-	-	-	(73)
Transfer to the income statement on redemption/sale	-	(7.291)	-	-	-	-	-	(7.291)
Transfer of realised profits on disposal of property	(263)	-	-	-	-	-	-	(263)
Shares of the Company held by subsidiaries and associates	-	-	-	-	-	-	(17.609)	(17.609)
At 30 September 2007	102.180	56.013	(176)	54.417	3.730	(3.795)	(17.609)	194.760

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18. Cash and cash equivalents

	30 September 2008	<i>30 September 2007</i>
	€000	€000
Cash and non obligatory balances with central banks	241.535	842.838
Placements with banks repayable within three months	5.092.239	5.391.669
	5.333.774	6.234.507

19. Staff numbers

The number of persons employed by the Group at 30 September 2008 was 7.792 (31 December 2007: 6.909).

20. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 30 September 2008 include the following companies and branches, by country of registered office:

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 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 Asfaltiki (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.

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

Ukraine: JSB AvtoZAZBank.

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

Company	Percentage holding (%)		Accounting treatment
	30 September 2008	<i>31 December 2007</i>	
JCC Payment Systems Ltd	45,00	45,00	Proportional consolidation
Cytrustees Investment Public Company Ltd	49,90	49,98	Consolidation
Interfund Investments Plc	22,83	22,83	Equity method
JSB AvtoZAZBank	97,18	-	Consolidation

The investment in Cytrustees Investment Public Company Ltd which is, a closed-end investment company, was included in the financial statements as an associate during the period from 8 February to 26 April 2007 using the equity method. Following the acquisition of additional shares by the Group on 27 April 2007 (Note 21), the company was accounted for as a subsidiary, in accordance with the provisions of the IFRSs.

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Notes to the Interim Condensed Consolidated Financial Statements

20. Group companies (continued)

The investment in Interfund Investments Plc, which is a closed-end investment company, was acquired on 21 May 2007 and is consolidated in the financial statements as from that date.

The subsidiary company LLC CB Bank of Cyprus obtained its licence of operation in Russia on 6 June 2007 and is included in the financial statements as from that date. The subsidiary company Cyprus Leasing LLC was incorporated in Russia on 16 October 2007 and is consolidated in the financial statements as from that date.

On 26 May 2008 the Company completed the acquisition of the Ukrainian bank JSB AvtoZAZBank (Note 21). The Company acquired 97,18% of the share capital of JSB AvtoZAZBank, for the sum of €57,9 million paid in cash. JSB AvtoZAZBank is accounted for as a subsidiary, since the date of acquisition.

21. Acquisitions of subsidiary companies

(i) Acquisition of JSB AvtoZAZBank

On 26 May 2008, the Group acquired 97,18% of the share capital of the Ukrainian Bank JSB AvtoZAZBank. The acquisition has been accounted for using the purchase method of accounting.

The Interim Condensed Consolidated Financial Statements include the results of JSB AvtoZAZBank since the date of acquisition.

The fair value of the identifiable assets and liabilities of JSB AvtoZAZBank as at the date of acquisition which was equal to their carrying value immediately before the acquisition, was:

	<i>Fair value recognised on acquisition</i>
	€000
Loans and advances to customers	109.241
Placements with banks and central bank	46.906
Tangible fixed assets	9.192
Other assets	2.906
	168.245
Customer deposits	(126.225)
Subordinated loan stock	(2.762)
Amounts due to banks	(21.814)
Other liabilities	(1.549)
Net assets	15.895
Group's share in the fair value of the identifiable net assets acquired	15.447
Goodwill	44.183
Cost of the acquisition paid in cash	59.630

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Notes to the Interim Condensed Consolidated Financial Statements

21. Acquisition of subsidiary company (continued)

(i) Acquisition of JSB AvtoZAZBank (continued)

The total acquisition cost of €59.630 thousand comprised a cash payment of €57.882 thousand and costs of €1.748 thousand directly attributable to the acquisition.

	26 May 2008
	€000
<i>Cash outflow at the acquisition</i>	
Net cash and cash equivalents acquired with the subsidiary	44.841
Cash paid	(59.630)
Net cash outflow	(14.789)

Profit before tax of the subsidiary company from the date of acquisition (26 May 2008), attributable to the shareholders of the Company amounts to €1.298 thousand.

The goodwill recognised is attributed to the expected synergies and other benefits from combining the assets and activities of JSB AvtoZAZBank with those of the Group in the expanding Ukrainian market.

As part of the agreement for the acquisition of JSB AvtoZAZBank, the Group has received a letter of guarantee amounting to €3,7 million covering specific losses which may occur in the future relating to the period prior to the acquisition.

(ii) Acquisition of Cytrustees Investment Public Company Limited ('Cytrustees')

During the first six months of 2007 the Company increased its holding in Cytrustees to 49,5% and during the second six months of 2007 its holding increased to 49,98%. During the first nine months of 2008 the Company acquired and disposed of a number of Cytrustees shares and as at 30 September 2008 the holding in Cytrustees decreased to 49,90%.

Information relating to the shares acquired in the subsidiary is set out below:

	Nine months ended 30 September	
	2008	2007
	€000	€000
Group's share in the fair value of the identifiable net assets acquired	1.659	19.017
Excess of the Group's share of the fair value of the identifiable net assets acquired above cost	(325)	(3.089)
	1.334	15.928

22. Related party transactions

	30 September 2008	31 December 2007
	€000	€000
Loans and other advances to:		
- members of the Board of Directors and key management personnel	15.605	9.814
- connected persons	204.236	132.000
	219.841	141.814
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	58.487	85.343
	278.328	227.157
Tangible security	277.016	223.641
Deposits of:		
- members of the Board of Directors and key management personnel	113.864	85.965
- connected persons	42.624	42.654
	156.488	128.619

Interest income and expense from related parties for the nine months ended 30 September 2008 amounted to €8.828 thousand and €4.874 thousand (corresponding period of 2007: €6.329 thousand and €2.131 thousand) respectively.

Connected persons include spouses, minor children and entities in which directors/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. A number of credit facilities have been extended to key management personnel and their connected persons under the same terms as those applicable for the rest of the Group's employees.

Remuneration

During the nine months ended 30 September 2008, the remuneration of the members of the Board of Directors and key management personnel amounted to €4.608 thousand (corresponding period of 2007: €3.907 thousand) which includes (ex-gratia) retirement benefits amounting to €678 thousand paid to a former executive director who left from the Group on 29 February 2008.

22. 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 in Cyprus and Greece. The Commercial General Insurance Ltd group has entered into reinsurance arrangements with General Insurance of Cyprus Ltd, a subsidiary of the Company. The total reinsurance premiums assigned to the Commercial General Insurance Ltd group for the nine months ended 30 September 2008 amounted to €768 thousand (corresponding period of 2007: €854 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 nine months ended 30 September 2008 amounted to €559 thousand (corresponding period of 2007: €566 thousand). Furthermore, the company Mellon Cyprus Ltd which supplies the Group with equipment, is significantly influenced by a person connected to Mrs Anna Diogenous. The total purchases from this company for the nine months ended 30 September 2008 amounted to €421 thousand (corresponding period of 2007: €851 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 subsidiary of the Company, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd for the nine months ended 30 September 2008 amounted to €112 thousand (corresponding period of 2007: €128 thousand).

23. Other information

- The total capital expenditure of the Group for the nine months ended 30 September 2008 amounted to €34.195 thousand (corresponding period of 2007: €33.545 thousand).
- The Group's provision for pending litigation or claims at 30 September 2008 is set out in Note 13. 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 United States \$77 million (€60 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. The final outcome of the case is not expected to have a material impact on the Group's financial position and performance.

23. Other information *(continued)*

- In September 2006, the 'Trustees of the AremisSoft Corporation Liquidating Trust' filed civil actions against the Company for at least United States \$50 million (€39 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 that case and found that the appropriate forum for the trial of the case is the judicial system in Cyprus. On 28 August 2007, the Trustees filed an application for reconsideration of the judgement issued by the court, which is still pending. The Group does not expect to have any material financial impact as a result of the law suit.

The United States 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 suit claims that the Company violated US Law by enabling the principal shareholder of AremisSoft to fraudulently transfer United States \$162 million of proceeds through accounts maintained with the Company. The Company denies the allegations contained in the new case, and regards them as totally unfounded, both legally and factually. The Company does not expect to have any material financial impact as a result of the civil actions, because the civil claims are, in its view both factually and legally without merit.

24. Post balance sheet events

On 31 October 2008, the Company completed the acquisition of 80% of the share capital of Uniastrum Bank in Russia for a total consideration of United States \$576 million (€447 million), as per the acquisition agreement signed on 26 June 2008. Uniastrum Bank has the ninth largest branch network in Russia. As at 30 September 2008 Uniastrum's total assets stood at €1,4 billion, net customer loans at €1,1 billion and customer deposits at €1,1 billion. The two founding shareholders currently leading the management of Uniastrum Bank will maintain 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 Uniastrum Bank during the three year period.