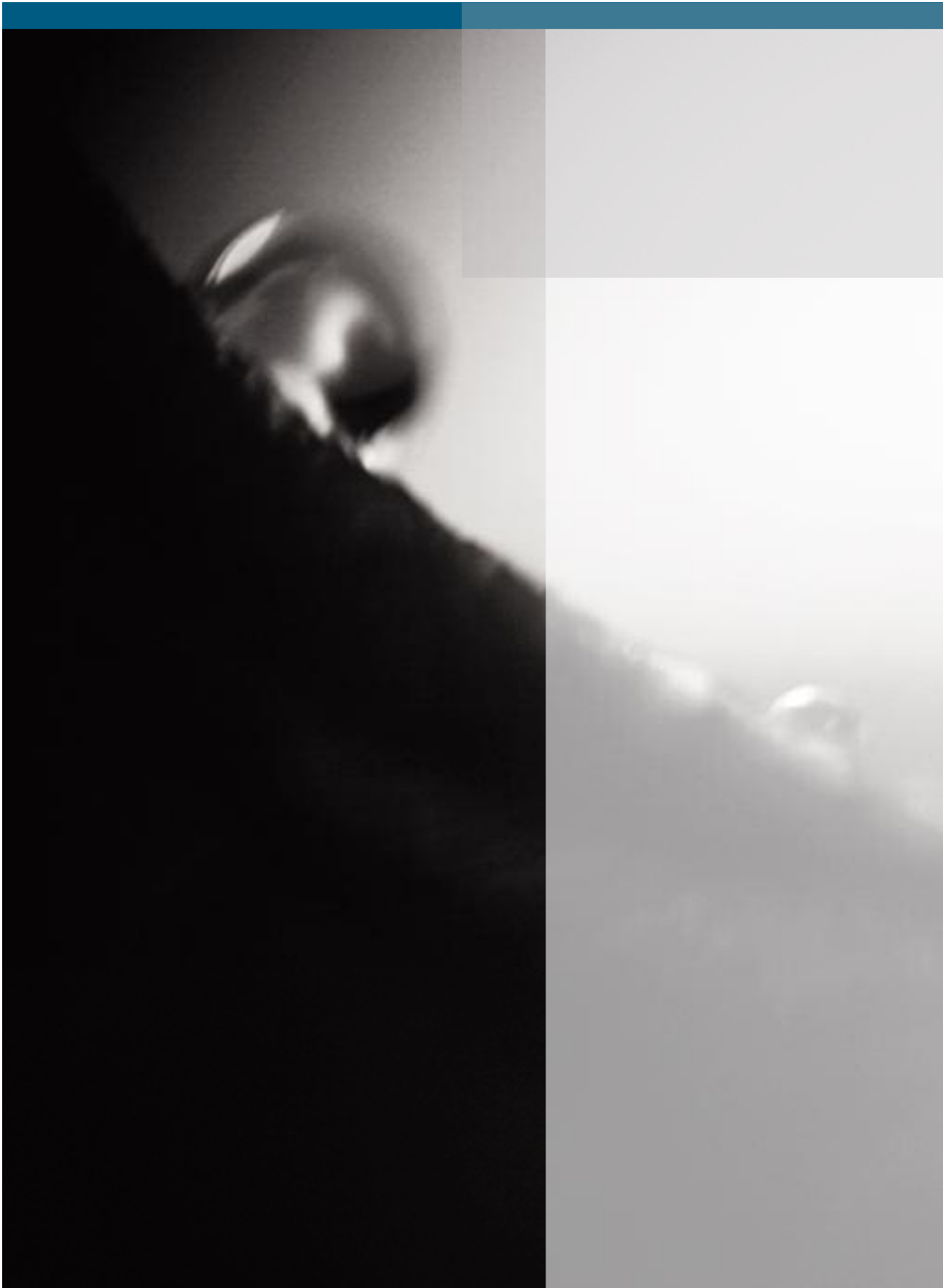


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Message from the Director General



Europe is gradually beginning to emerge from one of the deepest and most widespread economic crises in history. Cyprus has experienced with some delay the consequences of the crisis and the overall impact on economic growth and jobs has so far been less pronounced than that of the

euro area. However, it appears that Cyprus will also lag the rest of Europe in returning to economic growth.

In this negative environment the robustness and stability of financial institutions is seen to be paramount. Financially healthy banks that maintain strong balance sheets are essential, at first in order to assist their clients weather the consequences of economic slowdown and later on to provide credit to fuel economic growth as soon as demand picks up.

Our member banks have risen to the challenge indicating that they have solid financial strength and are well equipped to deal with adverse events. Throughout 2009, they have continued to finance the Cypriot economy with new loans and, as part of their efforts to contribute towards stimulating growth and maintaining employment at high levels, they have provided housing loans at increasingly attractive rates and have also funded large infrastructure projects.

In order to counter the slowdown in deposits and to be able to meet increased loan demand when the economy picks up, the member banks through the Association are working with the state authorities to advance the introduction of the legal framework for covered bonds. Another liquidity measure that the Association was involved with was the introduction of special government bonds which enabled banks to raise €2.2 billion from the Eurosystem towards the end of 2009.

In addition to the above, during the past twelve months the Association has been active on a number of other fronts. Following months of consultations in which the Association was dynamically involved, the Cyprus Parliament has voted for amendments in the tax regime which relate to collective investment funds. The Property Price Index for Cyprus is now nearing completion, an initiative we have

actively supported, since it will enable banks to monitor price changes and improve credit risk management practices. Along the lines of improving risk management lies also the introduction of Artemis Banking Information Systems Ltd, a local Credit Bureau sponsored by the Association which began operations in 2009. The Association has been involved in the ongoing legislative amendments to promote financial leasing and has taken part in the consultations for the set up of a Financial Ombudsman. We have supported our members with the development of a Bank Account Switching Code which was put into effect in November 2009. Through our work in the Deposit Protection Scheme Management Committee, we were engaged in the preparation of the legislation that raised the Deposit Guarantee amount to €100,000 per depositor. We have assisted our members with the implementation of the Payment Services Directive, as well as the preparation of appropriate infrastructure in order to introduce SEPA direct debits in November 2010. As far as the Consumer Credit Directive is concerned, we are facilitating its implementation by our members through the revision of procedures and documentation. As part of our ongoing activities, we support our members with matters arising from new reporting obligations for the financial sector, the implementation of Basel II, and money laundering prevention. Our efforts on the above activities are supplemented by providing training to member banks in order to familiarize their employees with new developments and to instill new skills.

In our work we are grateful for the support of our Board of Directors, as well as the involvement of colleagues from our member banks who contribute their valuable time and knowledge to our working committees.

In the following months, the Association will continue to support its members in their efforts to comply with the current and upcoming supervisory framework, and will continue to be actively involved in shaping the local banking industry's future. We are aware that at this point of the economic cycle, the financial sector is increasingly important in supporting economic players and in financing the return to growth. For this reason, we will continue our work to maintain the Association as a responsible and respected interlocutor with legislators and regulators to ensure that measures targeting the economy as well as our sector are appropriate and timely.

Dr Michael Kammas
Director General

40th out of 183 countries in Doing Business 2010 (World Bank)

Economic Environment

The Cyprus Economy

Cyprus is an independent republic with a presidential system of government and, as at 1 May 2004, a member of the European Union. The euro has been used as legal tender since 1 January 2008.

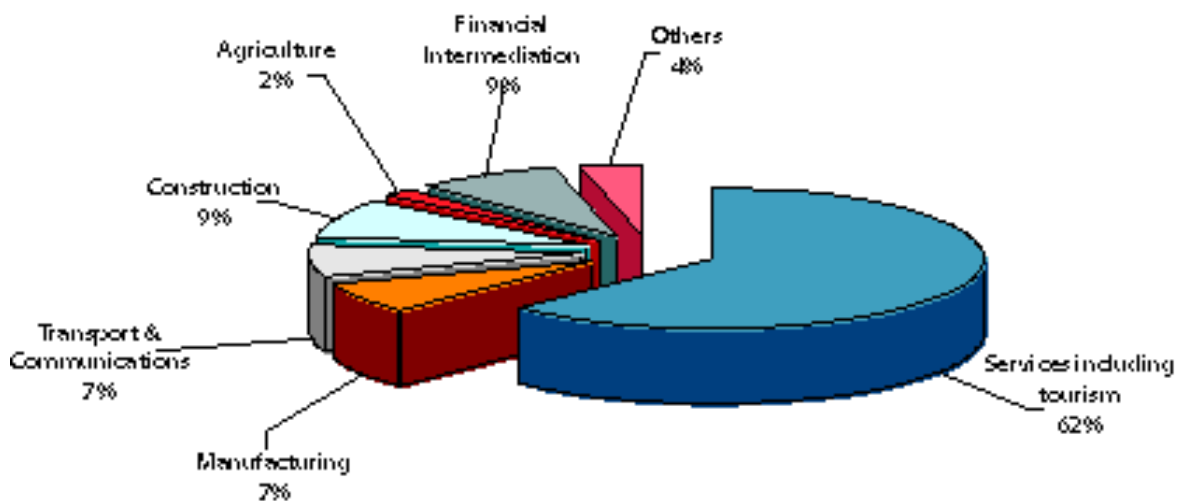
The island's increasing attractiveness as an International Financial Centre is supported by the following:

- Cyprus offers the lowest tax rate in the EU and has a number of advantageous double tax treaties
- Cyprus's legal system is based on its British counterpart and UK court decisions are often used as precedent

- The labor force is highly skilled and multilingual
- The island is strategically located and has excellent climate and high standard of living
- International Financial Reporting Standards have been used for over three decades
- There is a strong banking infrastructure

Cyprus has an open market economy dominated by the service sector which accounts for more than 78% of GDP, while the importance of agriculture and manufacturing is declining steadily. Services include mainly tourism, banking, accounting, consultancy, telecommunications, education and medical.

Percentage Distribution of 2009 GDP



Source: Statistical Service of Cyprus (provisional data for 2009)

34th in Global Competitiveness Index 2009-2010 (World Economic Forum)

Even though the Cypriot economy evaded the global recession in 2008 (GDP growth 3.6%), it succumbed in 2009 when GDP declined by 1.7%, compared to a 4.1% decline in the Euro Area.

GDP Real, % Change							
	2005	2006	2007	2008	2009	2010F	2011F
Cyprus	3.9	4.1	5.1	3.6	-1.7	0.1	1.3
EUR 27	2.0	3.2	2.9	0.8	-4.2	0.7	1.6
Euro Area	1.7	3.0	2.8	0.6	-4.1	0.7	1.5
USA	3.1	2.7	2.1	0.4	-2.4	2.2	2.0
Japan	1.9	2.0	2.4	-1.2	5.2	1.1	0.4

Source: Eurostat

On a comparative basis, Cyprus's better relative performance enabled its GDP per capita in purchasing power standards, to reach 95.9% of the EU average (2008). However, on a quarterly basis the picture is less optimistic, as many European countries seem to have exited the recession, marking a positive sign on their third and fourth quarter growth rates. Whereas the average fourth quarter growth rate in the EU amounted to +0.1%, Cyprus's economy is still contracting (-0.3% quarterly growth).

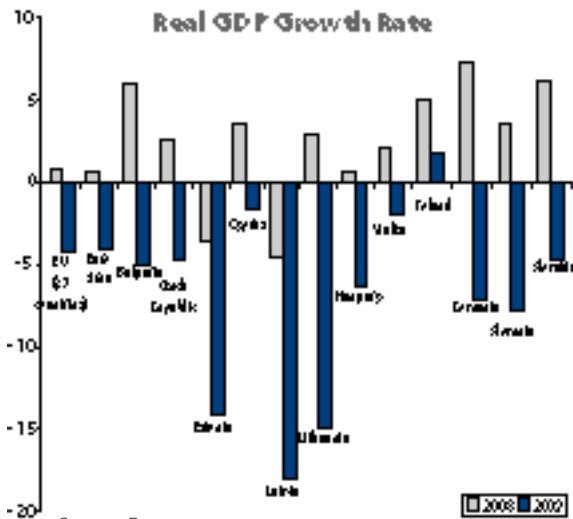
It can be seen that the recession in the Cyprus economy has not been and is not projected to be as deep as in other European countries, however, return to normal growth levels is expected to take longer compared to other European peers. For the beginning of 2010 leading indicators are showing mixed signals, with the tourism sector showing signs of stabilization and the construction sector showing signs of tentative growth, whereas domestic demand keeps declining.

For the first three months of 2010, tourism arrivals were up by 5.6%, following a sharp contraction of 10.9% in the year 2009. The improved economic outlook in the UK and Russia fuels expectations that tourist arrivals will recover within 2010.

Within 2009, the construction sector declined sharply (annual change of -6.8%), as evidenced by a fall of 15% in the total area of real estate licenses and a 26% decline in cement sales. The sector's woes had a major impact on state revenues in 2009 since the capital gains tax, which is payable on the gains upon disposal of real estate, declined by 75% in 2009 compared to capital gains tax paid in 2008. However, entrepreneur expectations about the prospective growth of the construction segment have been positive, according to research by the Center of Economic Research of the University of Cyprus. The beginnings of a turnaround are evidenced by a 29% increase in sales contracts filed at the Land Registry in the first quarter of 2010 and also by the 64% increase in capital gains tax receipts during the first three months of 2010.

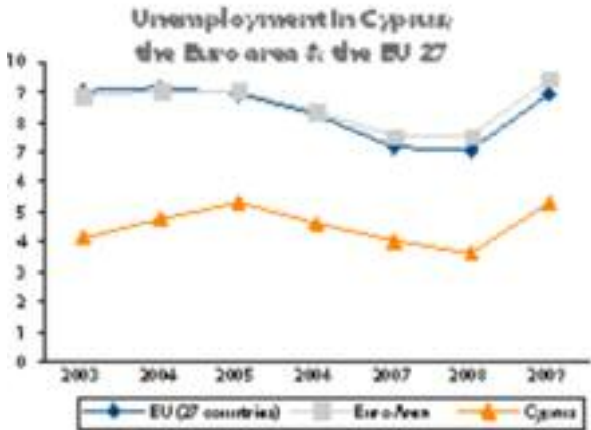
Private consumption has been falling, and the wholesale and retail sector has declined by 6.3% in 2009. The drop seems set to continue, as indicated by the 12.4% decrease of VAT revenues in January and February 2010 compared to the corresponding period in 2009. The changes in VAT revenues traditionally provide a reliable indicator for the course of consumer demand. Additionally, vehicle registrations were down by 18.7% during the first two months of 2010 compared to the same period in 2009.

24th in 2010 Index of Economic Freedom (Heritage Foundation & Wall Street Journal)

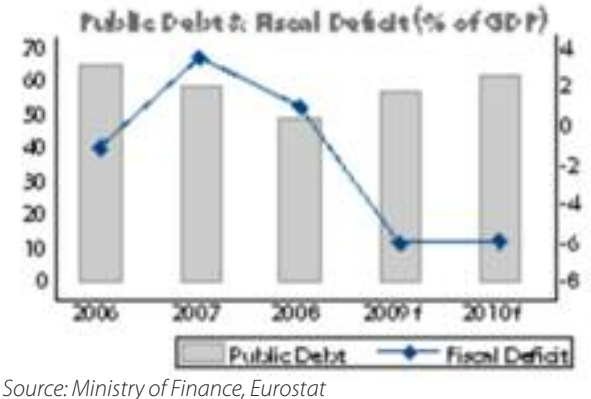


The services sector including the financial sector has been the private sector's driver of growth in 2009. Despite the negative environment, financial intermediation experienced a growth of 4.9%. Bank profitability was affected by the crisis, however, banks managed to end the year with a return on equity of 8.4%. For 2010, the international business services sector is showing signs of strength, as evidenced by the increase in company registration applications of 34% in the first three months of 2010 compared to the first quarter of 2009.

Economic slowdown has taken its toll on the labour market, with unemployment rising to 5.3% in 2009, from 3.6% in 2008.



in 2008. Unemployment has been especially prominent in the tourism and construction sectors that have been most vulnerable to the recession.



The largely revenue-based fiscal consolidation achieved in the past several years has become unwound, with the fiscal deficit reaching 6.1% of GDP in 2009 compared to a surplus of 0.9% of GDP in 2008. This level exceeds the limits imposed by the Stability and Growth Pact, bringing Cyprus under ECOFIN supervision in 2010. Without corrective measures, the Finance Ministry expects the fiscal deficit to reach 7% or more in 2010.

Domestic inflationary pressures have eased significantly due to weakening demand as well as falls in commodity prices. As a result, inflation fell into line with the euro area, as shown by the harmonized index of consumer prices which reached 0.2% in 2009 (2008: 4.4%).



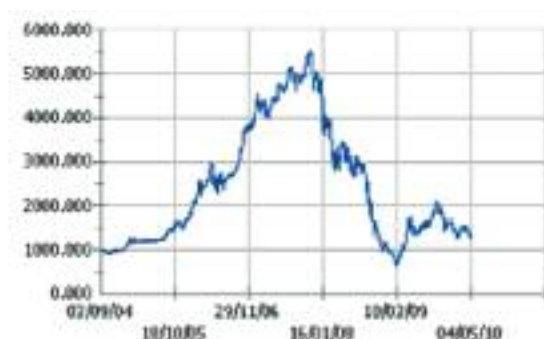
43.2%

 market capitalization as % of GDP (end of 2009)

Stock Market Developments

During 2009, the Cyprus Stock Exchange (CSE) was marked by high volatility, while the CSE General Index ended the year with annual gains of 44.2% (2008: losses of 77.2%). In the beginning of April 2010 the CSE had total market capitalization (excluding bonds) of €7.2 billion, compared to €5.9 billion at the end of 2008.

CSE General Index



The banking sector accounts for around 67% of total market capitalization. The shares with the largest market capitalization as at the beginning of April 2010 were as follows:

Source: Stockwatch

	Company	Market	Market Capitalisation (€)	Weight (1)%
1	Bank of Cyprus Public Company LTD	Main	2,710,376,851	37.5
2	Marfin Popular Bank Public Co LTD	Main	1,668,552,856	23.1
3	Hellenic Bank Public Company LTD	Main	344,881,705	4.8
4	Aristo Developers PLC	Alternative	269,704,260	3.7
5	USB Bank PLC	Parallel	93,000,000	1.3
6	Woodland Designs PLC	Alternative	83,201,280	1.1
7	Pandora Investments Public LTD	Alternative	80,642,689	1.1
8	Vision International People Group Public Ltd	Alternative	69,750,000	1.0
9	Woolworth (Cyprus) Properties PLC	Parallel	69,920,552	1.0
10	Cyprus Trading Corporation PLC	Alternative	63,408,917	0.9
	Total		5,453,439,110	75.4%

(1) The weight is calculated to the market capitalisation (shares only, including Investment Companies Market)

Source: XAK.com

Percentage of foreign investors to market capitalization (end of 2009): 9.8%

In March 2010 the CSE has launched a Multilateral Trading Facility called "Emerging Companies Market" (E.M.C.). The E.M.C. is a Non-regulated market and as such it is not subject to the strict restrictions regarding the listing and continuing obligations of companies which are mandatory for regulated markets. The CSE is licensed to operate the market and set the market regulations. The E.M.C. aims to attract companies that want to raise funds but do not wish to be burdened with the higher costs associated with regulated markets. The E.M.C. started operations with the introduction of four companies.

Furthermore, as part of its efforts to maintain competitiveness, the CSE has significantly revised its pricing policy and streamlined procedures to increase efficiency.

Within 2009, the CSE has successfully been connected with Link Up Markets, a venture aimed to decrease the cost of cross border transactions. Additionally, the CSE is participating in the pan-European payments system Target 2 Securities, which is being promoted by the European Central Bank for the purpose of consolidating the settlement of stock market transactions in Europe.

With effect from June 2009, the UK's HM Revenue & Customs authorities have designated the Cyprus Stock Exchange as a "recognized stock exchange". Consequently, UK companies that invest in CSE listed securities will be subject to tax deductions.

The CSE is currently promoting the following development initiatives:

- Subscription of UCITS on the CSE.
- Creation of derivative products in co-operation with the Athens Stock Exchange, to be listed at the Athens Derivatives Market.
- Introduction of the Market Maker role, with the aim of increasing liquidity in the market.
- Introduction of external stock exchange trades (OTC Trades).
- Drafting of regulatory framework for Global Depository Receipts (GDRs)
- Promotion of regional collaborations with foreign stock exchanges.

Major Economic Indicators

CYPRUS MAJOR ECONOMIC INDICATORS						
		2006	2007	2008	2009 f	2010 f
GDP (Real Growth)	% Change (1)	4.1	5.1	3.6	-1.7	0.1
GDP (At Current Prices)	EUR mil.	14,435	15,879	17,248	16,947	N/A
GDP Per Capita (EURO)		18,684	20,254	21,748	21,237	N/A
GDP Per Capita (PPS)	EU - 27 = 100	90.7	93.6	95.9	N/A	N/A
Unemployment	%	4.6	4.0	3.6	5.3	6.5
Inflation Rate	% Change (1)	2.2	2.2	4.4	0.2	2.7
Current Account Balance	% of GDP	-7.0	-11.7	-17.7	-8.5	-12.3
Fiscal Deficit	% of GDP	-1.2	3.4	0.9	-6.1	-6.0
Total Public Debt (2)	% of GDP	64.6	58.3	48.4	56.2	61.0
Total Public Debt (2)	EUR mil.	9,445	9,262	8,347	9,526	N/A

(1) Percentage change compared with the corresponding period of the previous year

(2) Excluding intergovernmental & short-term liabilities of the Central Bank to the IMF.

Source: Eurostat, Ministry of Finance

CREDIT RATINGS FOR THE REPUBLIC OF CYPRUS		
Fitch	AA- (stable outlook)	Upgraded from A+ in 2007
Moody's	Aa3 (stable outlook)	Upgraded from A1 in 2008
Standard & Poor's	A+ / Stable / A-1	Upgraded from A in 2008

As at April 2010. Source: Fitch, Moody's, Standard & Poor's

875%

Banking sector's assets as % of GDP

The Banking Sector

General Overview & Key Figures

The banking sector is comprised of two tiers: (a) locally active commercial banks, subsidiaries and branches of foreign banks which are supervised by the Central Bank of Cyprus (CBC) and (b) Co-operative Credit Institutions which are supervised by the Co-Operative Credit Societies' Supervision and Development Authority.

Since the adoption of the Euro on 1st January 2008, one of the primary roles of the CBC is the supervision of the Banking System and the maintenance of financial stability. In its supervisory role, the Central Bank of Cyprus has always been guided by the recommendations of the Basle Committee on Banking Supervision and implements the EU Directives on banking regulation. Additionally, the CBC monitors new developments and accordingly reviews and amends its policies.

As can be seen from the table below, banks dominate the domestic financial system, holding an 80% share of loans and a 78% share of deposits.

Banking Sector – Statistics (31/12/09)		
	Banks	Coops
Deposits (€ million)	45,386	12,777
Loans (€ million)	46,616	11,265
Branches	495	432
Personnel	10,059	2,539
Branches per 100,000 inhabitants	62	54

Source: Central Bank of Cyprus, Co-operative Credit Societies' Supervision and Development Authority

Commercial Banking

During 2009, in an especially negative environment for the global financial system as well as the markets in which they are operating, Cyprus banks have sustained their robustness, at the same time maintaining healthy liquidity and high levels of capital adequacy. As indicated by the next table, in 2009 Cypriot banks had an average return on equity of 8.4%, down from 15.9% in 2008, which represents a satisfactory performance, considering the extent of the economic downturn. Banking profits were negatively impacted by the deterioration in global economic conditions, the slowdown in credit growth and the increase in provisions. Additionally, net interest margins were squeezed due to the increased competition for deposits. In the face of lower net interest margins, banks managed to diversify their revenue sources, increasing their non-interest income.

The liquidity of Cypriot banks remains satisfactory for the present environment and their average loans to deposit ratio now stands at 1.00, well below the EU average of 1.67.

Capital adequacy ratios also seem strong, with the average capital adequacy ratio at 12.1% which remains much higher than the regulatory minimum of 8% and indicates that Cyprus banks are capable of operating even under a stricter regulatory environment.

This performance demonstrates that Cypriot banks are capable of absorbing economic shocks and continue along their expansion plans, effectively dealing with the challenges of a tough operational environment as well as the upcoming stricter regulatory environment.

Key Banking Ratios			
	Cyprus		EU-27 average
	31/12/09	31/12/08	31/12/08
Profitability: ¹			
Return on equity	8.4%	15.9%	-3.0%
Return on Assets	0.6%	1.1%	-0.1%
Net interest margin (NII / Interest bearing Assets)	2.02%	2.41%	1.14% ³
Cost to Income	55.5%	51.0%	70.2%
Dividend payout ratio	34.7%	45.3%	N/A
Provision charge / loans (gross)	1.0%	0.5%	N/A
Growth: ¹			
CAGR of operating income	3.1%	-2.6%	N/A
% income on non-interest income sources	35.1%	31.3%	34.0%
Loan quality: ²			
Non Performing loans / Total loans	6.4%	4.8%	2.4%
Non performing loans coverage	62.8%	73.2%	51.7%
Liquidity: ²			
Loans to deposits ⁴	1.00	0.95	1.67
Capital: ²			
Capital Adequacy Ratio	12.1%	10.9%	11.7%
Tier 1 Ratio	9.3%	8.0%	8.3%
Overseas assets as % of total assets ²	42.1%	44.8%	N/A

¹ These ratios are for 9 out of our 10 regular member banks

² These ratios are for all of our regular member banks

³ Net interest income / Assets

⁴ Cyprus banks: Gross loans / Deposits, EU-27 average: Net loans / Deposits

Source: Information collected from member banks, European Central Bank "EU Banking Sector Stability", Aug 2009

9% contribution of financial organisations to Cyprus's GDP

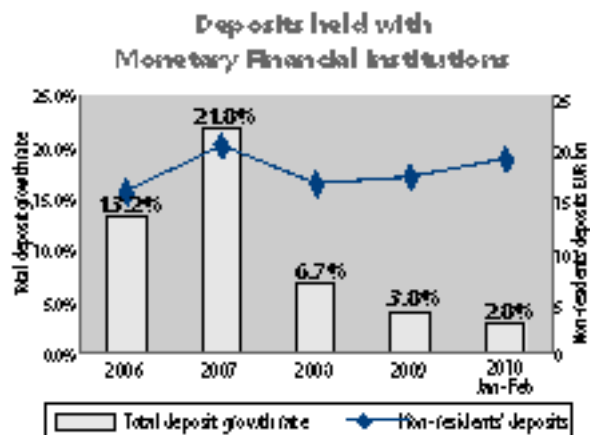
Financial Intermediation

In 2009 deposits held with all monetary financial institutions (MFI's) grew by 3.8% (2008: 6.7%). This slowdown can be seen to be mainly due to the non-financial corporations' use of available cash and drawdown on deposits to repay existing loans in view of the general slowdown of the economy. It is important to note that non-residents' deposits have not been significantly impacted by the global financial crisis and in fact have exhibited a modest increase during 2009 (3.6%). During the first two months of 2010 deposit growth remains low, registering a 2.8% increase compared to twelve months ago.

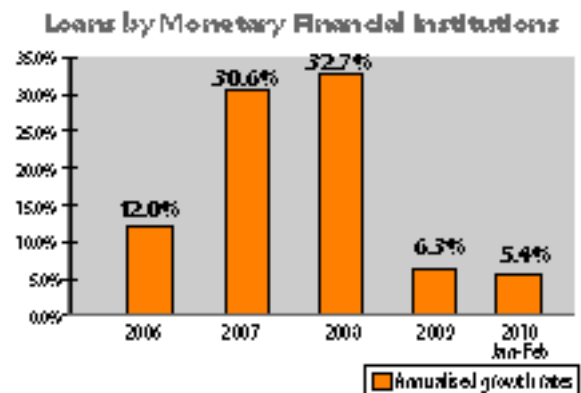
After the strong growth of the past two years, where credit expansion stood at around 30% on average, in 2009 there was a marked fall in the rate of lending (annual growth rate of 6.3%), partly reflecting the plummeting loan demand and partly the weak expectations. Latest data from the Central Bank of Cyprus show that total credit expansion decelerated further to 5.4% during the first two months of 2010. Taking into account the observation that lending recovers with some lag vis-à-vis the turning point in the economic cycle, it can be expected that loan growth will continue to decelerate within 2010 and will pick up only after Cyprus leaves behind the economic recession.

Loans / GDP		
	2008	2009
Household	121%	139%
Corporate	186%	162%

Source: Central Bank of Cyprus, Ministry of Finance



Source: Central Bank of Cyprus



Source: Central Bank of Cyprus

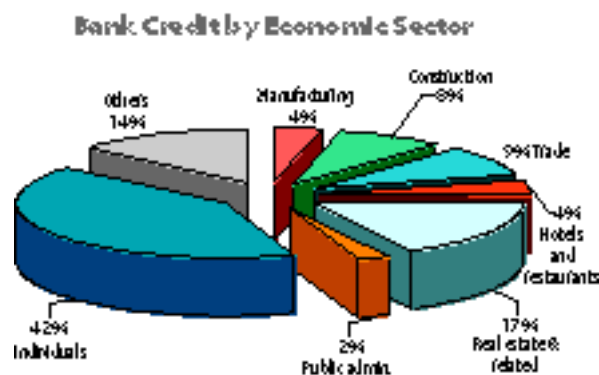
Bank Credit by Sector

As the table below shows, the credit expansion slowdown is attributed to business lending, as disbursements in that category remained at the same levels as in 2008. Total household lending has increased, mainly due to sustained demand for housing loans.

	End of period balances €million		Outstanding amount as a % of total		Annual % change
	2008	2009	2008	2009	2009
General Government	1,789	1,567	3.3%	2.7%	-12.4%
Other financial intermediaries	3,696	5,336	6.8%	9.2%	44.4%
Insurance corporations & pension funds	33	21	0.1%	0.0%	-34.9%
Non-financial corporations	27,312	27,441	50.2%	47.4%	0.5%
Consumer credit	4,343	4,858	8.0%	8.4%	11.9%
Housing loans	10,418	12,616	19.1%	21.8%	21.1%
Other household loans	6,852	6,043	12.6%	10.4%	-11.8%
Totals	54,443	57,881			6.3%

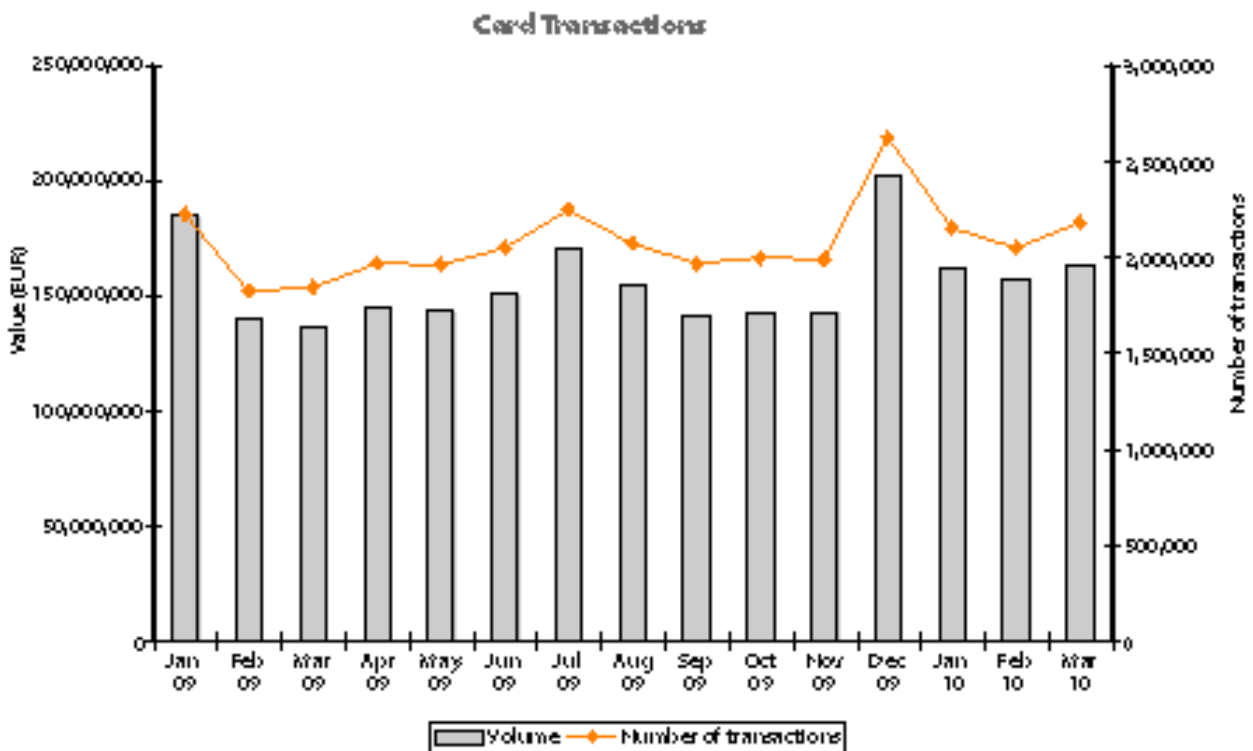
Source: Central Bank of Cyprus

Loans to individuals amounted for the largest portion of outstanding loans (42%), followed by loans to the real estate sector (17%).



Source: Central Bank of Cyprus, data as at Sept 2009

Credit and Debit Card Transactions



Source: JCC

Reflecting the slowdown in consumption, in 2009 the total value of credit and debit card transactions in Cyprus by holders of credit cards issued in Cyprus amounted to €1.85 billion, an annual decline of 3% (2008: €1.90 billion). This was driven by a decline in the average value of transactions, which was €75 compared to €78 in 2009. Within the year, the total number of transactions increased marginally by 1%.

During 2009, Cypriot card-holders spent abroad a total of €1.05 billion using Cyprus issued cards (2008: €0.97 billion). The average value per transaction was €139, down from €154 in 2008.



The Member Banks

Membership of the Association is open to any institution which is legally authorized to operate as a registered bank, whether local or foreign, in Cyprus, and which can provide banking services. Applications are also accepted by other legal entities such as associations or unions, which are non-profit organizations and whose own members are banking institutions. Participation to the ACB can be either in the form of Regular or Associate membership. Applications for new membership are subject to approval by the members of the Board of Directors of the Association and subsequently by the General Meeting.

The bank members of the Association offer a diverse range of products and services. Beyond the traditional deposit and lending services, banks have established their own subsidiaries providing short and medium term credit, hire purchase finance facilities, investment services (such as asset management, investment advice and brokerage), factoring and invoice discounting services, electronic and telephone banking, private banking as well as all types of insurance services.

Member banks of the ACB are financially sound, they have engaged in a process of continuous upgrading of their technology systems in specialized areas of operations, and regard their human resources not only as an essential factor for the high level of services offered to customers but also important to meet successfully the challenge of time. Beyond their traditional economic and financial engagement, banks have shown commitment to social responsibility by actively participating and supporting a variety of cultural and social events in Cyprus.

Realizing that the home market offers limited opportunities, banks have sought expansion beyond the boundaries of the island. Today, the banking sector is characterized by an extensive network abroad having established branches, subsidiaries and representative offices in Greece and other European countries, the U.S.A, Russia, Canada, Australia and Africa.



Bank of Cyprus



BANK OF CYPRUS PUBLIC COMPANY LTD

Founded in 1899, the Bank of Cyprus Group is the leading financial services organisation in Cyprus, with a dynamic presence in Greece and Russia and operations in the United Kingdom, Australia, Romania, Ukraine and the Channel Islands. Bank of Cyprus also has eight representative offices in Russia, Romania, Ukraine, Canada and South Africa.

The Group offers a wide range of financial products and services, which include banking services, leasing, factoring, brokerage, fund management, investment banking, general and life insurance services.

At 31 December 2009, the Group's Total Assets amounted to €39.41 bn and the Shareholders' Funds were €2.42 bn. The Group operates through a total of 569 branches, of which 216 operate in Russia, 166 in Greece, 143 in Cyprus, 18 in Ukraine, 10 in Australia, 11 in Romania, 4 in the United Kingdom and 1 in the Channel Islands.

The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website www.bankofcyprus.com.

The Group has also received the following awards:

- Bank of the Year 2009, The Banker (Financial Times) Financial and Business Excellence Awards 2009, (Cyprus Employers and Industrialists Federation)
- Best Internet Bank in Cyprus 2008, Global Finance
- Best Foreign Exchange Provider in Cyprus 2008, Global Finance
- Best Foreign Exchange Provider in Cyprus 2009, Global Finance
- Best Foreign Exchange Provider in Cyprus 2010, Global Finance
- Best Bank in Cyprus 2008, Global Finance
- Best Bank in Cyprus 2010, Global Finance
- Banker Technology Awards 2008, The Banker (Financial Times)

Number of branches: 569 (in Cyprus 143)

Number of ATM: 142

Number of employees: 12,127 (in Cyprus 3,287)

Head Office: 51 Stasinou Street, Ayia Paraskevi, 2002 Strovolos
P.O.Box 21472, 1599 Nicosia
Tel: 22122100 Fax : 22378111
www.bankofcyprus.com



MARFIN POPULAR BANK PUBLIC CO LTD

Marfin Popular Bank is the outcome of a triple merger, in 2006, of Marfin, Egnatia and Laiki Groups.

The strategic aim of Marfin Popular Bank is to become a leading regional force in the field of financial services, and at the same time achieve high returns for its shareholders.

Marfin Popular Bank has a presence in 11 countries: Cyprus, Greece, United Kingdom, Australia, Ukraine, Russia, Romania, Serbia, Estonia, Malta and Gurnsey. Overall, it has 512 branches (in Cyprus-115), 577 ATMs (in Cyprus-129) and 8,990 employees (in Cyprus – 2,614).

It provides services to Private Individuals, Enterprises and Large Organisations, Private Banking Services, Electronic Banking, Factoring, Leasing, International Banking Services,

Treasury Services, Shipping Services, Insurance Services, and Investment and Capital Management Services.

World Finance magazine has chosen Marfin Laiki for its "Best Banking Awards 2009", while Global Finance has awarded to it the prize "Best Internet Bank, Consumer Bank in Cyprus" for 2009.

Number of branches: 512 (in Cyprus 115)

Number of ATM: 577 (in Cyprus 129)

Number of employees: 8,990 (in Cyprus 2435)

Head Office: 154 Limassol Avenue, 2025 Nicosia
P.O. Box 22032, 1598 Nicosia
Tel: 22552000 Fax: 22811489
www.laiki.com



HELLENIC BANK PUBLIC COMPANY LTD

Hellenic Bank commenced operations in 1976. In a relatively short period of time it managed to establish itself as one of the largest banking and financial institutions in Cyprus. The Group enjoys a network of more than 70 branches in Cyprus and 27 in Greece as well as Representative Offices in South Africa, Russia and Ukraine. During the first quarter of 2009, Hellenic Bank obtained a license for conducting banking operations in Russia from the Central Bank of Russia.

Alongside traditional banking operations, the Group also provides a wide range of financial services including leasing facilities, factoring, brokerage services, insurance, private banking, custodian services and electronic banking.

In 2009, the Bank's Private Banking Unit was recognised by the Euromoney Magazine as the 'Best Private Banking Unit' in Cyprus. Also, Hellenic Net

Banking was awarded by the Global Finance magazine as the 'Best Integrated Consumer Bank Site' in Europe.

The success of the Group is based on exemplary customer service, the wide range of products and services on offer and on the use of the latest technology in information and control systems.

Number of branches: 98

Number of ATM: 79

Number of employees: 1481

Head Office: Corner Limassol Avenue & 200 Athalassas Avenue, 2025 Strovolos

P.O.Box 24747, 1394 Nicosia

Tel: 22500000, Fax: 22500050

www.hellenicbank.com



ALPHA BANK CYPRUS LTD

Alpha Bank Cyprus Ltd was registered in Cyprus in 1960 as a limited company according to Company Law, Cap. 113. Its commercial name is 'Alpha Bank'.

The Bank is a subsidiary of Alpha Bank A.E., which is registered in Greece. Alpha Bank Group is one of the leading banking and financial services groups in Greece, with international presence in Romania, Bulgaria, Serbia, Ukraine, Albania, F.Y.R.O.M. and the United Kingdom.

The Bank offers a wide range of banking services for retail and commercial customers. It operates a network of 37 branches as well as specialized Business Units and International Banking Services Units, which are effectively supported by alternative networks such as ATM, Internet Banking and Mobile Banking.

Alpha Bank Cyprus Ltd has been repeatedly recognized for its excellent service in processing international payments by being awarded the Deutsche Bank quality awards EUR STP Excellence Award and USD STP Excellence Award for several years. These distinctions rank Alpha Bank Cyprus among approximately 130 banks throughout Europe, Middle East and Africa that satisfy the high quality standards set by these awards.

Number of branches: 37

Number of ATM: 41

Number of employees: 761

Head Office: 3 Lemesou Avenue, 2112 Nicosia

P.O.Box 21661, 1596 Nicosia

Tel: 22888888, Fax: 22334868

www.alphabank.com.cy



NATIONAL BANK OF GREECE (CYPRUS)

NATIONAL BANK OF GREECE (CYPRUS) LTD

The presence in Cyprus of the biggest and most powerful financial services Group in Greece, the Balkans and South-Eastern Europe, the National Bank of Greece, dates since 1910.

National Bank of Greece (Cyprus), on the basis of the Business Plan, aims at a dynamic development of its operations. The constant improvement of the services it offers to its customers as well as the provision of new services holds an important place in the strategy of the Bank.

The share of National Bank is listed on the Athens Stock Exchange in which it has by far the first place as to capitalization and it is also listed on the New York Stock Exchange since October 1999.

Awards of the National Bank of Greece Group

- Top 100 Best Banking Brands
- Global Dow – Top 150
- Bank of the Year in Greece for 2009

- FT Global 500
- Social Responsibility Prize
- Best Bank for Regulatory Capital
- Best Private Banking in Greece
- Best Outbound Campaign
- Award for “Ethnofiles” internet files exchange service.

Number of branches: 21
Number of ATM: 22
Number of employees: 296

Head Office: 15 Makarios III Avenue
P.O.Box 21191, 1597 Nicosia
Tel.: 22840000, Fax: 22840010
www.nbg.com.cy



EMPORIKI BANK – CYPRUS LTD

Emporiki Bank - Cyprus Ltd was established in 1993, and in 2001 changed its status to a subsidiary of the EMPORIKI BANK GROUP S.A, with the participation of Cypriot shareholders. As of August 2006, EMPORIKI BANK GROUP is part of the CREDIT AGRICOLE GROUP, CASA, France.

Emporiki Bank caters for both the Retail and Corporate Markets. Within the framework of satisfying customers' needs, the Bank focuses on three pillars - service quality, service speed, competitive pricing - in providing a full range of contemporary banking products and services.

The Bank aims to further penetrate the local market capitalising on its branch networks, its new core banking system and its highly professional staff.

Number of branches: 12
Number of ATM: 12
Number of employees: 183

Head Office: 4 Ionos Street, 2406 Engomi
P.O. Box. 25151, 1307 Nicosia
Tel.: 22696650, Fax: 22663923
www.emporikicyprus.com



USB BANK PLC

USB BANK PLC, enjoys a long history and a sound reputation. It is the transformation of the Yialousa Savings Bank, which was established and commenced operations in 1925, in Yialousa, a town today occupied by Turkish troops. Yialousa Savings Bank Limited (YSB) was amongst the first limited companies - the 10th - registered on the island.

On February 2009, following a change in its ownership and taking into consideration the market challenges and future trends and following its strategic plan for innovative and efficient redevelopment, the Bank created a new dynamic Corporate Identity and was renamed to USB BANK PLC with the new trading name usbbank.

Customers of the Bank have access to a full range of personal and business banking products and services both here in Cyprus and abroad in all the major international currencies either directly through the Bank or through

its network of foreign correspondents. The Bank operates 19 branches throughout the island. Moreover customers can use the online bank - ibank, to do banking easy and fast, 24 hours a day, 7 days a week.

Number of branches: 19
Number of ATM: 19
Number of employees: 199

Head Office: 83 Digeni Akrita Avenue, 1070 Nicosia
 P.O.Box 28510, 2080 Nicosia
 Tel: 22883333, Fax: 22875899
www.usbbank.com.cy



CDBBANK

2009 has been a milestone year for the Cyprus Development Bank. The renaming of the now private organisation to "cdbbank" inaugurates a new era for the Group.

The new corporate identity establishes cdbbank as a dynamic and focused financial institution with a commercial orientation offering a full range of banking services and products. The contemporary name and modern presence are the link between the innovative present and the long history, tradition and experience of the Cyprus Development Bank. Responsibility, credibility and effectiveness constitute the three bases of the successful operations of cdbbank.

The application of the new philosophy that governs every action of cdbbank was directly manifested with the expansion of its subsidiary bank in Russia and the dynamic development of its subsidiary Global Capital,

with emphasis on investment management and the provision of relevant services to institutional investors, entrepreneurs, professionals and private individuals.

Number of branches: 1
Number of ATM: 1
Number of employees: 75

Head Office: 50 Arch. Makariou III Avenue,
 P.O. Box 21415, 1508 Nicosia
 Tel: 22846500, Fax: 22846600
www.cdb.com.cy



SOCIETE GENERALE BANK - CYPRUS

SOCIETE GENERALE BANK - CYPRUS LIMITED

SOCIETE GENERALE BANK – CYPRUS Limited (SGBCy), one of the first international banking units to settle in Cyprus, since 1985 prides itself on its heritage. SGBCy takes advantage of its vast knowledge and expertise, aiming its resources so as to provide its customers with creative banking solutions, which are also tailored to the local market.

Today, in addition to the operation of its International Banking Unit, SGBCy operates as a fully-fledged local Bank with branches in major locations across the island.

SGBCy offers to the local market a full range of banking products and services such as: Retail & Corporate Banking (Deposit and Loan products), Private Banking, Wealth and Asset Management, Treasury Services, International Services, Trade Finance, to satisfy its customers' needs in all financial fields.

Number of branches: 7
Number of ATM: 7
Number of employees: 153

Head Office: 20 Ayias Paraskevis Str., 2002 Strovolos,
P.O. Box 25400, 1309 Nicosia
Tel: 22399777, Fax: 22399700
www.sgbcy.com



PIRAEUS BANK (CYPRUS) LTD

Piraeus Bank Cyprus (Ltd) is a member of Piraeus Bank Group, with total assets exceeding €54 billion and presence in 12 countries. It entered the Cypriot market with the acquisition of the Arab Bank local network, on January 2008. It offers a complete range of products and services covering Retail, Corporate, International and Investment Banking; Wealth and Asset Management; Insurance, Custodian and Treasury Services.

Since inception the bank has tripled the size of its balance sheet with the number of employees currently exceeding 300, and expanded the network to 21 branches and business centres all over Cyprus. The primary strategic objective of the bank is to contribute towards developing the local market into a financial centre for South-Eastern Mediterranean. For this purpose, the group's activities in Egypt, Russia and New York are under the supervision of the Chairman and Managing Director of Piraeus Bank (Cyprus) Ltd.

Number of branches: 21
Number of ATM: 15
Number of employees: 295

Head Office: 1 Spyrou Kyprianou, 1065 Nicosia
P.O.Box 25700, 1393 Nicosia
Tel: 22575500, Fax: 22760890
www.piraeusbank.com.cy

ASSOCIATE MEMBERS



RUSSIAN COMMERCIAL BANK (CYPRUS) LTD

The Russian Commercial Bank (Cyprus) Ltd (RCB) was incorporated in Cyprus under license from the Central Bank of Cyprus in 1995. RCB as at 31 December 2008 was a wholly owned subsidiary of VTB Bank which in turn is 77.47% owned by the Russian government.

RCB specializes in financing investments into the Russian economy. The Bank provides its clients with a banking environment that is securely based in the EU and is in touch with the realities of doing business in Russia. RCB's business in Cyprus is growing steadily in terms of both income and total assets.

The Bank aims at establishing its image as a socially responsible financial institution and active member of the local community life by participating in several activities of cultural, sport and charitable nature.

Number of branches: 1
Number of ATM: 0
Number of employees: 109

Head Office: 2 Amathountos Street
 P.O.Box 56868, 3310 Limassol
 Tel: 25837300, Fax: 25342192
rcb@rcbcy.com



TRASTA KOMERCBANKA

JSC "TRASTA KOMERCBANKA" CYPRUS BRANCH

JSC "Trasta Komerbanka" is the oldest bank in Latvia and in 2009 completes 20 years in operation. It operates in a niche market offering tailor made solutions to customers that require that extra personal touch. It has 2 branches in Latvia, one in each of the country's two major cities. TKB in addition offers international banking services to Eastern European and CIS customers. It makes an effort to be close to its customers and as a result it has set up a fully fledged branch in Cyprus and representative offices in Russia, Kazakhstan, Ukraine, Belarus and Canada. JSC "Trasta Komerbanka" has also set up one more representative office in Tadjikistan in 2009.

As at the end of 2008 TKB employed 220 professional staff.

Number of branches: 1 (Cyprus)
Number of ATM: 0 (Cyprus)
Number of employees: 8 (Cyprus)

Head Office: 56 Arch. Makariou III Avenue,
 1075 Nicosia
 Tel: 22676766, Fax : 22677797
www.tkb.com.cy

Year under review



Artemis Bank Information Systems Ltd

The urgency of establishing a Credit Bureau in Cyprus by the banking industry was acknowledged by both the Central Bank of Cyprus and the Association of Cyprus Banks since 2008. Towards this goal the Association of Cyprus Banks founded Artemis Bank Information Systems Ltd (Artemis) in October 2008, as a Credit Bureau, with a set time-framework of commencing operations in the third quarter of 2009. Artemis commenced operations on the 11th of December 2009, whereby the four (4) biggest banks in Cyprus had access to the Artemis database comprising information about the economic behaviour of individuals and companies. Towards attaining its set goal several committees were established (Business, Legal, Security, and Technical), comprising executives from banks, the Association of Cyprus Banks and JCC Payment Systems Ltd (as the system administrator) along with representatives from Artemis. This project came to fruition with the combined efforts of all four designated committees. Within the first half of 2010 all the members of the Association of Cyprus Banks are expected to gain access to the Artemis database.

With full sense of its responsibility in upholding the public interest, Artemis' operations are guided by the following principles: absolute transparency regarding the rules of operation; assurance about the security of the information

maintained; respect and protection of individuals' rights; and adherence to and implementation of relevant decisions of the Commissioner for the Protection of Personal Data. Data filed by Artemis (of a purely supplementary role), is made available to the recipient banks. This arrangement is designed to foster the development and upgrading of the banking system, safeguard commercial credit, mitigate credit risk, place transactions on a sound footing, and promote the smooth functioning of the economy.

The gradual diversification of the categories of information stored by Artemis will be of critical importance towards attaining the stated goals. The benefit of having the full picture regarding the economic behaviour and the credit worthiness of individuals and companies, will be progressively attained through the incorporation of new categories of data in the Artemis database.

It is expected that despite Artemis's small size, its operations will greatly benefit both the local banking system and the economy. On the one hand it will allow banks to improve management of credit risk and fraud monitoring, and on the other enable bank customers to gain better access to financing and receive better services from banks. All these will contribute towards improving the functionality of the banking system in Cyprus.

ACB's Training Activities

The Association of Cyprus Banks continued successfully to organize training seminars for middle and high level management bank employees as part of its efforts to enhance and enrich the services offered to its members. Our aim is to further the knowledge of participants on issues, activities and trends in the modern financial services industry, including risk management, audit, supervision, compliance, prevention of money laundering and other.

The seminars are approved and partly subsidized by the Human Resource Development Authority of Cyprus. During the past year the Association organized 10 seminars, inviting high level speakers from the Hellenic Banking Institute (HBI), KPMG, PWC, PHI Trading Academy and others, and the number of participants reached 461 persons. Additionally, the Association organized training seminars in cooperation with the Institute of Financial Services, where experienced speakers presented specialized banking subjects.

Other Activities carried out by the Association

Special Government Bonds

The Ministry of Finance prepared legislation, subsequently approved by Parliament, for the issuance of special government bonds to credit institutions. Special government bonds are zero coupon bonds listed on the Cyprus Stock Exchange and are used as security for drawing liquidity from the European Central Bank or the interbank market.

The government has issued €3 billion worth of special government bonds to credit institutions incorporated in Cyprus, licensed by the Central Bank of Cyprus, which have capital adequacy over 8% and maintain minimum liquidity ratios as specified by the supervisory authority. Credit institutions purchased special government bonds by pledging performing commercial and residential loans to the government. The liquidity drawn from the European Central Bank is intended to provide residential and corporate loans to SMEs with favourable terms.

The Association formed an ad-hoc Committee to study the Bill and consulted intensively with the Ministry of Finance and the Central Bank of Cyprus. Despite the tight time limits imposed, all work was completed on time, allowing member banks to take advantage of the facility offered by the European Central Bank and draw liquidity at relatively low cost.

Collective Investment Schemes

In October 2009 the Parliament voted an amendment to taxation laws aimed at providing incentives for collective investment schemes (both UCITS and non-UCITS). The Association had long been advocating the reforms and has actively participated in a working group presided by the Finance Minister which undertook the legislative project. The main elements of the new laws that relate to the taxation of investors in collective investment schemes are as follows:

- Investors of UCITS or non-UCITS are not liable for any income tax on disposal of their units / shares.
- Non-resident investors are exempt from deemed dividend distribution taxation as well as from taxation on actual dividends received from collective investment schemes.
- Cypriot residents pay 15% on actual dividends received and if there are additional profits that have not been distributed, they are subject to deemed dividend distribution tax rate of 3% on those profits.

The new tax regime for the collective investment schemes (at entity level) is as follows:

- Collective Investment Schemes are not liable for any income tax on gains upon the sale of any investments that consist of titles (such as investments in shares, warrants, debentures, units in other collective investment schemes etc)
- Collective Investment Schemes pay 10% income tax on interest received (less interest-related expenses).
- Collective Investment Schemes do not pay any tax on dividends they receive from Cyprus companies.
- Collective Investment Schemes do not pay tax on dividends they receive from overseas companies. However, they pay 15% defence tax on dividends received from overseas companies whose main operations (over 50% of operations) are operations that generate income from investments.

During 2009, the Ministry of Finance initiated consultations for the update of the International Collective Investment Schemes Law which regulates non-UCITS. The Association formed an ad-hoc committee to examine the proposed amendments and promoted the views of its members to the Ministry of Finance. The Ministry of Finance has frozen the proposed amendments, pending the finalization of the Alternative Investment Fund

Managers Directive (AIFMD). However, the Association has continued to liaise with both the Central Bank of Cyprus and the Ministry of Finance in order to facilitate fund registration and oversight under the existing regime until the AIFMD implementation.

Issue of covered bonds

The Ministry of Finance, in cooperation with the Central Bank of Cyprus, prepared a first draft legislation for the issuance of covered bonds. Covered bonds are fixed income bonds, primarily issued by European credit institutions with a high credit rating, and form an alternative pool for drawing liquidity. They are usually purchased by investment funds, central banks and institutional investors. The cover pool consists of high quality assets (residential and corporate loans, public debt) that restrict credit risk, since in the case of bankruptcy of the issuer the repayment is facilitated from the sale of the assets that form part of the pool.

The Association strongly supports amending the legal framework to allow for the issuance of covered bonds. It can be seen that this development will provide local banks with an alternative source for drawing liquidity. The Association has therefore formed an ad-hoc Committee to study the terms and conditions of the draft legislation. Following the study of the draft legislation the Association communicated its position to the Ministry of Finance and outlined its suggestions for simplifying procedures when issuing covered bonds.

The Central Bank of Cyprus has recently prepared a second draft legislation that governs the issuance of covered bonds which was studied by the ad-hoc Committee and the banks' comments were submitted.

Deposit Guarantee Scheme

The global financial crisis has led the European Union to issue a new Directive on the regulations governing the operation of national Deposit Protection Schemes (DPS). As a result, the local DPS Management Committee of which the Association of Cyprus Banks is a member, incorporated the following amendments:

- a) increased the maximum amount of compensation per depositor per bank from €20,000 to €100,000;
- b) covered all currencies of deposits and
- c) abolished coinsurance and introduced full reimbursement of claims up to €100,000.

Additionally, the DPS Management Committee decided

to increase the capital of the DPS to €100 mln. Therefore, the banks were asked to make additional capital payments based on their deposits. Lastly, the DPS Management Committee started discussing the possibility of applying risk based contributions by member banks. The discussion is at a very early stage as the DPS Management Committee expects a forthcoming EU Directive on the specific issue before taking any decisions.

Consumer Credit Directive

The Ministry of Commerce, Industry and Tourism has drafted a bill in line with the provisions of the new European Directive 2008/48/EC on consumer credit. The new EU Directive was enacted in April 2008 by the European Parliament and all Member States are required to transpose the Directive into national law by 11 June 2010. The Directive applies to credit agreements between €200 and €75,000. This Directive does not however cover agreements related to mortgage credits. The Directive aims at increasing cross-border credit as well as at enhancing consumer protection and confidence.

The Directive sets that all financial institutions provide the same standard information to consumers before the conclusion of the contract. That is, a standardized sheet is given to the consumer which contains information related to the credit, such as the type of credit, the total amount of credit, the conditions governing the draw-down, the amount and frequency of payments, the duration of the contract, the Annual Percentage Rate of Change (APRC) and the total amount payable with a representative example, which includes the interest rate, commission, fees and other applicable charges. In this way consumers can compare different credit offers and choose the offer with the most favourable credit terms. In addition, the Annual Percentage Rate of Change (APRC) is harmonised and calculated in the same way in all Member States, thus allowing the consumer to compare various offers not only nationally but also cross-border. The consumer has also the right to withdraw from the contract within 14 calendar days and to repay fully or partially the loan at any time. In this case the creditor is entitled to a limited compensation so as to cover possible costs linked to the early repayment.

Financial institutions are also required to assess the creditworthiness of consumers before the conclusion of the contract. This assessment is based on information provided by the consumer himself, and if necessary, from credit information databases which operate in the Member States.

The Association of Cyprus Banks participated in the consultation process which was held at the Ministry of Commerce for the final drafting of the Bill. Undoubtedly, the new legislation reflects fundamental changes for the systems and procedures of banks that have already acted in order to meet the needs of the new era as from June 2010.

New Regulatory Regime for Fiduciary Services Providers

The recent expansion of the EU Anti-Money Laundering Regulatory Framework to cover trust and company services providers has created the responsibility on Member States to create the relevant mechanisms to ensure their requisite EU convergence.

Consequently a Draft Law for the Regulation of Fiduciaries, Trustees, Administration Services and Company Directors Providers ('Draft Law') has been recently issued for consultation and it is expected to be implemented later in the year.

The Draft Law regulates the following professional services:

- a) The creation, administration or the management of trusts and the provision of advice in relation to the latter services, including the provision of trustee services;
- b) The provision of company management services, including non-exclusively the creation and administration of companies or other legal entities and the provision of services or the provision of advice in relation to these services. These services are as follows:
 - (i) the provision of services in relation to the appointment of company directors;
 - (ii) the provision of consulting services in relation to the appointment of company secretaries or other company officials in any position;
 - (iii) the holding of share capital and its registration in the shareholders' register on behalf of a third party;
 - (iv) the registration of the official P.O. box and/or the email of companies;
 - (v) the provision of partners for the creation of partnerships;
 - (vi) the provision of similar to above positions in other organizations or legal entities;
 - (vii) the opening or the management of bank accounts or securities accounts.

Financial Ombudsman Draft Law

A Draft Law in relation to the Establishment and Operation

of a Financial Ombudsman (Draft Law) has been prepared by the government and other relevant bodies and has been submitted to Parliament for discussion.

The Financial Ombudsman shall facilitate out-of-court settlements by dealing independently in a cost-effective, transparent and less time-consuming way with unresolved complaints from consumers about their individual dealings with 'financial service providers'.

The term 'financial services providers' against which complaints may be filed, includes amongst others banks, insurance companies, investment companies, electronic money institutions and management companies of mutual funds.

The complaints submitted to the Financial Ombudsman must not exceed the amount of €170,000 and must be submitted by consumers falling under the following categories:

- a) a natural person;
- b) a legal person having a yearly turnover that does not exceed the amount of €250,000;
- c) a charitable institution, association or connection of persons, with turnover not exceeding the amount of €250,000;
- d) a trust whose net assets of the previous year do not exceed €250,000;
- e) a provident fund whose net assets of the previous year do not exceed €250,000;

The consumers shall not incur any substantial expenses or costs for the use of the Financial Ombudsman's Services, except only of a nominal fee upon submission of their complaint.

Value Added Tax

VAT Package: On January 2010 the new VAT Package came into effect in all EU countries. As a result, banks were faced with new compliance and reporting requirements. Prior to its implementation, the Association had organized a seminar to update officers from member banks and co-ordinated with the Customs and Excise Department to facilitate the implementation of the new rules.

Updating the VAT regime: In the past twelve months, the Association has initiated discussions with the Ministry of Finance with the objective of updating the Cypriot VAT regime and procedures. Following consultation with its members and professional advice from auditors, the Association prepared and submitted its proposals to the

Ministry of Finance. The proposals in effect advocate the early introduction of the EU amendments¹ (which are currently under discussion) and which we believe can be unilaterally introduced under the existing EU framework. They also contain more detailed implementation guidelines, as well as take into account best practice in other EU countries, and are summarized as follows:

- 1) Issuance of a VAT circular to reduce legal uncertainty and clarify the definition of value, time and place of provision of financial services.
- 2) Introduction of a cost-sharing group to allow financial groups to pool investments and re-distribute the costs for these investments from the group to its members, without applying VAT.
- 3) Introduction of the option to tax, whereby financial intermediaries can choose to charge VAT on a transaction basis.

The Association believes that its suggestions, if implemented, will have the effect of:

- Maintaining the advantage that Cyprus has due to its direct tax regime
- Reducing the administrative burden of banks as well as government authorities
- Encouraging foreign direct investments

Property Prices Index

The Central Bank of Cyprus's introduction of the Capital Requirements Directive and its subsequent adoption and implementation by the banks, has rendered necessary the existence of property indices, including a number of sub-indices per type of property and per district. Scientifically produced property indices will allow banks to monitor changes in the value of residential and commercial property, and thus better manage credit risk. In light of the above, the Central Bank of Cyprus, the Association's

member banks and other banks operating in Cyprus holding a significant market share in real estate loans, formed a joint Working Group for the creation of a property index for the Cypriot real estate market.

The Central Bank of Cyprus has assumed the responsibility for the coordination of the project, the collection and processing of data and the calculation of the general property index and sub-indices. It is anticipated that within 2010 all necessary work will be completed and the Central Bank of Cyprus will publish the first general property price index for the local real estate market.

Banking Supervision Committee

The Basel II Capital Accord is an international initiative that sets out new rules for internationally active banks in relation to the risks they are exposed to. The introduction of consistent capital adequacy regulations aims to ensure the financial soundness of the banking institutions and to further strengthen the stability of the international banking system.

All Member banks have adopted the Directive issued by the Central Bank of Cyprus on the «Calculation of the Capital Adequacy Requirement and Large Exposures». They use the Standardized Approach and the Basic Indicator Approach methods for the calculation of capital requirements for credit risk and operational risk respectively. More advanced approaches (Internal Ratings method) for the calculation of risks are expected to be used by some banks in the near future. It is important to mention that the application of the Capital Requirements Directive resulted in huge IT expenditure on behalf of banks for the upgrade of internal IT systems.

The Association of Cyprus Banks considers the issue of the Future Architecture of European Banking Supervision very important as it sets the parameters of the future supervisory models in a consolidated European banking sector. For this reason we regularly update all member banks on the various proposals and suggested models discussed within the European Banking Federation.

1. Proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services

Payment Services Directive (PSD) and Single Euro Payments Area (SEPA)

The Payment Services Directive (PSD) is a pan-European initiative from the European Commission which aims to regulate electronic payment services and electronic payment service providers. Its main target is to increase European competition and enhance participation in the electronic payments market. PSD is also intended to provide a single set of rules and principles which must be followed by all payment service providers, thereby harmonizing consumer protection. The transposed Law came into force in Cyprus on the 27th of November 2010, following approval by the Cypriot Parliament. The Association and its member banks have played an active role throughout the consultation process of the draft Law and have been in close communication with the Central Bank in order to promote their suggestions.

As far as SEPA is concerned, SEPA Credit Transfers and SEPA for Cards were adopted in Cyprus on the 28th of January 2008. SEPA Direct Debits will be partly adopted (in terms of reachability) on the 1st of November 2010. The Association's member banks are currently amending their systems, documentation and infrastructure in order to meet the above deadline. All Adherence documents for SEPA participation must be forwarded to the European Payments Council through the Association, which acts as Cyprus's National Adherence Support Organization (NASO).

Creation of a "Code of Practice on Switching Personal Accounts between Banks" - Developments

The European Commission and the European Banking Industry Committee (EBIC), following a series of negotiations, have agreed on an acceptable version of "Common Principles for Bank Account Switching". The said Principles have been issued for "self-regulating" purposes and have been prepared in order to enable consumers switch their bank accounts as quickly and as easily as possible and without bearing any costs. Following a common agreement, all member states have committed to adopt the said Principles within 2009. The national Banking Associations of each member state undertook to observe the implementation process and review the adoption of the Principles, once they have been put into effect. In Cyprus, the Bank Account Switching Code was put into effect in November 2009. One of its basic characteristics is that it commits all participating Banks to complete the Bank account switching process within 14 working days.

Leasing

The Draft Bill is currently being examined by the Office of the Attorney General of the Republic. It is a firm position of the Association that the Bill must be forwarded to Parliament together with the relevant tax and land registry related issues. To that end, the Association of Cyprus Banks in concert with the Finance House Association had a series of meetings with the Inland Revenue Department and the Land Registry Department with the purpose to reach a mutually acceptable decision for the abolition of various disincentives, reaching a consensus in relation to the majority of the issues so far.

Limitation of Actions Act

The suspension of Limitation of Actions Act has been extended for six more months, as a result of lobbying by the Association. Meanwhile, the Attorney General has assigned to an independent law firm the amendment of the Law, taking into account the recommendations of the Association.

Anti - Money Laundering

The Anti-money Laundering Committee participated in the consultation process for the 2010 amendment of the Law on the Prevention and Suppression of Money Laundering Activities 188(I) /2007.



The ACB

Background

The Association of Cyprus Banks is a non-profit professional body representing the interests of the banking industry and is supported by subscriptions from its members.

Mission

Following the formal accession of Cyprus in the European Union and the consequential harmonization of the domestic financial sector, the major objective of the Association is the coordination of banking policies and the formulation of common positions on several legislative and financial issues, especially in relation to compliance with EU guidelines. In this sense, the mission of the Association is to become a major player on the part of the private sector in evaluating and formulating suggestions on the economic, monetary and financial developments in the light of the globalization process of the world markets and the increasing intensity of competition anticipated in the financial sector. The constant changes in the structure of international banking render the role of the Association essential in evaluating, on time, the impact of global reforms on the domestic banking sector and in promoting the expanding needs of the local banking community.

Our mission is achieved by:

- Promoting the interests and cooperation of members with governmental bodies, the House of Representatives, various Ministries, the media and most importantly the Central Bank of Cyprus.
- Influencing the direction of the local regulatory and legislative framework concerning a broad range of issues relating to banking business and practices both in Cyprus and abroad.
- Collecting a regular flow of documentation and material from local and international organizations regarding economic and financial matters and keeping members informed of developments affecting banking policies and practices.
- Enhancing the relationship with other banking associations, the European Banking Federation, the Interbalkan Forum of Banking Associations and other influential global organizations in the financial sector. Our goal is for the domestic banking community to adopt international banking practices and know-how, following the accession of Cyprus in the European Union.
- Generating a better understanding of the value and quality of banking services and the significant contribution of the banking sector in the economic, social and cultural scene of the country.
- Promoting educational and consultative seminars and training courses to the professional staff of banks and encouraging participation in conferences and seminars organized locally and abroad.

1969

year of establishment
of the Association of Cyprus Banks

Organizational Framework

Board of Directors: The Association of Cyprus Banks is governed by the Board of Directors, whose members are appointed by member banks.

Chairman and Vice-Chairman: The Association's Chairman and a Vice-Chairman are appointed yearly on a rotation basis by the Board of Directors.

Director General: The Director General is appointed by the Board of Directors and heads a team of professional and highly qualified staff, manages the running of the day-to-day activities of the Association, makes recommendations to the Board regarding the Association's policies and internal organization, reports on major issues of its operation and supervises all tasks which have been delegated to him according to the Constitution of the Association.

Working Committees: In order to meet the needs of members and operate efficiently and proactively, the Association has established the following Permanent Interbank Advisory Committees.

1. Committee for Legal Affairs
2. Banking Operations & Policies Committee
3. Economic & Statistical Affairs Committee
4. Financial Markets Committee

5. ICC Committee

6. Fraud & Money Laundering Committee

7. Treasury & Risk Management Committee

8. Banking Supervision Committee

9. Consumer Affairs Committee

10. Communications & Crisis Management Committee

11. Compliance Committee

The Permanent Interbank Advisory Committees and Ad hoc Committees analyze information on a broad range of issues concerning banking and financial activities and act as advisory bodies to the Board of Directors. These Committees examine various issues and make recommendations to the Board and subsequently implement the Association's policies according to the Board's decisions. The ACB Committees are composed of representatives of member banks at the highest possible management level in the hierarchy of banks and are delegated with sufficient authority to take decisions.

Professional Team of ACB



Michael Kronides, Senior Officer



Skevi Demetriades,
Head of Secretariat and Operations
Support



Maria Ioannou, Senior Officer



Maria Varnava, Officer
Training Section



Demetra Valianti, Senior Officer



Popi Antoniou, Archives



Elena Frixou, Senior Officer



Andria Christodoulou, Secretariat



Marios Nicolaou, Senior Officer



Maria Constantinou, Secretariat



Christina Antoniou Pierides,
Senior Officer



Nicos Toffis, Clerical / Messenger

ACB events in 2009 & 2010

24/06/2009	Annual General Meeting of the Association
02/07/2009	Seminar – “The Payment Services Directive and its effect on Payment Cards”
09/07/2009	Seminar – “Pillar 3 and IFRS 7”
28/09/2009	Seminar – “Stress Testing and Capital Management”
October 2009	Seminar series – “Advanced Training on Documentary Credits” Jointly organized by the Association of Cyprus Banks (ACB) and the Institute of Financial Services, Cyprus
09/10/2009	Seminar – “Combating Money Laundering and Terrorist Financing – Practical Approach” Jointly organized by the ACB and the Institute of Financial Services, Cyprus
02/11/2009	Implementation of the Code of Practice on Switching Personal Accounts between Banks
17/11/2009	Meeting with the press
25/11/2009	Seminar – “VAT for Financial Services”
December 2009	Cyprus Banking Insight – Issue No 4
11/12/2009	Commencement of Operations - Artemis Banking Information Systems Ltd (Credit Bureau)
01 & 08 02/2010	Seminar – “Technical Analysis – Level 2”
08 & 09 03/2010	Seminar – “Compliance” Jointly organized by the ACB and the Institute of Financial Services, Cyprus
18 & 23 03/2010	Presentation of SEPA Direct Debits Scheme Jointly organized by the ACB, DIAS Ltd and Deutsche Bank
27/04/2010	3rd Banking Forum – Jointly organized by the ACB and the Cyprus Management Development Association
10/ 05/2010	Seminar – “Analysis of the new legal framework on Consumers’ Credit”
28/ 05/2010	Seminar – “Basel II developments after the financial Crisis”
June 2010	Cyprus Banking Insight – Issue No 5