

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the three months ended

31 March 2008

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2008

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Interim Consolidated Income Statement

for the three months ended 31 March 2008

		<i>Three months ended 31 March</i>		<i>Year ended 31 December</i>
		<i>2008</i>	<i>2007</i>	<i>2007</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>
	Notes			
Turnover	5	582.157	472.744	2.170.650
Interest income		469.858	373.886	1.728.818
Interest expense		(284.443)	(202.412)	(976.439)
Net interest income		185.415	171.474	752.379
Fee and commission income		51.419	52.111	210.504
Fee and commission expense		(3.429)	(2.988)	(12.381)
Foreign exchange income		7.617	8.411	46.711
Net (losses)/gains on sale, change in fair value and impairment of financial instruments		(9.251)	5.939	29.050
Insurance income net of insurance claims		15.873	13.383	56.450
Other income	6	12.506	1.741	32.372
		260.150	250.071	1.115.085
Staff costs		(74.237)	(70.615)	(295.597)
Other operating expenses	7	(44.647)	(40.996)	(190.397)
Profit before provisions		141.266	138.460	629.091
Provisions for impairment of loans and advances	9	(14.651)	(19.399)	(55.877)
Share of (loss)/profit of associates		(5.220)	3.699	9.148
Profit before tax		121.395	122.760	582.362
Taxation		(17.431)	(16.591)	(91.843)
Profit after tax		103.964	106.169	490.519
Profit/(loss) after tax attributable to:				
Shareholders of the Company		116.054	106.169	485.168
Minority interest		(12.090)	-	5.351
		103.964	106.169	490.519
Basic earnings per share (cent)	8	20,5	19,2	86,8
Diluted earnings per share (cent)	8	20,5	19,1	86,8

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Interim Consolidated Balance Sheet

as at 31 March 2008

		31 March	31 December
		2008	2007
	Notes	€000	€000
Assets			
Cash and balances with central banks		703.964	1.325.191
Placements with banks		4.895.096	6.158.367
Investments at fair value through profit or loss		487.139	521.118
Life insurance business assets attributable to policyholders		481.995	530.610
Loans and advances to customers	9	19.940.834	18.920.921
Investments available-for-sale and held-to-maturity		3.592.646	3.548.646
Property and equipment		321.953	319.662
Intangible assets		84.199	82.127
Other assets	10	334.038	339.230
Investment in associate		12.098	17.318
Total assets		30.853.962	31.763.190
Liabilities			
Amounts due to banks		1.635.853	1.233.337
Repurchase agreements		214.593	435.140
Customer deposits		23.983.015	25.178.966
Insurance liabilities		516.442	608.566
Debt securities in issue	11	1.359.113	1.253.690
Other liabilities	12	510.701	379.553
Subordinated loan stock	13	574.021	668.748
Total liabilities		28.793.738	29.758.000
Equity			
Share capital	14	566.223	483.726
Reserves		1.466.969	1.482.342
Equity attributable to the shareholders of the Company		2.033.192	1.966.068
Minority interest		27.032	39.122
Total equity		2.060.224	2.005.190
Total liabilities and equity		30.853.962	31.763.190
Contingent liabilities and commitments			
Contingent liabilities		1.818.587	1.751.677
Commitments		3.486.257	3.417.512

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

A. Artemis *Vice Chairman*
Y. Kypri *Group Chief General Manager*

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Interim Consolidated Statement of Changes in Equity

for the three months ended 31 March 2008

	Attributable to the shareholders of the Company					Minority interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation reserves and other reserves (Note 16) €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	-	-	(39.773)	-	(39.773)	-	(39.773)
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(963)	-	(963)	-	(963)
Deferred tax	-	-	(187)	256	69	-	69
Exchange adjustments	-	-	(1.274)	-	(1.274)	-	(1.274)
Increase in value of life assurance policies in force	-	-	2.295	(2.295)	-	-	-
Transfer to retained earnings on impairment of debt securities	-	-	2.856	-	2.856	-	2.856
Transfer to retained earnings on redemption/sale of available-for-sale investments	-	-	(9.845)	-	(9.845)	-	(9.845)
Loss recognised directly in equity	-	-	(46.891)	(2.039)	(48.930)	-	(48.930)
Profit/(loss) after tax for the period	-	-	-	116.054	116.054	(12.090)	103.964
Total profit/(loss) for the period	-	-	(46.891)	114.015	67.124	(12.090)	55.034
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 each to €1 each	82.497	(82.497)	-	-	-	-	-
At 31 March 2008	566.223	605.852	139.434	721.683	2.033.192	27.032	2.060.224

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Interim Condensed Consolidated Statement of Changes in Equity

for the three months ended 31 March 2007

	Share capital €000	Share premium €000	Revaluation reserves and other reserves (Note 16) €000	Retained earnings €000	Total €000
At 1 January 2007	473.144	583.257	164.721	324.515	1.545.637
Losses from change in fair value of available-for-sale investments	-	-	(6.279)	-	(6.279)
Gains from change in fair value of financial instruments designated as cash flow hedges	-	-	77	-	77
Deferred tax	-	-	(225)	179	(46)
Exchange adjustments	-	-	43	-	43
Increase in value of life assurance policies in force	-	-	1.790	(1.790)	-
Transfer of revaluation of investment in associate	-	-	(74)	(777)	(851)
Share of net assets of associate relating to the Company's shares	-	-	(5.623)	-	(5.623)
Transfer to retained earnings on redemption/sale of available-for-sale investments	-	-	(1.910)	-	(1.910)
Loss recognised directly in equity	-	-	(12.201)	(2.388)	(14.589)
Profit after tax for the period	-	-	-	106.169	106.169
Total (loss)/profit for the period	-	-	(12.201)	103.781	91.580
Cost of share-based payments	-	-	-	3.729	3.729
Exercise of share options	282	1.551	-	-	1.833
At 31 March 2007	473.426	584.808	152.520	432.025	1.642.779

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Interim Consolidated Cash Flow Statement

for the three months ended 31 March 2008

		Three months ended 31 March	
		2008	2007
		€000	€000
	Notes		
Net cash flow from operating activities			
Profit before tax		121.395	122.760
Share of loss/(profit) of associates		5.220	(3.699)
Provisions for impairment of loans and advances		14.651	19.399
Depreciation of property and equipment, amortisation of intangible assets and discounts/premiums		(4.789)	8.954
Cost of share-based payments		-	3.729
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(54.287)	(41.334)
		82.190	109.809
Net increase in loans and advances to customers and other accounts		(987.818)	(1.270.256)
Net (decrease)/increase in customer deposits and other accounts		(881.322)	998.645
		(1.786.950)	(161.802)
Tax paid		(7.567)	(4.166)
Net cash flow used in operating activities		(1.794.517)	(165.968)
Cash flow from investing activities			
Purchases of investments		(444.443)	(591.974)
Proceeds on disposal/redemption of investments		380.070	315.902
Interest on treasury bills and debt securities		47.865	46.959
Dividend income from equity shares		13	89
Acquisition of subsidiary		-	(12.697)
Purchase of property and equipment		(9.067)	(3.585)
Proceeds on disposal of property and equipment		28	96
Purchase of intangible assets		(3.704)	(668)
Purchase of investment property		(406)	-
Proceeds on disposal of investment property		12.329	962
Net cash flow used in investing activities		(17.315)	(244.916)
Cash flow from financing activities			
Issue of share capital		-	1.833
Redemption of subordinated loan stock		(91.229)	-
Interest on subordinated loan stock		(8.556)	(6.682)
Net cash flow used in financing activities		(99.785)	(4.849)
Net decrease in cash and cash equivalents for the three months		(1.911.617)	(415.733)
Cash and cash equivalents			
At 1 January		6.793.635	4.812.201
Exchange adjustments		(1.274)	43
Net decrease in cash and cash equivalents for the three months		(1.911.617)	(415.733)
At 31 March	17	4.880.744	4.396.511

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Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiary and associated companies, which together are referred to as the 'Group', and were authorised for issue by a resolution of the Board of Directors on 28 May 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 three months ended 31 March 2008 have not been audited by the Group's external auditors.

3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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 have been prepared in accordance 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, these 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.

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 that rate.

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except when 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 three months ended 31 March 2008 are consistent with those followed for the preparation of the annual financial statements for year 2007.

5. 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 and Russia.

The primary reporting format is by business segment.

	Banking and financial services		Insurance business		Property and hotel business		Total	
	<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>	
	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000	2008 €000	2007 €000
Turnover	541.900	435.001	39.908	34.358	349	3.385	582.157	472.744
Profit before tax	99.043	111.661	11.388	10.195	10.964	904	121.395	122.760

6. Other income

Other income for the three months ended 31 March 2008 includes dividend income of €13 thousand (corresponding period of 2007: €89 thousand).

7. Other operating expenses

Other operating expenses for the three months ended 31 March 2008 include depreciation of property and equipment and amortisation of intangible assets of €7.171 thousand (corresponding period of 2007: €7.643 thousand).

8. Basic and diluted earnings per share

	<i>Three months ended 31 March</i>	
	2008	2007
Profit after tax attributable to the shareholders of the Company (€ thousand)	116.054	106.169
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	564.813	554.338
Basic earnings per share (cent)	20,5	19,2
Weighted average number of shares, adjusted for the exercise of share options, excluding shares of the Company held by subsidiaries and associates (thousand)	564.813	556.431
Diluted earnings per share (cent)	20,5	19,1

8. Basic and diluted earnings per share *(continued)*

The Group had issued Share Options to its employees, which constituted potentially dilutive ordinary shares. The diluted earnings per share are calculated after adjusting the weighted number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares are converted into shares by their holders.

The weighted average number of shares for the three months ended 31 March 2007 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan, resulting from the dividend payments in June and December 2007.

9. Loans and advances to customers

	31 March 2008	31 December 2007
	€000	€000
Loans and advances to customers	20.526.111	19.499.928
Provisions for impairment of loans and advances	(585.277)	(579.007)
	19.940.834	18.920.921

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

	Total provisions for impairment
	€000
At 1 January 2008	579.007
Exchange adjustments	(237)
Applied in writing off impaired loans and advances	(12.226)
Interest on impaired loans and advances	(8.273)
Collections of loans previously written off	12.355
Charge for the period	14.651
At 31 March 2008	585.277

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Notes to the Interim Condensed Consolidated Financial Statements

9. Loans and advances to customers (continued)

	Total provisions for impairment
	€000
At 1 January 2007	788.875
Exchange adjustments	907
Applied in writing off impaired loans and advances	(23.671)
Interest on impaired loans and advances	(11.107)
Collections of loans previously written off	3.439
Charge for the period	39.634
At 31 March 2007	798.077

The charge for the three months ended 31 March 2007 in the table above does not agree with the charge for the period as presented in the income statement, as part of the provision relating to suspended income in the period ended 31 March 2007 was netted off against interest and fee and commission income.

10. Other assets

Other assets at 31 March 2008 include the positive fair value of derivative financial instruments of €53.504 thousand (31 December 2007: €55.642 thousand).

11. Debt securities in issue

	Contractual interest rate	31 March 2008	31 December 2007
		€000	€000
Medium term Senior Debt			
€3 million 2003/2008	Three-month Euribor plus 0,45%	3.019	3.023
€300 million 2005/2008	Three-month Euribor plus 0,30%	300.088	300.478
€300 million 2006/2009	Three-month Euribor plus 0,33%	293.363	289.162
€500 million 2007/2010	Three-month Euribor plus 0,20%	488.671	492.209
		1.085.141	1.084.872
Short term Commercial Paper			
in Euro	-	219.865	160.926
in U.S. Dollars	-	53.615	7.400
		273.480	168.326
Interest-free loan from the European Development Bank	-	492	492
		1.359.113	1.253.690

11. Debt securities in issue *(continued)*

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 €2.000 million (31 December 2007: €2.000 million).

Under this Programme, the Company issued in June 2005, €300 million Senior Debt 2005/2008. The Senior Debt has a three-year term, bears a floating rate of interest and was issued at the price of 99,853%. Under the EMTN Programme, the Company also issued in June 2006, €300 million Senior Debt 2006/2009 which has a three-year term, bears a floating rate of interest and was issued at the price of 99,942%. In June 2007, the Company issued €500 million Senior Debt 2007/2010 which has a three year term, bears a floating rate of interest and was issued at the price of 99,915%. The €3 million Senior Debt 2003/2008 was issued at par in 2003.

At 31 March 2008, the nominal amount of the €300 million Senior Debt 2005/2008 outstanding was €299.260 thousand (31 December 2007: €299.500 thousand) as €740 thousand (31 December 2007: €500 thousand) of debt was held by the Group for trading purposes. At 31 March 2008, the 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 securities were held by the Group for trading purposes. At 31 March 2008, the nominal amount of the €500 million Senior Debt 2007/2010 outstanding was €489.000 thousand (31 December 2007: €492.500 thousand) as €11.000 thousand (31 December 2007: €7.500 thousand) of debt securities were held by the Group for trading purposes.

The issues of €300 million 2005/2008, €300 million 2006/2009 and €500 million 2007/2010 are listed on the Luxembourg Stock Exchange.

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: €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.

12. Other liabilities

Other liabilities at 31 March 2008 include the negative fair value of derivative financial instruments of €84.638 thousand (31 December 2007: €30.396 thousand) and provisions for pending litigation or claims of €3.330 thousand (31 December 2007: €3.330 thousand).

13. Subordinated loan stock

	31 March 2008	31 December 2007
	€000	€000
Subordinated Bonds 2008/2013 in Euro (€200 million)	200.557	202.227
Subordinated Bonds 2011/2016 in Euro (€200 million)	195.496	197.222
Capital Securities Series A (€111 million)	-	91.229
Capital Securities Series B (€51 million)	51.378	51.381
Capital Securities 12/2007 (€126 million)	126.590	126.689
	574.021	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 €2.000 million (31 December 2007: €2.000 million).

Under this Programme, the Company issued in October 2003, €200 million Subordinated Bonds 2008/2013 in Euro, bearing 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 issue price of the Bonds was 99,766%. The Bonds are listed on the Luxembourg Stock Exchange. At 31 March 2008, the nominal amount of the €200 million Subordinated Bonds 2008/2013 outstanding amounted to €197.864 thousand (31 December 2007: €199.114 thousand) as €2.136 thousand (31 December 2007: €886 thousand) of bonds were held by the Company for trading purposes.

Also under the EMTN Programme, the Company 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 issue price of the Bonds was 99,861%. The Bonds are listed on the Luxembourg Stock Exchange. At 31 March 2008, the nominal amount of €200 million Subordinated Bonds 2011/2016 outstanding amounted to €194.300 thousand (31 December 2007: €196.000 thousand) as €5.700 thousand (31 December 2007: €4.000 thousand) of bonds were held by the Company for trading purposes.

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.

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Notes to the Interim Condensed Consolidated Financial Statements

13. Subordinated loan stock (continued)

Capital Securities (continued)

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 Capital Securities Series A and B are listed on the Cyprus Stock Exchange. The Company intends to apply to the relevant authorities for the listing of the Capital Securities 12/2007 on the Cyprus Stock Exchange.

The Group exercised its option to redeem in whole the Capital Securities Series A at par on 20 February 2008.

At 31 March 2008, the Capital Securities Series B and 12/2007 outstanding amounted to €51.058 thousand and €126.337 thousand (31 December 2007: €51.058 thousand and €126.437 thousand respectively) as €200 thousand of Capital Securities Series B and €100 thousand of Capital Securities 12/2007 (31 December 2007: €200 thousand and nil respectively) were held by the Company for trading purposes.

14. Share capital

	31 March 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	750.000	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	-	-	7.398	6.322
Exercise of share options	-	-	4.986	4.260
At 31 March 2008/31 December 2007	566.223	566.223	566.223	483.726

As from 1 January 2008, the nominal value of the share capital of the Company was increased to €1,00 each. 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 remains the same, but their nominal value is €1,00 each instead of C£0,50 each.

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 10% on the market value of the shares. The reinvestment price for the dividend paid on 12 December 2007 was set at C£6,78 (€11,58) per share, 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.

14. Share capital *(continued)*

Share Options

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 share. The Share Options 2001/2007 could be exercised by their holders from 31 January 2004 to 31 December 2007.

During the year 2007, Share Options 2001/2007 totalling 796.807 were exercised by the Group employees. At 31 December 2007, there were no options unexercised by their holders, 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.

The Company had also granted Share Options 2006/2007 to all permanent employees in Cyprus and Greece who were in service at 31 March 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 C£3,70 (€6,32) and the exercise period was from 31 March 2007 to 30 June 2007 and had been extended until 31 August 2007. During the period from 31 March 2007 to 31 August 2007, 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.

15. Dividend

The payment of the final dividend amounting to €0,25 per share, and totalling €141.556 thousand was approved at the Annual General Meeting of the shareholders on 14 May 2008. The proposed ex-dividend date is 26 May 2008. As a result, registered shareholders on 23 May 2008 will be eligible to receive the dividend. The dividend will be paid to the shareholders on 10 June 2008.

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Notes to the Interim Condensed Consolidated Financial Statements

16. 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	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 from change in fair value	-	(39.773)	(963)	-	-	-	(40.736)
Deferred tax	-	(19)	88	(256)	-	-	(187)
Exchange adjustments	-	-	-	-	(1.274)	-	(1.274)
Increase in value of life assurance policies in force	-	-	-	2.295	-	-	2.295
Transfer to retained earnings on redemption/sale	-	(9.845)	-	-	-	-	(9.845)
Transfer to retained earnings on impairment	-	2.856	-	-	-	-	2.856
At 31 March 2008	100.773	729	157	59.704	(4.595)	(17.334)	139.434

	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
(Losses)/gains from change in fair value	-	(6.279)	77	-	-	-	-	(6.202)
Deferred tax	(3)	(38)	(5)	(179)	-	-	-	(225)
Exchange adjustments	-	-	-	-	-	43	-	43
Increase in value of life assurance policies in force	-	-	-	1.790	-	-	-	1.790
Reversal of revaluation of investment upon becoming an associate	-	(74)	-	-	-	-	-	(74)
Transfer to the income statement on redemption of available-for-sale investments	-	(1.910)	-	-	-	-	-	(1.910)
Shares of the Company held by associate	-	-	-	-	-	-	(5.623)	(5.623)
At 31 March 2007	61.534	49.029	(842)	49.110	3.730	(4.418)	(5.623)	152.520

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Notes to the Interim Condensed Consolidated Financial Statements

17. Cash and cash equivalents

	31 March 2008	31 March 2007
	€000	€000
Cash and non obligatory balances with central banks	277.285	255.796
Placements with banks repayable within three months	4.603.459	4.140.715
	4.880.744	4.396.511

18. Staff numbers

The number of persons employed by the Group at 31 March 2008 was 6.996 (31 December 2007: 6.909).

19. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 31 March 2008 include the following companies, by country of incorporation:

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

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

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

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'.

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

Company	Percentage holding		Accounting treatment
	31 March 2008	31 December 2007	
JCC Payment Systems Ltd	45,00	45,00	Proportional consolidation
Cytrustees Investment Public Company Ltd	49,98	49,98	Consolidation
Interfund Investments Plc	22,83	22,83	Equity method

The investment in Cytrustees Investment Public Company Ltd 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, the company is accounted for as a subsidiary, in accordance with the provisions of the IFRSs.

The investment in Interfund Investments Plc, which is a closed-end investment company, was acquired on 21 May 2007 and was first included in the financial statements for the three months ended 30 June 2007.

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Notes to the Interim Condensed Consolidated Financial Statements

19. Group companies (continued)

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

In November 2007 the Company signed an agreement for the acquisition of the Ukrainian bank AvtoZAZBank. The agreement was completed on 26 May 2008 (Note 22).

The subsidiary company BOC International Fund Management Ltd, incorporated in Ireland, was dissolved on 9 November 2007 and is no longer included in the financial statements.

The subsidiary Old Company (BCL) Ltd has been liquidated in 2007 and is not included in the financial statements.

There was no other change in the companies that were consolidated or in the method of consolidation compared to 31 March 2007 and 31 December 2007.

20. Related party transactions

	31 March 2008	<i>31 December 2007</i>
	€000	€000
Loans and other advances to:		
- members of the Board of Directors and key management personnel	9.028	9.814
- connected persons	129.279	132.000
	138.307	141.814
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	70.877	85.017
	209.184	226.831
Tangible security	226.553	223.641
Deposits of:		
- members of the Board of Directors and key management personnel	45.224	85.965
- connected persons	28.893	42.654
	74.117	128.619

20. Related party transactions *(continued)*

Interest income and expense from related parties for the three months ended 31 March 2008 amounted to €2.003 thousand and €889 thousand (corresponding period of 2007: €1.961 thousand and €137 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 control 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 under the same terms as those applicable for the rest of the Group's employees.

Remuneration

During the three months ended 31 March 2008, the remuneration of the members of the Board of Directors and key management personnel amounted to €2.052 thousand (corresponding period of 2007: €1.240 thousand) which includes (ex gratia) retirement benefits amounting to €678 thousand paid to a former executive director who departed from the Group.

Other transactions

Mr Andreas Artemis, Vice-Chairman of the Board of Directors of the Company, holds an indirect interest and is Chairman of the Board of Directors of the Commercial General Insurance Ltd group which is engaged in general insurance business 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 three months ended 31 March 2008 amounted to €250 thousand (corresponding period of 2007: €240 thousand).

Mrs Anna Diogenous, member of the Board of Directors of the Company, holds an indirect interest in the company Pylones SA Hellas, which supplies the Company with equipment and services following tender procedures and in the company Unicars Ltd which supplies the Group in Cyprus with cars and related services. The total purchases from these companies for the three months ended 31 March 2008 amounted to €87 thousand (corresponding period of 2007: €127 thousand). Also, 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 three months ended 31 March 2008 amounted to €2 thousand (corresponding period of 2007: €363 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 three months ended 31 March 2008 amounted to €40 thousand (corresponding period of 2007: €54 thousand).

21. Other information

- The total capital expenditure of the Group for the three months ended 31 March 2008 amounts to €10.619 thousand (corresponding period of 2007: €4.253 thousand).
- There are no fixed charges in favour of third parties over the Group's property and equipment at 31 March 2008.
- The Group's provision for pending litigation or claims at 31 March 2008 is set out in Note 12. 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.

21. Other information (continued)

- The court of New York has issued a judgement in relation to the application which was pending before it for the payment by the Company of an amount up to \$77 million (€53 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 has been filed by the petitioner. The final outcome of the case is not expected to have a material impact on the Group's financial position and performance.
- In September 2006, the 'Trustees of the AremisSoft Corporation Liquidating Trust' filed civil actions against the Company for at least \$50 million (€34 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 \$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, factually and legally without merit.

22. Post balance sheet events

- (i) On 30 April 2008 the Board of Directors decided to proceed with the issue of convertible bonds up to €566,2 million to be offered to the existing shareholders and referred to as 'Convertible Bonds 2013/2018'. The convertible bonds will be issued at par in values of €1 and will bear a fixed interest rate of 6,00% until 30 June 2009 and floating interest rate thereafter, equal to the 6-month Euribor in force at the beginning of each interest period plus 1,00%. The conversion periods are 15-31 March for the years 2011-2013 and 15-30 September for the years 2010-2012 at the price of €10,50 and repayment price at par, i.e. €1 per Convertible Bond.

The Convertible Bonds constitute direct, unsecured and subordinated securities of the Bank.

The Convertible Bonds may be redeemed at the option of the Bank at their principal amount together with any outstanding interest payments on 30 June 2013, or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

The capital raised through the issue will be used to strengthen the Group's capital adequacy and together with the projected increased undistributed profits, as per the three year plan of the Group, can be invested for the increased growth of the Group's operations, both organically and via acquisitions.

- (ii) The Annual General Meeting held on 14 May 2008 approved the establishment of a Share Options Plan for the allotment of share options to the employees of the Bank of Cyprus Group, up to 15 million Company shares.

22. Post balance sheet events *(continued)*

- (iii) On 26 May 2008 the Company completed the acquisition of the Ukrainian Bank AvtoZAZBank, having obtained the relevant approvals from the supervisory authorities in Cyprus and Ukraine.

The Company acquired 97,2% of the share capital of AvtoZAZBank for the sum of €57,9 million paid in cash.

The Bank of Cyprus Group expands in line with its strategic plan in countries with significant economic growth potential, large population, relatively low banking penetration and a high degree of recognition for Bank of Cyprus. Bank of Cyprus will provide full banking services in Ukraine, also leveraging on its significant number of established relationships with businesses operating in the country.