

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2006

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2006

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Interim Condensed Consolidated Income Statement

for the nine months ended 30 September 2006

	Notes	<i>Nine months ended 30 Sept.</i>		<i>Year ended 31 Dec.</i>
		<i>2006</i>	<i>2005</i>	<i>2005</i>
		<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
Turnover	5	697.708	578.794	797.255
Net interest income		257.954	202.358	279.766
Net fee and commission income		73.243	65.967	89.704
Foreign exchange income		14.646	10.520	14.493
Net gains on sale and change in fair value of financial instruments		12.428	3.331	6.022
Income from insurance business		19.878	17.417	23.375
Other income	6	5.754	4.985	5.882
		383.903	304.578	419.242
Staff costs		(113.894)	(110.128)	(151.331)
Other operating expenses	7	(66.327)	(65.829)	(86.266)
Profit before provisions		203.682	128.621	181.645
Provisions for bad and doubtful debts		(49.425)	(66.725)	(91.087)
Profit before tax		154.257	61.896	90.558
Tax		(24.081)	(11.500)	(18.141)
Profit after tax		130.176	50.396	72.417
Basic earnings per share (cent)	8	23,8	10,1	14,4
Diluted earnings per share (cent)	8	23,7	10,1	14,4

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Interim Condensed Consolidated Income Statement

for the three months from 1 July to 30 September 2006

		<i>Three months ended 30 Sept.</i>	
		<i>2006</i>	<i>2005</i>
	<i>Notes</i>	<i>C£000</i>	<i>C£000</i>
Turnover		254.520	199.642
Net interest income		94.368	70.063
Net fee and commission income		24.087	22.905
Foreign exchange income		5.970	4.090
Net (losses)/gains on sale and change in fair value of financial instruments		(6.156)	3.476
Income from insurance business		6.815	5.700
Other income	6	3.415	1.212
		128.499	107.446
Staff costs		(38.925)	(36.166)
Other operating expenses	7	(21.031)	(23.309)
Profit before provisions		68.543	47.971
Provisions for bad and doubtful debts		(15.528)	(24.405)
Profit before tax		53.015	23.566
Tax		(7.859)	(4.481)
Profit after tax		45.156	19.085
Basic earnings per share (cent)		8,2	3,8
Diluted earnings per share (cent)		8,1	3,8

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Interim Condensed Consolidated Balance Sheet

as at 30 September 2006

	Notes	30 Sept.	31 Dec.
		2006	2005
		€000	€000
Assets			
Cash and balances with central banks		436.209	611.681
Placements with banks		2.711.737	2.578.300
Investments at fair value through profit or loss		222.954	89.331
Loans and other advances to customers	9	7.854.014	6.984.211
Investments available-for-sale and held-to-maturity		2.088.068	1.945.261
Property and equipment	10	154.445	159.664
Intangible assets	10	10.524	10.927
Other assets	11	262.328	191.008
		13.740.279	12.570.383
Life assurance business net assets attributable to policyholders		265.941	231.806
Total assets		14.006.220	12.802.189
Liabilities			
Amounts due to banks		344.870	177.749
Customer deposits and other accounts		11.391.201	10.724.485
Debt securities in issue	12	566.178	318.216
Other liabilities	13	242.986	223.701
		12.545.235	11.444.151
Life assurance business liabilities to policyholders		265.941	231.806
Subordinated loan stock	14	319.483	364.581
Equity			
Share capital	15	274.970	272.658
Reserves		600.591	488.993
		875.561	761.651
Total liabilities and equity		14.006.220	12.802.189
Contingent liabilities and commitments			
Contingent liabilities		811.090	770.809
Commitments		1.396.010	1.389.717

E. P. Ioannou
A. Artemis
A. Eliades
C. G. Stavrakis
Y. Kypri
Chr. Hadjimitsis

Chairman
Vice-Chairman
Group Chief Executive Officer
Chief Executive Officer – Cyprus and Deputy Group Chief Executive Officer
Group Chief General Manager
Group General Manager Finance

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Interim Condensed Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2006

	Share capital C€000	Share premium C€000	Revaluation reserves and other reserves C€000	Exchange adjustments reserve C€000	Retained earnings C€000	Total equity C€000
At 1 January 2006	272.658	311.399	95.919	(2.898)	84.573	761.651
Gains from change in fair value of available-for-sale investments	-	-	12.375	-	-	12.375
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(1.182)	-	-	(1.182)
Deferred tax	-	-	898	-	-	898
Exchange adjustments	-	-	-	161	-	161
Increase in value of life assurance policies in force	-	-	2.775	-	(2.775)	-
Transfer of realised profits on disposal of property	-	-	(578)	-	578	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(6.164)	-	-	(6.164)
Profit/(loss) recognised directly in equity	-	-	8.124	161	(2.197)	6.088
Profit after tax for the period	-	-	-	-	130.176	130.176
Total profit for the period	-	-	8.124	161	127.979	136.264
Dividend paid (Note 16)	-	-	-	-	(38.211)	(38.211)
Dividend reinvestment	1.695	10.140	-	-	-	11.835
Exercise of share options	617	3.405	-	-	-	4.022
At 30 September 2006	274.970	324.944	104.043	(2.737)	174.341	875.561

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Interim Condensed Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2005

	Share capital C£000	Share premium C£000	Revaluation reserves and other reserves C£000	Exchange adjustments reserve C£000	Retained earnings C£000	Total equity C£000
At 1 January 2005	232.385	238.955	56.918	(2.828)	33.683	559.113
Gains from change in fair value of available-for-sale investments	-	-	30.060	-	-	30.060
Transfer to the income statement on termination of cash flow hedges	-	-	4.043	-	-	4.043
Deferred tax	-	-	1.256	-	-	1.256
Exchange adjustments	-	-	-	(55)	-	(55)
Increase in value of life assurance policies in force	-	-	1.202	-	(1.202)	-
Transfer of realised profits on disposal of property	-	-	(148)	-	148	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(4.084)	-	-	(4.084)
Profit/(loss) recognised directly in equity	-	-	32.329	(55)	(1.054)	31.220
Profit after tax for the period	-	-	-	-	50.396	50.396
Total profit for the period	-	-	32.329	(55)	49.342	81.616
Dividend paid (Note 16)	-	-	-	-	(18.591)	(18.591)
Dividend reinvestment	1.321	2.907	-	-	-	4.228
At 30 September 2005	233.706	241.862	89.247	(2.883)	64.434	626.366

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Interim Condensed Consolidated Cash Flow Statement

for the nine months ended 30 September 2006

		Nine months ended 30 Sept.	
		2006	2005
	Notes	C£000	C£000
Net cash flow from operating activities			
Profit before tax		154.257	61.896
Provisions for bad and doubtful debts		49.425	66.725
Depreciation of property and equipment and amortisation of intangible assets and discounts/premiums		16.136	15.482
Income from investments and disposal of property, equipment and intangible assets less interest on subordinated loan stock		(55.139)	(50.802)
		164.679	93.301
Net increase in loans and other advances to customers and other accounts		(1.058.858)	(704.480)
Net increase in customer deposits and other accounts		1.094.311	1.447.845
		200.132	836.666
Tax paid		(18.122)	(15.289)
Net cash flow from operating activities		182.010	821.377
Net cash flow used in investing activities		(82.724)	(91.528)
Net cash flow used in financing activities		(73.550)	(25.651)
Net increase in cash and cash equivalents for the nine months		25.736	704.198
Cash and cash equivalents			
At 1 January		2.780.103	1.601.133
Exchange adjustments		161	(55)
Net increase in cash and cash equivalents for the nine months		25.736	704.198
At 30 September	17	2.806.000	2.305.276

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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 all its subsidiaries, which together are referred to as the 'Group', and were authorised for issue by a resolution of the Board of Directors on 3 November 2006.

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 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 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 for the nine months ended 30 September 2006 have not been audited by the Group's external auditors.

3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2006 have been prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IAS 34: Interim Financial Reporting).

All IFRSs issued by the IASB and effective 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 2005.

The Interim Condensed Consolidated Financial Statements are presented in Cyprus pounds (C£).

4. Significant accounting policies

The accounting policies that have been followed for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2006 are consistent with those followed for the preparation of the financial statements for year 2005, except for the adoption by the Group of the new and amended IFRSs as of 1 January 2006, as stated below. It is noted that as of 1 January 2006, the Group has adopted the stricter regulations issued by the Central Bank of Cyprus regarding suspension of income. According to the new regulations, income is suspended on all loans and advances that are more than three months in arrear (six months until 31 December 2005) and are not fully secured. Income is suspended on all the loans and advances of customers who have a specific facility to which the aforementioned criteria apply.

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Notes to the Interim Condensed Consolidated Financial Statements

4. Significant accounting policies (continued)

Adoption of new and amended IFRSs

As of 1 January 2006, the following new and amended IFRSs came into force.

IAS 19 (amended): Employee benefits

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses on defined benefit plans. The Group has not changed its accounting policy regarding the recognition of actuarial gains and losses. Adoption of this amendment will affect the format and extent of disclosures presented in the Group's annual financial statements.

IAS 39 (amended): Cash flow hedge accounting of forecast intra-group transactions

The amendment allows the foreign currency risk of a highly probable forecast intra-group transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and (b) the foreign currency risk will affect the consolidated income statement. The Group does not currently have any intra-group transactions that could qualify as hedged items in the consolidated financial statements.

IAS 39 and IFRS 4 (amended): Financial guarantee contracts

This amendment requires issued financial guarantees (other than those previously asserted by the Group to be insurance contracts) to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred and (b) the expenditure required to settle the commitment at the balance sheet date. The adoption of the amendment did not have a material effect on the results and financial statements of the Group.

IFRS 1 (amended): First-time adoption of International Financial Reporting Standards and IFRS 6 (amended): Exploration for and evaluation of mineral resources

The amendments are not relevant to the activities of the Group.

IFRIC Interpretation 4: Determining whether an arrangement contains a lease

The Interpretation specifies criteria for the determination of whether an agreement is or contains a lease and specifies the circumstances under which agreements that do not have the legal nature of a lease should be recognised according to IAS 17 'Leases'. The adoption of the Interpretation did not have a material effect on the financial statements of the Group.

IFRIC Interpretation 5: Right to interest arising from decommissioning, restoration and environmental rehabilitation funds and IFRIC Interpretation 6: Liabilities arising from participating in a specific market - waste electrical and electronic equipment

The Interpretations are not relevant to the activities of the Group.

IAS 21 (amended): The effects of changes in foreign exchange rates - net investment in a foreign operation

This amendment mainly requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised initially in equity irrespective of the currency of the monetary item. The amendment does not have an effect on the financial statements of the Group.

5. Segmental analysis

The Group has three principal business segments: (a) banking and financial services, (b) life and general insurance business and (c) property and hotel business.

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

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Notes to the Interim Condensed Consolidated Financial Statements

5. Segmental analysis (continued)

The primary reporting format is by business segment.

	Banking and financial services		Insurance business		Property and hotel business		Total	
	<i>Nine months ended 30 Sept.</i>		<i>Nine months ended 30 Sept.</i>		<i>Nine months ended 30 Sept.</i>		<i>Nine months ended 30 Sept.</i>	
	2006 C€000	<i>2005 C€000</i>	2006 C€000	<i>2005 C€000</i>	2006 C€000	<i>2005 C€000</i>	2006 C€000	<i>2005 C€000</i>
Turnover	636.010	523.676	54.323	49.807	7.375	5.311	697.708	578.794
Profit before tax	138.808	49.350	12.555	10.184	2.894	2.362	154.257	61.896

6. Other income

Other income for the nine months ended 30 September 2006 includes dividend income of C€685 thousand (corresponding period of 2005: C€325 thousand) and for the three months ended 30 September 2006 of C€584 thousand (corresponding period of 2005: C€212 thousand).

7. Other operating expenses

Other operating expenses for the nine months ended 30 September 2006 include depreciation of property and equipment and amortisation of intangible assets of C€13.978 thousand (corresponding period 2005: C€14.692 thousand) and for the three months ended 30 September 2006 of C€4.659 thousand (corresponding period of 2005: C€4.811 thousand).

8. Earnings per share

	<i>Nine months ended 30 Sept.</i>	
	2006	<i>2005</i>
Profit after tax (C€ thousand)	130.176	50.396
Weighted average number of shares in issue during the period for basic earnings per share (thousand)	547.405	499.891
Weighted average number of shares adjusted for the exercise of share options for diluted earnings per share (thousand)	548.478	499.891
Basic earnings per share (cent)	23,8	10,1
Diluted earnings per share (cent)	23,7	10,1

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

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Notes to the Interim Condensed Consolidated Financial Statements

8. Earnings per share (continued)

The weighted average number of shares for the nine months ended 30 September 2005 has been adjusted to reflect the bonus element of the rights issue of shares in December 2005 and the shares issued under the Dividend Reinvestment Plan arising from the dividend payment, in June 2006.

9. Loans and other advances to customers

	30 Sept. 2006	31 Dec. 2005
	C£000	C£000
Loans and other advances to customers	8.313.196	7.398.021
Provisions for bad and doubtful debts	(459.182)	(413.810)
	7.854.014	6.984.211

Provisions for bad and doubtful debts and suspended income

	Provisions	Suspended income	Total
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
At 1 January 2006	292.478	121.332	413.810
Exchange adjustments	580	(4)	576
Applied in writing off advances	(22.557)	(6.789)	(29.346)
Suspended income less collections	-	20.898	20.898
Collections of loans previously written off	3.819	-	3.819
Charge for the period	49.425	-	49.425
At 30 September 2006	323.745	135.437	459.182

10. Capital expenditure

The total capital expenditure of the Group for the nine months ended 30 September 2006 was C£9.824 thousand (corresponding period 2005: C£16.850 thousand).

11. Other assets

Other assets at 30 September 2006 include the positive fair value of derivative financial instruments of C£16.470 thousand (31 December 2005: C£8.229 thousand).

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Notes to the Interim Condensed Consolidated Financial Statements

12. Debt securities in issue

	Interest rate:	30 Sept. 2006	31 Dec. 2005
		C£000	C£000
Senior Debt in Euro (€300 million) 2006/2009	Three-month Euribor plus 0,33%	172.836	-
Senior Debt in Euro (€300 million) 2005/2008	Three-month Euribor plus 0,30%	172.230	170.038
Senior Debt in Euro (€250 million) 2003/2006	Three-month Euribor plus 0,35%	140.702	143.302
Senior Debt in Euro (€5 million) 2003/2006	Three-month Euribor plus 0,40%	-	2.867
Senior Debt in Euro (€3 million) 2003/2008	Three-month Euribor plus 0,45%	1.730	1.721
		487.498	317.928
Euro Commercial Paper			
- in Euro	-	63.220	-
- in U.S.Dollars	-	15.172	-
		78.392	-
Interest-free loan from the European Development Bank	-	288	288
		566.178	318.216

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €1.500 million (31 December 2005: €1.500 million). Under this Programme, the Company issued on 29 June 2006 Senior Debt of €300 million which has a three year term, bears a floating rate of interest set at three-month Euribor plus 0,33% and was issued at the price of €99,942.

On 30 September 2006, the outstanding amount of Senior Debt (€250 million) 2003/2006 and Senior Debt (€300 million) 2005/2008 was €244 million and €299 million respectively (31 December 2005: €250 million and €297 million respectively) as €6 million and €1 million respectively was held by the Company for trading purposes (31 December 2005: nil and €3 million respectively).

The Senior Debt €300 million 2006/2009, €300 million 2005/2008 and €250 million 2003/2006 are listed on the Luxembourg Stock Exchange.

In April 2006 the Company established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €500 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 will not be listed on any stock exchange. Under this Programme, the Company proceeded with nine issues amounting to €136 million (C£78.392 thousand).

13. Other liabilities

Other liabilities at 30 September 2006 include the negative fair value of derivative financial instruments of C£8.705 thousand (31 December 2005: C£12.608 thousand) and provisions for pending litigation or claims of C£2.025 thousand (31 December 2005: C£2.025 thousand).

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Notes to the Interim Condensed Consolidated Financial Statements

14. Subordinated loan stock

	30 Sept. 2006	31 Dec. 2005
	C£000	C£000
Subordinated Bonds 2006/2011 in Euro (€275 million)	-	157.625
Subordinated Bonds 2008/2013 in Euro (€200 million)	114.186	114.422
Capital Securities Series A (C£65 million)	64.411	62.781
Capital Securities Series B (C£30 million)	29.883	29.753
Subordinated Bonds 2011/2016 in Euro (€200 million)	111.003	-
	319.483	364.581

The above have been issued by the Company, are 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 the shareholders of the Company.

The Subordinated Bonds 2006/2011 had a floating rate of interest and maturity in June 2011 and were issued in Euro (€275 million) in June 2001. The Company had the option to redeem the bonds in whole on or after 20 June 2006. The Company redeemed the bonds on 20 June 2006. The interest rate of the bonds was the three-month Euribor plus 1,20% until June 2006 and plus 2,40% thereafter. The bonds were listed on the Luxembourg Stock Exchange.

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €1.500 million (31 December 2005: €1.500 million). Under this Programme, the Company issued in October 2003, €200 million floating rate bonds 2008/2013 in Euro maturing in October 2013. The Company has the option to redeem the bonds during or after October 2008. The interest rate of the bonds is the three-month Euribor plus 1,00% until October 2008 and plus 2,20% thereafter. The issue price of the bonds was 99,766%. The bonds are listed on the Luxembourg Stock Exchange.

On 30 September 2006 the bonds €200 million 2008/2013 outstanding amounted to €198.350 thousand (31 December 2005: €200 million) as €1.650 thousand (31 December 2005: nil) bonds were held by the Company for trading purposes.

Capital Securities Series A amounting to C£65 million and Series B amounting to C£30 million were issued in Cyprus pounds in February 2003 and March 2004 respectively, and were offered in Cyprus. The Capital Securities rank as Tier 1 capital and have no maturity date. They may, however, be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter. The Capital Securities bear floating interest rate, which is revised every three months. The interest rate is equal to the base rate of the Company at the beginning of each three-month period plus 1,00%. Interest is payable quarterly. The Capital Securities are listed on the Cyprus Stock Exchange.

On 30 September 2006 the Capital Securities Series A and Series B outstanding amounted to C£64.411 thousand and C£29.883 thousand respectively (31 December 2005: C£62.781 thousand and C£29.753 thousand respectively) as C£589 thousand of Capital Securities Series A and C£117 thousand of Capital Securities Series B (31 December 2005: C£2.219 thousand and C£247 thousand respectively) were held by the Company for trading purposes.

14. Subordinated loan stock (continued)

Under the EMTN Programme, the Company issued on 4 May 2006 €200 million floating rate Subordinated Bonds 2011/2016 in Euro maturing in May 2016. The Company has the option to redeem the bonds in whole during or after May 2011. The interest rate of the bonds is the three-month Euribor plus 0,60% until May 2011 and plus 1,60% thereafter. The issue price of the bonds was 99,861%. The bonds are listed on the Luxembourg Stock Exchange.

On 30 September 2006 the bonds (€200 million) 2011/2016 outstanding amounted to €193 million as €7 million were held by the Company for trading purposes.

15. Share capital

	30 Sept. 2006		31 Dec. 2005	
	Shares (thousand)	C£000	Shares (thousand)	C£000
<i>Authorised</i>				
Shares of 50 cent each	600.000	300.000	600.000	300.000
<i>Issued and fully paid</i>				
At 1 January	545.316	272.658	464.771	232.385
Issue of shares	-	-	77.902	38.951
Dividend reinvestment	3.391	1.695	2.643	1.322
Exercise of share options	1.234	617	-	-
At 30 September 2006/31 December 2005	549.941	274.970	545.316	272.658

In December 2005 the Company increased its share capital by 77.902 thousand shares paid in cash, through a rights issue at the price of C£1,40 per share. The total capital raised amounted to C£109.063 thousand, of which C£38.951 thousand represents share capital and the remaining C£70.112 thousand represents share premium.

The Company has established a Dividend Reinvestment Plan under which all shareholders have the opportunity 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 share price under the Dividend Reinvestment Plan for the dividend paid on 27 June 2006 was set at C£3,49 per share. As a result of the dividend reinvestment, the Company's share capital and share premium increased by C£1.695 thousand, 3.391.194 shares (2005: C£1.322 thousand, 2.642.800 shares) and C£10.140 thousand (2005: C£2.907 thousand) respectively.

The Company has granted Share Options to all Group employees who were in service on 31 December 2000. The total number of Share Options granted was 3.216.700 and they give the holder the right to buy one share of the Company at the price of C£3,26 per share (as adjusted after the share issue in December 2005). The Share Options can be exercised by their holders from 31 January 2004 to 31 December 2007. During the nine months ended 30 September 2006, 1.233.653 Share Options (2005: nil) were exercised. On 30 September 2006, 1.651.447 Options remain unexercised by their holders whilst 331.600 Options were cancelled as a result of their holders ceasing to be in the employment of the Group. As a result of the exercise of the Options, the Company's share capital and share premium increased by C£617 thousand (1.233.653 shares) and C£3.405 thousand respectively.

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Notes to the Interim Condensed Consolidated Financial Statements

15. Share capital (continued)

The Company has also granted Share Options 2006/2007 to all permanent members of staff who were employed by the Group in Cyprus and Greece as at 30 September 2006 and will remain in service until 31 March 2007. The number of the Share Options 2006/2007 issued was 4.283.300. The exercise price of the Share Options has been set at C£3,70 and the exercise period is from 31 March 2007 to 30 June 2007.

16. Dividends

The Board of Directors of the Company has decided to proceed with the payment of an interim dividend for year 2006 of 7 cent per share, amounting to C£38.501 thousand, which will be paid to shareholders on 11 December 2006. The ex-interim dividend date had been set as 27 November 2006. The interim dividend is not recognised as a liability in the financial statements until its payment to shareholders. During year 2005, no interim dividend was paid.

The Annual General Meeting of shareholders held on 30 May 2006 approved the payment of a dividend of 7 cent per share. The total dividend amounted to C£38.211 thousand and was paid to shareholders on 27 June 2006. During 2005, dividend amounting to C£18.591 thousand (4 cent per share) was paid.

17. Cash and cash equivalents

	30 Sept. 2006	30 Sept. 2005
	C£000	C£000
Cash and non obligatory balances with central banks	194.642	54.144
Placements with banks repayable within three months	2.611.358	2.251.132
	2.806.000	2.305.276

18. Staff numbers

The number of persons employed by the Group as at 30 September 2006 was 6.159 (30 September 2005: 6.060).

19. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 30 September 2006 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 and JCC Payment Systems Ltd.

Greece: Bank of Cyprus Public Company Ltd (branch), 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).

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Notes to the Interim Condensed Consolidated Financial Statements

19. Group companies (continued)

United Kingdom: Bank of Cyprus United Kingdom (branch of Bank of Cyprus Public Company Ltd) and Old Company (BCL) Ltd.

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

Australia: Bank of Cyprus Australia Pty Ltd.

Ireland: BOC International Fund Management Ltd.

All companies are wholly owned subsidiaries of the Group, except for JCC Payment Systems Ltd, in which the Company owns 45% of the issued share capital. This company is accounted for as an interest in a jointly controlled entity.

During 2005, the Group decided to terminate the activities of BOC International Fund Management Ltd, in the context of its restructuring programme, in order to achieve synergies and has started the dissolution process.

On 1 January 2006, the operations, assets and liabilities of the Group subsidiary companies Bank of Cyprus Finance Corporation Ltd and Bank of Cyprus Factors Ltd were transferred to Bank of Cyprus Public Company Ltd, with the parallel dissolution, without receivership, of the two subsidiaries.

There was no other change in the companies that were consolidated or in the method of consolidation compared to 30 September and 31 December 2005.

20. Related party transactions

	30 Sept. 2006	31 Dec. 2005
	C000	C000
Loans and other advances to:		
- members of the Board of Directors and key management personnel	5.020	6.568
- connected persons	77.867	84.273
	82.887	90.841
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	44.942	41.321
	127.829	132.162
Tangible security	125.824	105.451
Deposits of:		
- members of the Board of Directors and key management personnel	2.765	2.906
- connected persons	13.583	7.322
	16.348	10.228

Interest income and expense from members of the Board of Directors, key management personnel and their connected persons for the nine months ended 30 September 2006 amounted to C£3.640 thousand and C£208 thousand respectively.

20. Related party transactions *(continued)*

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.

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 with favourable terms, similar to those which apply to the rest of the Group's personnel.

Remuneration

During the nine months ended 30 September 2006, the remuneration of the members of the Board of Directors and key management personnel amounted to C£1.724 thousand.

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 Union Assurance (Cyprus) Ltd group which is engaged in general insurance business in Cyprus and Greece. The Commercial Union Assurance (Cyprus) Ltd group has entered into reinsurance arrangements with General Insurance of Cyprus Ltd, a subsidiary of the Company. The net reinsurance premiums which were assigned to the Commercial Union Assurance (Cyprus) Ltd group for the nine months ended 30 September 2006 amounted to C£355 thousand (corresponding period of 2005: C£343 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 branch of the Company in Greece with equipment and services following tender procedures. The total purchases from this company for the nine months ended 30 September 2006 amounted to C£324 thousand (corresponding period of 2005: C£435 thousand).

Mr Polys G. Polyviou, member of the Board of Directors of the Company until 26 June 2006, is a partner in the law office Chryssafinis & Polyviou, who are the external legal advisers of the Group and also handle court cases and legal proceedings on behalf of the Group in Cyprus and abroad. The legal fees paid by the Group to the law office Chryssafinis & Polyviou for the period until the resignation of Mr. Polyviou from the Board of Directors amounted to C£219 thousand (30 September 2005: C£372 thousand). The same law office is also assigned court cases and actions against Group debtors. The total amount paid to the law office of Chryssafinis & Polyviou for these cases and charged to these debtors for the period until the resignation of Mr. Polyviou from the Board of Directors, was C£606 thousand (30 September 2005: C£797 thousand).

Mr Costas Z. Severis, member of the Board of Directors of the Company, is the main shareholder of the company D. Severis and Sons Ltd, which is a general agent of the subsidiary of the Company, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd for the nine months ended 30 September 2006 amounted to C£71 thousand (corresponding period of 2005: C£75 thousand).

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Notes to the Interim Condensed Consolidated Financial Statements

21. Other information

- There are no fixed charges in favour of third parties over the Group's property and equipment as at 30 September 2006.
- The Group's provision for pending litigation or claims at 30 September 2006 is set out in Note 13. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.
- An application for the payment by the Company of an amount up to \$77 million (C£35 million) plus interest is pending before the courts of New York, relating to balances that certain customers allegedly maintain with Bank of Cyprus Public Company Ltd. This application, which relates to executing a judgement of the courts against third parties, does not create any legal obligation for the Company if no accounts exist in the names of third parties/customers. The Company, pursuant to consultation and advice from the Group's legal counsel in New York, expects that the final outcome of the above proceedings will not have a material impact on the Group's financial position.
- On 27 July 2005, the Securities and Exchange Commission of Cyprus announced that it has carried out an investigation into a possible breach by the Company of the provisions of articles 67 and 68 of the Cyprus Stock Exchange Law, with respect to the sale of shares in Greece in October 2000, and that a report on its findings will be prepared and sent to the Attorney General of the Republic of Cyprus.
- In September 2006 a law suit against the Company has been served by the 'Trustees of the Aremissoft Corporation Liquidating Trust' before the New York district court, claiming that the Company has not taken all the necessary measures to prevent the transfer of funds from the bank accounts of Aremissoft, which went into liquidation in 2002, to the personal bank accounts and to the bank accounts of personal enterprises of the ex-president and Managing Director of Aremissoft. The 'Trustees of the Aremissoft Corporation Liquidating Trust' request the issuance of a court order for an amount of at least \$50 million (C£23 million). The Company denies the content of the law suit and all demands contained therein. Therefore, the Company does not expect to have any material financial impact as a result of the law suit.
- On 13 July 2006, the Group announced that it has reached an agreement to sell to Mr. Andreas Georgiou and to the Group of Photos Photiades Ltd, the shares it holds in Universal Life Insurance Public Co. Ltd ('Universal') for cash. The total number of Universal shares held by Bank of Cyprus Public Company Ltd and its subsidiary companies amounts to 2,9 million. The corresponding consideration for these shares in accordance with the agreement amounts to C£6,1 million. The book value of the shares as at 30 June 2006 amounts to C£6,1 million (31 December 2005: C£5,8 million). The agreement is subject to completion within six months, in order to provide the buyers with sufficient time to take the necessary actions they are required to take.