

Bank of Cyprus Group



Condensed Interim Consolidated Financial Statements
For the Nine Months ended

30 September '05

Bank of Cyprus Group

Condensed Interim Consolidated Financial Statements

For the Nine Months ended 30 September 2005

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Condensed Consolidated Income Statement

For the Nine Months ended 30 September 2005

	Notes	Nine months ended 30 Sept.		Year ended 31 Dec.
		2005	2004	2004
		C£000	C£000	C£000
Turnover	4	578.794	502.020	691.411
Net interest income		202.358	180.043	245.880
Net fee and commission income		65.967	63.132	85.913
Foreign exchange income		10.520	11.813	15.489
Net profits/(losses) on sale and revaluation of financial instruments		3.331	(3.714)	(4.567)
Income from insurance business		17.417	13.228	18.106
Other income	5	4.985	3.892	4.720
		304.578	268.394	365.541
Staff costs		(110.128)	(101.971)	(138.288)
Other operating expenses	6	(65.829)	(62.722)	(89.504)
Profit before provisions		128.621	103.701	137.749
Provisions for bad and doubtful debts		(66.725)	(60.990)	(83.695)
Provision for impairment of available-for-sale investments		-	(2.628)	(3.117)
Profit before tax		61.896	40.083	50.937
Tax		(11.500)	(9.648)	(12.408)
Profit after tax		50.396	30.435	38.529
Basic and diluted earnings per share (cent)	7	10,8	6,5	8,3

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Condensed Consolidated Income Statement

For the Three Months from 1 July to 30 September 2005

		<i>Three months ended 30 Sept.</i>	
		<i>2005</i>	<i>2004</i>
	<i>Notes</i>	<i>C£000</i>	<i>C£000</i>
Turnover		199.642	178.998
Net interest income		70.063	63.687
Net fee and commission income		22.905	22.457
Foreign exchange income		4.090	4.226
Net profits on sale and revaluation of financial instruments		3.476	892
Income from insurance business		5.700	4.546
Other income	5	1.212	2.028
		107.446	97.836
Staff costs		(36.166)	(35.017)
Other operating expenses	6	(23.309)	(21.686)
Profit before provisions		47.971	41.133
Provisions for bad and doubtful debts		(24.405)	(22.284)
Provision for impairment of available-for-sale investments		-	(502)
Profit before tax		23.566	18.347
Tax		(4.481)	(3.769)
Profit after tax		19.085	14.578
Basic and diluted earnings per share (cent)		4,1	3,1

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Condensed Consolidated Balance Sheet

As at 30 September 2005

		30 Sept.	31 Dec.
		2005	2004
	Notes	C€000	C€000
Assets			
Cash and balances with central banks		378.426	439.314
Placements with banks		2.285.790	1.511.577
Investments at fair value through profit or loss		89.579	95.486
Loans and advances to customers	8	6.572.859	5.979.252
Non-trading investments		1.837.834	1.689.957
Property and equipment	9	160.146	157.531
Intangible assets		11.412	13.296
Other assets	10	237.003	178.019
		11.573.049	10.064.432
Life assurance business net assets attributable to policyholders		220.835	195.551
Total assets		11.793.884	10.259.983
Liabilities			
Amounts due to banks		300.748	131.380
Customer deposits and other accounts		9.712.147	8.655.882
Debt securities in issue	11	319.728	148.612
Other liabilities	12	249.667	201.852
		10.582.290	9.137.726
Life assurance business liabilities to policyholders		220.835	195.551
Subordinated loan stock	13	364.393	367.593
Equity			
Share capital	14	233.706	232.385
Reserves		392.660	326.728
		626.366	559.113
Total liabilities and equity		11.793.884	10.259.983
Contingent liabilities and commitments			
Contingent liabilities		748.993	710.600
Commitments		1.201.924	1.184.972

V. G. Rologis
A. Artemis
A. Eliades
Y. Kypri
Chr. Hadjimitsis

Chairman
Vice Chairman
Group Chief Executive Officer
Group Chief General Manager
Group General Manager Finance

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Consolidated Statement of Changes in Equity

For the Nine Months ended 30 September 2005

	Share capital C€000	Share premium C€000	Revaluation reserves C€000	Exchange adjustments reserve C€000	Retained earnings C€000	Total equity C€000
At 1 January 2005						
As previously reported	232.385	238.955	54.063	(2.828)	36.538	559.113
Impact from the reclassification of investments to the fair value through profit or loss category (Note 3)	-	-	2.855	-	(2.855)	-
As restated	232.385	238.955	56.918	(2.828)	33.683	559.113
Profit after tax	-	-	-	-	50.396	50.396
Dividend (Note 15)	-	-	-	-	(18.591)	(18.591)
Revaluation 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)
Dividend reinvestment	1.321	2.907	-	-	-	4.228
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)
At 30 September 2005	233.706	241.862	89.247	(2.883)	64.434	626.366

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Consolidated Statement of Changes in Equity

For the Nine Months ended 30 September 2004

	Share capital C€000	Share premium C€000	Revaluation reserves C€000	Exchange adjustments reserve C€000	Retained earnings C€000	Total equity C€000
At 1 January 2004						
As previously reported	232.385	238.955	54.140	(2.379)	183	523.284
Impact from the reclassification of investments to the fair value through profit or loss category (Note 3)	-	-	3.876	-	(3.876)	-
As restated	232.385	238.955	58.016	(2.379)	(3.693)	523.284
Profit after tax	-	-	-	-	30.435	30.435
Revaluation of available-for-sale investments	-	-	(9.636)	-	-	(9.636)
Fair value change of financial instruments designated as cash flow hedges	-	-	1.702	-	-	1.702
Transfer to the income statement of impairment loss of available-for-sale investments	-	-	2.628	-	-	2.628
Deferred tax	-	-	322	-	-	322
Exchange adjustments	-	-	-	(359)	-	(359)
Increase in value of life assurance policies in force	-	-	1.046	-	(1.046)	-
Transfer of realised profits on disposal of property	-	-	(929)	-	929	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(196)	-	-	(196)
At 30 September 2004	232.385	238.955	52.953	(2.738)	26.625	548.180

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Condensed Consolidated Cash Flow Statement

For the Nine Months ended 30 September 2005

	<i>Nine months ended 30 Sept.</i>	
	<i>2005</i>	<i>2004</i>
	<i>C£000</i>	<i>C£000</i>
<i>Net cash flow from operating activities</i>		
Profit before tax	61.896	40.083
Provisions for bad and doubtful debts	66.725	60.990
Depreciation of property and equipment and amortisation of intangible assets and discounts/premiums	15.482	12.441
Income from investments and disposal of property, equipment and intangible assets, less interest on subordinated loan stock	(50.802)	(28.903)
	93.301	84.611
Net increase in loans and advances to customers and other accounts	(723.466)	(430.490)
Net increase in customer deposits and other accounts	1.447.845	1.093.304
	817.680	747.425
Tax paid	(15.289)	(15.036)
Net cash flow from operating activities	802.391	732.389
Net cash flow used in investing activities	(91.528)	(440.607)
Net cash flow (used in)/from financing activities	(25.651)	18.314
Net increase in cash and cash equivalents for the nine months	685.212	310.096
<i>Cash and cash equivalents</i>		
At 1 January	1.944.401	1.812.728
Exchange adjustments	(55)	(359)
Net increase in cash and cash equivalents for the nine months	685.212	310.096
At 30 September	2.629.558	2.122.465

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Notes to the Condensed Interim Consolidated Financial Statements

1. General information

The Condensed Interim Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and all its subsidiaries and jointly controlled company, which together are referred to as the 'Group', and were authorised for issue in accordance with a resolution of the Board of Directors on 1 November 2005.

The Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2004.

The financial statements are expressed in Cyprus pounds (C£).

2. Unaudited Financial Statements

The Condensed Interim Consolidated Financial Statements for the nine months ended 30 September 2005 have not been audited by the Group's external auditors.

3. Accounting policies

The financial statements of the Group are drawn up in accordance with all international financial reporting standards which have been adopted for use by the European Union and the International Financial Reporting Standards, including International Accounting Standard No. 34 'Interim Financial Reporting'.

The accounting policies that have been followed for the preparation of the Condensed Interim Consolidated Financial Statements for the nine month period were the same as those followed in the preparation of the annual Financial Statements for the year 2004, except as set out below.

Revised International Accounting Standards

As from 1 January 2005, the following revised International Accounting Standards ('IAS') and new International Financial Reporting Standards ('IFRS') came into force:

- IAS 1 (revised 2003) Presentation of financial statements
- IAS 2 (revised 2003) Inventories
- IAS 8 (revised 2003) Accounting policies, changes in accounting estimates and errors
- IAS 10 (revised 2003) Events after the balance sheet date
- IAS 16 (revised 2003) Property, plant and equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The effects of changes in foreign exchange rates
- IAS 24 (revised 2003) Related party disclosures
- IAS 27 (revised 2003) Consolidated and separate financial statements
- IAS 28 (revised 2003) Investments in associates
- IAS 31 (revised 2003) Interests in joint ventures
- IAS 32 (revised 2003) Financial instruments: disclosure and presentation
- IAS 33 (revised 2003) Earnings per share
- IAS 36 (revised 2004) Impairment of assets
- IAS 38 (revised 2004) Intangible assets
- IAS 39 (revised 2003) Financial instruments: recognition and measurement
- IAS 40 (revised 2003) Investment property
- IFRS 2 (issued 2004) Share-based payment
- IFRS 3 (issued 2004) Business combinations
- IFRS 4 (issued 2004) Insurance contracts
- IFRS 5 (issued 2004) Non-current assets held for sale and discontinued operations

The adoption of the above Standards did not have a material effect on the financial statements of the Group, except as set out overleaf.

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Notes to the Condensed Interim Consolidated Financial Statements

3. Accounting policies (continued)

Changes in accounting policies

Financial instruments

As from 1 January 2005, the Group adopted the revised IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. IAS 39 (revised) allows the designation of any financial asset, upon initial recognition or when IAS 39 (revised) is first applied, as a financial asset at fair value through profit or loss.

Upon the initial application of IAS 39 (revised), the Group transferred certain investments in equity shares and debt securities from the available-for-sale category to the fair value through profit or loss category. In accordance with the transitional provisions of IAS 39 (revised), the transfer of investments was applied retrospectively.

The value of the available-for-sale investments which were transferred to the fair value through profit or loss category on 1 January 2004 and 31 December 2004 amounted to C£25.003 thousand and C£23.296 thousand respectively.

As a result of the transfer of investments, the Group's financial statements were restated as follows:

	<i>Nine months ended 30 Sept.</i>	<i>Year ended 31 Dec.</i>
	<i>2004</i>	<i>2004</i>
	<i>C£000</i>	<i>C£000</i>
Profit after tax, as previously reported	30.743	37.508
<i>Effect on:</i>		
- net profits/(losses) on sale and revaluation of financial instruments	(713)	(1.789)
- provision for impairment of available-for-sale investments	405	2.810
Profit after tax, as restated	30.435	38.529
(Decrease)/increase in basic and diluted earnings per share (cent)	(0,1)	0,2

The restatement to reserves is set out in the Consolidated Statement of Changes in Equity. The transfer of investments did not have any effect on the Group's equity at 30 September and 31 December 2004. The transfer did not have a material effect on the Group's results for the nine months ended 30 September 2005 and the Group's equity as at 30 September 2005.

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Notes to the Condensed Interim Consolidated Financial Statements

3. Accounting policies (continued)

Changes in accounting policies (continued)

Non-current assets held for sale and discontinued operations

On 1 January 2005, the Group adopted IFRS 5 'Non-current assets held for sale and discontinued operations'. The Standard requires that non-current assets or disposal groups be classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Netting of assets and liabilities is not permitted.

IFRS 5 provides that certain criteria be met for the classification of an asset or disposal group as held for sale. Certain assets owned by the Group meet the criteria of the Standard. These assets were reclassified as assets held for sale and are included under 'Other assets' in the Condensed Consolidated Balance Sheet (Note 10). Comparative amounts are not restated, in accordance with the provisions of IFRS 5.

Goodwill and intangible assets

On 1 January 2005, the Group adopted the revised IAS 36 'Impairment of assets' and IAS 38 'Intangible assets' and the new IFRS 3 'Business combinations', which were applied prospectively. As from 1 January 2005, the book value of goodwill will be reviewed annually for impairment. During the year 2004, the Group recorded goodwill amortisation expense of C£117 thousand.

Insurance contracts

On 1 January 2005, the Group adopted IFRS 4 'Insurance contracts', which applies to all insurance and reinsurance contracts entered into by the Group. The application of IFRS 4 did not have a material effect on the financial statements of the Group.

4. 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.

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>	
	2005 C£000	<i>2004 C£000</i>	2005 C£000	<i>2004 C£000</i>	2005 C£000	<i>2004 C£000</i>	2005 C£000	<i>2004 C£000</i>
Turnover	523.676	452.237	49.807	45.832	5.311	3.951	578.794	502.020
Profit before tax	49.350	32.777	10.184	5.866	2.362	1.440	61.896	40.083

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Notes to the Condensed Interim Consolidated Financial Statements

5. Other income

Other income for the nine months ended 30 September 2005 includes dividend income of C£325 thousand (corresponding period of 2004: C£89 thousand) and for the three months ended 30 September 2005 of C£212 thousand (corresponding period of 2004: C£2 thousand).

6. Other operating expenses

Other operating expenses for the nine months ended 30 September 2005 include depreciation of property and equipment and amortisation of intangible assets of C£14.692 thousand (corresponding period of 2004: C£14.463 thousand) and for the three months ended 30 September 2005 of C£4.811 thousand (corresponding period of 2004: C£4.836 thousand).

7. Basic and diluted earnings per share

	<i>Nine months ended 30 Sept.</i>	
	<i>2005</i>	<i>2004</i>
Profit after tax (C£ thousand)	50.396	30.435
Weighted average number of shares in issue during the period (thousand)	466.076	465.050
Basic and diluted earnings per share (cent)	10,8	6,5

At 30 September 2005 and 2004 there were no potentially dilutive ordinary shares.

The weighted average number of shares in issue during the nine months ended 30 September 2004 has been adjusted to reflect the bonus element resulting from the issue of shares under the Group's Dividend Reinvestment Plan, for the 2004 dividend.

8. Loans and advances to customers

	<i>30 Sept. 2005</i>	<i>31 Dec. 2004</i>
	<i>C£000</i>	<i>C£000</i>
Loans and advances to customers	6.964.747	6.450.286
Provisions for bad and doubtful debts	(391.888)	(471.034)
	6.572.859	5.979.252

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Notes to the Condensed Interim Consolidated Financial Statements

8. Loans and advances to customers (continued)

Provisions for bad and doubtful debts

	Provisions	Suspended income	Total
	C£000	C£000	C£000
At 1 January 2005	337.565	133.469	471.034
Exchange adjustments	(762)	(55)	(817)
Applied in writing off advances	(132.351)	(37.140)	(169.491)
Suspended income less collections	-	24.437	24.437
Charge for the period	66.725	-	66.725
At 30 September 2005	271.177	120.711	391.888

9. Capital expenditure

The total capital expenditure of the Group for the nine months ended 30 September 2005 amounts to C£16.850 thousand (corresponding period of 2004: C£12.126 thousand).

10. Other assets

Other assets at 30 September 2005 include the positive fair value of derivative financial instruments of C£13.460 thousand (31 December 2004: C£9.307 thousand) and assets held for sale of C£3.075 thousand (31 December 2004: nil).

11. Debt securities in issue

The Company maintains a Euro Medium Term Note (EMTN) Programme for an aggregate nominal amount up to €1.500 million. Under the Programme, on 27 May 2005 the Company issued a 3-year floating rate Senior Bond amounting to €300 million. The issue/reoffer price of the Bond was set at 99,853%.

12. Other liabilities

Other liabilities at 30 September 2005 include the negative fair value of derivative financial instruments of C£23.063 thousand (31 December 2004: C£27.065 thousand) and provisions for pending litigation or claims of C£2.025 thousand (31 December 2004: C£2.148 thousand).

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Notes to the Condensed Interim Consolidated Financial Statements

13. Subordinated loan stock

	30 Sept. 2005	31 Dec. 2004
	C£000	C£000
Subordinated Bonds 2006/2011 in Euro	157.499	159.238
Subordinated Bonds 2008/2013 in Euro	114.336	115.582
Capital Securities Series A	62.781	62.781
Capital Securities Series B	29.777	29.992
	364.393	367.593

All subordinated loan stock has been issued by the Company. The subordinated loan stock is not secured and the rights and claims of loan stockholders are subordinated to the claims of depositors and other creditors of the Company, but has priority over the shareholders of the Company.

The Subordinated Bonds 2006/2011 bear a floating rate of interest, mature on 20 June 2011 and were issued in Euro (€275 million) on 20 June 2001. The Company has the option to redeem the Bonds in whole on or after 20 June 2006. The interest rate is set at 1,20% above the three month Euribor until 20 June 2006 and will increase to +2,40% thereafter. The Bonds are listed on the Luxembourg Stock Exchange.

The Company maintains a Euro Medium Term Note (EMTN) Programme for an aggregate nominal amount up to €1.500 million. Under the EMTN Programme, the Company has issued €200 million floating rate Bonds in Euro maturing in October 2013. The Company has the option to call the Bonds during or after October 2008. The interest rate was set at 1,00% above the three month Euribor until October 2008 and will increase to +2,20% thereafter. The issue/reoffer price of the Bonds was set at 99,766%. The Bonds are listed on the Luxembourg Stock Exchange.

Capital Securities Series A amounting to C£65 million and Series B amounting to C£30 million were issued in Cyprus pounds on 20 February 2003 and 22 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 principal 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. At 30 September 2005 the total amount of the Capital Securities Series A and Series B outstanding amounted to C£62.781 thousand and C£29.777 thousand respectively (31 December 2004: Series A C£62.781 thousand and Series B C£29.992 thousand) as C£2.219 thousand of Capital Securities Series A and C£223 thousand of Capital Securities Series B were held by the Company for trading purposes (31 December 2004: Series A C£2.219 thousand and Series B C£8 thousand).

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Notes to the Condensed Interim Consolidated Financial Statements

14. Share Capital

	30 Sept. 2005		31 Dec. 2004	
	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	464.771	232.385	464.771	232.385
Dividend reinvestment	2.642	1.321	-	-
At 30 September 2005/31 December 2004	467.413	233.706	464.771	232.385

The Company has a Dividend Reinvestment Plan in force. The price of the shares acquired under the Plan for the 2004 dividend was set at C£1,60 per share. As a result of the reinvestment of the 2004 dividend, the Company's share capital and share premium reserve increased by C£1.321 thousand (2.642.800 shares) and C£2.907 thousand respectively.

15. Dividend

The dividend for the year 2004 amounted to C£18.591 thousand (4 cent per share) and was paid to shareholders on 16 June 2005.

16. Staff numbers

The number of persons employed by the Group as at 30 September 2005 was 6.060 (31 December 2004: 5.890).

17. Group companies

The Consolidated Financial Statements of the Group at 30 September 2005 include the following companies, by country of incorporation:

Cyprus: Bank of Cyprus Public Company Ltd, Mortgage Bank of Cyprus Ltd, Bank of Cyprus Finance Corporation Ltd, Bank of Cyprus Factors 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) and Kyprou Asfalistiki (branch).

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

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.

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Notes to the Condensed Interim Consolidated Financial Statements

17. Group companies (continued)

All companies are wholly owned subsidiaries (100%) 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. There was no change in the companies that were consolidated or in the method of consolidation at 30 September 2005, compared to 30 September and 31 December 2004.

18. Other information

- There are no fixed charges in favour of third parties over the Group's property and equipment as at 30 September 2005.
- The Group's provision for pending litigation or claims at 30 September 2005 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 and operations.
- On 27 May 2005 the Group entered into an agreement with the Aspis Group of Greece for the sale of its shares held in Universal Life Insurance Public Co. Ltd. The agreement is subject to certain conditions and prerequisites, mainly relating to securing the necessary approvals by the regulatory authorities of Cyprus and Greece. There is an outstanding legal dispute between the Group and Mr A. Georgiou, main shareholder of Universal Life Insurance Public Co. Ltd, relating to the alleged exercise of an existing option to purchase the Group's shareholding in Universal Life Insurance Public Co. Ltd. The outcome of this dispute is not expected to have a material effect on the Group's financial position.
- An application for the payment by the Company of an amount up to \$77.112 thousand (C£36.720 thousand) 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 its legal counsel in New York, expects that of the final outcome of the proceedings will be in favour of the Group.
- 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 Bank of the provisions of articles 67 and 68 of the Cyprus Stock Exchange Law, with respect to the sale of the Company's 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.
- Proceedings have begun before the Committee for the Protection of Competition against JCC Payment Systems Ltd and three commercial banks in Cyprus, including Bank of Cyprus Public Company Ltd, for alleged violations of the Protection of Competition Legislation of Cyprus. The relevant Statements of Causes have only recently been given to JCC Payment Systems Ltd and Bank of Cyprus Public Company Ltd and it is therefore immature to express any assessment as to the content of these Statements and the possible implications of these cases. Based on information known to the Group to date, it is believed that the outcome of these cases is not expected to have a material effect on the Group's financial position.

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Notes to the Condensed Interim Consolidated Financial Statements

18. Rights issue

The Board of Directors of the Company decided that its shareholders' funds be increased by up to C£109.063 thousand, through the issue of up to 77.902 thousand new ordinary shares of a nominal value of C£0,50 each, in the form of a rights issue (i.e. addressed to existing shareholders). One right will be allotted for each one existing share. Every six rights exercised will be converted into one new share.

The subscription price of the new shares has been set at C£1,40 per new share for holders of rights registered on the Central Depository/Registry of the Cyprus Stock Exchange (CSE) and €2,44 per new share for holders of rights registered on the Dematerialised Securities System (DSS) of the Athens Central Depository. The subscription period for new shares for holders of rights registered on the Central Depository/Registry of the CSE is from 13 to 19 December 2005 and for holders of rights registered on the DSS of the Athens Central Depository is from 22 November to 19 December 2005.

The rights will be transferable and tradable on the CSE and the Athens Exchange. The trading period of the rights is from 22 November to 5 December 2005. The issue is expected to be completed during December 2005.