

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the three months ended

31 March 2007

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2007

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Bank of Cyprus Group

Interim Condensed Consolidated Income Statement

for the three months ended 31 March 2007

		<i>Three months ended 31 March</i>		<i>Year ended 31 Dec.</i>
		<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>Notes</i>	<i>C€000</i>	<i>C€000</i>	<i>C€000</i>
Turnover	5	278.850	216.096	974.290
Net interest income		100.359	78.381	358.629
Net fee and commission income		28.750	23.835	101.111
Foreign exchange income		4.923	3.829	20.789
Net gains on sale and change in fair value of financial instruments		3.476	8.392	14.979
Income from insurance business		7.833	7.090	26.402
Other income	6	3.184	1.007	8.719
		148.525	122.534	530.629
Staff costs		(41.329)	(38.167)	(155.883)
Other operating expenses	7	(23.994)	(21.877)	(91.864)
Profit before provisions		83.202	62.490	282.882
Provisions for impairment of loans and advances		(11.354)	(18.141)	(58.359)
Profit before tax		71.848	44.349	224.523
Tax		(9.710)	(7.128)	(41.417)
Profit after tax		62.138	37.221	183.106
Basic earnings per share (cent)	8	11,2	6,8	33,4
Diluted earnings per share (cent)	8	11,2	6,8	33,3

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Interim Condensed Consolidated Balance Sheet

as at 31 March 2007

		31 March	31 Dec.
		2007	2006
		€000	€000
	Notes		
Assets			
Cash and balances with central banks		427.437	683.088
Placements with banks		2.610.238	2.486.465
Investments at fair value through profit or loss		274.493	236.592
Loans and advances to customers	9	8.888.750	8.365.155
Investments available-for-sale and held-to-maturity		2.267.333	2.110.688
Property and equipment	10	152.606	153.813
Intangible assets	10	9.605	10.284
Other assets	11	289.477	229.733
Investment in associated company		6.605	-
		14.926.544	14.275.818
Life assurance business net assets attributable to policyholders		291.442	287.157
Total assets		15.217.986	14.562.975
Liabilities			
Amounts due to banks		259.547	261.328
Customer deposits and other accounts		12.517.581	12.099.736
Debt securities in issue	12	585.247	433.777
Other liabilities	13	278.031	256.351
		13.640.406	13.051.192
Life assurance business liabilities to policyholders		291.442	287.157
Subordinated loan stock	14	324.662	320.005
Total liabilities		14.256.510	13.658.354
Equity			
Share capital	15	277.084	276.919
Reserves		684.392	627.702
		961.476	904.621
Total liabilities and equity		15.217.986	14.562.975
Contingent liabilities and commitments			
Contingent liabilities		906.468	857.273
Commitments		1.539.532	1.592.332

E. P. Ioannou Chairman
A. Artemis Vice Chairman
A. Eliades Group Chief Executive Officer
C. G. Stavrakis Chief Executive Officer – Cyprus and Deputy Group Chief Executive Officer
Y. Kypri Group Chief General Manager
Chr. Hadjimitsis Group General Manager Finance

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Interim Condensed Consolidated Statement of Changes in Equity

for the three months ended 31 March 2007

	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 2007	276.919	341.365	99.018	(2.611)	189.930	904.621
Losses from change in fair value of available-for-sale investments	-	-	(3.675)	-	-	(3.675)
Gains from change in fair value of financial instruments designated as cash flow hedges	-	-	45	-	-	45
Deferred tax	-	-	(27)	-	-	(27)
Exchange adjustments	-	-	-	25	-	25
Increase in value of life assurance policies in force	-	-	943	-	(943)	-
Transfer of revaluation of investment in associate	-	-	(43)	-	(455)	(498)
Share of net assets of associate relating to the Company's shares	-	-	(3.291)	-	-	(3.291)
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(1.118)	-	-	(1.118)
Net profit/(loss) recognised directly in equity	-	-	(7.166)	25	(1.398)	(8.539)
Profit after tax for the period	-	-	-	-	62.138	62.138
Total profit for the period	-	-	(7.166)	25	60.740	53.599
Exercise of share options	165	908	-	-	-	1.073
Cost of share-based payments	-	-	-	-	2.183	2.183
At 31 March 2007	277.084	342.273	91.852	(2.586)	252.853	961.476

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Interim Condensed Consolidated Statement of Changes in Equity

for the three months ended 31 March 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	-	-	1.521	-	-	1.521
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(368)	-	-	(368)
Deferred tax	-	-	473	-	-	473
Exchange adjustments	-	-	-	28	-	28
Increase in value of life assurance policies in force	-	-	847	-	(847)	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(1.923)	-	-	(1.923)
Net profit/(loss) recognised directly in equity	-	-	550	28	(847)	(269)
Profit after tax for the period	-	-	-	-	37.221	37.221
Total profit for the period	-	-	550	28	36.374	36.952
Exercise of share options	162	894	-	-	-	1.056
At 31 March 2006	272.820	312.293	96.469	(2.870)	120.947	799.659

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Interim Condensed Consolidated Cash Flow Statement

for the three months ended 31 March 2007

	Notes	Three months ended 31 March	
		2007	2006
		C£000	C£000
Net cash flow from operating activities			
Profit before tax		71.848	44.349
Provisions for impairment of loans and advances		11.354	18.141
Depreciation of property and equipment and amortisation of intangible assets and discounts/premiums		5.168	5.852
Cost of share-based payments		2.183	-
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(26.358)	(9.649)
		64.195	58.693
Net increase in loans and advances to customers and other accounts		(742.371)	(253.635)
Net increase/(decrease) in customer deposits and other accounts		584.554	(256.253)
		(93.622)	(451.195)
Tax paid		(2.438)	(2.185)
Net cash flow used in operating activities		(96.060)	(453.380)
Net cash flow used in investing activities		(143.342)	(78.564)
Net cash flow used in financing activities		(2.838)	(4.513)
Net decrease in cash and cash equivalents for the three months		(242.240)	(536.457)
Cash and cash equivalents			
At 1 January		2.815.195	2.780.103
Exchange adjustments		25	28
Net decrease in cash and cash equivalents for the three months		(242.240)	(536.457)
At 31 March	17	2.572.980	2.243.674

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Notes to the Condensed Interim 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 10 May 2007.

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 for the three months ended 31 March 2007 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 2007 have been prepared in accordance with the International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union (EU) and as issued by the International Accounting Standards Board (IASB).

All International Financial Reporting Standards (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 2006.

The Interim Condensed Consolidated Financial Statements are presented in Cyprus pounds (C£) 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 2007 are consistent with those followed for the preparation of the financial statements for year 2006, except for the adoption by the Group of the new and amended IFRSs as of 1 January 2007, and the adoption of an accounting policy for recording investments in associates, as stated below, as the Group had no such investments in the previous year.

Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

4. Significant accounting policies (continued)

Investments in associates (continued)

Using the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the results of the associate is included in the income statement. Losses of the associate in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes through the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies are consistent with those followed by the Group.

New and Amended IFRSs and Interpretations

IFRS 7 'Financial Instruments: Disclosures' and a complementary amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' (effective for annual periods beginning on or after 1 January 2007)

IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'.

The amendment to IAS 1 introduces disclosures relating to the level of an entity's capital and how it is managed.

The additional disclosures required, will be presented in the annual financial statements of the Group for 2007.

IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006)

IFRIC 10 provides that, should any impairment losses be recognised in the interim financial statements in relation to goodwill, available-for-sale investments in equity shares or unquoted equity shares carried at cost, these impairment losses may not be reversed in subsequent interim periods or when preparing the annual financial statements.

IFRIC 11 and IFRS 2 'Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007)

The Group has early adopted IFRIC 11 on 1 January 2007. IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity, even if the entity, chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity shares granted. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent.

This Interpretation applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company.

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Notes to the Condensed Interim Consolidated Financial Statements

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, Eastern Europe and Australia.

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>	
	2007 C€000	2006 C€000	2007 C€000	2006 C€000	2007 C€000	2006 C€000	2007 C€000	2006 C€000
Turnover	256.760	196.114	20.109	18.146	1.981	1.836	278.850	216.096
Profit before tax	65.352	39.173	5.967	4.661	529	515	71.848	44.349

6. Other income

Other income for the three months ended 31 March 2007 includes the excess of the Group's share of the net fair value of the net assets of the associate Cytrustees Investment Public Company Ltd of C€2.173 thousand and the share of losses of the associate amounting to C€8 thousand. It also includes dividend income of C€52 thousand (corresponding period of 2006: C€17 thousand).

7. Other operating expenses

Other operating expenses for the three months ended 31 March 2007 include depreciation of property and equipment and amortisation of intangible assets of C€4.473 thousand (corresponding period of 2006: C€4.721 thousand).

8. Basic and diluted earnings per share

	<i>Three months ended 31 March</i>	
	2007	2006
Profit after tax (C€ thousand)	62.138	37.221
Weighted average number of shares in issue during the period (thousand)	553.876	546.173
Basic earnings per share (cent)	11,2	6,8
Weighted average number of shares, adjusted for the exercise of share options (thousand)	555.966	546.276
Diluted earnings per share (cent)	11,2	6,8

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Notes to the Condensed Interim Consolidated Financial Statements

8. Basic and diluted earnings per share (continued)

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 number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares are converted into shares.

The weighted average number of shares for the three months ended 31 March 2006 has been adjusted to reflect the bonus element of the issue of shares under the Dividend Reinvestment Plan, resulting from the dividend payment in June and December 2006.

9. Loans and advances to customers

	31 March 2007	<i>31 December 2006</i>
	C£000	<i>C£000</i>
Loans and advances to customers	9.355.844	8.826.863
Provisions for impairment of loans and advances and suspended income	(467.094)	(461.708)
	8.888.750	8.365.155

Provisions for impairment of loans and advances and suspended income

	Provisions	Suspended income	Total
	<i>C£000</i>	<i>C£000</i>	C£000
At 1 January 2007	323.002	138.706	461.708
Exchange adjustments	469	62	531
Applied in writing off advances	(4.544)	(9.310)	(13.854)
Suspended income for the period net of current year collections	-	5.342	5.342
Collections of loans previously written off	2.013	-	2.013
Charge of the period	11.354	-	11.354
At 31 March 2007	332.294	134.800	467.094

10. Capital expenditure

The total capital expenditure of the Group for the three months ended 31 March 2007 amounts to C£2.489 thousand (corresponding period of 2006: C£3.437 thousand).

11. Other assets

Other assets at 31 March 2007 include the positive fair value of derivative financial instruments of C£18.865 thousand (31 December 2006: C£21.277 thousand).

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Notes to the Condensed Interim Consolidated Financial Statements

12. Debt securities in issue

	<i>Interest rate</i>	31 March 2007	31 Dec. 2006
Medium term Senior Debt		C£000	C£000
€3 million 2003/2008	Three-month Euribor plus 0,45%	1.742	1.735
€300 million 2005/2008	Three-month Euribor plus 0,30%	174.064	172.709
€300 million 2006/2009	Three-month Euribor plus 0,33%	171.170	173.304
		346.976	347.748
Short term Commercial Paper			
in Euro	-	137.067	19.053
in U.S. Dollars	-	96.653	66.688
in British Pounds	-	4.263	-
		237.983	85.741
Interest-free loan from the European Development Bank	-	288	288
		585.247	433.777

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 €1.500 million (31 December 2006: €1.500 million).

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

At 31 March 2007, the amount of the €300 million Senior Debt 2006/2009 outstanding was €295 million (31 December 2006: €300 million) as €5 million (31 December 2006: nil) of Debt was held by the Company for trading purposes.

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

Short term Commercial Paper

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 will have a maturity period up to 364 days and the Commercial Paper will not be listed on any stock exchange.

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Notes to the Condensed Interim Consolidated Financial Statements

13. Other liabilities

Other liabilities at 31 March 2007 include the negative fair value of derivative financial instruments of C£6.333 thousand (31 December 2006: C£10.152 thousand) and provisions for pending litigation or claims of C£2.473 thousand (31 December 2006: C£2.473 thousand).

14. Subordinated loan stock

	31 March 2007	<i>31 December 2006</i>
	C£000	<i>C£000</i>
Subordinated Bonds 2008/2013 in Euro (€200 million)	114.893	114.503
Subordinated Bonds 2011/2016 in Euro (€200 million)	115.875	111.308
Capital Securities Series A (C£65 million)	64.011	64.311
Capital Securities Series B (C£30 million)	29.883	29.883
	324.662	320.005

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 €1.500 million (31 December 2006: €1.500 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 in whole 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 2007, the amount of €200 million Subordinated Bonds 2008/2013 outstanding amounted to €198.114 thousand (31 December 2006: €198.350 thousand) as €1.886 thousand (31 December 2006: €1.650 thousand) were held by the Company for trading purposes.

Under this Programme, the Company issued in May 2006, €200 million Subordinated Bonds 2011/2016 in Euro, bearing floating rate of interest and 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.

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Notes to the Condensed Interim Consolidated Financial Statements

14. Subordinated loan stock (continued)

Capital Securities

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 have no maturity date, but may be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter. The Capital Securities bear a 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 31 March 2007, the Capital Securities Series A and Series B outstanding amounted to C£64.011 thousand and C£29.883 thousand respectively (31 December 2006: C£64.311 thousand and C£29.883 thousand respectively) as C£989 thousand of Capital Securities Series A and C£117 thousand of Capital Securities Series B (31 December 2006: C£689 thousand and C£117 thousand respectively) were held by the Company for trading purposes.

15. Share capital

	31 March 2007		31 December 2006	
	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	553.839	276.919	545.316	272.658
Dividend reinvestment	-	-	6.519	3.259
Exercise of share options	329	165	2.004	1.002
At 31 March 2007/31 December 2006	554.168	277.084	553.839	276.919

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 27 June 2006 was set at C£3,49 per share and for the interim dividend paid on 11 December 2006 it was set at C£5,07 per share. As a result of the dividend reinvestment, 6.519.027 shares were issued and the Company's share capital and share premium increased by C£3.259 thousand and C£24.434 thousand respectively.

Share Options

The Company has 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 they give the holder the right to buy one share of the Company at the price of C£3,26 per share. The Share Options 2001/2007 can be exercised by their holders from 31 January 2004 to 31 December 2007.

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Notes to the Condensed Interim Consolidated Financial Statements

15. Share capital (continued)

Share Options (continued)

The Company has also granted Share Options 2006/2007 to all permanent employees in Cyprus and Greece who were in service at 30 September 2006 (grant date) and will remain in service until 31 March 2007. The number of Share Options 2006/2007 issued was 4.283.300. At 31 March 2007, 4.207.759 Options had not been exercised by their holders, while 41.700 Options were forfeited because of the departure of their holders from the Group. The exercise price of the Share Options has been set at C£3,70 per Option and the exercise period is from 31 March 2007 to 30 June 2007.

During the three months ended 31 March 2007, 328.963 (31 December 2006: 2.004.493) Share Options 2001/2007 were exercised. At 31 March 2007, 541.494 Options had not been exercised by their holders, while 5.900 Options were forfeited because of the departure of their holders from the Group. As a result of the exercise of the Share Options, the Company's share capital and share premium increased by C£165 thousand (31 December 2006: C£1.002 thousand) and C£908 thousand (31 December 2006: C£5.532 thousand) respectively.

16. Dividend

On 27 February 2007, the Board of Directors of the Company decided to propose the payment of a dividend of 10 cent per share, amounting to C£55.417 thousand. The proposed dividend will be submitted for approval at the Annual General Meeting of the shareholders scheduled for 6 June 2007. The proposed ex-dividend date is 11 June 2007. As a result, registered shareholders on 8 June 2007 will be eligible to receive the dividend. The proposed dividend is not recognised as a liability until its approval by the Annual General Meeting and its subsequent payment to shareholders.

17. Cash and cash equivalents

	31 March 2007	31 March 2006
	C£000	C£000
Cash and non obligatory balances with central banks	149.527	121.641
Placements with banks repayable within three months	2.423.453	2.122.033
	2.572.980	2.243.674

18. Staff numbers

The number of persons employed by the Group at 31 March 2007 was 6.351 (31 December 2006: 6.192).

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Notes to the Condensed Interim Consolidated Financial Statements

19. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 31 March 2007 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 and Cytrustees Investment Public Company 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).

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

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

Australia: Bank of Cyprus Australia Pty Ltd.

Romania: Bank of Cyprus Romania (branch of Bank of Cyprus Public Company Ltd) and Cyprus Leasing (Romania) IFN SA.

Ireland: BOC International Fund Management Ltd.

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

Company	Percentage holding at 31 March 2007	Accounting treatment
JCC Payment Systems Ltd	45	Proportional consolidation
Cytrustees Investment Public Company Ltd	25	Equity method

The Group decided to terminate the activities of its subsidiary BOC International Fund Management Ltd and has started the dissolution process. The subsidiary Old Company (BCL) Ltd has been liquidated and for the first time is not included in the consolidation for the three months ended 31 March 2007.

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.

The subsidiary Cyprus Leasing (Romania) IFN SA and the branch of the Company in Romania (Bank of Cyprus Romania) were included in the consolidation for the first time during the three months ended 31 December 2006. The investment in the associated company Cytrustees Investment Public Company Ltd was acquired during the three months ended 31 March 2007 and is included in the consolidation for the first time.

There was no other change in the companies that were consolidated or in the method of consolidation compared to 31 March and 31 December 2006.

Bank of Cyprus Group

Notes to the Condensed Interim Consolidated Financial Statements

20. Related party transactions

	31 March 2007	31 December 2006
	C£000	C£000
Loans and other advances to:		
- members of the Board of Directors and key management personnel	5.454	4.806
- connected persons	78.483	79.947
	83.937	84.753
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	49.418	52.183
	133.355	136.936
Tangible security	145.469	135.760
Deposits of:		
- members of the Board of Directors and key management personnel	4.845	3.291
- connected persons	10.937	14.990
	15.782	18.281

Interest income and expense from members of the Board of Directors, key management personnel and their connected persons for the three months ended 31 March 2007 amounted to C£1.148 thousand and C£80 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.

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 with the same terms as those which apply to the rest of the Group's employees.

Remuneration

During the three months ended 31 March 2007, the remuneration of the members of the Board of Directors and key management personnel amounted to C£726 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 three months ended 31 March 2007 amounted to C£139 thousand (corresponding period of 2006: C£121 thousand).

Bank of Cyprus Group

Notes to the Condensed Interim Consolidated Financial Statements

20. Related party transactions (continued)

Other transactions (continued)

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 and in the company Unicars Cyprus Ltd which supplies the Company in Cyprus with cars and related services. The total purchases from these companies for the three months ended 31 March 2007 amounted to C£73 thousand (corresponding period of 2006: C£141 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 2007 amounted to C£31 thousand (corresponding period of 2006: C£24 thousand).

The balances and transactions of the Group with its associated company were: deposits at 31 March 2007 of C£1.728 thousand, interest expense for the period of C£8 thousand and fee and commission income for the period of C£40 thousand.

21. Other information

- There are no fixed charges in favour of third parties over the Group's property and equipment as at 31 March 2007.
- The Group's provision for pending litigation or claims at 31 March 2007 is set out in Note 13. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.
- The court of New York has issued a judgement in relation to the application which was pending before it for the payment by the Company of an amount up to \$77 million (C£34 million) plus interest since May 2001, which specific customers allegedly held 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. The Group, pursuant to consultation and advice from its 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. The Group does not expect that the outcome of the investigation will have any material impact on the Group's financial position.
- 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, in breach of its obligations to AremisSoft, has not taken all the necessary measures to prevent the principal shareholder of AremisSoft to execute transfers leading to the appropriation by him of significant sums belonging to 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£22 million). The Company denies the content of the law suit and all demands contained therein. The Group does not expect to have any material financial impact as a result of the law suit.

22. Post balance sheet events

The public tender offer submitted by the Company to the shareholders of Cytrustees Investment Public Company Ltd for the acquisition of up to 50% plus one share of Cytrustees at €2,45 per share, has been successfully completed on 27 April 2007.