ANNUAL REPORT 2005

UNIVERSAL BANK

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Notice
of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Universal Bank Public Ltd will be held at the Universal Group of Companies headquarters in Nicosia, on 7 June 2006 at 5:30 p.m., to transact the following business:

Agenda

1 Submission of the financial statements of the Bank for the year ended 31 December 2005 and the Directors' and Auditors' Reports.

2 Election of the members of the Board of Directors. Short CVs of the members of the Board of Directors submitting themselves for re-election are included in pages 5-6 of the Annual Report.

3 Fixing the remuneration of the Directors.

4 Re-appointment of the Auditors and authorisation of the Board of Directors to fix their remuneration.

5 Transaction of any other business which can be carried out at an Annual General Meeting.

By order of the Board

Michalis P. Kleopas
Secretary

Nicosia, 29 March 2006.

NOTES:
A member entitled to attend and vote at the above meeting, is entitled to appoint a proxy to attend and vote on his behalf. The instrument appointing the proxy must either be received at P.O. Box 28510, 2080 Nicosia, or deposited at the registered office of the Bank, 85 Digeni Akrita Avenue, Universal Tower, 6th floor, 1070 Nicosia, at least 48 hours before the time of the meeting.

Chairman's Statement

Dear shareholders

I present to you the Annual Report for the year 2005, putting forward a few comments about the results, developments and prospects of the Bank.

The Bank's results for the year 2005 show a considerable improvement.

Net interest income amounted to C£5 million, demonstrating a marginal decrease of 1% compared to last year. The main factors which contributed to this outcome were the three successive decreases in the basic interest rate (Lombard Rate) by the Central Bank of Cyprus amounting to an overall decrease of 1,25% in 2005, the constrained increase of the loans and other advances, and the increase in the amount of suspended interest income. At the same time, the increase in deposits for the year 2005 along with the increase in the average cost of deposits of the Bank have affected negatively the net interest income.

Other income increased by 10% and reached C£2,1 million in 2005 compared to C£1,9 million in 2004, mainly due to the development of trade services and the successful operation of credit card and treasury services.

As a result, net income increased by 2% and reached C£7,1 million in 2005 compared to C£6,9 million in 2004.

Total operating expenses reached C£6,7 million in 2005 compared to C£6,4 million in 2004 presenting an increase of 5%.

Staff costs which comprise 61% of the total of the Bank's operating expenses increased by 6% in comparison to the previous year. This increase was expected and is mainly due to the annual increases in salaries and the continuous increase in the staff retirement plan costs as a result of the Bank's contractual collective agreement obligations. Due to the Bank's policy to put a hold on new recruitments, the number of employees decreased from 195 on 31 December 2004 to 190 on 31 December 2005.

Due to the extended impairment in the price of certain investments in shares, an amount of C£85 thousand was transferred from the revaluation reserve to the income statement.

Other operating expenses increased by 9%, whilst depreciation decreased significantly by 20%. Other operating expenses include non-recurring costs of about C£50 thousand which relate to consultancy services regarding the issue of capital securities, and costs which were incurred as a result of the termination of operations of a branch in Nicosia. If we were to exclude these non-recurring costs, the increase in other operating expenses would adjust to 5,5%; this is in accordance with the Bank's policy of controlling operating expenses.

The Bank's operating profits decreased by 26% compared to 2004 and amounted to C£454 thousand.

The strengthening of the procedures regarding the supervision of the quality of our lending portfolio had a positive effect for a third consecutive year, leading to a decrease in the amount of provisions for loan impairment. In particular, provisions reached C£1,34 million in 2005 compared to C£2,65 million in 2004 reporting a 49% decrease.

We expect further improvements in the quality of our loan portfolio, as well as in the recovery of non-performing loans and advances with the additional strengthening and investment in credit risk management systems and procedures which are in compliance with the Basel II and Capital Adequacy Directive.

Losses for the year reached C£989 thousand compared to C£2 million in 2004 recording a significant decrease of 51%.

Total assets amounted to C£200,8 million reporting a 3% increase against year 2004.

Deposits as at 31.12.2005 amounted to C£177 million reporting an increase of 7% against last year. This was the result of the successful launching of new deposit products during the year, a policy which the Bank intends to maintain in the year 2006.

The total of loans and other advances at the end of the year 2005 amounted to C£122,9 million, reporting a 4% decrease from the restated year 2004 amount. However, the rate of increase of the average amount of loans and advances for 2005 reached 2,3% in comparison to that of year 2004. We consider our credit policy to be in accordance with the continuous efforts for the improvement of the quality of our loan portfolio.

The recent issue of capital securities amounting to C£570 thousand contributed to the strengthening of both the capital base and the capital adequacy ratio of the Bank which amounted to C£15,5 million and 11,5% respectively. The capital adequacy ratio compares favourably to the minimum capital adequacy ratio, which any Cyprus bank must maintain, of 10% as set by the Central Bank of Cyprus, and 8% as set by the European Union.

During 2005, the Bank successfully offered new deposit products which contributed to the increase in deposits. In order to profitably differentiate the Bank from our competitors new deposit as well as lending products will be announced shortly.

With the introduction of the "Platinum" credit card and "Electron" card the product range of the credit card services is considered to be complete. As a result of the launch of the two new cards, the competitive pricing policy, and the enhancement of the Fun Points Program, we expect the credit card services to expand further with a direct positive effect in the Bank's income streams.

The Bank successfully offers internet banking services to all of its customers through its Internet Banking Service, "**ibank**". The Bank, through Internet Banking, aims to offer important and flexible internet services in order to upgrade the quality of services it offers to its clients. At the same time, the automation of procedures for the completion of the "day-to-day" routine operations is expected to result to a further reduction in operating expenses.

The additional investment in credit risk management systems and procedures have brought encouraging results, evident by the increase in amounts recovered from non-performing loans and the decrease in provisions for loan impairment. The Bank's goal is the strengthening of efforts for improvement of the lending portfolio with further positive results in 2006.

It is a known fact that the Bank's shareholding structure is expected to change materially which will in turn will have an effect on the Bank's strategic planning. The Board of Director's primary goal is the protection of all shareholders', employees' and customers' interests.

Based on the above and the continuous expansion of our operations, we expect results for the year 2006 to demonstrate further improvement compared to those reported in 2005.

In closing, I would like to thank our customers and shareholders for their support and belief in our vision. I would like to thank the members of the Board of Directors, our Auditors and Legal Advisors, as well as all other associates for their valuable services. Lastly, I would like to extend special thanks to the management and our personnel for their dedication and zeal with which they work for the achievement of our targets and vision.

Symeon Matsis
Chairman

Nicosia, 29 March 2006.

Report on Corporate Governance

Part A

The establishment of corporate governance principles and the reinforcement of the supervisory role of the Board of Directors aims mainly at protecting investors through the adoption of transparency and timely information as well as guaranteeing the Board of Directors sufficient independence in decision-making.

On 9 November 2004 the Board of Directors decided to fully adopt the provisions of the Corporate Governance Code (the 'Code'), recognising its importance.

Part B

The composition of the Board of Directors must ensure that the balance between the executive and non-executive Directors is such that no single Director, or a small group of Directors, can dominate in decision-making and no group has a majority over the other.

At least one third of the members of the Board of Directors must at all times be non-executive. During 2005 all the members of the Board of Directors were non-executive.

On 31 December 2005, the Board of Directors consisted of 6 (six) non-executive Directors, one being the Chairman and another being the Secretary.

The Chairman of the Board of Directors is considered a 'non-independent' member of the Board. The remaining five (5) members of the Board of Directors are considered 'independent' members of the Board and are not involved in the management of the Bank nor have any direct or indirect control over the majority of share capital or voting rights of the Bank. No member has any kind of business relation that could substantially influence his independent and impartial judgement.

The Board of Directors consists of the following members:

Symeon Matsis *(Chairman)*
Born in 1944. He has a B.Sc degree in Economics from the London School of Economics, and an M.Sc from the Queen Mary College in Labour Economics. Held the position of Director General of Ministries and the Planning Bureau. Held chairmanship positions as well as memberships of various semi-governmental boards. Served as a member of the Board of the Cyprus Development Bank and the Housing Finance Corporation. Member of the Board of Directors of Universal Life Insurance Public Co. Ltd and Lordos United Plastics Public Ltd. Was appointed Chairman of the Board of Directors of the Bank on 23 November 2004. Currently, a business consultant.

Michalis Kleopas *(Secretary)*
Born in 1949. He has a law degree from the University of Athens. He has been a member of the Board of Directors of the Bank since 1994. For many years he has been a member of the Legal Council of the Republic, a member of the Disciplinary Board of the Cyprus Bar Association, and a member and an officer of the Cyprus Bar Association. For many years he has been a member of Sport Supreme Judicial Committee and appointed as President and member of the various Legal, Disciplinary and Investigative Committees of Cyprus Sport Organisation, Cyprus Football Association, Cyprus Handball Association and Technical Committee of Referees. He is the Secretary and member of the Board of Directors of a number of Private and Public Companies. Currently, a lawyer.

Michalis Michaelides
Born in 1964. He has a Bachelor of Engineering in Mechanical Engineering from Kings College and an M.B.A. in Finance from a Scotish Institution. Member of the Board of Directors of L'Union Nationale Ltd. Executive Director of Dinos M. Michaelides (Consultants) Ltd since 1990. Member of the Board of Directors of the Bank since 1993. Businessman - Business Consultant.

Iosif Vavlitis
Born in 1950. Managing Director of the Vavlitis Group of Companies. He is also a member of the Board of Directors of Universal Investments Ltd. He is the Chairman of the Union of Hotel Enterprises and the Association of Cyprus Tourist Enterprises, member of the Board of Directors of Cyprus Employers and Industrialists Federation and member of various committees of the Cyprus Tourism Organisation. He has been a member of the Board of Directors of Universal Bank since 1994. He is a Climate Control

engineer and has a degree in Business Administration. He is a member of the American Society of Heating Refrigerating and Air Conditioning Engineers and a member of the Association of Energy Engineers. Businessman.

Socrates Solomides
Born in 1955. He graduated from the London School of Economics where he obtained a B.Sc degree in Economics and an M.Sc in Accounting & Finance. He also has an MBA degree from the Berkeley University of California. Initially he worked for the Economic Research Department of the Central Bank of Cyprus and then moved to CISCO (part of the Bank of Cyprus Group of companies) where he held the position of the General Manager from 1988 until 1999. For many years he has been a member of the Insurance Advisory Body. He is an executive Director of a number of family companies and also holds directorship positions at various private and public companies within the financial sector. He has been a member of the Board of Directors of the Bank since 1 February 2004.

Frixos Sorokos
Born in 1945. He has a B.Sc Degree in Economics from the London University and an M.Sc from Leicester University in Economics. He is a deputy Member of the Board of Directors of the European Investment Bank. Until recently he held the position of the Chairman of the Examining Board of Professional Certification of Officers and Employees of Investment Services Firms, and of the Director of Finance at the Directorate of Finance and Investment of the Ministry of Finance. Served at the position of the Chairman of the Cyprus Securities & Exchange Committee and as a member of various semi-governmental Board of Directors. Member of the Board of Directors of Universal Bank since 14 December 2004.

The Board of Directors held 17 meetings in 2005.

The Board of Directors deals with the following:
- Strategic policies and targets of the Bank
- Annual budget and business planning of the Bank
- Setting of time frames for capital investments
- Important capital expenditures
- Supervision of extraordinary transactions
- Mergers, acquisitions and disposals of the Bank’s assets
- Adoption and change of accounting standards
- Substantial transactions by the Company of any kind which is directly or indirectly in the interest of the Chairman, any member of the Board of Directors, the General Manager, the Secretary, the auditors or a shareholder that directly or indirectly controls more than 5% of the issued share capital or the voting rights of the company.
- Selection, appointment and termination of the company’s General Manager
- Definition of the Directors’ retirement policy
- Appointment of the Bank’s Secretary

For better execution of their duties as members of the Board of Directors, upon approval by the Board of Directors, all members are entitled to receive independent professional advice, with all expenses covered by the Company. All Directors are aware of the Cyprus Stock Exchange Law and Regulations and Cyprus Company Law, especially the parts relating to their individual position on the Board.

All Board members may receive advice and other services by the Bank’s Secretary. The Secretary ensures the application of the Board’s policies and compliance with existing regulations.

The Board of Directors operates on the basis of collective responsibility and no differentiation exists between groups of Directors with regards to their responsibility. In addition the Board also ensures the smooth succession procedures with regards to the company’s management.

Based on the Bank’s articles of association, all Board members resign at the first annual general meeting. At the forthcoming annual general meetings, one third (1/3) of the appointed Board members will resign and will have the right to re-election at an annual general meeting. If the number of Directors is less than 3 (three), or a multiple of three, then the number of Directors expected to resign will be the number closest to the one third. At the annual general meeting held on 8 June 2005 Messrs Iosif Vavlitis, Michalis

Michaelides and Michalis Kleopas retired by rotation and were re-elected at the same meeting. Also, during the same meeting, Messrs Symeon Matsis, Sotiris Kallis and Frixos Sorokos, who were appointed by the Board of Directors during 2004, retired and were subsequently re-elected.

For the year ended on 31 December 2005, and according to the company's Articles of Association, during the next Annual General Meeting, Messrs Socratis Solomides, Symeon Matsis and Frixos Sorokos retire by rotation, and being eligible offer themselves for re-election.

The names of the Directors that are submitted for election or re-election are accompanied by the biographical details of each Director so that the shareholders can make an informed decision on their election.

On 1 June 2005 Mr. Sotiris Kallis resigned from the Bank's Board of Directors.

The remuneration of the Board members is proportional to their attendance at Board meetings and is approved by the shareholders at the Annual General Meeting. At the Annual General Meeting that took place on 8 June 2005 the shareholders approved an annual remuneration of C£1.000 for each Board member and a C£50 fee for each Board member attending a meeting. Additionally, during the same meeting, the annual remuneration of the Chairman of the Board of Directors was approved at C£12.000.

The above remuneration is revised on an annual basis. Based on the articles of association, the Board members can claim reimbursement for all travelling expenses necessary to attend all Board meetings. An analysis of the remuneration of the members of the Board of Directors for 2004 and 2005 is presented in Note 34 of the audited financial statements.

The Chairman of the Board of Directors has no executive duties. Furthermore, during the year there was no Executive Director.

The senior executive member of the Bank is the General Manager, Dr. Spyros Episkopou, who is not a member of the Board of Directors but attends the Board of Directors' Meetings in order to fully update and inform the Board of Directors.

The Board of Directors has concluded that the issue regarding the appointment of an Executive Director will be finalised during 2006.

In accordance with the existing provisions of the Bank's Corporate Governance Code the remuneration of the Executive Directors is approved each year by the Board as part of the next year's budget. These consist of a salary that is adjusted each year based on the prevailing economic conditions and the state of the labour market. In addition, the Executive Directors are not included in the Bank's staff retirement fund.

Audit Committee

The Audit Committee members are appointed by the Board and consists of three non-executive Directors, the majority of whom are independent members of the Board. The Audit Committee members elect the Committee's Chairman.

During 2005, the Committee consisted of the following members:

Chairman: Symeon Matsis
Members: Michalis Michaelides (Up to 2/1/05 and re-elected on 1/6/05)
Socrates Solomides (Up to 2/1/05)
Frixos Sorokos (since 3/1/05)
Sotiris Kallis (3/1/05 - 31/5/05)

The Committee met four times during 2005.

The duties of the Committee include the following:

- Recommendations to the Board with regards to the appointment, termination, and remuneration of the company's external auditors, the continuous supervision of the extent and effectiveness of the audit, and the independence and objectivity of the auditors.
- Submission to the Board of a report including:
  - (a) Audit and consultancy remunerations paid to the external auditors.
  - (b) The assignment of substantial consultancy duties assigned to the external auditors either based on their importance to the Company and its subsidiaries or based on the level of remuneration.
- Submission of suggestions and proposals by the Manager of Financial Services to the Board on the choice of accounting policies used in the Financial Statements.
- In co-operation with the Corporate Governance Compliance Officer, preparation and submission to the Board of the Corporate Governance Report for inclusion in the Company's Annual Report.
- Recommendations to the Board of Directors with regard to compliance issues to the Code in connection with the recommended activities of Corporate Governance Compliance Officer.
- Review of company transactions in which the Chairman, member of the Board of Directors, the Secretary, the General Manager, the external auditors or any shareholder who holds directly or indirectly more than 5% of the issued share capital or the voting rights of the company, has a direct or indirect interest, in order to ensure that these transactions are carried out in the normal course of business and at arm's length.
- Recommendation to the Board of the appointment and/or termination of the Corporate Governance Compliance Officer.
- Evaluation of the adequacy and independence of the Internal Audit Department.
- Review of the terms of reference of the Committee and where necessary, submission to the Board of proposals for validation/approval.

Nominations Committee

The members of the Nominations Committee are appointed by the Board and consists of three non-executive Directors, the majority of whom are independent. The Chairman of the Board of Directors is the Chairman of the Committee.

The members of the Nominations Committee are:

Chairman: Symeon Matsis
Members: Iosif Vavlitis
Michalis Kleopas (up to 2/1/05)
Frixos Sorokos (since 3/1/05)

The Nominations Committee met once during 2005.

The duties of the Committee include:

- Submission to the Board of proposals for the nomination of new Directors based on their academic and professional qualifications, as well as their personalities.
- Definition of criteria for finding prospective members of the Board.
- Evaluation and recommendation to the Board with regards to the composition and structure of the Board of Directors in accordance with the provisions of the Code.
- In co-operation with the Company Secretary, the planning with regards to the re-appointment of retiring Board members.
- Report to the Board of Directors on a timely basis the Committee's activities.

Remunerations Committee

The Remunerations Committee members are appointed by the Board and consists of three independent non-executive Directors, that elect the Committee's Chairman.

The members of the Remunerations Committee are:

Chairman:	Iosif Vavlitis
Members:	Michalis Michaelides
	Socrates Solomides (up to 2/1/05)
	Sotiris Kallis (3/1/05 - 31/5/05)
	Frixos Sorokos (since 1/6/05)

The Committee met once during 2005.

The Committee's duties include:

- Review of the employment contracts of the Executive Directors.
- Submission to the Board of recommendations concerning the framework and level of remuneration of the Executive Directors. The remuneration must be sufficient so as to attract and maintain the Directors' interest in the Company.
- Submission of the Directors remuneration to the shareholders for approval at annual general meetings.
- Comparison of the Directors remuneration policies with those of other companies taking into consideration the market conditions, competition, and the company's financial performance.

The Committee also considers the following:

- Allow the Chairman and the Chief Executive Officer to express their opinions with regard to the Committee's proposed remuneration of the Executive Directors.
- The remuneration of all Board members that take part in the Board Committees is determined by the Board and is based on the time that they allocate to the management of the Company.
- The remuneration of the non-executive members of the Board is not connected to the Company's profitability.
- Where the remuneration of the executive Directors is connected to the Company's performance, it should be in line with the best interests of the shareholders so as to act as incentives for performance improvement.
- Share options granted to Executive Directors should be priced at an amount higher than the average closing price of the last 30 stock exchange session meetings, before the date of the granting of the options.

Confirmations of the Board of Directors

System of Internal Controls
The Bank maintains an Internal Audit Department.

The Board of Directors confirms the review of the effectiveness of the internal controls system of the Bank and confirms its satisfaction. The review covers all control systems, including both financial and operational systems, as well as the risk management systems which address the risks threatening the achievement of the Bank's goals.

Accuracy and completeness of information
The Board confirms that the Company has set in effect, and complied with, processes to verify the accuracy and completeness of the information given to investors. The Board has no reason to believe that such information is inaccurate and incomplete. The Board also confirms that it is not aware of any violation of the Cyprus Stock Exchange Law and Regulations.

Transactions with members of the Board of Directors
Details of the transactions with members of the Board and their connected persons are set out in Note 34 of the audited financial statements. All transactions are carried out in the normal course of business and are considered to have taken place at arm's length and with transparency.

Going concern
The Board confirms that it is satisfied that the Bank has adequate resources to continue in business as a going concern for the next twelve (12) months.

Investor Relations Officer

All shareholders of the Bank are treated on an equal basis. The Bank, within the framework of providing the shareholders with timely information, announces its results every six months. Besides the Annual General Meeting of the Shareholders, the Bank organises an annual Company Presentation where it presents both the audited financial results of the year and its strategic plans.

The Board has appointed the Manager of Financial Services as the Investor Relations Officer.

Corporate Governance Compliance Officer

The Board has appointed the Manager of Financial Services as the Corporate Governance Code Compliance Officer.

The Board of Directors
Universal Bank Public Limited

Nicosia, 29 March 2006.

Board of Directors
and Executives

Board of Directors
Symeon Matsis, Chairman
Michalis Michaelides
Iosif Vavlitis
Michalis Kleopas
Socrates Solomides
Frixos Sorokos

General Manager
Dr. Spyros Episkopou

Manager, Financial Services
Demetris Shacallis

Secretary
Michalis Kleopas

Registered Office
85 Digenis Akritas Avenue
Universal Tower, 6th floor
1070 Nicosia

Legal Advisor
Dr. Kypros Chrysostomides & Co.

Auditors
Ernst & Young
Chartered Accountants

Declaration of the members of the Board of Directors
and of the Officers responsible for preparation of the financial statements

In accordance with article 140(1) of the Cyprus Stock Exchange Laws & Regulations, we, the members of the Board of Directors and the Officers responsible for the drafting of Universal Bank Public Ltd financial statements for the year ended 31 December 2005, based on our knowledge, which is the product of careful and conscientious work declare that the particulars which are specified in the financial statements are true and fair.

Members of the Board of Directors
Symeon Matsis, *Chairman*
Michalis Michaelides
Iosif Vavlitis
Michalis Kleopas
Soctaris Solomides
Frixos Sorokos

Officers responsible for the preparation of financial statements
Dr. Spyros Episkopou, General Manager
Demetris Shacallis, Manager Financial Services

Nicosia, 29 March 2006.

Report of the Directors

The Board of Directors of Universal Bank Public Limited ("Bank") submit to the shareholders their report and the audited financial statements for the year ended 31 December 2005.

Activities

The Bank is a subsidiary company of the Universal Life Insurance Public Co. Ltd. The Bank's main activity during the year was the provision of banking and financial services in Cyprus.

Branches

The Bank operates through 17 branches in Cyprus. By mid-2006 two new branches are expected to commence operations, one in Paphos and the other one in Limassol.

Financial Results

Operating profits before provisions for loan impairment for the year amount to C£453.652 as compared to C£616.355 for 2004, reporting a 26% decrease. Loss for the year after provisions and taxation amounts to C£989.363, compared to C£2.038.001 for the previous year, reporting a 51% decrease.

Total assets amounted to C£200,8 million, reporting a 3% increase against year 2004, which is mainly due to the 7% increase in deposits. Loans and advances have decreased by 4% compared to the restated respective amounts of 2004.

The main financial highlights for the years 2005 and 2004 are as follows:

	2005 C£	2004 C£	Improvement %
Turnover	**15.022.194**	14.827.278	+1%
Profit before provisions	**453.652**	616.355	-26%
Loss before tax	**(887.970)**	(2.038.001)	+56%
Loss after tax	**(989.363)**	(2.038.001)	+51%
Loss per share (cent)	**(6,5)**	(13,5)	+51%
Deposits	**177.044.821**	166.097.609	+7%
Loans and advances	**122.864.438**	127.346.065	-4%
Total assets	**200.811.429**	194.721.094	+3%
Equity	**10.585.695**	11.066.348	-4%

Board of Directors

The Board of Directors of the Bank consists of the members listed on page 11. Mr. Sotiris Kallis resigned from the Bank's Board of Directors on 1 June 2005.

According to the Company's Articles of Association Messrs Socrates Solomides, Symeon Matsis and Frixos Sorokos retire by rotation, and being eligible, offer themselves for re-election.

Future Developments

The future developments in the Bank's shareholding structure are deemed to have an effect on the Bank's strategic planning. However, the main short-term goals of the Bank include the following:

- launching of new deposit as well as lending products;
- continuous investment in credit risk management systems and strengthening of the efforts for loan portfolio quality improvement;
- reduction from the dependence of net interest income and concentration on more profitable income streams; and,
- automation and simplification of a major number of systems and procedures to restrain operating and other expenses.

Taking into account the above factors and the continuous expansion of our operations, we expect results for the year 2006 to demonstrate further improvement compared to those reported in 2005.

Report of the Directors

Risk Management

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The financing risks which are managed and monitored are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 31 of the financial statements.

Share Capital

During the year the Bank's share capital remained unchanged.

Post Balance Sheet events

Post Balance Sheet events are described in Note 36 of the financial statements.

Corporate Governance Code

The Board of Directors of the Bank implements the Code of Corporate Governance in full.

Auditors

The auditors of the Bank, Messrs Ernst & Young have signified their willingness to continue in office. A resolution fixing their remuneration will be proposed at the Annual General Meeting.

Symeon Matsis
Chairman

Nicosia, 29 March 2006.

Financial Statements

Income Statement
for the year ended 31 December 2005

	Note	2005 C£	2004 C£
Turnover		15.022.194	14.827.278
Interest income	3	12.797.510	12.816.479
Interest expense	4	(7.801.393)	(7.760.205)
Net interest income		4.996.117	5.056.274
Fee and commission income		1.469.448	1.319.487
Fee and commission expenses		(95.626)	(77.288)
Foreign exchange income		354.785	316.634
Income from equity investments	5	3.114	7.201
Other income		397.337	367.477
Total operating income		7.125.175	6.989.785
Staff costs	6	(4.039.270)	(3.798.334)
Depreciation of property, plant and equipment		(702.197)	(879.563)
Provision for impairment of available-for-sale investments	5	(84.942)	(4.485)
Other operating expenses		(1.845.114)	(1.691.048)
Total operating expenses		(6.671.523)	(6.373.430)
Profit before provisions		453.652	616.355
Provisions for loan imparment	12	(1.341.622)	(2.654.356)
Loss before tax	7	(887.970)	(2.038.001)
Tax	8	(101.393)	-
Loss for the year		(989.363)	(2.038.001)
Loss per share (cent)	9	(6,5)	(13,5)

Balance Sheet
as at 31 December 2005

	Note	2005	2004 Restated
		C£	C£
Assets			
Cash and balances with the Central Bank of Cyprus	10	**28.377.513**	21.768.111
Placements with Banks	11	**17.479.993**	6.711.810
Loans and advances to customers	12	**122.864.438**	127.346.065
Investments held-to-maturity	13	**26.184.769**	33.159.501
Investments available-for-sale	14	**106.582**	82.744
Investment property	15	**370.000**	-
Investments in subsidiary companies	16	**1.156**	1.156
Property, plant and equipment	17	**3.322.098**	3.292.567
Intangible assets	18	339.784	428.766
Other assets	19	**1.092.387**	921.429
Prepayments and accrued income	20	**672.709**	1.008.945
Total Assets		**200.811.429**	194.721.094
Liabilities			
Amounts due to banks		**-**	5.800.000
Customer deposits and other accounts	21	**177.044.821**	166.097.609
Other liabilities	22	**645.304**	284.798
Accruals	23	**3.965.609**	3.472.339
Total Liabilities		**181.655.734**	175.654.746
Subordinated loan stock	24	**8.570.000**	8.000.000
Equity			
Share capital	25	**15.128.151**	15.128.151
Share premium		**12.399.495**	12.399.495
Property revaluation reserve		**1.001.851**	599.121
Investments revaluation reserve		**32.655**	(73.325)
General reserve		**26.867**	26.867
Accumulated losses		**(18.003.324)**	(17.013.961)
		10.585.695	11.066.348
Total liabilties and equity		**200.811.429**	194.721.094
Contingent Liabilities and Commitments			
Contingent liabilities	26	**12.660.594**	11.743.332
Commitments	26	**10.020.119**	7.215.615

Symeon Matsis - *Chairman*
Dr Spyros Episkopou - *General Manager*
Demetris Shacallis - *Manager, Financial Services*

Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital	Share premium	Investments revaluation reserve	Property revaluation reserve	General reserve	Accumulated losses	Total equity
	C£	C£	C£	C£	C£	C£	C£
Year 2004							
1 January 2004	15.128.151	12.399.495	(77.969)	596.333	26.867	(14.506.759)	13.566.118
Restatement (*note 2*)	-	-	-	-	-	(469.201)	(469.201)
As restated	15.128.151	12.399.495	(77.969)	596.333	26.867	(14.975.960)	13.096.917
Loss after tax	-	-	-	-	-	(2.038.001)	(2.038.001)
Deferred tax	-	-	-	2.788	-	-	2.788
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	3.147	-	-	-	3.147
Revaluation of investments available-for-sale	-	-	1.497	-	-	-	1.497
31 December 2004	**15.128.151**	**12.399.495**	**(73.325)**	**599.121**	**26.867**	**(17.013.961)**	**11.066.348**
Year 2005							
1 January 2005	15.128.151	12.399.495	(73.325)	599.121	26.867	(17.013.961)	11.066.348
Loss after tax	-	-	-	-	-	(989.363)	(989.363)
Property revaluation	-	-	-	456.382	-	-	456.382
Deferred tax	-	-	-	(53.652)	-	-	(53.652)
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	84.942	-	-	-	84.942
Revaluation of investments available-for-sale	-	-	21.038	-	-	-	21.038
31 December 2005	**15.128.151**	**12.399.495**	**32.655**	**1.001.851**	**26.867**	**(18.003.324)**	**10.585.695**

Cash Flow Statement
for the year ended 31 December 2005

	Note	2005 C£	2004 C£
Net cash flow from/(used in) operating activities	29	**16.406.890**	(21.024.139)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(202.161)**	(220.038)
Purchase of investments		**(364.475)**	-
Proceeds from the disposal of property, plant and equipment		**266**	8.337
(Purchase)/disposal of equity shares		**(2.800)**	55.320
Interest received on Government and other debt securities		**1.415.193**	1.484.480
Dividend income from equity shares		**3.114**	1.745
Net cash flow from investing activities		**849.137**	**1.329.844**
Cash flow from financing activities			
Interest paid on subordinated loan stock		**570.000**	-
(Repayments to)/proceeds from other banks		**(543.249)**	(494.878)
Net cash flow (used in)/from financing activities		**(5.800.000)**	5.800.000
Net cash flow (used in)/from financing activities		**(5.773.249)**	5.305.122
Net increase/(decrease) in cash and cash equivalents for the year		**11.482.778**	(14.389.173)
Cash and cash equivalents			
Balance at 1 January		**25.124.728**	39.513.901
Net increase/(decrease) in cash and cash equivalents		**11.482.778**	(14.389.173)
Balance at 31 December	30	**36.607.506**	25.124.728

Summary of Significant Accounting Policies
as at 31 December 2005

The accounting policies followed in respect of items that are considered material or important for the results and the financial position of Universal Bank Public Limited ('the Bank') are stated below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

All IFRSs issued by the International Accounting Standards Board and effective at the time of preparing these financial statements, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of the International Accounting Standard (IAS39) "Financial Instruments: Recognition and Measurement". With Regulations 2086/2004 and 1864/2005, the European Commission requires the use, as of 1 January 2005, of IAS 39 (revised 2003 and amended 2005), with the exception of certain of the provisions relating to portfolio hedge accounting. Since the Bank is not affected by these provisions, these financial statements comply with both the IFRS as adopted by the EU and the IFRS issued by the International Accounting Standards Board.

In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113 and of the Cyprus Stock Exchange Law and Regulations.

The financial statements are presented in Cyprus pounds (C£) and are prepared under the historical cost convention, modified to include the revaluation of freehold property, investment property, available-for-sale investments, derivatives and designating hedged items in fair value hedges.

Where necessary, comparative amounts were reclassified to conform to the presentation adopted in the current year. These reclassifications had no effect on the loss for the year or on the Bank's equity.

Adoption of new and revised IFRSs

The accounting policies that have been followed were the same as those followed in the previous year.

As of 1 January 2005, the following new and revised IFRSs 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 and amended 2005)	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 and amended 2005)	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

In October 2004, the European Commission adopted Regulation 2086/2004 with which it endorsed IAS39 (revised 2003), with the exception of the provisions on the use of the fair value for measuring financial liabilities and certain of the provisions relating to portfolio hedge accounting. The International Accounting Standards Board published on 16 June 2005 amendments to IAS 39 (and to IAS 32), restricting the use of the fair value option and requiring additional disclosures. As a result, in November 2005 the European Commission with Regulation 1864/2005 adopted the amended IAS 39 and IAS 32, but with the requirement for their retroactive application as from 1 January 2005. On the basis of the relevant transitional provisions, the Bank adopted the amended IAS 39 and IAS 32 as from 1 January 2005.

The adoption of the above Standards did not have a material effect on the financial statements of the Bank.

Standards and Interpretations that are issued but have not yet come into effect

The Bank has not adopted the following IFRSs and Interpretations, which are issued but have not yet come into effect:

IFRS 6: Exploration for and evaluation of mineral resources
The Standard applies for annual periods beginning on or after 1 January 2006. The Standard is not relevant to the activities of the Bank.

IFRS 7: Financial instruments: Disclosures
The Standard replaces IAS30 and the disclosure requirements of IAS 32. The Standard is effective for annual periods beginning on or after 1 January 2007. The Bank expects that the adoption of the Standard will not have a material effect on the financial statements other than the presentation of the additional disclosures required by IFRS7 concerning financial instruments.

Interpretation 4: Determining whether an arrangement contains a lease
The interpretation is effective for annual periods beginning on or after 1 January 2006. 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 is not expected to have material effect on the financial statements of the Bank.

Interpretation 5: Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
The Interpretation is effective for annual periods beginning on or after 1 January 2006. The Interpretation clarifies the way of recognising participation in such funds. The Interpretation is not relevant to the operations of the Bank.

Significant accounting judgements and estimates

Judgements

In the process of applying the Bank’s accounting policies, management makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:

Investments held-to-maturity
The Bank follows the guidance of IAS 39 on classifying investments in financial assets with fixed or determinable payments and fixed maturity as held-to-maturity.

This classification requires significant judgement regarding the Bank’s intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances permitted by IAS 39 - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. In such a case the change in the book value of these investments at 31 December 2005 would be C£603.191.

Estimates

The key assumptions and other key sources of estimation uncertainty at the balance sheet date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are presented below:

Provisions for loan impairment

The Bank reviews its loan portfolio for evidence that it will not be able to collect all amounts due from an individual loan or a portfolio of homogeneous loans. Evidence includes the customer's payment record, his overall financial position and the realisable value of any collateral. If such evidence exists, the recoverable amount is estimated and a provision is made for loan impairment and is charged in the income statement. The review of credit risk is continuous. The methodology and assumptions used for estimating the provision are reviewed regularly to reduce any differences between estimated and actual losses.

Impairment of available-for-sale equity investments

Available-for-sale equity investments are measured at fair value with fair value changes taken to equity. Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost (requires estimation). In such a case, the loss recognised in equity is transferred to the income statement.

This determination of what is significant or prolonged requires judgment. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence that significant changes with an adverse effect have taken place in the technological, market, economic or legal environment in which the investee operates.

Taxation

The Bank is subject to taxation in Cyprus. Significant estimates are required in determining the provision for taxes at the balance sheet date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

Turnover

Turnover represents interest income, fee and commission income, investment income, foreign exchange income and other income. The Bank does not provide leasing or hire purchase services.

Interest income and interest expense

Interest income and interest expense are recognised in the Income Statement on an accruals basis except as stated in the following paragraph.

Interest and other income from the following sources is not recognised in the income statement but is credited to a suspense account: (a) loans that are more than six months in arrears and are not fully secured, (b) overdraft accounts which are not fully secured and are in excess of their credit limit at the date of calculation of the accrued interest, to the extent that accrued interest or other income is not covered by the total amount credited in the account during the previous six months, and (c) advances for which a provision for impairment loss has been made.

Interest and other income credited to a suspense account is transferred to the income statement only when collected.

Interest income and interest expense on balances before 15 August 1974, were calculated up to 15 August 1974, the day on which the Bank suspended its operations due to the Turkish invasion. All interest with regard to these balances is accounted for when paid or received.

Fee and commission income

Fee and commission income is recognised on the basis of work done to match the cost of providing the service.

Fee income in respect of the undertaking of credit risk is recognised on the date of undertaking the credit risk.

Foreign currency translation

The financial statements are presented in Cyprus pounds (C£), which is the functional and presentation currency of the Bank. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated in Cyprus pounds at the rate of exchange ruling at the Balance Sheet date. All exchange differences are taken to the income statement.

Operating lease expenses

Operating lease expenses represent accrued lease rentals for the year and are included in other operating expenses.

Investments

All investments are initially recognised at cost on a transaction date basis, and are initially measured at the fair value of the consideration given and including transaction costs associated with the investment.

Investments in equity shares and Government and other debt securities, have been classified into investments available-for-sale and into investments held-to-maturity respectively. Management determines the appropriate classification of investments at the time of the purchase.

Investments are derecognised when the contractual rights to the cash flows expire or when the Bank transfers substantially all the risks and rewards of ownership.

Interest earned on Government and other debt securities is reported as interest income in the period in which the investments are held. Dividend income from equity shares is recognised when it is received.

All regular way purchases and sales of investments are recognised at the trade date, which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward contracts until settlement.

Investments held-to-maturity
Held-to-maturity investments are measured at amortised cost, which is calculated by taking into account acquisition cost, any unamortised discount or premium, less any provision for impairment.

Investments are impaired when their recoverable amount is lower than their carrying amount. Estimates are used to determine the recoverable amount, which is based on projected cash flows.

Impairment losses of investments held-to-maturity are calculated as the difference between the accounting value of the investment and the present value of the expected future cash flows which have been prepaid using the original effective rate of the investment.

Investments available-for-sale
Available-for-sale investments are measured at fair value, based on market prices for listed securities. The fair value of unlisted securities is estimated using appropriate models and valuation methods adopted to take into account the specific investee's financial results, conditions and prospects compared to those of similar companies for which quoted market prices are available.

Gains and losses arising from changes in the fair value of available-for-sale investments are recognised in equity. In case of sale or impairment, the gains or losses recognised in equity are transferred to the income statement.

Investments available-for-sale in equity shares are impaired if the decline in their fair value is significant and prolonged. Impairment losses on investments in equity shares are not reversed through the income statement. Subsequent increases in the fair value following impairment are recognised in the revaluation reserve.

Loans and advances

Loans and advances to customers originate when money is provided directly to the borrowers and are initially measured at the fair value of the consideration given for the creation of the loan including transaction costs. Loans and advances are subsequently measured at amortised cost using the effective yield method.

Loans and advances are presented net of specific and general provisions for loan impairment, which may arise during the ordinary course of business. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

The collectability of loans and advances to customers is evaluated based on the individual customer's overall financial position, resources, and payment record, the prospect of support from creditworthy guarantors and the realisable value of any collateral.

A loan is considered impaired when it is probable that the Bank will not be able to collect all amounts due according to the original contractual terms of the loan, unless such loans are secured, or other factors exist where the Bank expects that all amounts due will be received.

When a loan has been classified as impaired, its carrying amount is reduced to its estimated recoverable amount, being the present value of its expected future cash flows, including recoverable amounts from guarantees and collateral, discounted at original effective interest rate. The amount of provision is the difference between the carrying amount and the recoverable amount.

Impaired loans are monitored continuously and are reviewed for provision purposes every six months. Any subsequent changes to the estimated recoverable amounts and timing of the expected future cash flows, are compared to the prior estimates and any difference arising results in a corresponding charge/credit in the income statement. A provision for an impaired loan is reversed only when the credit quality of the customer has improved to such an extent that there is reasonable assurance that all principal and interest according to the original terms of the loan will be collected timely.

Provision has been made for the total advances and loan accounts granted before 15 August 1974.

Property, plant and equipment, computer software and goodwill on leasehold property

Property is initially measured at cost and subsequently measured at fair value less accumulated depreciation. Valuations are carried out periodically by independent qualified valuers. The amount of depreciation is calculated on the revalued amount less estimated residual value of the property, on a straight-line basis over the expected useful economic lives of the assets. Gains or losses arising from changes in the fair value of the assets are recognised in the revaluation reserve. Upon disposal, the relevant amount in the revaluation reserve is transferred to retained earnings.

Plant and equipment and computer software are stated at historic cost less accumulated depreciation.

Leasehold property is stated at cost less accumulated depreciation.

Any profits or losses arising from the disposal of property, plant and equipment and computer software are transferred to the income statement in the year of disposal.

All property, plant and equipment and computer software, with the exception of immovable property, which remained in the Turkish occupied area, were written off in 1974. In addition, provision has been made for the total value of immovable property situated in the Turkish occupied area.

Depreciation on furniture and fittings, equipment, computer software and hardware and motor vehicles is calculated on the basis of cost less estimated residual value on a straight-line basis over the expected useful economic lives of the assets, commencing from the month of acquisition.

The annual depreciation rates for the year were as follows:

	%
Buildings	4
Furniture and Fittings	10
Office equipment	20
Computer hardware	20-33
Computer software	25
Motor Vehicles	20

Leasehold improvements and goodwill on leasehold property are amortised over a period of 10 years or over the lease period if this period is less than 10 years.

The carrying values of property, plant and equipment, computer software and goodwill on leasehold property are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If there is such an indication and the carrying value exceeds the recoverable amount, the assets are written down to their recoverable amount through the income statement.

Investment property

Investment property consists of property acquired for the settlement of debts. Investment property is measured at fair value at the balance sheet date. Gains or losses arising from changes in fair value of investment property are recognised in the income statement. Valuations are performed by independent qualified valuers.

Investments in subsidiary companies

The investments in subsidiary companies are shown at cost less any impairment in value.

Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement represent cash in hand, short term deposits with local banks repayable within three months as well as non-obligatory deposits with the Central Bank of Cyprus, and Government debt securities repayable within three months.

Retirement benefits

The Bank operates a defined benefit scheme, which is fully funded. All contributions to the scheme are made on an annual basis with the purpose of creating adequate reserves during the working lives of the employees to provide for the payment of a lump sum either upon retirement or on death before retirement. The annual cost of providing benefits under this scheme is taken to the income statement.

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits is debited to the income statement over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial valuations at least every three years. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the average interest rate of the Government debt securities with similar duration as the duration of the liability.

Actuarial gains or losses exceeding 10% of the present value of the defined benefit obligation or the fair value of the plan assets of the scheme, whichever is greater, are recognised over the average remaining working lives of the employees participating in the scheme.

Deposits and subordinated loan stock

Deposits and subordinated loan stock in issue are initially measured at the fair value of the consideration received net of any issue costs. They are subsequently measured at amortised cost using the effective yield method. Interest on deposits and subordinated loan stock in issue is included in interest expense.

Share capital

The difference between the nominal value and the issue price of the share capital is included within share premium. Issue costs incurred in the process of share capital increase are deducted from equity.

Derivatives

Derivative financial instruments are initially recognised on the balance sheet at cost (including transaction costs) and are subsequently measured at their fair value. Fair values are estimated using quoted market prices, discounted cash flow models and options pricing models as appropriate.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are treated as derivatives held-for trading with changes in fair value recognised in the income statement.

Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount presented on the balance sheet when the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Taxation

Taxation on income is provided in accordance with the provisions of the Income Tax Law and is recognised as an expense in the period in which the income arises. Deferred tax is calculated using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

1. Corporate information

The financial statements of Universal Bank Public Limited (the 'Bank') for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Board of Directors on 29 March 2006.

The Bank is a subsidiary company of Universal Life Insurance Public Co. Ltd. The Bank's main activity during the year was the provision of banking and financial services.

The Bank was incorporated as a limited liability company in 1925 under the Cyprus Companies Law of 1922 and 1923 and is considered a public company under the Cyprus Stock Exchange Laws and Regulations.

2. Restatement of prior years' results

A reconciliation procedure between the relevant subsystems of the Bank's core banking software and the central database regarding loans and advances was performed during the year. This reconciliation was performed in order to validate corrections previously made to loans and advances during the years 1998 to 2003. As a result of this procedure, an adjustment of C£469.201 was made in order to correct the balance of loans and advances granted up to 31 December 2003, and interest income accounted for as receivable in 1998 to 2003 respectively.

3. Interest income

	2005 C£	2004 C£
Loans and advances to customers	**10.349.304**	10.153.695
Placements with other banks	**1.033.013**	1.178.304
Government and other debt securities	**1.415.193**	1.484.480
	12.797.510	12.816.479

4. Interest expense

	2005 C£	2004 C£
Customer deposits	**7.136.286**	7.214.570
Placements with other banks	**121.858**	50.757
Subordinated loan stock	**543.249**	494.878
	7.801.393	7.760.205

5. Income from equity investments

	2005 C£	2004 C£
Dividends from equity investments	**3.114**	1.745
Gains on sale of available-for-sale investments	**-**	5.456
	3.114	7.201

	2005 C£	2004 C£
Impairment provision - transfer from Revaluation Reserve	**84.942**	4.485

6. Staff costs

	2005 C£	2004 C£
Personnel salaries and wages	**2.984.833**	2.763.820
Social insurance and other costs	**339.002**	318.575
Retirement benefit costs	**715.435**	715.939
	4.039.270	3.798.334

The number of employees as at 31 December 2005 was 190 (2004: 195).

Retirement benefits - Defined benefits scheme

The Bank operates a defined benefits scheme, which is fully funded. All contributions to the scheme are made on an annual basis with the purpose of creating enough reserves during the working lives of the employees to provide for the payment of a lump sum either upon retirement or earlier death. The annual cost of providing benefits under the scheme is taken to the Income Statement.

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method by independent actuaries. According to this method, the cost of providing retirement benefits is debited to the Income Statement over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial valuation of the plan at least every three years. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the average interest rate of the Government debt securities with similar duration as the duration of the liability.

According to the actuarial valuation conducted for the year ended 31 December 2005, the amounts presented on the Balance Sheet of the Bank are as follows:

	2005 C£	2004 C£
Present value of the obligation	**(2.634.200)**	(2.295.685)
Fair value of plan assets	**1.362.950**	513.501
Deficit	**(1.271.250)**	(1.782.184)
Unrecognised actuarial loss	**1.366.235**	2.070.760
Net prepayment recognised in the Balance Sheet (*note 19*)	**94.985**	288.576

The principal actuarial assumptions used for the actuarial valuation were:

	2005 %	2004 %
Discount rate	**5,0**	6,5
Expected return on plan assets	**6,0**	7,0
Future salary increase	**6,5**	8,5
Future price inflation	**3,0**	3,0

The amounts recognised in the Income Statement in respect of the defined benefits scheme are as follows:

	2005 C£	2004 C£
Current service cost	501.870	495.687
Notional interest cost on plan obligations	146.725	121.630
Expected return on plan assets	(33.259)	(31.078)
Actuarial loss recognised in the year	100.099	128.657
Amortisation of transition obligation	-	1.043
Expense recognised in the Income Statement	715.435	715.939
Actual return on plan assets	349.449	45.548

Movement in the net prepayment as shown in the Balance Sheet (*note 19*):

	2005 C£	2004 C£
Balance of prepayment at 1 January	288.576	986.629
Expense recognised in the Income Statement	(715.435)	(715.939)
Employer funding for the year	521.844	17.886
Net prepayment at 31 December	94.985	288.576

The plan assets do not include shares and/or other financial instruments issued by the Bank.

7. Loss before tax

Loss before tax is stated after charging:

	2005 C£	2004 C£
Directors' emoluments	31.621	31.493
Auditors' remuneration	21.000	20.000
Depreciation of property, plant and equipment	702.197	879.563
(Loss)/gain on sale and write-off of property, plant and equipment	(15.532)	3.205
Operating lease rentals for immovable property	352.838	315.947

8. Tax

	2005 C£	2004 C£
Previous years' corporation tax	125.582	-
Previous years' special contribution to the defence fund	10.937	-
Deferred tax	(35.126)	-
	101.393	-

The reconciliation of corporation tax on losses before tax based on the effective rates and the tax credit is as follows:

	2005 C£	2004 C£
Loss before tax	(887.970)	(2.038.001)
Corporation tax based on the effective rates	(88.797)	(203.800)
Tax effect of:		
- Disallowable expenses	59.220	74.219
- Income not taxed	(63.433)	(72.868)
- Unused tax losses	57.884	202.449
Previous years' tax	136.519	-
	101.393	-

Corporation tax is calculated at the rate of 10% on taxable income.

At 31 December 2005, the Bank had tax losses carried forward amounting to C£17,4 million (2004: C£17,0 million) on which no deferred tax asset was recognised.

9. Loss per share

	2005 C£	2004 C£
Loss attributable to shareholders	(989.363)	(2.038.001)
Weighted average number of shares in issue during the year	15.128.151	15.128.151
Loss per share (cent)	(6,5)	(13,5)

At 31 December 2005 and 2004 respectively, there were no potentially dilutive ordinary shares.

10. Cash and balances with the Central Bank of Cyprus

	2005 C£	2004 C£
Cash	1.563.096	1.161.090
Balances with the Central Bank of Cyprus	26.814.417	20.607.021
	28.377.513	21.768.111

Deposits with the Central Bank of Cyprus include the obligatory deposits for liquidity purposes which amount to C£9.250.000 (2004: C£11.287.000).

Interest on the interbank placements and takings is based on the interbank interest rate of the relevant term and currency.

11. Placements with banks

	2005	2004
Repayable:	C£	C£
- on demand	**2.069.121**	1.993.613
- within three months	**15.410.872**	4.718.197
	17.479.993	6.711.810

12. Loans and advances to customers

	2005	2004 Restated
	C£	C£
Loans and other advances	**153.244.803**	153.500.125
Provision for loan impairment	**(30.380.365)**	(26.154.060)
	122.864.438	127.346.065
Loans and advances are repayable:		
- on demand	**63.030.979**	67.067.852
- within three months	**2.827.112**	6.116.029
- between three months and one year	**6.279.665**	4.049.868
- between one and five years	**60.689.606**	35.789.764
- over five years	**20.417.441**	40.476.612
	153.244.803	153.500.125

The analysis of loans and advances in the various industry sectors is presented below:

	2005	2004 Restated
	C£	C£
Trade and industry	**13.569.129**	12.319.451
Tourism	**18.303.869**	20.467.467
Property and construction	**29.048.792**	36.141.764
Personal and professional	**88.092.291**	78.200.307
Other sectors	**4.230.722**	6.371.136
	153.244.803	153.500.125

Loans and credit facilities granted to Directors are stated in Note 34. Credit facilities granted to the parent and fellow subsidiary company are as follows:

	Universal Life Insurance Public Co. Ltd	Universal Investments Ltd
	C£	C£
Lending interest rates as at 31.12.2005	Base rate plus 1,50%	Base rate plus 1,00%
Transactions:		
Interest receivable and other commissions	1.686	-
Bank balances as at 31.12.2005:		
Credit bank balances (*note 21*)	2.869.829	3.539

Provisions for loan impairment and suspended income

Year 2005

	Provisions	Suspended income	Total
	C£	C£	C£
1 January	16.399.141	9.754.919	**26.154.060**
Debts recovered	(151.933)	(311.337)	**(463.270)**
Charge for the year	1.493.555	-	**1.493.555**
Net charge for the year	1.341.622	(311.337)	**1.030.285**
Write-offs	(280.798)	(205.366)	**(486.164)**
Suspended income for the year	-	3.682.184	**3.682.184**
Total	1.060.824	3.165.481	**4.226.305**
31 December	17.459.965	12.920.400	**30.380.365**

Year 2004

	Provisions	Suspended income	Total
	C£	C£	C£
1 January	13.886.401	6.529.311	**20.415.712**
Debts recovered	(103.271)	(175.207)	**(278.478)**
Charge for the year	2.757.627	-	**2.757.627**
Net charge for the year	2.654.356	(175.207)	**2.479.149**
Write-offs	(141.616)	(38.431)	**(180.047)**
Suspended income for the year	-	3.439.246	**3.439.246**
Total	2.512.740	3.225.608	**5.738.348**
31 December	16.399.141	9.754.919	**26.154.060**

The loans and advances for which interest is suspended amount to C£55.222.477 (2004: C£50.746.764).

The fair value of loans and advances is approximately equal to the amount presented on the Balance Sheet after the deduction of provisions for loan impairment and suspended income.

Advances and other accounts before 15 August 1974

These consist of:	2005 C£	2004 C£
Loans to third parties	**535.273**	544.908
Provisions for advances and other loan accounts before 15 August 1974	**(535.273)**	(544.908)
	-	-

13. Investments held-to-maturity

Government and other debt securities:

	2005 C£	2004 C£
Cyprus Government	**24.681.769**	31.656.501
Cyprus public companies	**1.503.000**	1.503.000
	26.184.769	33.159.501
Repayable:		
- within one year	**-**	8.883.047
- between one and five years	**24.109.942**	23.776.454
- over five years	**2.074.827**	500.000
	26.184.769	33.159.501
Debt securities listed on the Cyprus Stock Exchange	**26.184.769**	33.159.501
Movement for the year is as follows:		
1 January	**33.159.501**	22.899.008
Additions	**1.883.730**	15.579.645
Redemptions	**(8.883.047)**	(5.350.248)
Amortisation of premiums/discounts	**24.585**	31.096
31 December	**26.184.769**	33.159.501

The fair value of held-to-maturity investments as at 31 December 2005 was C£26.787.960.

14. Investments available-for-sale

	2005 C£	2004 C£
Listed on the Cyprus Stock Exchange	106.582	82.744

The movement of available-for-sale investments during the year 2005 is presented below:

	C£
1 January	82.744
Additions	2.800
Gains from change in fair value	21.038
31 December	106.582

15. Investment property

Investment property consists of property acquired for the settlement of debts and is measured at fair value as at the Balance Sheet date.

Movement in investment property for the years 2004 and 2005 is presented below:

	2005 C£	2004 C£
1 January	-	-
Additions	364.475	-
Gains from change in fair value	5.525	-
31 December	370.000	-

16. Investments in subsidiaries

	2005 C£	2004 C£
Universal Leasing and Factoring Ltd	495	495
Imagetech Ltd	661	661
	1.156	1.156

The above companies, which have been dormant to date, are wholly owned subsidiaries of Universal Bank Public Ltd and are presented at cost.

17. Property, plant and equipment

Year 2005

	Immovable Property	Equipment	Total
	C£	C£	C£
Cost or estimated fair value			
1 January	2.991.678	3.116.280	**6.107.958**
Additions	27.951	93.811	**121.762**
Disposals/write-offs	(31.669)	(39.195)	**(70.864)**
Revaluation	456.384	-	**456.384**
Reversal of depreciation due to revaluation	(150.996)	-	**(150.996)**
31 December	3.293.348	3.170.896	**6.464.244**
Depreciation			
1 January	607.001	2.208.390	**2.815.391**
Charge for the year	196.930	335.887	**532.817**
Disposals/write-offs	(15.871)	(39.195)	**(55.066)**
Reversal of depreciation due to revaluation	(150.996)	-	**(150.996)**
31 December	637.064	2.505.082	**3.142.146**
Net book value	2.656.284	665.814	**3.322.098**

Year 2004

	Immovable Property	Equipment	Total
	C£	C£	C£
Cost or estimated fair value			
1 January	2.966.276	3.010.554	**5.976.830**
Additions	25.402	130.717	**156.119**
Disposals/write-offs	-	(24.991)	**(24.991)**
Revaluation	-	-	**-**
Reversal of depreciation due to revaluation	-	-	**-**
31 December	2.991.678	3.116.280	**6.107.958**
Depreciation			
1 January	411.069	1.836.396	**2.247.465**
Charge for the year	195.932	391.852	**587.784**
Disposals/write-offs	-	(19.858)	**(19.858)**
Reversal of depreciation due to revaluation	-	-	**-**
31 December	607.001	2.208.390	**2.815.391**
Net book value	2.384.677	907.890	**3.292.567**

Provision has been made for the total net book value of the immovable property situated in the areas controlled by the Turkish occupation forces amounting to C£25.092.

Immovable property has been revalued in December 2005, in accordance with a valuation performed by an independent qualified surveyor.

The net book value of immovable property as at 31 December 2005 based on historic cost less accumulated depreciation would have been C£1.510.888 (2004: C£1.726.936).

18. Intangible assets

Year 2005

	Goodwill on leasehold property	Computer software	Total
	C£	C£	C£
Cost			
1 January	50.000	2.589.569	**2.639.569**
Additions	-	80.398	**80.398**
Disposals	-	-	**-**
31 December	50.000	2.669.967	**2.719.967**
Depreciation			
1 January	22.610	2.188.193	**2.210.803**
Charge for the year	7.140	162.240	**169.380**
Disposals	-	-	**-**
31 December	29.750	2.350.433	**2.380.183**
Net book value	20.250	319.534	**339.784**

Year 2004

	Goodwill on leasehold property	Computer software	Total
	C£	C£	C£
Cost			
1 January	50.000	2.525.650	**2.575.650**
Additions	-	63.919	**63.919**
Disposals	-	-	**-**
31 December	50.000	2.589.569	**2.639.569**
Depreciation			
1 January	15.470	1.903.554	**1.919.024**
Charge for the year	7.140	284.639	**291.779**
Disposals	-	-	**-**
31 December	22.610	2.188.193	**2.210.803**
Net book value	27.390	401.376	**428.766**

19. Other assets

	2005 C£	2004 C£
Other debtors	**601.017**	456.438
Corporation tax receivable	**68.961**	176.415
Fair value of derivatives (*note 27*)	**327.424**	-
Net prepayment to retirement fund (*note 6*)	**94.985**	288.576
	1.092.387	921.429

20. Prepayments and accrued income

	2005 C£	2004 C£
Accrued interest receivable	**662.240**	993.257
Prepaid fees	**10.469**	15.688
	672.709	1.008.945

21. Customer deposits

	2005 C£	2004 C£
Deposits of parent company	**2.869.829**	5.028.176
Deposits of fellow subsidiary companies	**2.678.957**	1.025.336
Deposits of related companies	**134.126**	114.432
Other customer deposits	**171.361.909**	159.929.665
	177.044.821	166.097.609

	2005	2004
Repayable:	C£	C£
- on demand	**52.001.453**	51.300.186
- within three months	**36.020.694**	41.122.568
- between three months and one year	**80.610.336**	64.276.006
- between one and five years	**8.412.338**	9.398.849
	177.044.821	166.097.609

Except for the deposits of the Parent and subsidiary companies shown above, there were no other material transactions between the Bank and the above-mentioned companies.

The following amounts represent interest paid on the balances of the Parent, fellow subsidiary and related companies. Interest is calculated daily at 4,71% (2004: 5,17%).

	2005 C£	2004 C£
Parent company - Universal Life Insurance Public Co. Ltd	**65.690**	141.759
Fellow subsidiary - Universal Life (HELLAS)	**62.608**	5.591
Fellow subsidiary - Universal Financial Services Ltd	**22.373**	12.702
Fellow subsidiary - Universal Investments Ltd (*note 12*)	**2.402**	4.178
Fellow subsidiary - Universal Nominees Ltd	**4.494**	3.095
Fellow subsidiary - Universal Securities Ltd	**599**	448
Related company - Spidertrade Ltd	**2.947**	8.468

The Bank is entitled to legal protection according to the Debtors Relief (Temporary provisions) Laws of 1979 to 1995, as a displaced and affected legal entity. However, on 15 December 1998 the Bank released all pre-15 August frozen 1974 deposits amounting to C£420.846 in favour of the Bank's depositors. The equivalent amount as at 31 December 2005 was C£94.258 (2004: C£98.499). Due to the fact that the above amount consists of a large number of small deposit accounts and the likelihood of demand is minimal, on 24 December 2000 the Board of Directors decided to transfer the amount of C£137.130 to the Income Statement and in case of demand of these deposits to debit the Income Statement accordingly. During the year 2005 the Bank repaid pre-1974 frozen deposits amounting to C£4.241 (2004: C£6.733) by debiting the Income Statement.

The net book value of deposits repayable on demand represents their fair value. The fair value of term deposits with floating interest rate is equivalent to their net book value and is determined based on the present value of the future cash flows, using interest rates for new deposits with the same maturity date. The fair value of these deposits does not materially differ from their net book value as the majority has a maturity date of one year from the Balance Sheet date (*note 31*).

22. Other liabilities

	2005 C£	2004 C£
Sundry creditors	**214.972**	222.822
Deferred tax	**37.481**	18.955
Fair value of derivatives (*note 27*)	**324.334**	-
Other liabilities	**68.517**	43.021
	645.304	284.798

The deferred tax liability consists of the following:

	2005 C£	2004 C£
Temporary differences between wear and tear allowances and depreciation	**73.814**	63.659
Property revaluation	**86.931**	51.803
Provisions for loan impairment	**(68.500)**	(56.500)
Tax losses carried forward	**(54.764)**	(40.007)
	37.481	18.955

23. Accruals

	2005 C£	2004 C£
Bills payable	**1.107.904**	976.285
Accrued interest	**2.123.470**	1.697.396
Other accruals	**734.235**	798.658
	3.965.609	3.472.339

24. Subordinated loan stock

	2005 C£	2004 C£
Debentures 2003/2008	**8.000.000**	8.000.000
Capital Securities	**570.000**	-
	8.570.000	8.000.000

Debentures 2003/2008

On 25 July 2003 the Bank issued debentures amounting to C£8.000.000 with duration of five (5) years maturing on 25 July 2008. These are non-secured and are included in the direct, non-secured subordinated liabilities of the Bank. Interest is paid twice per year, on 30 June and 31 December. The debentures carry a variable interest rate equal to the weighted average of the basic interest rate of the Central Bank of Cyprus (Lombard rate) for Cyprus pounds that was in effect during the previous interest rate period (i.e. the previous six-month period), plus 1,50%. The Bank has the option to redeem the debentures in whole or in part, at their principal amount together with any outstanding interest payments, after giving a six-month notice, and subject to the prior consent of the Central Bank of Cyprus.

Capital Securities

Capital Securities were issued on 30 December 2005 and have been offered to professional investors and to a limited number of non-professional investors in Cyprus. The Capital Securities rank as Tier 1 Capital and have no maturity date. However, they may be redeemed in whole at the option of the Bank, subject to the prior consent of the Central Bank of Cyprus, at their principal amount together with any outstanding interest payments, 5 (five) years after their issue date or on any interest payment date thereafter, and provided that they will be replaced with capital of equivalent or senior ranking, unless the Central Bank of Cyprus decides that the Bank's capital adequacy is satisfactory.

The Capital Securities have a variable coupon rate, which will be revised at the beginning of every interest period and will apply for the duration of that Interest Period. The coupon rate will be equal to the base rate in force at the beginning of each interest period plus 1,60%. Interest is payable every six (6) months.

Subject to the provisions regarding the time at which the Bank may call and redeem the Capital Securities, if the Bank does not call and redeem the Capital Securities within a period of 10 years from the date of issue (i.e. up to 31 December 2015), then starting from the interest period that commences 10 years after the date of issue, the coupon of the Capital Securities will be variable and will be revised at the start of each interest period and will apply for each such interest period. It will be equal to the base rate in force at the beginning of each interest period plus 2,25% annually.

The fair value of the subordinated loan stock is equivalent to its net book value.

25. Share capital

	2005 No of shares	2005 C£	2004 No of. shares	2004 C£
Authorised				
Shares of £1 each	**50.000.000**	**50.000.000**	50.000.000	50.000.000
Issued				
Fully paid shares	**15.128.151**	**15.128.151**	15.128.151	15.128.151
Total issued share capital	**15.128.151**	**15.128.151**	15.128.151	15.128.151

26. Contingent liabilities and commitments

	2005 C£	2004 C£
Contingent liabilities		
Acceptances and endorsements	**76.599**	29.072
Guarantees	**12.584.355**	11.714.260
	12.660.954	11.743.332
Commitments		
Documentary credits	**579.559**	395.770
Undrawn formal stand by facilities, credit lines and other commitments to lend	**9.440.560**	6.819.845
	10.020.119	7.215.615

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer in the event that the customer does not honour payment. Most acceptances are expected to be presented for payment, but reimbursement by the customer is normally immediate.

Endorsements are residual liabilities in respect of bills of exchange, which have been discounted by a bank and subsequently rediscounted.

Guarantees are generally written by a bank to support the performance of a customer to third parties. As the bank will only be required to meet obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. The amounts above include guarantees provided by the Bank prior to 15 August 1974 to third parties on behalf of customers including previous members of the Board of Directors, which amounted to C£72.125.

Documentary credits commit the bank to make payments to third parties on production of documents and provided that the terms of the documentary credits are satisfied. The repayment by the customer is usually immediate.

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed period and are cancellable by the Bank subject to notice requirements.

Capital commitments

Commitments for contracted capital expenditures for the Bank amount to C£141.374 (2004: C£84.933).

Pre-15 August 1974 frozen deposits

The Bank has the obligation to repay the pre-15 August 1974 frozen deposits whose balance as at 31 December 2005 amounted to C£94.258 (2004: C£98.499).

Litigation

There are no claims or assessments against the Bank the outcome of which would have a material effect on the Bank's financial position and operations.

27. Derivatives

The nominal amounts and fair values of derivative financial instruments are summarised below:

	2005		
	Nominal amount	Fair value	
		Assets (*note 19*)	Liabilities (*note 22*)
	C£	C£	C£
Derivatives held for trading			
Forward exchange rate contracts	**6.776.455**	321.612	324.334
Currency swaps	**1.476.200**	5.812	-
	8.252.655	**327.424**	**324.334**

There were no significant balances of derivative financial instruments as at 31 December 2004.

28. Operating leases

Commitments under non-cancellable operating leases are as follows:

	2005	2004
	C£	C£
Within one year	**263.692**	121.165
Between two and five years	**185.200**	67.080
	448.892	188.245

The Bank's commitments under operating leases are subject to the provisions of the relevant operating lease agreements. These agreements contain provisions for future adjustments on the lease amounts. In addition to the above, on the expiration of the lease period the Bank has the right for renewal.

29. Net cash flows from operating activities

	2005 C£	2004 C£
Loss before tax	(887.970)	(2.038.001)
Provisions for loan impairment	1.341.622	2.654.356
Depreciation of property, plant and equipment	702.197	879.563
Amortisation of rights prepaid	-	3.456
Loss/(gain) on disposal and write-off of assets	15.532	(3.205)
Profit on disposal of available-for-sale investments	-	(5.456)
Dividends from investment in equity shares	(3.114)	(1.745)
Interest on government and other debt securities	(1.415.193)	(1.484.480)
Interest on subordinated loan stock	543.249	494.878
Gains from change in the fair value of investment property	(5.525)	-
Gains from change in the fair value of derivatives	(3.090)	-
Impairment of available-for-sale investments	84.942	4.485
	372.650	503.851
(Increase)/decrease in operating assets:		
Placements with the Central Bank of Cyprus	2.037.000	(788.363)
Government and other debt securities held-to-maturity	(957.075)	(7.725.241)
Loans and advances to customers	3.140.005	(3.388.959)
Other assets, accrued interest receivable and prepaid expenses	492.702	717.085
Increase/(decrease) in operating liabilities:		
Customer deposits	10.947.212	(9.916.898)
Other liabilities	(115.574)	40.808
Accrued expenses	493.270	(466.422)
	16.410.190	(21.024.139)
Taxes paid	(3.300)	-
Net cash flows from/(used in) operating activities	16.406.890	(21.024.139)

30. Cash and cash equivalents

	2005 C£	2004 C£
Amounts due to the Central Bank of Cyprus	19.127.513	10.481.111
Government and other debt securities	-	7.931.807
Cash and amounts due to other banks repayable within three months	17.479.993	6.711.810
	36.607.506	25.124.728

31. Risk management

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The Bank has invested and continues to invest significant amounts for the development and advancement of the procedures and resources in order to fully comply with the provisions of Basel II.

The financial risks examined are mainly credit risk, operating risk, market risk and liquidity risk.

Credit risk
Credit risk is the risk of a person or an organisation defaulting in the repayment of their obligations to the Bank in respect of the credit facilities granted to them by the Bank.

The Bank minimises the risk by spreading its loan portfolio over all economic sectors (*note 12*) and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted.

The credit risk of connected accounts is monitored on a unified basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Bank adopts as the main criteria the repayment capability and obtaining sufficient collateral and the continuous monitoring of credit accounts and the timely preventive action further minimise to a large extent, the exposure to credit risk. In addition, the Bank maintains sufficient provisions for potential losses from doubtful debts, the level of which is evaluated by the Central Bank of Cyprus in its annual inspection.

Operational risk
Operational risk is the risk of possible loss arising from problematic internal procedures and systems, human behaviour or from external factors.

The Basic Indicator Approach and the Standardised Approach will be used in order for the Bank to fully comply with the provisions of Basel II and Capital Adequacy Directive.

Market risk
Market risk is the risk of loss arising from adverse movements in interest rates, exchange rates, equity shares and other securities prices.

The Bank's Asset & Liability Management Committee (ALCO) defines specific strategies and sets strict open position and other limits for managing these risks.

The position of the Bank regarding interest rate risk and currency risk is analysed below.

31. Risk management (continued))

Interest rate risk – 2005

Analysis of assets and liabilities as at 31 December 2005, according to their contractual repricing or maturity date:

	Up to one month	Between one & three months	Between three months & one year	Between one & five years	Over five years	Non-interest bearing	Total
	C£	C£	C£	C£	C£	C£	C£
Assets							
Cash and balances with the Central Bank of Cyprus	26.125.938	1.696.155	555.420	-	-	-	**28.377.513**
Placements with banks	17.479.993	-	-	-	-	-	**17.479.993**
Loans and advances to customers	122.387.007	-	-	477.431	-	-	**122.864.438**
Investments held-to-maturity	-	-	-	24.109.942	2.074.827	-	**26.184.769**
Investments available-for-sale	-	-	-	-	-	106.582	**106.582**
Investment property	-	-	-	-	-	370.000	**370.000**
Investment in subsidiaries	-	-	-	-	-	1.156	**1.156**
Property, plant and equipment and intangible assets	-	-	-	-	-	3.661.882	**3.661.882**
Other assets	-	-	-	-	-	1.092.387	**1.092.387**
Income receivable and prepaid expenses	-	-	-	-	-	672.709	**672.709**
Total assets	165.992.938	1.696.155	555.420	24.587.373	2.074.827	5.904.716	**200.811.429**
Liabilities							
Amounts due to banks	-	-	-	-	-	-	**-**
Customer deposits and other accounts	88.864.777	16.400.936	63.366.770	8.412.338	-	-	**177.044.821**
Other liabilities	-	-	-	-	-	645.304	**645.304**
Accrued expenses	1.107.904	-	-	-	-	2.857.705	**3.965.609**
Total liabilities	89.972.681	16.400.936	63.366.770	8.412.338	-	3.503.009	**181.655.734**
Subordinated loan stock	-	-	8.570.000	-	-	-	**8.570.000**
Net position	**76.020.257**	**(14.704.781)**	**(71.381.350)**	**16.175.035**	**2.074.827**	**2.401.707**	**10.585.695**

31. Risk management (continued)

Interest rate risk

Interest rate risk arises as a result of timing differences on the repricing of assets and liabilities. The Bank's Asset & Liability Management Committee (ALCO) continuously monitors interest rate shifts.

The interest rate risk in the investment portfolio is the risk of a reduction in net interest income of the Bank as a result of adverse movements in interest rates. This risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. This difference is then multiplied by 1% (assumed change in interest rates) for the period from the repricing date until twelve months from the date of the analysis, to compute the annual impact on earnings of the change in interest rates for the next twelve months for each currency. In order to calculate the total annual impact for all currencies, correlation coefficients between the interest rates of the various currencies are used.

A parallel 1% increase in interest rates applied as at 31 December 2005, would result in an increase in annual profits before tax of C£254 thousand (2004: C£243 thousand). A parallel 1% decrease in interest rates would result in a decrease in annual profits before tax of C£254 thousand (2004: C£243 thousand). The sensitivity analysis performed in order to calculate the above figures differs from the tables presented, in respect of the width of the time bands and the assumptions used in analysing assets and liabilities. Specifically, the sensitivity analysis takes into account behavioural characteristics such as the elasticity of interest rates on deposits and loans to changes in market rates.

The average effective interest rate for loans for the year 2005 was 8,81% (2004: 8,78%).

The interest rate for Government and other debt securities for the year 2005 fluctuated between 4,25% - 5,75% (2004: 4,25% - 6,75%).

The effective interest rate for deposits for the year 2005 was 4,33% (2004: 4,10%).

31. Risk management (continued)

Risk management - 2004

Analysis of assets and liabilities as at 31 December 2004 according to their contractual repricing or maturity date:

	Up to one month	Between one & three months	Between three months & one year	Between one & five years	Over five years	Non-interest bearing	Total
	C£	C£	C£	C£	C£	C£	C£
Assets							
Cash and balances with the Central Bank of Cyprus	19.486.123	434.640	1.847.348	-	-	-	**21.768.111**
Placements with banks	6.711.810	-	-	-	-	-	**6.711.810**
Loans and advances to customers	126.793.144	-	-	552.921	-	-	**127.346.065**
Investments held-to-maturity	2.931.807	5.000.000	951.240	23.776.454	500.000	-	**33.159.501**
Investments available-for-sale	-	-	-	-	-	82.744	**82.744**
Investment property	-	-	-	-	-	-	**-**
Investments in subsidiaries	-	-	-	-	-	1.156	**1.156**
Property, plant and equipment and intangible assets	-	-	-	-	-	3.721.333	**3.721.333**
Other assets	-	-	-	-	-	921.429	**921.429**
Income receivable and prepaid expenses	-	-	-	-	-	1.008.945	**1.008.945**
Total assets	155.922.884	5.434.640	2.798.588	24.329.375	500.000	5.735.607	**194.721.094**
Liabilities							
Amounts due to banks	5.800.000	-	-	-	-	-	**5.800.000**
Customer deposits and other accounts	99.862.144	15.495.626	41.340.990	9.398.849	-	-	**166.097.609**
Other liabilities	-	-	-	-	-	284.798	**284.798**
Accrued expenses	976.285	-	-	-	-	2.496.054	**3.472.339**
Total liabilities	106.638.429	15.495.626	41.340.990	9.398.849	-	2.780.852	**175.654.746**
Subordinated loan stock	-	-	8.000.000	-	-	-	**8.000.000**
Net position	**49.284.455**	**(10.060.986)**	**(46.542.402)**	**14.930.526**	**500.000**	**2.954.755**	**11.066.348**

31. Risk management (continued)

Currency risk - 2005

Analysis of assets and liabilities as at 31 December 2005 by currency:

	Cyprus pounds	Euro	U.S. Dollars	British pounds	Other currencies	**Total**
	C£	C£	C£	C£	C£	**C£**
Assets						
Cash and balances with the Central Bank of Cyprus	17.591.201	1.312.248	3.471.843	5.988.943	13.278	**28.377.513**
Placements with banks	12.353.138	1.143.440	2.330.080	1.573.655	79.680	**17.479.993**
Loans and advances to customers	120.833.201	401.049	160.754	-	1.469.434	**122.864.438**
Investments held-to-maturity	26.184.769	-	-	-	-	**26.184.769**
Investments available-for-sale	106.582	-	-	-	-	**106.582**
Investment property	370.000	-	-	-	-	**370.000**
Investments in subsidiaries	1.156	-	-	-	-	**1.156**
Property, plant and equipment and intangible assets	3.661.882	-	-	-	-	**3.661.882**
Other assets	395.683	734	694.944	1.026	-	**1.092.387**
Interest income and prepaid expenses	662.240	-	10.469	-	-	**672.709**
Total assets	182.159.852	2.857.471	6.668.090	7.563.624	1.562.392	**200.811.429**
Liabilities						
Amounts due to banks	-	-	-	-	-	**-**
Customer deposits and other accounts	159.942.330	2.917.679	7.024.063	7.150.552	10.197	**177.044.821**
Other liabilities	320.970	-	-	324.334	-	**645.304**
Accrued expenses	3.756.161	37.741	49.370	122.288	49	**3.965.609**
Total liabilities	164.019.461	2.955.420	7.073.433	7.597.174	10.246	**181.655.734**
Subordinated loan stock	8.570.000	-	-	-	-	**8.570.000**
Net currency position	**9.570.391**	**(97.949)**	**(405.343)**	**(33.550)**	**1.552.146**	**10.585.695**

Currency risk results from adverse movements in the rates of exchange between currencies, interest rates, equity shares and other security prices that may result to a loss. Currency risk arises from the fact that the Bank has deposits in foreign currencies. In order to hedge against this risk, the Bank maintains equivalent liabilities in foreign Banks in the respective currencies. The open position is monitored on a regular basis by the Bank Treasury/Risk Management Unit.

31. Risk management (continued)

Currency risk – 2004

Analysis of assets and liabilities as at 31 December 2004 by currency:

	Cyprus pounds	Euro	U.S. Dollars	British pounds	Other currencies	**Total**
	C£	C£	C£	C£	C£	**C£**
Assets						
Cash and balances with the Central Bank of Cyprus	12.469.671	1.911.709	1.948.504	5.425.576	12.651	**21.768.111**
Placements with banks	2.223.828	805.051	2.443.511	1.115.649	123.771	**6.711.810**
Loans and advances to customers	126.700.877	-	178.647	87.951	378.590	**127.346.065**
Investments held-to-maturity	33.159.501	-	-	-	-	**33.159.501**
Investments available-for-sale	82.744	-	-	-	-	**82.744**
Investment property	-	-	-	-	-	**-**
Investments in subsidiaries	1.156	-	-	-	-	**1.156**
Property, plant and equipment and intangible assets	3.721.333	-	-	-	-	**3.721.333**
Other assets	766.729	-	154.700	-	-	**921.429**
Interest income and prepaid expenses	993.257	-	15.688	-	-	**1.008.945**
Total assets	180.119.096	2.716.760	4.741.050	6.629.176	515.012	**194.721.094**
Liabilities						
Amounts due to banks	5.800.000	-	-	-	-	**5.800.000**
Customer deposits and other accounts	151.485.043	2.503.404	5.344.443	6.690.942	73.777	**166.097.609**
Other liabilities	284.798	-	-	-	-	**284.798**
Accrued expenses	3.313.113	36.234	24.445	98.547	-	**3.472.339**
Total liabilities	160.882.954	2.539.638	5.368.888	6.789.489	73.777	**175.654.746**
Subordinated loan stock	8.000.000	-	-	-	-	**8.000.000**
Net currency position	**11.236.142**	**177.122**	**(627.838)**	**(160.313)**	**441.235**	**11.066.348**

31. Risk management (continued)

Liquidity risk - 2005

Analysis of assets and liabilities as at 31 December 2005 according to their maturity:

	On demand & up to one month	Between one & three months	Between three months & one year	Between one & five years	Over five years	**Total**
	C£	C£	C£	C£	C£	**C£**
Assets						
Cash and balances with the Central Bank of Cyprus	17.507.438	1.696.155	555.420	-	8.618.500	**28.377.513**
Placements with banks	17.439.732	40.261	-	-	-	**17.479.993**
Loans and advances to customers	50.496.041	2.265.075	5.031.032	48.716.704	16.355.586	**122.864.438**
Investments held-to-maturity	-	-		24.109.942	2.074.827	**26.184.769**
Investments available-for-sale	106.582	-	-	-	-	**106.582**
Investment property	-	-	-	370.000		**370.000**
Investments in subsidiaries	-	-	-	-	1.156	**1.156**
Property, plant and equipment and intangible assets	-	-	-	-	3.661.882	**3.661.882**
Other assets	606.829	-	321.612	163.946	-	**1.092.387**
Income receivable and prepaid expenses	-	-	667.465	5.244	-	**672.709**
Total assets	86.156.622	4.001.491	6.575.529	73.365.836	30.711.951	**200.811.429**
Liabilities						
Amounts due to banks	-	-	-	-	-	**-**
Customer deposits and other accounts	52.001.453	36.020.694	80.610.336	8.412.338	-	**177.044.821**
Other liabilities	283.489	-	324.334	37.481	-	**645.304**
Accrued expenses	2.230.408	322.746	1.246.913	165.542	-	**3.965.609**
Total liabilities	54.515.350	36.343.440	82.181.583	8.615.361	-	**181.655.734**
Subordinated loan stock	-	-	-	8.000.000	570.000	**8.570.000**
Net position	**31.641.272**	**(32.341.949)**	**(75.606.054)**	**56.750.475**	**30.141.951**	**10.585.695**

Liquidity risk is the risk that the Bank is unable to fully meet payment obligations and potential payment obligations as and when they fall due. In order to cover its obligations and have adequate resources to finance its customers, the Bank requires to have a constant flow of cash. To ensure there is a constant flow of cash, deposits are actively managed as well as funding limits approved but not yet utilised. The Bank also plans to offer its services to a vast number of customers, in order to avoid concentration of funding needs at a point in time or from a small number of depositors.

The Bank's management considers the matching of assets and liabilities maturity dates very important. Rarely do maturity dates of assets and liabilities, within banking organisations, exactly match, as the products offered and the payment/deposit terms vary.

The maturity dates of assets and liabilities and the ability to replace, at a reasonable cost, interest-bearing liabilities at their maturity date, are considered very important for the Bank's liquidity management.

31. Risk management (continued)

The Bank closely monitors the repayment and replacement progress of its interest-bearing liabilities, as well as the funding limits approved and not utilised, in order to avoid the risk of a large amount of deposits that will not be replaced reaching their maturity date simultaneously.

Liquidity risk – 2004

Analysis of assets and liabilities as at 31 December 2004 according to their maturity:

	On demand & up to one month	Between one & three months	Between three months & one year	Between one & five years	Over five years	Total
	C£	C£	C£	C£	C£	C£
Assets						
Cash and balances with the Central Bank of Cyprus	8.199.123	434.640	1.847.348	-	11.287.000	**21.768.111**
Placements with banks	6.672.896	38.914	-	-	-	**6.711.810**
Loans and advances to customers	40.913.792	6.116.029	4.049.868	35.789.764	40.476.612	**127.346.065**
Investments held-to-maturity	2.931.807	5.000.000	951.240	23.776.454	500.000	**33.159.501**
Investments available-for-sale	82.744	-	-	-	-	**82.744**
Investment property	-	-	-	-		**-**
Investments in subsidiaries	-	-	-	-	1.156	**1.156**
Property, plant and equipment and intangible assets	-	-	-	-	3.721.333	**3.721.333**
Other assets	456.437	-	-	464.992	-	**921.429**
Income receivable and prepaid expenses	-	-	998.482	10.463	-	**1.008.945**
Total assets	59.256.799	11.589.583	7.846.938	60.041.673	55.986.101	**194.721.094**
Liabilities						
Amounts due to banks	5.800.000	-	-	-	-	**5.800.000**
Customer deposits and other accounts	51.300.186	41.122.568	64.276.006	9.398.849	-	**166.097.609**
Other liabilities	82.510	-	183.333	18.955	-	**284.798**
Accrued expenses	1.297.119	951.536	1.223.684	-	-	**3.472.339**
Total liabilities	58.479.815	42.074.104	65.683.023	9.417.804	-	**175.654.746**
Subordinated loan stock	-	-	-	8.000.000	-	**8.000.000**
Net position	**776.984**	**(30.484.521)**	**(57.836.085)**	**42.623.869**	**55.986.101**	**11.066.348**

32. Directors' interest in the share capital of the Bank

The beneficial interest in the share capital of the Bank of each of the Directors, their spouses and minor children, and of companies in which they hold, directly or indirectly, at least 20% of the voting shares, at 31 December 2005 and 29 March 2006 is stated below:

	Percentage 31.12.2005 %	Percentage 29.3.2006 %
S. Matsis	-	-
M. Michaelides	0,03	0,03
I. Vavlitis	1,91	1,91
M. Kleopas	0,38	0,38
S. Solomides	-	-
F. Sorokos	-	-

33. Shareholders who hold more than 5% of the share capital of the Bank

The shareholders who held more than 5% of the share capital of the Bank at 29 March 2006 were:

Universal Life Insurance Public Co. Limited	61,06%

34. Related party transactions

The analysis of loans and other advances to members of the Board of Directors, key management personnel of the Bank, members of the Board of the Parent company and their connected persons as at 31 December 2005 were as follows:

	Number of Directors of the Bank		Number of Directors of the Parent company		Loans and other advances	
	2005	2004	**2005**	2004	**2005**	2004
More than 1% of the net assets					**C£**	C£
of the Bank, per Director	**1**	1	**2**	2	**7.887.493**	10.077.774
Less than 1% of the net assets						
of the Bank, per Director	**5**	6	**11**	8	**188.685**	182.843
Total	**6**	7	**13**	10	**8.076.178**	10.260.617

	2005	2004
Loans and advances to key management personnel and their connected persons	**353.885**	239.465
Total loans and other advances	**8.430.063**	10.500.082
Tangible securities	**5.947.388**	6.971.055
Accumulated provisions for loan impairment	**2.085.263**	2.085.263
Provisions for loan impairment for the year	**-**	-
Accumulated balance of suspended income	**962.666**	776.601
Suspended income for the year	**339.384**	-
Write-offs and recoveries for the year	**(153.318)**	-
Interest income for the year	**211.660**	601.172
Related party deposits	**6.629.791**	6.427.328
Interest expense	**169.969**	182.616

34. Related party transactions (continued)

The key management personnel of the Bank comprises of the General Manager and seven (7) high-ranking executive managers.

In addition, there were contingent liabilities and commitments to members of the Board of Directors of the Bank and the Parent company in the form of documentary credits, guarantees and commitments to lend, amounting to C£1.497.110 (2004: C£209.270). Of these, C£1.351.531 (2004: C£137.972) relate to Directors and their connected persons, whose total credit facilities exceed 1% of the net assets of the Bank per Director. There were also contingent liabilities to the Bank's key management personnel amounting to C£66.460 (2004: C£64.295).

The member of the Board of Directors of the Bank who resigned during the year 2005 had no credit facilities with the Bank during 2005.

Connected persons include spouses, minor children and companies in which a Director holds directly or indirectly at least 20% of the voting shares.

All transactions with Directors, key management personnel or/and with their connected persons are made on normal business terms.

Fees and emoluments of Directors and key management personnel

	2005	2004
Directors' emoluments	**C£**	**C£**
Fees:		
Non executive	**31.621**	17.033
Executive - 2004	**-**	1.919
Total fees	**31.621**	18.952
Emoluments under executive capacity	**-**	12.541
Total fees and emoluments to Directors	**31.621**	31.493
Key management personnel emoluments		
Salaries and other short-term benefits	**406.767**	322.879
Employer contributions for social insurance etc.	**29.629**	27.598
Retirement benefit plan costs	**85.827**	85.179
Total emoluments to key management personnel	**522.223**	435.656
Total	**553.844**	467.149

During 2005 there were no executive Directors. During 2004, and particularly for the period 1 January - 12 November 2004, there was one executive Director whose total fees and emoluments amounted to C£14.460.

Mr. Iosif Vavlitis, member of the Bank's Board of Directors, is the main shareholder of J.K. Vavlitis Ltd, which provides maintenance and technical support to the Bank's air-conditioning systems. The total amount charged for its services for 2005 amounted to C£6.403 (2004: C£8.194).

Mr. Michalis Kleopas, who is a member the Bank's Board of Directors and Company Secretary, is a partner in the Law Office Kleopas & Kleopas, handling court cases and legal proceedings on behalf of the Bank. The total cost associated with these cases is charged to the customers.

During 2005, the Bank received C£5.918 (2004: C£9.383) from its Parent company, Universal Life Insurance Public Co. Limited, as commission income. These amounts are included within fee and commission income in the Income Statement.

In addition, the Bank paid the following to its Parent company:

	2005	2004
	C£	C£
Operating lease rentals for buildings	**150.960**	134.400
Insurance premiums for life and general insurance contracts	**163.942**	179.063
Staff medical plan costs	**113.034**	82.425
Other	**29.985**	19.719
Total	**457.921**	415.607

35. Agreements with major shareholder

Except for the disclosures in notes 12, 21 and 34 to the financial statements, at the date of the financial statements there were no other agreements between the Bank and it's major shareholder.

36. Events after the balance sheet date

On 26 January 2006 the Board of Directors of the Parent company, Universal Life Insurance Public Co. Ltd, examined the official proposal for the acquisition of 52% of the issued share capital of Universal Bank Public Ltd 'the Bank' from Schoeller Holdings Ltd and Path Holdings Ltd.

The Board of Directors of the Parent company in an effort to reduce the Parent company's percentage holding in the Bank to a level below 20%, has agreed to negotiate the basic terms of the Sale Agreement with the potential buyers. When the agreement is signed and the buyers proceed to a Public Offer to all of the Bank's shareholders, the parent company will enter into a commitment of providing the buyers with at least 52% of the Bank's issued share capital.

In order for the negotiations to be completed, the buyers will have to obtain approval from the Central Bank of Cyprus. The amount of the consideration will be determined based on the Bank's net assets as at 31 December 2005, determined after completion of the Due Diligence. According to the terms of the agreement, the Parent company has the right to terminate the Agreement if the share price is set lower than C£0,74, and the buyers have the same right if the share price is set higher than C£0,86.

On 3 February 2006 the Board of Directors of AB BANKAS SNORAS, a bank conducting banking operations in Lithuania, announced that, according to article 9 (1) part III of the Cyprus Stock Exchange (Public offer for Acquisition of Securities and Merger of Companies Listed on the Stock Exchange) Regulations, is planning to make a Public Offer to acquire at least 52% and a maximum of 55% of the issued share capital of Universal Bank Public Ltd for a consideration of C£0,90 per share in cash.

On 24 February 2006 the Board of Directors of the Cyprus Stock Exchange announced that, according on the announcement made by AB BANKAS SNORAS on 3 February 2006 regarding their intention to make a Public Offer for the acquisition of at least 52% and a maximum of 55% of Universal Bank Public Ltd's issued share capital, the latter company should have filed a Certificate of Public Offer on 21 February 2006 in accordance with the Acquisition and Mergers Regulation 9(3). It was noted that AB BANKAS SNORAS had not filed the said Certificate and as such was not in compliance with the Acquisition and Mergers Regulations, as the Central Bank of Cyprus had not provided to AB BANKAS SNORAS with the authorisation to acquire the majority of Universal Bank Public Ltd issued share capital. This issue is under investigation by the Cyprus Stock Exchange Committee.

On 15 March 2006, the Board of Directors of the Bank announced that Universal Life Insurance Public Co. Ltd had signed an agreement with the buyers, Schoeller Holdings Ltd and Path Holdings Ltd, for the acquisition of 52% of the issued share capital of Universal Bank Public Ltd. The final outcome of the agreement, the details of which have been announced on 26 January 2006, will depend on the Due Diligence that will be performed by independent persons as well as upon obtaining the relevant approval from the Central Bank of Cyprus.

37. Differences between the final audited results and the reported preliminary unaudited results

The final audited results of the Bank differ from the preliminary unaudited results announced on 28 February 2006. The main reasons are the extended impairment in the price of certain investments in equity shares which resulted to a transfer of C£85 thousand from revaluation reserve to the Income Statement, and the determination of the final tax amount which resulted in a decrease in the provision for the year of C£55 thousand.

Auditors' Report
to the members of Universal Bank Public Ltd

Report on the Financial Statements

1 We have audited the financial statements of Universal Bank Public Limited on pages 15 to 55, which comprise the balance sheet as at 31 December 2005, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the related notes. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Cyprus Companies Law, Cap. 113. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the financial statements give a true and fair view of the financial position of Universal Bank Public Limited as at 31 December 2005 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with Companies Law, Cap. 113.

Report of other legal requirements

4 Pursuant to the requirements of Companies Law, Cap.113, we report the following:

- We have obtained all the information and explanations we have considered necessary for the purposes of our audit..
- In our opinion, the Company has kept proper books of account.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by Companies Law, Cap. 113 in the manner so required.
- In our opinion, the information given by the Board of Directors in its report on pages 13-14 is consistent with the financial statements

Ernst & Young
Chartered Accountants

Nicosia, 29 March 2006.

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Fax: 26-811871

EV. PALLIKARIDES BRANCH
121 Evagoras Pallikarides Avenue
8010 Paphos
Telephone: 26-819111
Fax: 26-911450

Main Offices and Banking Centres

REGIONAL MANAGEMENT AMMOCHOSTOS / LARNACA

129, 1st April Avenue
5280 Paralimni
Telephone: 23-812266
Fax: 23-812261

BANKING CENTRES AMMOCHOSTOS

PARALIMNI BRANCH
129, 1st April Avenue
5280 Paralimni
Telephone: 23-812255
Fax: 23-812260

AYIA NAPA SUB-BRANCH
21 Ayias Mavris Street
5330 Ayia Napa
Telephone: 23-819260
Fax: 23-724055

PROTARAS SUB-BRANCH
13 Protaras Street, Shop 4
5296 Paralimni
Telephone: 23-819442
Fax: 23-833577

BANKING CENTRES LARNACA

GLADSTONOS BRANCH
1 Gladstonos Avenue, Panayiotio Megaron
6023 Larnaca
Telephone: 24-664255
Fax: 24-664279

DROSIA SUB-BRANCH
20 Griva Dhigeni Avenue
6045 Larnaca
Telephone: 24-822530
Fax: 24-822535