

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2004

BANK OF CYPRUS GROUP
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
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BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2004**

		<i>Six months ended 30 June</i>		<i>Year ended 31 December</i>
	Notes	<i>2004 C£000</i>	<i>2003 C£000</i>	<i>2003 C£000</i>
Turnover	2	<u>323 022</u>	<u>289 065</u>	<u>593 564</u>
Net interest income		116 356	91 234	198 530
Fees, commissions, income from insurance business and other income		51 221	45 138	95 158
Foreign exchange income		7 587	6 605	14 216
(Losses)/gains on sale and revaluation of financial instruments		<u>(3 830)</u>	<u>1 710</u>	<u>(792)</u>
		171 334	144 687	307 112
Staff costs and other administrative expenses		<u>(107 990)</u>	<u>(98 129)</u>	<u>(206 535)</u>
Profit before provisions		63 344	46 558	100 577
Provisions for bad and doubtful debts		<u>(38 706)</u>	<u>(32 215)</u>	<u>(110 190)</u>
Profit/(loss) before provision for impairment of available-for-sale investments		24 638	14 343	(9 613)
Provision for impairment of available-for-sale investments		<u>(2 531)</u>	<u>(2 717)</u>	<u>(7 799)</u>
Profit/(loss) before tax		22 107	11 626	(17 412)
Tax		<u>(5 879)</u>	<u>(3 092)</u>	<u>(11 391)</u>
Profit/(loss) after tax		<u>16 228</u>	<u>8 534</u>	<u>(28 803)</u>
Earnings/(loss) per share for the period (cents)	3	<u>3,5</u>	<u>1,9</u>	<u>(6,5)</u>
Fully diluted earnings/(loss) per share for the period (cents)	3	<u>3,5</u>	<u>1,9</u>	<u>(6,5)</u>

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the three month period from 1 April to 30 June 2004**

	<i>Three months ended 30 June</i>	
	<i>2004 C£000</i>	<i>2003 C£000</i>
Turnover	<u>169 420</u>	<u>145 066</u>
Net interest income	61 325	47 032
Fees, commissions, income from insurance business and other income	26 528	23 500
Foreign exchange income	4 100	3 604
(Losses)/gains on sale and revaluation of financial instruments	<u>(4 294)</u>	<u>1 272</u>
	87 659	75 408
Staff costs and other administrative expenses	<u>(53 659)</u>	<u>(50 422)</u>
Profit before provisions	34 000	24 986
Provisions for bad and doubtful debts	<u>(22 689)</u>	<u>(19 989)</u>
Profit before provision for impairment of available-for-sale investments	11 311	4 997
Provision for impairment of available-for-sale investments	<u>(2 899)</u>	<u>(2 012)</u>
Profit before tax	8 412	2 985
Tax	<u>(2 783)</u>	<u>(509)</u>
Profit after tax	<u>5 629</u>	<u>2 476</u>

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2004**

	Notes	<i>30 June 2004 C€000</i>	<i>31 December 2003 C€000</i>
Assets			
Cash, treasury bills and placements with banks		2 315 362	2 132 259
Advances and other accounts		5 850 309	5 460 279
Debt securities and equity shares		1 417 287	1 101 571
Property, equipment and intangible assets	4	176 829	178 649
		9 759 787	8 872 758
Life assurance business net assets attributable to policyholders		192 246	189 070
Total assets		9 952 033	9 061 828
Liabilities			
Deposits and other accounts		8 712 456	7 857 437
Debt securities in issue		148 330	151 263
		8 860 786	8 008 700
Life assurance business liabilities to policyholders		192 246	189 070
Subordinated loan stock	5	368 403	340 774
Equity			
Share capital	6	232 385	232 385
Reserves		298 213	290 899
		530 598	523 284
Total liabilities and equity		9 952 033	9 061 828
Contingent liabilities and commitments			
Contingent liabilities		723 618	689 832
Commitments		1 065 619	1 015 169

S. A. Triantafyllides, *Chairman*

Chr. S. Pantzaris, *Director and Chief Executive of Bank of Cyprus*

E. Xenophontos, *Director and Group Chief General Manager*

Y. Kypri, *Group General Manager Finance*

Chr. Hadjimitsis, *Group Financial Controller*

BANK OF CYPRUS GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2004

	Share capital	Share premium	Revaluation reserves	Exchange adjustments reserve	Retained earnings	Total equity
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
At 1 January 2004	232 385	238 955	54 140	(2 379)	183	523 284
Profit after tax	-	-	-	-	16 228	16 228
Revaluation of available-for-sale investments	-	-	(13 147)	-	-	(13 147)
Fair value change of financial instruments designated as cash flow hedges	-	-	1 378	-	-	1 378
Transfer to the income statement of impairment loss of available-for-sale investments	-	-	2 531	-	-	2 531
Deferred tax	-	-	331	-	-	331
Exchange adjustments	-	-	-	45	-	45
Increase in value of life assurance policies in force	-	-	670	-	(670)	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(52)	-	-	(52)
At 30 June 2004	<u>232 385</u>	<u>238 955</u>	<u>45 851</u>	<u>(2 334)</u>	<u>15 741</u>	<u>530 598</u>

Six months ended 30 June 2003

	Share capital	Share premium	Revaluation reserves	Exchange adjustments reserve	Retained earnings	Total equity
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
At 1 January 2003	218 724	218 464	38 846	(2 005)	31 991	506 020
Profit after tax	-	-	-	-	8 534	8 534
Revaluation of available-for-sale investments	-	-	(4 948)	-	-	(4 948)
Fair value change of financial instruments designated as cash flow hedges	-	-	(2 220)	-	-	(2 220)
Transfer to the income statement of impairment loss of available-for-sale investments	-	-	2 717	-	-	2 717
Deferred tax	-	-	(689)	-	-	(689)
Exchange adjustments	-	-	-	(353)	-	(353)
Conversion of loan stock into shares	9	12	-	-	-	21
Increase in value of life assurance policies in force	-	-	2 512	-	(2 512)	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(1 074)	-	-	(1 074)
At 30 June 2003	<u>218 733</u>	<u>218 476</u>	<u>35 144</u>	<u>(2 358)</u>	<u>38 013</u>	<u>508 008</u>

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2004**

	<i>Six months ended 30 June</i>	
	<i>2004</i>	<i>2003</i>
	<i>C£000</i>	<i>C£000</i>
Cash flows from operating activities		
Profit before tax	22 107	11 626
Provisions for bad and doubtful debts	38 706	32 215
Depreciation and amortisation	14 278	11 620
Income from investments and disposal of property, equipment and intangible assets less interest on subordinated loan stock	(12 180)	(15 495)
	<u>62 911</u>	<u>39 966</u>
Net increase in advances and other accounts	(384 111)	(366 269)
Net increase in deposits and other accounts	858 067	119 562
	<u>536 867</u>	<u>(206 741)</u>
Tax paid	(13 864)	(4 028)
Net cash flows from/(used in) operating activities	<u>523 003</u>	<u>(210 769)</u>
Net cash flows used in investing activities	<u>(390 042)</u>	<u>(57 663)</u>
Net cash flows from financing activities	<u>22 757</u>	<u>59 553</u>
Net increase/(decrease) in cash and cash equivalents for the six month period	<u>155 718</u>	<u>(208 879)</u>
Cash and cash equivalents		
At 1 January	2 074 076	1 642 802
Exchange adjustments	45	(353)
Net increase/(decrease) in cash and cash equivalents for the six month period	155 718	(208 879)
At 30 June	<u>2 229 839</u>	<u>1 433 570</u>

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements include the financial statements of Bank of Cyprus Public Company Limited (the “Company”) and all its subsidiaries and jointly controlled companies, which together are referred to as the “Group”, and were authorised for issue in accordance with a resolution of the Board of Directors on 30 August 2004.

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

1. Accounting policies

The financial statements of the Group are drawn up in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standard No. 34 “Interim Financial Reporting”.

The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2003.

The accounting policies that have been followed for the preparation of the condensed interim consolidated financial statements for the six month period were the same as those followed in the preparation of the annual financial statements for the year 2003. It should be noted that, as of 1 January 2004 the Central Bank of Cyprus implemented stricter regulations regarding the suspension of income. According to the new regulations, income is suspended on all loans and advances which are not fully secured and are more than six months in arrears. During 2003, income was suspended on all loans and advances which were not fully secured and were more than nine months in arrears.

2. Segmental analysis

The Group has three principal areas of activity: banking and financial services, life and general insurance business and property and hotel business.

The Group’s business is mainly conducted in three geographical areas: (a) Cyprus, (b) Greece, and (c) other countries, mainly the United Kingdom and Australia.

The analysis is presented for the areas of activity.

	Banking and financial services		Insurance business		Property and hotel business		Total	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
Turnover	<u>289 523</u>	<u>258 284</u>	<u>31 004</u>	<u>29 072</u>	<u>2 495</u>	<u>1 709</u>	<u>323 022</u>	<u>289 065</u>
Profit before tax	<u>17 586</u>	<u>7 460</u>	<u>4 188</u>	<u>3 691</u>	<u>333</u>	<u>475</u>	<u>22 107</u>	<u>11 626</u>

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Earnings per share

	<i>Six months ended 30 June</i>	
	<i>2004</i>	<i>2003</i>
<i>Earnings per share</i>		
Profit after tax (C£ thousand)	<u>16 228</u>	<u>8 534</u>
Weighted average number of shares in issue during the period (thousand)	<u>464 771</u>	<u>438 118</u>
Earnings per share (cents)	<u>3,5</u>	<u>1,9</u>
<i>Fully diluted earnings per share</i>		
Fully diluted earnings (C£ thousand)	<u>16 228</u>	<u>8 534</u>
Weighted average number of shares adjusted for the exercise of share warrants (thousand)	<u>464 771</u>	<u>438 996</u>
Fully diluted earnings per share (cents)	<u>3,5</u>	<u>1,9</u>

The weighted average number of shares in issue during the period ended 30 June 2003 has been adjusted to reflect the bonus element resulting from the exercise of the Share Warrants during the month of October 2003.

At 30 June 2004 there were no potentially dilutive ordinary shares.

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- 4.** The total capital expenditure of the Group for the period from 1 January 2004 to 30 June 2004 amounted to C£7 890 thousand.
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BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Subordinated loan stock

	<i>30 June 2004 C£000</i>	<i>31 December 2003 C£000</i>
Step-up floating rate subordinated bonds in Euro, 2006/2011	159 562	160 816
Floating rate subordinated bonds in Euro, 2008/2013	115 221	114 958
Capital Securities Series A	63 620	65 000
Capital Securities Series B	30 000	-
	<u>368 403</u>	<u>340 774</u>

All of the above were issued by Bank of Cyprus Public Company Limited. The subordinated loan stock is not secured and the rights and claims of loan stock holders are subordinated to the claims of depositors and other creditors of the Company, but have priority over the shareholders of the Company.

On 20 June 2001 the Company issued €275 million Step-up floating rate bonds 2006/2011 in Euro, maturing on 20 June 2011. The Company has the option to redeem the bonds in whole on or at any date after 20 June 2006. The interest rate is 1,20% above the three-month Euribor up to 20 June 2006 and will increase to 2,40% thereafter. The bonds are listed on the Luxembourg Stock Exchange.

During 2003, Bank of Cyprus Public Company Limited has established a Euro Medium Term Note (EMTN) Programme, with an aggregate nominal amount up to €750 million.

Under the EMTN Programme, the Company issued €200 million Bonds in Euro. The bonds are step-up floating rate notes and mature in October 2013. The Company has the option to call them during or after October 2008. The interest rate was set at 1,00% above the three-month Euribor and the issue price at 99,766%. If the bonds are not called in October 2008, the interest rate will increase by 1,20%. The bonds have been listed on the Luxembourg Stock Exchange. On 30 June 2004 bonds outstanding amounted to €199 million as €1 million bonds are held by the Company.

Capital Securities Series A and Series B were issued in Cyprus pounds, on 20 February 2003 and 22 March 2004 respectively. Capital Securities Series A and Series B rank as Tier 1 capital and have no maturity date. However, they may be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their principal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter.

Capital Securities Series A and Series B bear floating interest rate, which is revised every three months. The interest rate is equal to the base rate of the Company at the beginning of each three month period plus 1,00%. Interest is payable quarterly.

On 30 June 2004 Capital Securities Series A amounted to C£63,6 million as C£1,4 million are held by the Company.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Share capital

	<i>30 June 2004</i>		<i>31 December 2003</i>	
	<i>Shares</i>	<i>C£000</i>	<i>Shares</i>	<i>C£000</i>
	<i>(thousand)</i>		<i>(thousand)</i>	
<i>Authorised</i>				
Shares of 50 cents each	600 000	300 000	600 000	300 000
<i>Issued and fully paid</i>				
At 1 January	464 771	232 385	437 449	218 724
Conversion of convertible loan stock	-	-	1 466	733
Exercise of Share Warrants	-	-	25 856	12 928
At 30 June 2004 / 31 December 2003	464 771	232 385	464 771	232 385

7. Number of personnel

The number of persons employed by the Group as at 30 June 2004 was 5 808 (31 December 2003: 5 703).

8. Other information

- i) There are no fixed charges in favour of third parties over the Group's fixed assets as at 30 June 2004.
- ii) There are no significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position and operations.
- iii) The pending proceedings before the Committee for the Protection of Competition against three commercial banks, including the Bank of Cyprus Public Company Limited, were concluded with the relevant ruling of the Committee for the Protection of Competition, by which a total fine was charged to the three commercial banks. The fine for the Bank of Cyprus is C£2 475 thousand.
- iv) On 19 May 2004, an Extraordinary General Meeting was held which approved the change of the Company's name from "Bank of Cyprus Limited" to "Bank of Cyprus Public Company Limited".

9. Post balance sheet events

On 12 August 2004, Bank of Cyprus Public Company Ltd announced that it has received a Letter of Intent from third parties for the acquisition of the share capital of Universal Life Insurance Company Ltd that is presently held by Bank of Cyprus.

The prospective buyers will submit a final offer, the terms of which will be reviewed by the Group in order to reach its final decision as to whether to accept the offer.

**Review report to the Board of Directors of Bank of
Cyprus Public Company Limited**

We have reviewed the accompanying interim condensed consolidated financial statements of Bank of Cyprus Public Company Limited and its subsidiaries, which comprise the consolidated balance sheet as at 30 June 2004, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from 1 January 2004 to 30 June 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements No. 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Ernst & Young
Chartered Accountants

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30 August 2004