



CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2003

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BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2003**

		<i>Nine months ended 30 September</i>		<i>Year ended 31 December</i>
		<i>2003</i>	<i>2002</i>	<i>2002</i>
	Notes	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
Turnover	3	434 584	443 292	606 287
Net interest income		139 967	125 846	175 528
Fees, commissions, income from insurance business and other income		69 276	67 062	92 244
Foreign exchange income		10 616	11 297	14 445
Gains/(losses) on sale and revaluation of financial instruments		1 061	(3 780)	(622)
		220 920	200 425	281 595
Staff costs and other administrative expenses		(149 302)	(135 229)	(191 872)
Profit before provisions		71 618	65 196	89 723
Provisions for bad and doubtful debts		(53 631)	(33 289)	(80 142)
Profit before provision for impairment of available-for-sale investments		17 987	31 907	9 581
Provision for impairment of available-for-sale investments		(2 750)	(2 518)	(23 562)
Profit/(loss) before tax		15 237	29 389	(13 981)
Tax		(5 443)	(11 347)	(7 417)
Profit/(loss) after tax		9 794	18 042	(21 398)
Earnings/(loss) per share for the period (cents)	4	2,2	4,2	(4,9)
Fully diluted earnings/(loss) per share for the period (cents)	4	2,2	4,1	(4,9)

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the three month period from 1 July to 30 September 2003**

	<i>Three months ended 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>C£000</i>	<i>C£000</i>
Turnover	145 519	154 040
Net interest income	48 733	45 837
Fees, commissions, income from insurance business and other income	24 138	23 069
Foreign exchange income	4 011	4 326
Gains/(losses) on sale and revaluation of financial instruments	(649)	(733)
	76 233	72 499
Staff costs and other administrative expenses	(51 173)	(45 571)
Profit before provisions	25 060	26 928
Provisions for bad and doubtful debts	(21 416)	(15 225)
Profit before provision for impairment of available-for-sale investments	3 644	11 703
Provision for impairment of available-for-sale investments	(33)	(228)
Profit before tax	3 611	11 475
Tax	(2 351)	(3 978)
Profit after tax	1 260	7 497

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 September 2003**

	Notes	<i>30 September 2003 C€000</i>	<i>31 December 2002 C€000</i>
Assets			
Cash, treasury bills and placements with banks		1 758 249	1 716 942
Advances and other accounts		5 304 107	4 972 180
Debt securities and equity shares		1 104 474	1 101 891
Property, equipment and intangible assets		158 773	158 759
		8 325 603	7 949 772
Life assurance business net assets attributable to policyholders		187 079	176 156
Total assets		8 512 682	8 125 928
Liabilities			
Deposits and other accounts		7 561 315	7 257 216
Life assurance business liabilities to policyholders		187 079	176 156
Subordinated loan stock	6	254 534	186 536
Shareholders' funds			
Share capital	7	218 767	218 724
Reserves		290 987	287 296
		509 754	506 020
Total liabilities and shareholders' funds		8 512 682	8 125 928

S. A. Triantafyllides, *Chairman*

Chr. S. Pantzaris, *Vice Chairman 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 nine months ended 30 September 2003**

	Share capital	Share premium	Revaluation reserves	Exchange adjustments reserve	Retained earnings	Total shareholders' funds
	<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	-	-	-	-	9 794	9 794
Revaluation of available-for-sale investments	-	-	(6 145)	-	-	(6 145)
Fair value change of financial instruments designated as cash flow hedges	-	-	(895)	-	-	(895)
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	2 750	-	-	2 750
Deferred tax	-	-	(227)	-	-	(227)
Exchange adjustments	-	-	-	(380)	-	(380)
Conversion of loan stock into shares	43	64	-	-	-	107
Increase in value of life assurance policies in force	-	-	2 712	-	(2 712)	-
Transfer to the Income Statement on redemption/sale of available-for-sale investments	-	-	(1 270)	-	-	(1 270)
At 30 September 2003	218 767	218 528	35 771	(2 385)	39 073	509 754

Nine months ended 30 September 2002

	Share capital	Share premium	Revaluation reserves	Exchange adjustments reserve	Retained earnings	Total shareholders' funds
	<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 2002	216 181	213 430	25 121	(2 075)	88 398	541 055
Profit after tax	-	-	-	-	18 042	18 042
Dividend (Note 5)	-	-	-	-	(34 612)	(34 612)
Revaluation of available-for-sale investments	-	-	8 433	-	-	8 433
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	2 518	-	-	2 518
Deferred tax	-	-	831	-	-	831
Exchange adjustments	-	-	-	169	-	169
Conversion of loan stock into shares	150	217	-	-	-	367
Dividend reinvestment	2 359	4 766	-	-	-	7 125
Increase in value of life assurance policies in force	-	-	255	-	(255)	-
Fair value change of financial instruments designated as cash flow hedges	-	-	(8 584)	-	-	(8 584)
Transfer to the Income Statement on redemption/sale of available-for-sale investments	-	-	(770)	-	-	(770)
At 30 September 2002	218 690	218 413	27 804	(1 906)	71 573	534 574

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the nine months ended 30 September 2003**

	<i>Nine months ended 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>C£000</i>	<i>C£000</i>
Cash flows from operating activities		
Profit before tax	15 237	29 389
Provisions for bad and doubtful debts	53 631	33 289
Depreciation and amortisation	17 460	15 252
Income from investments and disposal of fixed assets less interest on subordinated loan stock	(31 354)	(15 354)
	54 974	62 576
Net increase in advances and other accounts	(349 299)	(216 192)
Net increase in deposits and other accounts	329 359	269 155
	35 034	115 539
Tax paid	(5 507)	(8 127)
Net cash flows from operating activities	29 527	107 412
Net cash flows used in investing activities	(49 018)	(178 860)
Net cash flows from/(used in) financing activities	56 860	(34 466)
Net increase/(decrease) in cash and cash equivalents for the nine month period	37 369	(105 914)
Cash and cash equivalents		
At 1 January	1 642 802	1 733 257
Exchange adjustments	(380)	169
Net increase/(decrease) in cash and cash equivalents for the nine month period	37 369	(105 914)
At 30 September	1 679 791	1 627 512

BANK OF CYPRUS LTD**CONDENSED INCOME STATEMENT
for the nine months ended 30 September 2003**

		<i>Nine months ended 30 September</i>		<i>Year ended 31 December</i>
	Notes	<i>2003 C£000</i>	<i>2002 C£000</i>	<i>2002 C£000</i>
Turnover	3	340 745	367 513	495 084
Net interest income		115 961	101 746	142 161
Fees, commissions and other income		46 337	46 307	64 782
Foreign exchange income		9 939	10 514	13 432
Dividends received from subsidiary companies		-	15 208	15 208
Gains/(losses) on sale and revaluation of financial instruments		904	(162)	2 877
		173 141	173 613	238 460
Staff costs and other administrative expenses		(123 086)	(108 084)	(155 174)
Profit before provisions		50 055	65 529	83 286
Provisions for bad and doubtful debts		(43 052)	(26 067)	(71 303)
Profit before provision for impairment of available-for-sale investments		7 003	39 462	11 983
Provision for impairment of available-for-sale investments		-	(457)	(10 888)
Profit before tax		7 003	39 005	1 095
Tax		(3 566)	(7 243)	(2 443)
Profit/(loss) after tax		3 437	31 762	(1 348)

BANK OF CYPRUS LTD**CONDENSED INCOME STATEMENT****for the three month period from 1 July to 30 September 2003**

	<i>Three months ended 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>C£000</i>	<i>C£000</i>
Turnover	114 265	124 435
Net interest income	41 023	37 851
Fees, commissions and other income	16 012	16 489
Foreign exchange income	3 764	4 044
Losses on sale and revaluation of financial instruments	(944)	(480)
	59 855	57 904
Staff costs and other administrative expenses	(42 280)	(36 685)
Profit before provisions	17 575	21 219
Provisions for bad and doubtful debts	(19 553)	(13 484)
(Loss)/profit before provision for impairment of available-for-sale investments	(1 978)	7 735
Provision for impairment of available-for-sale investments	-	(178)
(Loss)/profit before tax	(1 978)	7 557
Tax	(1 222)	(2 579)
(Loss)/profit after tax	(3 200)	4 978

BANK OF CYPRUS LTD**CONDENSED BALANCE SHEET****as at 30 September 2003**

		<i>30 September</i>	<i>31 December</i>
		<i>2003</i>	<i>2002</i>
	Notes	<i>C€000</i>	<i>C€000</i>
Assets			
Cash, treasury bills and placements with banks		1 671 316	1 589 699
Advances and other accounts		4 222 886	3 990 221
Amounts due from Group companies		628 995	580 065
Debt securities and equity shares		939 893	942 403
Investments in Group companies		214 326	211 171
Property, equipment and intangible assets		125 593	123 229
Total assets		<u>7 803 009</u>	<u>7 436 788</u>
Liabilities			
Deposits and other accounts		6 912 359	6 643 833
Amounts due to Group companies		125 789	99 826
		<u>7 038 148</u>	<u>6 743 659</u>
Subordinated loan stock	6	<u>254 534</u>	<u>186 536</u>
Shareholders' funds			
Share capital	7	218 767	218 724
Reserves		291 560	287 869
		<u>510 327</u>	<u>506 593</u>
Total liabilities and shareholders' funds		<u>7 803 009</u>	<u>7 436 788</u>

S. A. Triantafyllides, *Chairman***Chr. S. Pantzaris, *Vice Chairman 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 LTD**STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2003**

	Share capital	Share premium	Revaluation reserves	Revaluation of investments in Group companies	Exchange adjustments reserve	Retained earnings	Total shareholders' funds
	C£000	C£000	C£000	C£000	C£000	C£000	C£000
At 1 January 2003	218 724	218 464	13 129	50 649	(727)	6 354	506 593
Profit after tax	-	-	-	-	-	3 437	3 437
Revaluation of available-for-sale investments	-	-	122	-	-	-	122
Fair value change of derivatives designated as cash flow hedges	-	-	(982)	-	-	-	(982)
Deferred tax	-	-	(231)	-	-	-	(231)
Exchange adjustments	-	-	-	-	(255)	-	(255)
Conversion of loan stock into shares	43	64	-	-	-	-	107
Transfer to the Income Statement on redemption/sale of available-for-sale investments	-	-	(1 191)	-	-	-	(1 191)
Revaluation for the period	-	-	-	2 727	-	-	2 727
At 30 September 2003	218 767	218 528	10 847	53 376	(982)	9 791	510 327

Nine months ended 30 September 2002

	Share capital	Share premium	Revaluation reserves	Revaluation of investments in Group companies	Exchange adjustments reserve	Retained earnings	Total shareholders' funds
	C£000	C£000	C£000	C£000	C£000	C£000	C£000
At 1 January 2002	216 181	213 430	9 112	60 959	(916)	42 289	541 055
Profit after tax	-	-	-	-	-	31 762	31 762
Dividend (Note 5)	-	-	-	-	-	(34 612)	(34 612)
Revaluation of available-for-sale investments	-	-	5 925	-	-	-	5 925
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	457	-	-	-	457
Deferred tax	-	-	650	-	-	-	650
Exchange adjustments	-	-	-	-	159	-	159
Conversion of loan stock into shares	150	217	-	-	-	-	367
Dividend reinvestment	2 359	4 766	-	-	-	-	7 125
Fair value change of derivatives designated as cash flow hedges	-	-	(10 137)	-	-	-	(10 137)
Transfer to the Income Statement on redemption/sale of available-for-sale investments	-	-	(719)	-	-	-	(719)
Revaluation for the period	-	-	-	(7 458)	-	-	(7 458)
At 30 September 2002	218 690	218 413	5 288	53 501	(757)	39 439	534 574

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim consolidated financial statements include the financial statements of Bank of Cyprus Ltd (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 25 November 2003.

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

1. Unaudited Financial Statements

The Condensed Interim Financial Statements for the nine months ended 30 September 2003 have not been audited by the Group’s external auditors.

2. Accounting policies

The financial statements of the Group are drawn up in accordance with International Financial Reporting Standards (IFRS), including IAS 34 “Interim Financial Reporting”.

The accounting policies followed for the preparation of the condensed interim financial statements are the same as those followed in the preparation of the annual financial statements for the year 2002. It should be noted that as of 1 January 2003 the revised Directive of the Central Bank of Cyprus regarding suspension of interest became effective. In accordance with the revised directive interest from advances, that are more than nine months in arrears and are not fully secured, is not recognised in the income statement unless the interest in question has been collected. Prior to 1 January 2003, the Central Bank of Cyprus directive prescribed the suspension of interest only on those advances for which provision for bad and doubtful debts was made.

3. 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 business of the Group is mainly conducted in three geographical areas: (a) Cyprus, (b) Greece and (c) other countries, mainly the United Kingdom and Australia. The primary reporting format is for areas of activity.

Areas of activity

The Group

	Banking and financial services		Insurance business		Property and hotel business		Total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2003	2002	2003	2002	2003	2002	2003	2002
	C£000	C£000	C£000	C£000	C£000	C£000	C£000	C£000
Turnover	<u>388 799</u>	<u>398 237</u>	<u>42 991</u>	<u>40 517</u>	<u>2 794</u>	<u>4 538</u>	<u>434 584</u>	<u>443 292</u>
Profit before tax	<u>8 955</u>	<u>22 914</u>	<u>5 365</u>	<u>4 458</u>	<u>917</u>	<u>2 017</u>	<u>15 237</u>	<u>29 389</u>

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3. Segmental analysis (continued)

The Company

The turnover and the profit before tax of the Company are derived from banking activities and dividends received from subsidiary companies.

4. Earnings per share

	<i>Nine months ended 30 September</i>	
	2003	2002
<i>Earnings per share</i>		
Profit after tax (C£ thousand)	<u>9 794</u>	<u>18 042</u>
Weighted average number of shares in issue during the period (thousand)	<u>437 464</u>	<u>434 713</u>
Earnings per share (cents)	<u><u>2,2</u></u>	<u><u>4,2</u></u>
<i>Fully diluted earnings per share</i>		
Fully diluted earnings, adjusted for the conversion of convertible loan stock (C£ thousand)	<u>9 958</u>	<u>18 188</u>
Weighted average number of shares adjusted for the conversion of convertible loan stock and the exercise of share warrants (thousand)	<u>443 005</u>	<u>445 571</u>
Fully diluted earnings per share (cents)	<u><u>2,2</u></u>	<u><u>4,1</u></u>

5. Dividend paid

	<i>Nine months ended 30 September</i>	
	2003	2002
	C£000	C£000
Final dividend for 2001, at 16% (8 cents per share)	<u><u>-</u></u>	<u><u>34 612</u></u>

The final dividend for 2001, which amounted to C£34 612 thousand (8 cents per share) was approved at the Annual General Meeting held on 24 April 2002 and was paid on 20 May 2002.

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6. Subordinated loan stock

The Group and the Company

	<i>30 September 2003 C£000</i>	<i>31 December 2002 C£000</i>
Capital Securities Series A	65 000	-
Step-up Floating rate Subordinated Bonds in Euro, 2006/2011	160 725	157 620
6,75% Convertible Loan Stock, 2003	3 809	3 916
Floating rate Loan Stock, 2003/2008	25 000	25 000
	<u>254 534</u>	<u>186 536</u>

All the subordinated loan stocks and Capital Securities were issued by Bank of Cyprus Ltd and rank behind the claims of depositors and other creditors of the Bank.

The Capital Securities Series A constitute direct, unsecured and subordinated securities and are classified as Tier 1 Capital of the Bank. The rights and claims of the holders of Capital Securities are subordinated to the claims of the creditors of the Bank, but have priority over the shareholders of the Bank.

The Capital Securities Series A were issued on 20 February 2003, in Cyprus Pounds and have been offered to a limited number of investors in Cyprus. The Capital Securities 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, five years after their issue date or on any interest payment date thereafter.

The Capital Securities Series A bear floating interest rate, which is reviewed every three months. The interest rate is equal to the Base Rate of the Bank at the beginning of each three month period plus 1,00%. The interest is payable quarterly.

The Step-up Floating rate Subordinated Bonds maturing on 20 June 2011, were issued in Euro (€275 million). 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 offered rate for three month Euro deposits (Euribor) and will increase to 2,40% after 20 June 2006.

The 6,75% Convertible Loan Stock 2003 may be converted into shares at the option of its holders at C£1,25 per share. The conversion price is adjusted every time there is a new issue of shares. During the nine months ended 30 September 2003, loan stock of nominal value C£107 thousand was converted into 85 thousand shares of nominal value 50 cents each.

The interest on the Loan Stock, 2003/2008 is payable every six months and the interest rate is 0,75% higher than the interest rate offered for fixed deposits of one year maturity.

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7. Share capital

The Group and the Company

	<i>30 September 2003</i>		<i>31 December 2002</i>	
	<i>Shares (thousands)</i>	<i>C€000</i>	<i>Shares (thousands)</i>	<i>C€000</i>
<i>Authorised</i>				
Shares of 50 cents each	<u>600 000</u>	<u>300 000</u>	<u>600 000</u>	<u>300 000</u>
<i>Issued and fully paid</i>				
At 1 January	437 449	218 724	432 362	216 181
Conversion of convertible loan stock	85	43	368	184
Dividend reinvestment	<u>-</u>	<u>-</u>	<u>4 719</u>	<u>2 359</u>
At 30 September 2003 / 31 December 2002	<u>437 534</u>	<u>218 767</u>	<u>437 449</u>	<u>218 724</u>

As at 30 September 2003 there were 33 664 thousand unexercised Centenary Share Warrants with last subscription date 31st October 2003. The exercise price of the warrants as at 30 September 2003 was C€1,25 per warrant.

8. Number of personnel

The number of persons employed by the Group as at 30 September 2003 was 5 624 (31 December 2002: 5 518) and by the Company 4 683 (31 December 2002: 4 597).

9. Other information

- i) There are no fixed charges in favour of third parties over the Group's fixed assets as at 30 September 2003.
- ii) There is no 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) Committee for the Protection of Competition
Proceedings have begun before the Committee for the Protection of Competition against three commercial banks in Cyprus, including Bank of Cyprus Ltd, for alleged violations of the Protection of Competition Legislation of Cyprus. The proceedings have been postponed for an indefinite period of time because a Supreme Court decision is expected on a similar case relating to a non banking organisation which may affect the continuance of the proceedings that have already commenced. The Bank of Cyprus Ltd rejects and refutes the charges that have been brought both against itself and against the other banks. At this stage it is not feasible to estimate any possible loss that may result due to the aforementioned proceedings.
- iv) Issue of Subordinated Debt
On 3 October 2003 the Company has launched a €200 million Bond issue. The Bonds are step-up subordinated floating rate notes and mature in October 2013 but the Bank has the option to call them during or after October 2008. The Bonds bear a coupon of 100 basis points (bps) above the three-month Euribor and were issued at a re-offer price of 99,766%. If the Bonds are not called in October 2008, the coupon steps up by an additional 120bps. The Bonds have been listed on the Luxembourg Stock Exchange. The proceeds of the issue will strengthen the Bank's capital base.

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9. Other information (continued)

The Bonds were issued under the Bank's Euro Medium Term Note (EMTN) Programme which was recently established by the Company. Under the Programme, the Company will have the flexibility to issue, according to its needs, senior debt and/or subordinated debt in all major currencies, up to a total cumulative amount of €750 million.

v) **Exercise of Centenary Warrants 1999/2003**

The total number of Centenary Warrants 1999/2003 exercised, amounted to 25 855 668. As a result of the exercise of the warrants the issued share capital of the Company increased by C£12 927 834 (25 855 668 shares of 50 cents each) and the share premium increased by C£19 391 751.

vi) **Redemption of Subordinated Floating rate loan stock 2003/2008**

The Company decided to act according to the provisions of paragraph 9(b) of the Terms of Issue of the C£25 million Subordinated Floating Rate Loan Stock and exercise its option to call the Loan Stock in full. The Loan Stock will be redeemed on 19 December 2003 at its principal amount plus any accrued interest for the six months ended 18 December 2003 and for 19 December 2003.

vii) **Capital Securities Series B**

The Company intends to proceed with the issue of Series B of Capital Securities in Cyprus Pounds by way of a public offering in Cyprus for up to C£20 million, with an option to increase the amount. The Capital Securities Series B constitute direct, unsecured and subordinated securities of the Bank. The rights and claims of the holders of Capital Securities Series B have priority over the shareholders of the Bank. The Capital Securities Series B will bear a fixed rate of interest of 5,75% per annum. The interest will be payable every six months.

viii) **Issue of Senior Debt**

On 19 November 2003 the Company has completed the issue of €250 million senior debt. The bond, of a three-year term, pays a coupon of 35 bps above the three month-Euribor and has an issue/reoffer price of 99,883%. The bond was issued under the Bank's Euro Medium Term Note (EMTN) Programme which was established in September 2003. The bond will be listed on the Luxembourg Stock Exchange. The proceeds of the issue will increase the Bank's liquidity position.