

Bank of Cyprus Group



Mid-year Financial Report

30 June 2008

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# Bank of Cyprus Group

## Mid-year Financial Report

six months ended 30 June 2008

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# Bank of Cyprus Public Company Ltd

## Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

(in accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the Interim Condensed Consolidated Financial Statements of Bank of Cyprus Public Company Ltd (the 'Company') for the six months ended 30 June 2008, confirm that, to the best of our knowledge,

- (a) the Interim Condensed Consolidated Financial Statements on pages 6 to 28
  - (i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU), and
  - (ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial statements taken as a whole, and
- (b) the Interim Management Report on pages 2 to 5 provides a fair overview on information required as per section 6, article 10 of Law 190(I)/2007

Theodoros Aristodemou	Chairman
Andreas Artemis	Vice Chairman
Christos S. Pantzaris	Non Executive Director
Vassilis G. Rologis	Non Executive Director
Costas Z. Severis	Non Executive Director
Christakis G. Christofides	Non Executive Director
Evdokimos Xenophontos	Non Executive Director
Andreas Pittas	Non Executive Director
Anna Diogenous	Non Executive Director
George M. Georgiades	Non Executive Director
Andreas J. Jacovides	Non Executive Director
Christos Mouskis	Non Executive Director
Manthos Mavrommatis	Non Executive Director
Andreas Eliades	Executive Director
Yiannis Kypri	Executive Director
Costas Hadjipapas	Non Executive Director
Nicos Tsakos	Non Executive Director
Christis Hadjimitsis	Group General Manager Finance and Strategy

24 July 2008

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results

The Bank of Cyprus Group (the 'Group') maintained high levels of profitability and return of equity and continued the dynamic growth of its operations in the new geographic markets of Russia, Romania and Ukraine with positive results despite the negative global environment. The investments of the Group in the new markets are expected to yield significant benefits in the coming years, in terms of both business growth and profitability.

Specifically, for the first six months of 2008 profit after tax attributable to the shareholders of Bank of Cyprus Public Company Ltd reached €244 million, an increase of 6% compared to 30 June 2007 and achieving a return on equity of 24,4%. The Group maintained its efficiency with the cost to income ratio remaining at low levels for the first half of 2008 at 43,6% despite the significant investment for further expansion of the network in Greece, and also the cost of the development of operations in Russia, Romania and Ukraine. The ratio of non-performing loans to total loans improved to 3,6% at 30 June 2008 from 4,6% at 30 June 2007 and from 3,8% at 31 December 2007. The Group's loan portfolio and deposits grew by 28% and 9% respectively.

The main financial highlights of the Group for the first half of 2008 are set out in the table below:

Group Financial Highlights			
		Six months ended 30 June	
	Change	2008	2007
€ million			
Profit after tax attributable to the shareholders of the Company	+6%	244	229
<b>Earnings per share</b>	+4%	43,0 σΕΥΤ	41,3 σΕΥΤ
<b>Cost/income</b>	+0,3 p.p.*	43,6%	43,3%
<b>Return on equity</b>	-3,3 p.p.*	24,4%	27,7%

\* p.p. = percentage points, 1 percentage point = 1%

Group Financial Footings			
		30 June	
	Change	2008	2007
€ million			
Loans	+28%	22.237	16.740
Deposits	+9%	25.029	22.874
Shareholders' funds	+29,7%	2.029	1.770

- Profit after tax attributable to the shareholders of the Company for the first six months of 2008 reached €244 million compared to €229 million for the first six months of 2007, an increase of 6%.
- The Group return on equity was maintained at high levels (24,4%) in a particularly demanding and negative environment.
- The Group remained efficient with the cost to income ratio maintained at low levels (43,6%) for the first six months of 2008.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

- There was continued strong credit expansion in Cyprus, Greece and the new markets resulting in a significant annual increase of the Group's loan portfolio by 28% as compared to 30 June 2007.
- There was an increase of the customer base and an annual increase of deposits by 9% as compared to 30 June 2007.
- Cost growth was contained (7%) at rates lower than the growth rate of loans (28%).
- The quality of the Group's loan portfolio improved with the relevant ratio decreasing to 3,6% compared to 4,6% at 30 June 2007 and 3,8% at 31 December 2007. The provision charge was maintained at 0,3% of total loans.

### Loans

The Group's loans reached €22,24 billion at 30 June 2008, recording an annual increase of 28%, as compared to 30 June 2007.

### Non-Performing Loans

The significant improvement in the quality of the Group's loan portfolio was the result of the continuous improvement of credit risk management and the collections of overdue amounts.

The ratio of loans in arrears for more than three months which are not fully secured ('non-performing loans') to total Group loans at 30 June 2008 was 3,6% compared to 4,6% at 30 June 2007 and 3,8% at 31 December 2007. In addition, the Group maintained its coverage ratio (provisions/Non-Performing Loans) at 74% at 30 June 2008. The remaining balance of non-performing loans is fully covered by tangible collateral.

### Group Deposits

The Group's total deposits increased by 9% reaching €25,03 billion at 30 June 2008, further enhancing its liquidity.

The increase in the Group's deposits together with the low loans to deposits ratio (88,8%), confirm the Group's ability to implement its strategic plan. It is noted that as at 30 June 2008 79% of Group assets were funded by customer deposits whereas only 11% were funded by interbank market and wholesale funding.

### Net Interest Income and Net Interest Margin

Net interest income reached €383 million, an annual increase of 6%. The net interest income for the first six months of 2008 was affected by the adoption of the Euro as the national currency of Cyprus and the convergence of the Cyprus pound base rate to the Euro base rate. As a result, as of 1<sup>st</sup> January 2008, the Group's base income in Cyprus was negatively affected by the 0,5% reduction (difference between the Cyprus pound base rate of 4,5% and the Euro base rate of 4%) in the reference rate for pricing of loans that were converted from Cyprus pounds to Euro on 31 December 2007. The Euro base rate was set as the reference rate for the purposes of pricing these loans in line with a circular issued by Central Bank of Cyprus. This had a short term negative impact on the net interest income for the six months of 2008 and the net interest margin of the Group of the six months of 2008, which has decreased to 2,57% compared to 2,68% for the fourth quarter of 2007. The Group has already taken measures for offsetting these negative consequences and as a result the net interest margin of the Group for the second quarter of 2008 has increased to 2,67% compared to 2,49% for the first quarter of 2008.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Financial results *(continued)*

#### **Income from commissions and foreign exchange**

The net fee and commission income increased significantly by (11%) and reached €102 million for the first six months of 2008 compared to €92 million for the corresponding period of 2007. The foreign exchange income for the first six months of 2008 decreased, as expected and reached €16 million. The income for the first six months of 2008 does not include fees and commissions and foreign exchange income from the exchange between the Cyprus Pound and the Euro.

#### **Income from Insurance Business**

Total income from insurance business increased by 11%, reaching €30 million. Profit before tax of insurance business amounted to €21 million, an annual increase of 7% and contributing 8% to Group profit before tax.

#### **Expenses**

Total operating expenses for the first six months of 2008 reached €246 million, an annual rate of increase of 7%, which is a rate significantly lower than the rate of increase in loans (28%). The cost to income ratio stood at 43,6% for the first half of 2008 compared to 43,3% in the first half of 2007 despite the significant investment for the expansion of the Group's network in Greece and the cost of expanding operations in the new markets.

Staff costs amounted to €153 million, an annual increase of 8%, mainly due to the increase in costs relating to the expansion of the operations in Greece, Russia and Romania.

Other operating expenses of the Group, including the operating expenses for the start-up of operations in Russia and Romania, recorded an annual increase of 7% and reached €93 million.

#### **Provisions for impairment of loans**

The provision charge for the first half of 2008 amounted to €26 million and represented 0,3% (2007: 0,3%) of total loans, reflecting both the improvement in the quality of the loan portfolio and the very satisfactory level of accumulated provisions which include accumulated collective provisions of 1% of total loans.

### Acquisitions

On 26 May 2008 the Company completed the acquisition of 97,18% of the share capital of the Ukrainian Bank AvtoZAZBank. The acquisition did not have a material impact on the results of the Group for the six months ended 30 June 2008. Additional information is disclosed in Note 19 of the Interim Condensed Consolidated Financial Statements.

On 26 June 2008 the Company announced that it has entered into an agreement for the acquisition of 80% of the share capital of Uniastrum Bank in Russia, which has the ninth largest banking network in the country, for a total consideration of United States \$576 million (€364 million). The two founding shareholders of Uniastrum Bank currently leading the management of the bank will maintain a 10% each. This residual shareholding is subject to a put/call option arrangement over a three year period, payable in cash, depending on the financial performance of Uniastrum Bank during this period. The acquisition is expected to be completed in the last quarter of 2008, following the relevant approvals by the regulatory authorities in Cyprus and Russia.

### Dividends

The final dividend for 2007 amounting to €0,25 per share, totalling €141.556 thousand has been approved at the Annual General Meeting of the shareholders held on 14 May 2008. The dividend was paid to the shareholders on 10 June 2008.

### Related party transactions

Information on related party transactions for the six months ended 30 June 2008 in accordance with IFRSs is presented in Note 20 of the Interim Condensed Consolidated Financial Statements.

# Bank of Cyprus Public Company Ltd

## Interim Management Report

### Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk and market risk that arises from adverse movements in exchange rates, interest rates, equity security prices or other security prices, as well as operational risk. The Group monitors and manages these risks through various control mechanisms. Information relating to Group risk management is set out in Notes 38 to 41 of the financial statements for the year ended 31 December 2007 and is not expected to change significantly during the second half of 2008.

### Share capital

During the period, there was a share capital increase of €7.187 thousand due to dividend reinvestment as indicated in Note 13 of the Interim Condensed Consolidated Financial Statements.

On 1 January 2008, the nominal value of the share capital of the Company was increased to €1,00 per share. Share premium amounting to €82.497 thousand (C£48.284 thousand) was used for the increase in the nominal value of the shares, so that the number of issued shares remained the same.

During the period, the Company granted share options to Group employees in Cyprus and Greece who were in service at 28 May 2008. Additional information is disclosed in Note 13 of the Interim Condensed Consolidated Financial Statements.

### Convertible bonds

On 25 June 2008 the required approvals were obtained for the issue of up to €573,4 million of convertible bonds to be offered to the existing shareholders and referred to as 'Convertible Bonds 2013/2018'. The subscription period for eligible shareholders on the basis of Priority Rights was set from 15-28 July 2008. The convertible bonds will be issued at par in values of €1 and will bear a fixed interest rate of 7,50% until 30 June 2009 and floating interest rate thereafter which is equal to the 6-month Euribor in force at the beginning of each interest period plus 1,00%. The conversion periods are between 15-31 March for the years 2011-2013 and 15-30 September for the years 2010-2012 at the price of €10,50 and repayment price at par, i.e. €1 per Convertible Bond.

The Convertible Bonds 2013/2018 may be redeemed at the option of the Bank at their principal amount together with any accrued interest on 30 June 2013, or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus. In the event that the Convertible Bonds 2013/2018 are not redeemed, in the period from 1 July 2013 to 30 June 2018 the floating interest rate will be equal to the 6-month Euribor in force at the beginning of each interest period plus 3,00%.

24 July 2008

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the six months ended 30 June 2008

	Notes	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>
		<b>2008</b>	<b>2007</b>	<b>2007</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
Turnover	5	<b>1.162.938</b>	996.227	2.170.650
Interest income		<b>931.057</b>	789.335	1.728.818
Interest expense		<b>(547.873)</b>	(426.954)	(976.439)
Net interest income		<b>383.184</b>	362.381	752.379
Fee and commission income		<b>109.450</b>	98.306	210.504
Fee and commission expense		<b>(7.032)</b>	(5.863)	(12.381)
Foreign exchange income		<b>15.860</b>	20.199	46.711
Net (losses)/gains on sale, change in fair value and impairment of financial instruments		<b>(3.125)</b>	19.206	29.050
Insurance income net of insurance claims		<b>29.372</b>	26.463	56.450
Other income	6	<b>23.168</b>	11.644	32.372
		<b>550.877</b>	532.336	1.115.085
Staff costs		<b>(152.796)</b>	(141.879)	(295.597)
Other operating expenses		<b>(92.864)</b>	(87.171)	(190.397)
<b>Profit before provisions</b>		<b>305.217</b>	303.286	629.091
Provisions for impairment of loans and advances	8	<b>(26.235)</b>	(32.580)	(55.877)
Share of (loss)/profit of associates		<b>(5.911)</b>	7.036	9.148
<b>Profit before tax</b>		<b>273.071</b>	277.742	582.362
Taxation		<b>(41.471)</b>	(44.608)	(91.843)
<b>Profit after tax</b>		<b>231.600</b>	233.134	490.519
<b>Profit/(loss) after tax attributable to:</b>				
Shareholders of the Company		<b>243.641</b>	229.397	485.168
Minority interest		<b>(12.041)</b>	3.737	5.351
		<b>231.600</b>	233.134	490.519
<b>Basic earnings per share (cent)</b>	7	<b>43,0</b>	41,3	86,8
<b>Diluted earnings per share (cent)</b>	7	<b>43,0</b>	41,3	86,8

# Bank of Cyprus Group

## Interim Consolidated Income Statement

for the three months from 1 April to 30 June 2008

		<i>Three months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>
	Notes	€000	€000
Turnover		<b>580.781</b>	519.784
Interest income		<b>461.199</b>	415.449
Interest expense		<b>(263.430)</b>	(224.542)
Net interest income		<b>197.769</b>	190.907
Fee and commission income		<b>58.031</b>	46.195
Fee and commission expense		<b>(3.603)</b>	(2.875)
Foreign exchange income		<b>8.243</b>	11.788
Net gains on sale, change in fair value and impairment of financial instruments		<b>6.126</b>	13.267
Insurance income net of insurance claims		<b>13.499</b>	13.080
Other income	6	<b>10.662</b>	9.903
		<b>290.727</b>	282.265
Staff costs		<b>(78.559)</b>	(71.264)
Other operating expenses		<b>(48.217)</b>	(46.175)
<b>Profit before provisions</b>		<b>163.951</b>	164.826
Provisions for impairment of loans and advances		<b>(11.584)</b>	(13.181)
Share of (loss)/profit of associates		<b>(691)</b>	3.337
<b>Profit before tax</b>		<b>151.676</b>	154.982
Taxation		<b>(24.040)</b>	(28.017)
<b>Profit after tax</b>		<b>127.636</b>	126.965
<b>Profit after tax attributable to:</b>			
Shareholders of the Company		<b>127.587</b>	123.228
Minority interest		<b>49</b>	3.737
		<b>127.636</b>	126.965
<b>Basic earnings per share (cent)</b>		<b>22,5</b>	22,2
<b>Diluted earnings per share (cent)</b>		<b>22,5</b>	22,2

# Bank of Cyprus Group

## Interim Consolidated Balance Sheet

as at 30 June 2008

		<b>30 June</b>	<i>31 December</i>
		<b>2008</b>	<i>2007</i>
	Notes	€000	€000
<b>Assets</b>			
Cash and balances with central banks		<b>750.063</b>	1.325.191
Placements with banks		<b>3.999.748</b>	6.158.367
Reverse repurchase agreements		<b>120.281</b>	-
Investments at fair value through profit or loss		<b>358.588</b>	521.118
Life insurance business assets attributable to policyholders		<b>483.840</b>	530.610
Loans and advances to customers	8	<b>21.650.337</b>	18.920.921
Investments available-for-sale and held-to-maturity	9	<b>3.332.053</b>	3.548.646
Property and equipment		<b>338.426</b>	319.662
Intangible assets		<b>131.364</b>	82.127
Other assets		<b>389.093</b>	339.230
Investment in associate		<b>11.407</b>	17.318
<b>Total assets</b>		<b>31.565.200</b>	31.763.190
<b>Liabilities</b>			
Amounts due to banks		<b>1.472.170</b>	1.233.337
Repurchase agreements		<b>340.316</b>	435.140
Customer deposits		<b>25.029.287</b>	25.178.966
Insurance liabilities		<b>521.481</b>	608.566
Debt securities in issue	10	<b>1.087.557</b>	1.253.690
Other liabilities	11	<b>483.733</b>	379.553
Subordinated loan stock	12	<b>573.993</b>	668.748
<b>Total liabilities</b>		<b>29.508.537</b>	29.758.000
<b>Equity</b>			
Share capital	13	<b>573.410</b>	483.726
Share premium		<b>654.289</b>	688.349
Revaluation and other reserves	15	<b>96.776</b>	186.325
Retained earnings		<b>704.936</b>	607.668
<b>Equity attributable to the shareholders of the Company</b>		<b>2.029.411</b>	1.966.068
<b>Minority interest</b>		<b>27.252</b>	39.122
<b>Total equity</b>		<b>2.056.663</b>	2.005.190
<b>Total liabilities and equity</b>		<b>31.565.200</b>	31.763.190
<b>Contingent liabilities and commitments</b>			
Contingent liabilities		<b>1.854.590</b>	1.751.677
Commitments		<b>4.090.686</b>	3.417.512

**Th. Aristodemou** *Chairman*  
**A. Eliades** *Group Chief Executive Officer*  
**Chr. Hadjimitsis** *Group General Manager Finance and Strategy*

**A. Artemis** *Vice Chairman*  
**Y. Kypri** *Group Chief General Manager*

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008

	Attributable to the shareholders of the Company					Minority interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation and other reserves (Note 15) €000	Retained earnings €000	Total €000		
At 1 January 2008	483.726	688.349	186.325	607.668	1.966.068	39.122	2.005.190
Losses from change in fair value of available-for-sale investments	-	-	(85.479)	-	(85.479)	-	(85.479)
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(688)	-	(688)	-	(688)
Deferred tax	-	-	647	595	1.242	-	1.242
Exchange adjustments	-	-	(1.423)	-	(1.423)	-	(1.423)
Increase in value of life assurance policies in force	-	-	5.507	(5.507)	-	-	-
Transfer to the income statement on impairment of debt securities	-	-	2.796	-	2.796	-	2.796
Transfer to the income statement on redemption/sale of available-for-sale investments and financial instruments designated as cash flow hedges	-	-	(12.754)	-	(12.754)	-	(12.754)
Net losses recognised directly in equity	-	-	(91.394)	(4.912)	(96.306)	-	(96.306)
Profits/(losses) after tax for the period	-	-	-	243.641	243.641	(12.041)	231.600
Total profits/(losses) for the period	-	-	(91.394)	238.729	147.335	(12.041)	135.294
Capitalisation of share premium due to change in the nominal value of shares from C£0.50 each to €1 each (Note 13)	82.497	(82.497)	-	-	-	-	-
Dividend paid (Note 14) and dividend reinvested (Note 13)	7.187	48.437	-	(141.556)	(85.932)	-	(85.932)
Shares of the company held by subsidiaries and associates							
- Acquisitions	-	-	(560)	-	(560)	-	(560)
- Disposals	-	-	2.405	(577)	1.828	-	1.828
Cost of share-based payments (Note 13)	-	-	-	672	672	-	672
Dividend paid by subsidiaries following reinvestment	-	-	-	-	-	(368)	(368)
Change in minority interest and acquisition of subsidiary	-	-	-	-	-	539	539
<b>At 30 June 2008</b>	<b>573.410</b>	<b>654.289</b>	<b>96.776</b>	<b>704.936</b>	<b>2.029.411</b>	<b>27.252</b>	<b>2.056.663</b>

# Bank of Cyprus Group

## Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

	Attributable to the shareholders of the Company					Minority interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation and other reserves (Note 15) €000	Retained earnings €000	Total €000		
At 1 January 2007	473.144	583.257	164.721	324.515	1.545.637	-	1.545.637
Losses from change in fair value of available-for-sale investments	-	-	(8.206)	-	(8.206)	-	(8.206)
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(962)	-	(962)	-	(962)
Property revaluation	-	-	49.872	-	49.872	-	49.872
Deferred tax	-	-	(6.337)	-	(6.337)	-	(6.337)
Exchange adjustments	-	-	873	-	873	-	873
Increase in value of life assurance policies in force	-	-	4.270	(4.270)	-	-	-
Reversal of revaluation of investment in associates	-	-	(73)	(776)	(849)	-	(849)
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(2.107)	-	(2.107)	-	(2.107)
Net profit/(loss) recognised directly in equity	-	-	37.330	(5.046)	32.284	-	32.284
Profit after tax for the period	-	-	-	229.397	229.397	3.737	233.134
Total profit for the period	-	-	37.330	224.351	261.681	3.737	265.418
Dividend paid and dividend reinvested	3.221	39.487	-	(95.372)	(52.664)	-	(52.664)
Exercise of share options	3.988	25.154	-	-	29.142	-	29.142
Cost of share-based payments	-	-	-	3.729	3.729	-	3.729
Shares of the Company held by subsidiaries and associates	-	-	(17.609)	-	(17.609)	-	(17.609)
Acquisition of subsidiary	-	-	-	-	-	34.582	34.582
<b>At 30 June 2007</b>	<b>480.353</b>	<b>647.898</b>	<b>184.442</b>	<b>457.223</b>	<b>1.769.916</b>	<b>38.319</b>	<b>1.808.235</b>

# Bank of Cyprus Group

## Interim Consolidated Cash Flow Statement

for the six months ended 30 June 2008

		<b>Six months ended 30 June</b>	
		<b>2008</b>	<b>2007</b>
		<b>€000</b>	<b>€000</b>
	<b>Notes</b>		
<b>Net cash flow from operating activities</b>			
Profit before tax		<b>273.071</b>	277.742
Share of loss/(profit) of associates		<b>5.911</b>	(7.036)
Provisions for impairment of loans and advances		<b>26.235</b>	32.580
Depreciation of property and equipment, amortisation of intangible assets and discounts/premiums		<b>(8.073)</b>	16.035
Cost of share-based payments		<b>672</b>	3.729
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		<b>(79.433)</b>	(84.776)
		<b>218.383</b>	238.274
Net increase in loans and advances to customers and other accounts		<b>(2.593.342)</b>	(2.584.724)
Net (decrease)/increase in customer deposits and other accounts		<b>(333.560)</b>	3.321.437
		<b>(2.708.519)</b>	974.987
Tax paid		<b>(17.760)</b>	(12.080)
<b>Net cash flow (used in)/from operating activities</b>		<b>(2.726.279)</b>	962.907
<b>Cash flow from investing activities</b>			
Purchases of investments		<b>(601.525)</b>	(942.466)
Proceeds on disposal/redemption of investments		<b>744.045</b>	698.218
Interest on treasury bills and debt securities		<b>91.794</b>	95.914
Dividend income from equity shares		<b>3.126</b>	2.491
Acquisition of subsidiaries and associates		<b>(14.728)</b>	(44.649)
Purchase of property and equipment		<b>(21.680)</b>	(22.092)
Proceeds on disposal of property and equipment		<b>292</b>	205
Purchase of intangible assets		<b>(2.923)</b>	(3.267)
Purchase of investment property		<b>(445)</b>	-
Proceeds on disposal of investment property		<b>16.130</b>	5.799
<b>Net cash flow from/(used in) investing activities</b>		<b>214.086</b>	(209.847)
<b>Cash flow from financing activities</b>			
Issue of share capital		-	29.142
Redemption of subordinated loan stock		<b>(91.229)</b>	-
Dividend payment		<b>(85.932)</b>	(52.664)
Interest on subordinated loan stock		<b>(16.461)</b>	(9.414)
Dividend paid by subsidiaries to minority		<b>(368)</b>	-
Acquisition of own shares		<b>(560)</b>	-
Disposal of own shares		<b>1.828</b>	-
<b>Net cash flow used in financing activities</b>		<b>(192.722)</b>	(32.936)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2.704.915)</b>	720.124
<b>Cash and cash equivalents</b>			
At 1 January		<b>6.793.635</b>	4.812.201
Exchange adjustments		<b>(1.423)</b>	873
Net (decrease)/increase in cash and cash equivalents		<b>(2.704.915)</b>	720.124
At 30 June	<b>16</b>	<b>4.087.297</b>	5.533.198

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 1. Corporate information

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiary companies, which together are referred to as the 'Group', and were authorised for issue by a resolution of the Board of Directors on 24 July 2008.

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The principal activities of the Company and its subsidiary and associated companies during the period continued to be the provision of banking and financial services, insurance business and property and hotel business.

The Company was incorporated in Cyprus as a limited liability company in 1930 and is considered a public company under the Cyprus Stock Exchange Laws and Regulations and the Income Tax Law of Cyprus.

### 2. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2008 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

### 3. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2008 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). Additionally, these financial statements comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB).

All International Financial Reporting Standards (IFRSs) issued by the IASB and effective for the Group at the time of preparing these Interim Condensed Consolidated Financial Statements, have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 'Financial Instruments: Recognition and Measurement', relating to portfolio hedge accounting. Since the Group is not affected by these provisions, the Interim Condensed Consolidated Financial Statements comply with both the IFRSs, as adopted by the EU and the IFRSs, as issued by the IASB.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2007.

The accounting policies that have been followed for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2008 are consistent with those followed for the preparation of the annual financial statements for 2007.

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand (€000), except where otherwise indicated.

### 4. Functional and presentation currency of the financial statements

On 1 January 2008, date of the introduction of the Euro as the new official currency of the Republic of Cyprus, the functional currency of the Company and its subsidiaries in Cyprus as well as the presentation currency of the Group financial statements (including comparative amounts) changed from Cyprus pounds to the Euro. As a result of this change, as from 1 January 2008 all assets and liabilities of the Company and its subsidiaries in Cyprus have been converted using the fixed conversion rate of €1=C£0,585274. The comparative amounts presented in these financial statements have been converted into Euro using the above rate.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 5. Segmental analysis

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

The Group's business is mainly conducted in three geographic segments: (a) Cyprus, (b) Greece and (c) other countries mainly the United Kingdom, Australia, Romania, Russia and Ukraine.

The primary reporting format is by business segment.

	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>	
	<b>2008</b> <b>€000</b>	2007 €000	<b>2008</b> <b>€000</b>	2007 €000	<b>2008</b> <b>€000</b>	2007 €000	<b>2008</b> <b>€000</b>	2007 €000
Turnover	<b>1.078.477</b>	914.500	<b>81.363</b>	70.160	<b>3.098</b>	11.567	<b>1.162.938</b>	996.227
Profit before tax	<b>236.422</b>	253.987	<b>20.514</b>	19.097	<b>16.135</b>	4.658	<b>273.071</b>	277.742

### 6. Other income

Other income for the six months ended 30 June 2008 includes dividend income of €3.126 thousand (corresponding period of 2007: €2.491 thousand) and for the three months ended 30 June 2008 dividend income of €3.113 thousand (corresponding period of 2007: €2.402 thousand). It also includes negative goodwill on the acquisition of a subsidiary company amounting to €325 thousand (corresponding period of 2007: €3.089 thousand).

### 7. Basic and diluted earnings per share

	<i>Six months ended 30 June</i>	
	<b>2008</b>	2007
Profit after tax attributable to the shareholders of the Company (€ thousand)	<b>243.641</b>	229.397
Weighted average number of shares in issue during the period, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>566.224</b>	555.568
Basic earnings per share (cent)	<b>43,0</b>	41,3
Weighted average number of shares, adjusted for the exercise of share options, excluding shares of the Company held by subsidiaries and associates (thousand)	<b>566.224</b>	555.783
Diluted earnings per share (cent)	<b>43,0</b>	41,3

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Basic and diluted earnings per share (continued)

On 30 June 2007 the Share Options 2006/2007 constituted potentially dilutive ordinary shares. The diluted earnings per share are calculated after adjusting the weighted number of shares in issue during the period, under the assumption that all potentially dilutive ordinary shares are converted into shares by their holders.

On 30 June 2008 the Share Options 2008/2010 (Note 13) do not constitute potentially dilutive ordinary shares, as their conversion into ordinary shares would not reduce earnings per share.

The weighted average number of shares for the six months ended 30 June 2007 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan, resulting from the dividend payments in December 2007 and June 2008.

### 8. Loans and advances to customers

	<b>30 June 2008</b>	<i>31 December 2007</i>
	<b>€000</b>	<b>€000</b>
Loans and advances to customers	<b>22.237.438</b>	19.499.928
Provisions for impairment of loans and advances	<b>(587.101)</b>	(579.007)
	<b>21.650.337</b>	18.920.921

The movement in the provisions for impairment of loans and advances to customers is presented in the table below:

	<b>2008</b>	<i>2007</i>
	<b>€000</b>	<b>€000</b>
At 1 January	<b>579.007</b>	788.875
Acquisition of subsidiaries	<b>3.396</b>	-
Exchange adjustments	<b>(22)</b>	2.137
Applied in writing off impaired loans and advances	<b>(17.811)</b>	(31.580)
Interest on impaired loans and advances	<b>(13.036)</b>	(18.508)
Collections of previously written off loans	<b>9.332</b>	12.348
Charge for the period	<b>26.235</b>	72.361
At 30 June	<b>587.101</b>	825.633

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 8. Loans and advances to customers (continued)

The charge for the six months ended 30 June 2007 in the reconciliation above does not agree with the charge for the period as presented in the interim consolidated income statement, as part of the provision relating to suspended income in the period ended 30 June 2007 was netted off against interest and fee and commission income.

### 9. Investments available-for-sale and held-to-maturity

The investments available-for-sale at 30 June 2008 amounted to €3.327.930 thousand (31 December 2007: €3.423.199 thousand) and the investments held-to-maturity amounted to €4.123 thousand (31 December 2007: €125.447 thousand).

### 10. Debt securities in issue

	Contractual interest rate	30 June 2008	31 December 2007
<b>Medium term Senior Debt</b>		<b>€000</b>	<b>€000</b>
€3 million 2003/2008	Three-month Euribor plus 0,45%	3.021	3.023
€300 million 2005/2008	Three -month Euribor plus 0,30%	-	300.478
€300 million 2006/2009	Three -month Euribor plus 0,33%	289.655	289.162
€500 million 2007/2010	Three -month Euribor plus 0,20%	491.951	492.209
€30 million 2008/2011	Three -month Euribor plus 0,45%	30.307	-
€100 million 2008/2013	Six -month Euribor plus 0,45%	100.685	-
		<b>915.619</b>	1.084.872
<b>Short term Commercial Paper</b>			
in Euro	-	143.708	160.926
in U.S. Dollars	-	27.738	7.400
		<b>171.446</b>	168.326
Interest-free loan from the European Development Bank	-	492	492
		<b>1.087.557</b>	1.253.690

### 10. Debt securities in issue *(continued)*

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and other creditors of the Company.

#### **Medium term Senior Bonds**

The Company has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2007: up to €2.000 million).

In April 2008 the Company issued €30 million Senior Debt 2008/2011 at par which has a three-year term and bears a floating rate of interest. The debt holders have a put option at par during or after October 2008. In May 2008 the Company issued €100 million Senior Debt 2008/2013 at par which has a five-year term and bears a floating rate of interest. The debt holders have a put option at par during or after November 2008.

On 9 June 2008 the €300 million Senior Debt 2005/2008 issued in June 2005 was called at par.

At 30 June 2008, the nominal amount of the €300 million Senior Debt 2006/2009 outstanding was €289.400 thousand (31 December 2007: €288.900 thousand) as €10.600 thousand (31 December 2007: €11.100 thousand) of debt was held by the Group for trading purposes. At 30 June 2008, the nominal amount of the €500 million Senior Debt 2007/2010 outstanding was €492.500 thousand (31 December 2007: €492.500 thousand) as €7.500 thousand (31 December 2007: €7.500 thousand) of debt securities were held by the Group for trading purposes.

The issues of €300 million 2006/2009, €500 million 2007/2010, €30 million 2008/2011 and €100 million 2008/2013 are listed on the Luxembourg Stock Exchange.

#### **Short term Commercial Paper**

The Company has established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2007: up to €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and the Commercial Paper is unlisted.

### 11. Other liabilities

Other liabilities at 30 June 2008 include provisions for pending litigation or claims of €3.330 thousand (31 December 2007: €3.330 thousand) and other provisions of €24.898 thousand (31 December 2007: €23.311 thousand).

### 12. Subordinated loan stock

	Contractual interest rate	30 June 2008	31 December 2007
		€000	€000
Subordinated Bonds 2008/2013 (€200 million)	Three-month Euribor plus 1,00%	200.732	202.227
Subordinated Bonds 2011/2016 (€200 million)	Three -month Euribor plus 0,60%	194.280	197.222
Capital Securities Series A (€111 million)	Base rate plus 1,00%	-	91.229
Capital Securities Series B (€51 million)	Base rate plus 1,00%	51.386	51.381
Capital Securities 12/2007 (€126 million)	6,00% for 6 months and three -month Euribor plus 1,25% thereafter	124.812	126.689
Subordinated Bonds denominated in Ukrainian hryvnias	12%	2.783	-
		<b>573.993</b>	668.748

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

The Subordinated Bonds are classified as Tier 2 Capital and the Capital Securities as Tier 1 Capital for capital adequacy purposes.

#### Subordinated Bonds

The Company has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2007: up to €2.000 million).

Under this Programme, the Company issued in October 2003, €200 million Subordinated Bonds 2008/2013 in Euro, bearing a floating rate of interest and maturing in October 2013. The Company has the option to call the Bonds during or after October 2008. The interest rate of the Bonds was set at the three-month Euribor plus 1,00% until October 2008 and will increase to plus 2,20% thereafter. The Bonds are listed on the Luxembourg Stock Exchange. At 30 June 2008, the nominal amount of the €200 million Subordinated Bonds 2008/2013 outstanding amounted to €197.964 thousand (31 December 2007: €199.114 thousand) as €2.036 thousand (31 December 2007: €886 thousand) of bonds were held by the Company for trading purposes.

Under the EMTN Programme, the Company also issued in May 2006, €200 million floating rate Subordinated Bonds 2011/2016 in Euro, maturing in May 2016. The Company has the option to call the Bonds in whole during or after May 2011. The interest rate of the Bonds was set at the three-month Euribor plus 0,60% until May 2011 and will increase to plus 1,60% thereafter. The Bonds are listed on the Luxembourg Stock Exchange. At 30 June 2008, the nominal amount of €200 million Subordinated Bonds 2011/2016 outstanding amounted to €193.000 thousand (31 December 2007: €196.000 thousand) as €7.000 thousand (31 December 2007: €4.000 thousand) of bonds were held by the Company for trading purposes.

The subordinated bonds denominated in Ukrainian hryvnias maturing 31 December 2016 resulted from the acquisition of Joint Stock Bank 'AvtoZAZBank' in May 2008.

#### Capital Securities

Capital Securities Series A amounting to €111 million and Series B amounting to €51 million were issued in February 2003 and March 2004 respectively, and were offered in Cyprus. On 20 December 2007 the Company completed the issue of Capital Securities 12/2007 amounting to €126 million. The Capital Securities have no maturity date, but may be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter.

### 12. Subordinated loan stock (continued)

#### Capital Securities (continued)

The Capital Securities Series A and B bear a floating interest rate, which is revised every three months. The interest rate of Capital Securities Series A and B is equal to the base rate of the Company at the beginning of each three-month period plus 1,00%. The interest rate of Capital Securities 12/2007 is fixed at 6,00% for the first six months and floating thereafter, equal to the three-month Euribor plus 1,25%. Interest is payable quarterly. The Group exercised its option to redeem in whole the Capital Securities Series A at par on 20 February 2008. The Capital Securities Series B and 12/2007 are listed on the Cyprus Stock Exchange.

At 30 June 2008, the Capital Securities Series B and 12/2007 outstanding amounted to €51.058 thousand and €124.583 thousand (31 December 2007: €51.058 thousand and €126.437 thousand) respectively as €200 thousand of Capital Securities Series B and €1.854 thousand of Capital Securities 12/2007 (31 December 2007: €200 thousand and nil respectively) were held by the Company for trading purposes.

### 13. Share capital

	30 June 2008		31 December 2007	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Shares of €1,00 each (31 December 2007: C£0,50 each)	750.000	750.000	877.911	750.000
<i>Issued and fully paid</i>				
At 1 January	566.223	483.726	553.839	473.144
Capitalisation of share premium due to change in the nominal value of shares from C£0,50 each to €1 each	-	82.497	-	-
Dividend reinvestment	7.187	7.187	7.398	6.322
Exercise of share options	-	-	4.986	4.260
At 30 June 2008/31 December 2007	573.410	573.410	566.223	483.726

As at 1 January 2008, the nominal value of the share capital of the Company was increased to €1,00 per share. Share premium amounting to €82.497 thousand (C£48.284 thousand) was applied for the increase in the nominal value of the shares, so that the number of issued shares remained the same.

The Company has in force a Dividend Reinvestment Plan under which all shareholders have the option to reinvest all or part of their dividend in shares of the Company at a discount of 10% on the market value of the shares. The reinvestment price for the dividend paid on 10 June 2008 was set at €7,74 per share, for the dividend paid on 12 December 2007 was set at C£6,78 (€11,58) per share and for the dividend paid on 26 June 2007 was set at C£6,63 (€11,33) per share. As a result of the dividend reinvestment, 7.398.023 shares were issued during 2007 and the Company's share capital and share premium increased by €6.322 thousand and €78.415 thousand respectively. As a result of the dividend reinvestment during the first six months ended 30 June 2008, 7.186.618 shares were issued and the Company's share capital and share premium increased by €7.187 thousand and €48.437 thousand respectively.

### 13. Share capital (continued)

#### Share-based payments – Share Options

On 14 May 2008, the Annual General Meeting of the shareholders approved the granting of share options for up to 15 million shares with nominal value €1 each to Group employees, without these shares being first offered to existing shareholders. The Board of Directors was authorised to establish the appropriate share option schemes.

In the context of the above approvals, on 28 May 2008 the Board of Directors decided the establishment of a Share Options Scheme under which 12,5 million share options were granted to permanent Group employees and employees under contract (excluding seasonal staff) in Cyprus and Greece who were in service on 28 May 2008 ('Share Options 2008/2010'). Each Share Option 2008/2010 gives its holder the right to purchase a share at the price of €9,41 each. On 31 December 2009, 2/3 of the total Share Options 2008/2010 granted will be vested; the remaining 1/3 of the share options will be vested to the beneficiaries on 31 December 2010. The Share Options 2008/2010 can be exercised by their holders from 1 January to 31 March of years 2011 and 2012 and from 1 November to 31 December 2012. The Share Options 2008/2010 are not transferable and will not be traded on the Cyprus or the Athens Stock Exchanges.

The fair value of the Share Options 2008/2010 was measured at the grant date, using the trinomial valuation model and amounted to €1,17 per share option. The main variables taken into account by the model are the share price (€8,56 on 28 May 2008), the exercise price (€9,41), the dividend yield (8,1%), the risk free interest rate (4,2%), the duration of the share options and the expected volatility of the share price (31,3% on an annual basis calculated using the historic volatility of the share).

During 2000 the Company had granted Share Options 2001/2007 to Group employees who were in service at 31 December 2000. The total number of share options granted was 3.216.700 and each option gave the holder the right to buy one share of the Company at the price of C£3,26 (€5,57) per option (as adjusted after the rights issue in December 2005). The Share Options 2001/2007 could be exercised by their holders from 31 January 2004 to 31 December 2007. The Share Options 2001/2007 were outside the scope of IFRS 2 'Share-based payments'.

During 2007, 796.807 Share Options 2001/2007 were exercised by Group employees. At 31 December 2007, there were no unexercised options, while 79.550 options during 2007 were either forfeited because of the departure of their holders from the Group or lapsed unexercised. As a result of the exercise of the share options, the Company's share capital and share premium increased by €680 thousand and €3.757 thousand respectively.

In 2006 the Company had also granted Share Options 2006/2007 to all permanent employees in Cyprus and Greece who were in service at 30 September 2006 provided they remained in service until 31 March 2007. The number of Share Options 2006/2007 granted was 4.283.300. The exercise price of the share options had been set at €6,32 and the exercise period was from 31 March to 30 June 2007 and had been extended until 31 August 2007. During the exercise period, 4.189.106 options were exercised, as a result of which, the Company's share capital and share premium increased by €3.580 thousand and €22.919 thousand respectively, while 94.194 options were forfeited because of the departure of their holders from the Group.

The cost of the share-based payments, charged to retained earnings for the period ended 30 June 2008 amounted to €672 thousand (corresponding period 2007: €3.729 thousand).

#### Own shares

Shares of the Company held by subsidiaries and associates are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of such shares. The number of these shares at 30 June 2008 was 1.324 thousand (31 December 2007: 1.435 thousand). The cost of acquisition of these shares was €15.489 thousand (31 December 2007: €17.334 thousand).

In addition, the life insurance subsidiaries of the Group held, as at 30 June 2008, a total of 3.269 thousand (31 December 2007: 3.167 thousand) shares of the Company, as part of the financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €16.167 thousand (31 December 2007: €15.322 thousand).

### 14. Dividend

The payment of the final dividend for 2007 amounting to €0,25 per share, and totalling €141.556 thousand was approved at the Annual General Meeting of the shareholders on 14 May 2008. The dividend was paid to the shareholders on 10 June 2008.

In June 2007 the final dividend paid to the shareholders for the year 2006 was C£0,10 (€0,17) per share, amounting to €95.372 thousand.

### 15. Revaluation and other reserves

	Property revaluation reserve €000	Revaluation reserve of available-for-sale investments €000	Cash flow hedge reserve €000	Life assurance in-force business reserve €000	Exchange adjustments reserve €000	Shares of the Company €000	Total €000
At 1 January 2008	100.773	47.510	1.032	57.665	(3.321)	(17.334)	186.325
Losses from change in fair value	-	(85.479)	(688)	-	-	-	(86.167)
Deferred tax	43	984	215	(595)	-	-	647
Exchange adjustments	-	-	-	-	(1.423)	-	(1.423)
Increase in value of life assurance policies in force	-	-	-	5.507	-	-	5.507
Transfer to the income statement on redemption/sale	-	(11.345)	(1.409)	-	-	-	(12.754)
Transfer to the income statement on impairment	-	2.796	-	-	-	-	2.796
Acquisitions	-	-	-	-	-	(560)	(560)
Disposals	-	-	-	-	-	2.405	2.405
<b>At 30 June 2008</b>	<b>100.816</b>	<b>(45.534)</b>	<b>(850)</b>	<b>62.577</b>	<b>(4.744)</b>	<b>(15.489)</b>	<b>96.776</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 15. Revaluation and other reserves (continued)

	Property revaluation reserve €000	Revaluation reserve of available-for-sale investments €000	Cash flow hedge reserve €000	Life assurance in-force business reserve €000	Capital reserve €000	Exchange adjustments reserve €000	Shares of the Company €000	Total €000
At 1 January 2007	61.537	57.330	(914)	47.499	3.730	(4.461)	-	164.721
Losses from change in fair value	-	(8.206)	(962)	-	-	-	-	(9.168)
Property revaluation	49.872	-	-	-	-	-	-	49.872
Deferred tax	(7.702)	1.365	-	-	-	-	-	(6.337)
Exchange adjustments	-	-	-	-	-	873	-	873
Increase in value of life assurance policies in force	-	-	-	4.270	-	-	-	4.270
Reversal of revaluation of investments in associates	-	(73)	-	-	-	-	-	(73)
Transfer to the income statement on redemption/sale	-	(2.107)	-	-	-	-	-	(2.107)
Shares of the Company held by subsidiaries and associates	-	-	-	-	-	-	(17.609)	(17.609)
<b>At 30 June 2007</b>	<b>103.707</b>	<b>48.309</b>	<b>(1.876)</b>	<b>51.769</b>	<b>3.730</b>	<b>(3.588)</b>	<b>(17.609)</b>	<b>184.442</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Cash and cash equivalents

	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>€000</b>	<b>€000</b>
Cash and non obligatory balances with central banks	<b>240.161</b>	996.451
Placements with banks repayable within three months	<b>3.847.136</b>	4.536.747
	<b>4.087.297</b>	5.533.198

### 17. Staff numbers

The number of persons employed by the Group at 30 June 2008 was 7.600 (31 December 2007: 6.909).

### 18. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 30 June 2008 include the following companies and branches, by country of registered office:

**Cyprus:** Bank of Cyprus Public Company Ltd, Mortgage Bank of Cyprus Ltd, Cyprus Investment and Securities Corporation Ltd (CISCO), General Insurance of Cyprus Ltd, EuroLife Ltd, Kermia Ltd, Kermia Properties & Investments Ltd, Kermia Hotels Ltd, BOC Ventures Ltd, Tefkros Investments Ltd, Bank of Cyprus Mutual Funds Ltd, JCC Payment Systems Ltd, Cytrustees Investment Public Company Ltd and Interfund Investments Plc.

**Greece:** Bank of Cyprus Public Company Ltd (branch of the Company), Kyprou Leasing SA, Kyprou Commercial SA, Kyprou Securities SA, Kyprou Mutual Fund Management Company (AEDAK), Kyprou Properties SA, Kyprou Insurance Services Ltd, Kyprou Zois (branch of EuroLife Ltd) and Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd).

**United Kingdom:** Bank of Cyprus United Kingdom (branch of the Company).

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

**Australia:** Bank of Cyprus Australia Ltd.

**Romania:** Bank of Cyprus Romania (branch of the Company) and Cyprus Leasing (Romania) IFN SA.

**Russia:** LLC CB 'Bank of Cyprus' and 'Cyprus Leasing LLC'.

**Ukraine:** Joint Stock Bank 'AvtoZAZBank'

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

Company	Percentage holding (%)		Accounting treatment
	<b>30 June 2008</b>	<i>31 December 2007</i>	
JCC Payment Systems Ltd	<b>45,00</b>	45,00	Proportional consolidation
Cytrustees Investment Public Company Ltd	<b>49,90</b>	49,98	Consolidation
Interfund Investments Plc	<b>22,83</b>	22,83	Equity method
Joint Stock Bank 'AvtoZAZBank'	<b>97,18</b>	-	Consolidation

The investment in Cytrustees Investment Public Company Ltd which is, a closed-end investment company, was included in the financial statements as an associate during the period from 8 February to 26 April 2007 using the equity method. Following the acquisition of additional shares by the Group on 27 April 2007 (Note 19), the company was accounted for as a subsidiary, in accordance with the provisions of the IFRSs.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 18. Group companies (continued)

The investment in Interfund Investments Plc, which is a closed-end investment company, was acquired on 21 May 2007 and is consolidated in the financial statements as from that date.

The subsidiary company LLC CB 'Bank of Cyprus' obtained its licence of operation in Russia on 6 June 2007 and is included in the financial statements as from that date. The subsidiary company 'Cyprus Leasing LLC' was incorporated in Russia on 16 October 2007 and is consolidated in the financial statements as from that date.

On 26 May 2008 the Company completed the acquisition of the Ukrainian Bank AvtoZAZBank (Note 19). The Company acquired 97,18% of the share capital of AvtoZAZBank, for the sum of €57,9 million paid in cash. AvtoZAZBank is accounted for as a subsidiary, since the date of acquisition.

### 19. Acquisitions of subsidiary companies

#### (i) Acquisition of Joint Stock Bank 'AvtoZAZBank'

On 26 May 2008, the Group acquired 97,18% of the share capital of the Ukrainian Bank AvtoZAZBank. The acquisition has been accounted for using the purchase method of accounting.

The Interim Condensed Consolidated Financial Statements include the results of AvtoZAZBank since the date of acquisition.

The fair value of the identifiable assets and liabilities of AvtoZAZBank as at the date of acquisition which was equal to their carrying value immediately before the combination, was:

	<i>Fair value recognised on acquisition</i>
	<i>€000</i>
Loans and advances to customers	109.241
Placements with banks and central bank	46.906
Tangible fixed assets	9.192
Other assets	2.906
	<b>168.245</b>
Customer deposits	(126.225)
Subordinated loan stock	(2.762)
Amounts due to banks	(21.814)
Other liabilities	(1.549)
Net assets	<b>15.895</b>
Group's share in the fair value of the identifiable net assets acquired	15.447
Goodwill	44.122
Cost of the acquisition paid in cash	<b>59.569</b>

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 19. Acquisition of subsidiary company (continued)

#### (i) Acquisition of Joint Stock Bank 'AvtoZAZBank' (continued)

The total acquisition cost of €59.569 thousand comprised a cash payment of €57.882 thousand and costs of €1.687 thousand directly attributable to the acquisition.

	<b>26 May 2008</b>
	<b>€000</b>
<i>Cash outflow at the acquisition</i>	
Net cash and cash equivalents acquired with the subsidiary	<b>44.841</b>
Cash paid	<b>(59.569)</b>
Net cash outflow	<b>(14.728)</b>

Profit before tax of the subsidiary company from the date of acquisition (26 May 2008), attributable to the shareholders of the Company amounts to €689 thousand.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of AvtoZAZBank with those of the Group in the expanding Ukrainian market.

As part of the agreement for the acquisition of AvtoZAZBank, the Group has received a letter of guarantee amounting to €3,7 million covering specific losses which may occur in the future relating to the period prior to acquisition.

#### (ii) Acquisition of Cytrustees Investment Public Company Limited ('Cytrustees')

During the first six months of 2007 the Company increased its holding in Cytrustees to 49,5% and during the second six months of 2007 its holding increased to 49,98%. During the first six months of 2008 the Company acquired and disposed of a number of Cytrustees shares and as at 30 June 2008 the holding in Cytrustees decreased to 49,90%.

Information relating to the shares acquired in the subsidiary is set out below:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>€000</b>	<b>€000</b>
Group's share in the fair value of the identifiable net assets acquired	<b>1.659</b>	19.017
Excess of the Group's share of the fair value of the identifiable net assets acquired above cost	<b>(325)</b>	(3.089)
Cost of acquisition	<b>1.334</b>	15.928

### 20. Related party transactions

	<b>30 June 2008</b>	<i>31 December 2007</i>
	<b>€000</b>	<b>€000</b>
Loans and other advances to:		
- members of the Board of Directors and key management personnel	<b>9.799</b>	9.814
- connected persons	<b>217.238</b>	132.000
	<b>227.037</b>	141.814
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	<b>90.317</b>	85.343
	<b>317.354</b>	227.157
Tangible security	<b>344.195</b>	223.641
Deposits of:		
- members of the Board of Directors and key management personnel	<b>116.251</b>	85.965
- connected persons	<b>76.038</b>	42.654
	<b>192.289</b>	128.619

Interest income and expense from related parties for the six months ended 30 June 2008 amounted to €6.360 thousand and €3.299 thousand (corresponding period of 2007: €4.109 thousand and €677 thousand) respectively.

Connected persons include spouses, minor children and entities in which directors/key management personnel hold, directly or indirectly, at least 20% of the voting shares in general meeting, or act as directors or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms. A number of credit facilities have been extended to key management personnel and their connected persons under the same terms as those applicable for the rest of the Group's employees.

# Bank of Cyprus Group

## Notes to the Interim Condensed Consolidated Financial Statements

### 20. Related party transactions (continued)

#### Fees and emoluments of members of the Board of Directors and Group key management personnel

	<i>Six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>
<b>Directors' emoluments</b>		
<i>Non executives</i>		
Fees	<b>351</b>	372
<i>Executives</i>		
Emoluments in executive capacity:		
Salaries and other short term benefits	<b>919</b>	925
Ex gratia retirement benefit	<b>678</b>	-
Employer's contributions	<b>36</b>	36
Retirement benefit plan costs	<b>75</b>	85
Share-based payments-Share Options	<b>108</b>	9
Total emoluments in executive capacity	<b>1.816</b>	1.055
Total emoluments of non executive director who is also an employee of the Company	<b>68</b>	-
Total fees and emoluments of directors	<b>2.235</b>	1.055
<b>Key management personnel emoluments</b>		
Salaries and other short term benefits	<b>776</b>	1.133
Employer's contributions	<b>36</b>	46
Retirement benefit plan costs	<b>61</b>	94
Share-based payments-Share Options	<b>54</b>	17
Total key management personnel emoluments	<b>927</b>	1.290
<b>Total</b>	<b>3.162</b>	2.717

For the year 2007 and up to 29 February 2008 there were three executive directors. From 1 March 2008 onwards there were two executive directors.

The ex gratia retirement benefit amounting to €678 thousand relates to a payment made to a former executive director who left from the Group on 29 February 2008.

At 30 June 2008, key management personnel comprises of the Group's four General Managers (30 June 2007: six).

### 20. Related party transactions *(continued)*

#### **Fees and emoluments of members of the Board of Directors and Group key management personnel *(continued)***

In the context of the Share Options 2008/2010 (Note 13), 2,000,000 share options were granted to the executive directors of the Group, 12,000 share options were granted to a non-executive director under his capacity as employee of the Company and 1,000,000 share options were granted to the key management personnel of the Group.

Comparative information relates to Share Options 2006/2007 which were exercised by their holders in 2007.

The executive directors participate in the main retirement benefit plan for the Group's permanent employees in Cyprus, which is a defined benefit plan. Their total retirement benefits increased during the six months ended 30 June 2008 by €230 thousand (corresponding period 2007: €567 thousand).

#### **Other transactions**

Mr Andreas Artemis, Vice-Chairman of the Board of Directors of the Company, holds an indirect interest and is Chairman of the Board of Directors of the Commercial General Insurance Ltd group which is engaged in general insurance business in Cyprus and Greece. The Commercial General Insurance Ltd group has entered into reinsurance arrangements with General Insurance of Cyprus Ltd, a subsidiary of the Company. The total reinsurance premiums assigned to the Commercial General Insurance Ltd group for the six months ended 30 June 2008 amounted to €492 thousand (corresponding period of 2007: €552 thousand).

Mrs Anna Diogenous, member of the Board of Directors of the Company, holds an indirect interest in the company Pylones SA Hellas, which supplies the Company with equipment and services following tender procedures and in the company Unicars Ltd which supplies the Group in Cyprus with cars and related services. The total purchases from these companies for the six months ended 30 June 2008 amounted to €166 thousand (corresponding period of 2007: €330 thousand). Furthermore, the company Mellon Cyprus Ltd which supplies the Group with equipment, is significantly influenced by a person connected to Mrs Anna Diogenous. The total purchases from this company for the six months ended 30 June 2008 amounted to €38 thousand (corresponding period of 2007: €366 thousand).

Mr Costas Z. Severis, member of the Board of Directors of the Company, is the main shareholder of the company D. Severis and Sons Ltd, which is a general agent of the subsidiary of the Company, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd for the six months ended 30 June 2008 amounted to €78 thousand (corresponding period of 2007: €94 thousand).

### 21. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2008 amounted to €24,668 thousand (corresponding period of 2007: €25,412 thousand).
- There were no fixed charges in favour of third parties over the Group's property and equipment at 30 June 2008 and 31 December 2007.
- The Group's provision for pending litigation or claims at 30 June 2008 is set out in Note 11. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.
- The court of New York has issued a judgement in relation to the application which was pending before it for the payment by the Company of an amount up to United States \$77 million (€49 million) plus interest since May 2001, which specific customers allegedly hold with the Company. The judgement was issued on 12 March 2007 and the court ruled that at the time of service of the application there were no funds within its jurisdiction in the name of the specific customers and as a result the claim for the payment of the said amount to the applicants was rejected. An appeal has been filed by the petitioner. The final outcome of the case is not expected to have a material impact on the Group's financial position and performance.

### 21. Other information (continued)

- In September 2006, the 'Trustees of the AremisSoft Corporation Liquidating Trust' filed civil actions against the Company for at least United States \$50 million (€32 million), their main claim being that the Company, in breach of its obligations to AremisSoft, permitted the principal shareholder of AremisSoft to execute transactions leading to the appropriation by him of significant sums belonging to AremisSoft. In August 2007, a federal judge granted the Company's motion to dismiss that case and found that the appropriate forum for the trial of the case is the judicial system in Cyprus. On 28 August 2007, the Trustees filed an application for reconsideration of the judgement issued by the court, which is still pending. The Group does not expect to have any material financial impact as a result of the law suit.

The United States Attorney for the Southern District of New York, pursuant to a coordination agreement with the Trustees of the AremisSoft Corporation Liquidating Trust, filed on 15 October 2007 a civil action against the Company based on very similar allegations as the ones set out in the Trustees of the AremisSoft Corporation Liquidating Trust's civil action already dismissed by the federal judge. Despite the fact that the Company did not engage in any conduct in the United States, the US Attorney's civil suit claims that the Company violated US Law by enabling the principal shareholder of AremisSoft to fraudulently transfer United States \$162 million of proceeds through accounts maintained with the Company. The Company denies the allegations contained in the new case, and regards them as totally unfounded, both legally and factually. The Company does not expect to have any material financial impact as a result of the civil actions, because the civil claims are, in its view both factually and legally without merit.

- On 25 June 2008 the required approvals were obtained regarding the issue of convertible bonds up to €573,4 million to be offered to the existing shareholders and referred to as 'Convertible Bonds 2013/2018'. The subscription period for eligible shareholders on the basis of Priority Rights was set at 15-28 July 2008. The convertible bonds will be issued at par in values of €1 and will bear a fixed interest rate of 7,50% until 30 June 2009 and floating interest rate thereafter, equal to the 6-month Euribor in force at the beginning of each interest period plus 1,00%. The conversion periods have been set between 15-31 March for the years 2011-2013 and between 15-30 September for the years 2010-2012. The conversion price has been set at €10,50 and redemption will be at par, i.e. €1 per Convertible Bond.

The Convertible Bonds 2013/2018 may be redeemed at the option of the Bank at their principal amount together with any outstanding interest payments on 30 June 2013, or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus. In the event that the Convertible Bonds 2013/2018 are not redeemed, then for the period from 1 July 2013 to 30 June 2018 the floating interest rate will be equal to the 6-month Euribor in force at the beginning of each interest period plus 3,00%.

- On 26 June 2008 the Company announced that it has entered into an agreement for the acquisition of an 80% interest in Uniastrum Bank in Russia, which has the ninth largest banking network in the country, for the total of United States \$576 million (€364 million). The two founding shareholders currently leading the management of Uniastrum Bank will maintain a 10% interest each. This residual shareholding is subject to a put/call option arrangement over a three year period, payable in cash, depending on the financial performance of Uniastrum Bank during the three year period. The acquisition is expected to be completed in the last quarter of 2008, following the relevant approvals by the regulatory authorities in Cyprus and Russia.

# Report on Review of Interim Condensed Consolidated Financial Statements to the Board of Directors of Bank of Cyprus Public Company Ltd

## *Introduction*

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (the 'Group') on pages 6 to 28, which comprise the interim consolidated balance sheet as at 30 June 2008, the related interim consolidated statements of income, changes in equity and cash flows for the six-month period then ended and interim consolidated income statement for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

## **Ernst & Young Cyprus Limited**

Nicosia  
24 July 2008



**FINANCIAL INFORMATION FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008**  
as stipulated by Decision 6/448/11.10.2007 of the Board of Directors of the Greek Capital Markets Commission

The financial information presented below is aiming to provide a general awareness about the financial position and financial results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements are presented together with the auditor's review report when required. Website: www.bankofcyprus.com - Investor Relations/Financial Information. Date of approval of the six months Interim Condensed Financial Statements by the Board of Directors: 24 July 2008. Independent auditors: Ernst & Young Cyprus Limited. Type of auditors' report: Unqualified opinion.

**BANK OF CYPRUS GROUP**

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
for the six months and the three months ended 30 June 2008

	Six months ended		Three months ended	
	30 June		30 June	
	2008	2007	2008	2007
	€000	€000	€000	€000
Net interest income	383.184	362.381	197.769	190.907
Net fee and commission income	102.418	92.443	54.428	43.320
Foreign exchange income	15.860	20.199	8.243	11.788
Net (losses)/gains on sale, change in fair value and impairment of financial instruments	(3.125)	19.206	6.126	13.267
Insurance income net of insurance claims	29.372	26.463	13.499	13.080
Other income	23.168	11.644	10.662	9.903
	<u>550.877</u>	<u>532.336</u>	<u>290.727</u>	<u>282.265</u>
Staff costs	(152.796)	(141.879)	(78.559)	(71.264)
Other operating expenses	(92.864)	(87.171)	(48.217)	(46.175)
<b>Profit before provisions</b>	<b>305.217</b>	<b>303.286</b>	<b>163.951</b>	<b>164.826</b>
Provisions for impairment of loans and advances	(26.235)	(32.580)	(11.584)	(13.181)
<b>Profit before share of profit of associates</b>	<b>278.982</b>	<b>270.706</b>	<b>152.367</b>	<b>151.645</b>
Share of (loss)/profit of associates	(5.911)	7.036	(691)	3.337
<b>Profit before tax</b>	<b>273.071</b>	<b>277.742</b>	<b>151.676</b>	<b>154.982</b>
Taxation	(41.471)	(44.608)	(24.040)	(28.017)
<b>Profit after tax</b>	<b>231.600</b>	<b>233.134</b>	<b>127.636</b>	<b>126.965</b>
<b>Profit/(loss) after tax attributable to:</b>				
Shareholders of the Company	243.641	229.397	127.587	123.228
Minority interest	(12.041)	3.737	49	3.737
	<u>231.600</u>	<u>233.134</u>	<u>127.636</u>	<u>126.965</u>
<b>Basic earnings per share (cent)</b>	<b>43.0</b>	<b>41.3</b>	<b>22.5</b>	<b>22.2</b>

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
as at 30 June 2008

	30 June		31 Dec.	
	2008		2007	
	€000	€000	€000	€000
<b>Assets</b>				
Cash and balances with central banks	750.063	1.325.191	750.063	1.325.191
Placements with banks	3.999.748	6.158.367	3.999.748	6.158.367
Reverse repurchase agreements	120.281	-	120.281	-
Investments at fair value through profit or loss	358.588	521.118	358.588	521.118
Life assurance business assets attributable to policyholders	483.840	530.610	483.840	530.610
Loans and advances to customers	21.650.337	18.920.921	21.650.337	18.920.921
Investments available-for-sale and held-to-maturity	3.332.053	3.548.646	3.332.053	3.548.646
Property and equipment	338.426	319.662	338.426	319.662
Intangible assets	131.364	82.127	131.364	82.127
Other assets	389.093	339.230	389.093	339.230
Investment in associate	11.407	17.318	11.407	17.318
<b>Total assets</b>	<b>31.565.200</b>	<b>31.763.190</b>	<b>31.565.200</b>	<b>31.763.190</b>
<b>Equity</b>				
Share capital	573.410	483.726	573.410	483.726
Reserves	1.456.001	1.482.342	1.456.001	1.482.342
<b>Equity attributable to the shareholders of the Company</b>	<b>2.029.411</b>	<b>1.966.068</b>	<b>2.029.411</b>	<b>1.966.068</b>
Minority interest	27.252	39.122	27.252	39.122
<b>Total equity</b>	<b>2.056.663</b>	<b>2.005.190</b>	<b>2.056.663</b>	<b>2.005.190</b>
<b>Liabilities</b>				
Amounts due to banks	1.472.170	1.233.337	1.472.170	1.233.337
Repurchase agreements	340.316	435.140	340.316	435.140
Customer deposits	25.029.287	25.178.966	25.029.287	25.178.966
Insurance liabilities	521.481	608.566	521.481	608.566
Debt securities in issue	1.087.557	1.253.690	1.087.557	1.253.690
Other liabilities	483.733	379.553	483.733	379.553
Subordinated loan stock	573.993	668.748	573.993	668.748
<b>Total liabilities</b>	<b>29.508.537</b>	<b>29.758.000</b>	<b>29.508.537</b>	<b>29.758.000</b>
<b>Total liabilities and equity</b>	<b>31.565.200</b>	<b>31.763.190</b>	<b>31.565.200</b>	<b>31.763.190</b>
<b>Th. Aristodemou</b>	Chairman		<b>Th. Aristodemou</b>	Chairman
<b>A. Artemis</b>	Vice-Chairman		<b>A. Artemis</b>	Vice-Chairman
<b>A. Eliades</b>	Group Chief Executive Officer		<b>A. Eliades</b>	Group Chief Executive Officer
<b>Y. Kypr</b>	Group Chief General Manager		<b>Y. Kypr</b>	Group Chief General Manager
<b>Chr. Hadjimitsis</b>	Group General Manager Finance and Strategy		<b>Chr. Hadjimitsis</b>	Group General Manager Finance and Strategy

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	€000	€000
Total equity, at 1 January	2.005.190	1.545.637
Profit after tax	231.600	233.134
Dividend paid and dividend reinvested	(85.932)	(52.664)
Exercise of share options	-	29.142
Shares of the company held by subsidiaries and associates		
- Acquisitions	(560)	(17.609)
- Disposals	1.828	-
Cost of share-based payments	672	3.729
Dividend paid by subsidiaries following reinvestment	(368)	-
Change in minority interest and acquisition of subsidiary	539	34.582
Net (loss)/profit recognised directly in equity	(96.306)	32.284
Total equity, at 30 June	<u>2.056.663</u>	<u>1.808.235</u>

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
for the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	€000	€000
<b>Net cash flow (used in)/from operating activities</b>	<b>(2.726.279)</b>	<b>962.907</b>
<b>Net cash flow from/(used in) investing activities</b>	<b>214.086</b>	<b>(209.847)</b>
<b>Net cash flow used in financing activities</b>	<b>(192.722)</b>	<b>(32.936)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2.704.915)</b>	<b>720.124</b>
<b>Cash and cash equivalents</b>		
At 1 January	6.793.635	4.812.201
Exchange adjustments	(1.423)	873
Net (decrease)/increase in cash and cash equivalents	(2.704.915)	720.124
<b>At 30 June</b>	<b>4.087.297</b>	<b>5.533.198</b>

**BANK OF CYPRUS PUBLIC COMPANY LTD**

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED INCOME STATEMENT**  
for the six months and the three months ended 30 June 2008

	Six months ended		Three months ended	
	30 June		30 June	
	2008	2007	2008	2007
	€000	€000	€000	€000
Net interest income	361.772	346.436	186.543	182.516
Net fee and commission income	94.523	82.151	50.201	38.712
Foreign exchange income	15.565	19.743	8.069	11.343
Dividends from subsidiaries	1.334	4.893	1.334	3.590
Net gains on sale, change in fair value and impairment of financial instruments	15.451	10.187	6.555	5.731
Other income	4.308	1.744	3.539	1.322
	<u>492.953</u>	<u>465.154</u>	<u>256.241</u>	<u>243.214</u>
Staff costs	(138.118)	(129.112)	(70.885)	(64.272)
Other operating expenses	(83.091)	(77.779)	(43.152)	(40.566)
<b>Profit before provisions</b>	<b>271.744</b>	<b>258.263</b>	<b>142.204</b>	<b>138.374</b>
Provisions for impairment of loans and advances	(23.487)	(32.364)	(9.342)	(14.506)
<b>Profit before tax</b>	<b>248.257</b>	<b>225.899</b>	<b>132.862</b>	<b>123.868</b>
Taxation	(33.937)	(37.936)	(20.557)	(23.862)
<b>Profit after tax</b>	<b>214.320</b>	<b>187.963</b>	<b>112.305</b>	<b>100.006</b>
<b>Basic earnings per share (cent)</b>	<b>37.8</b>	<b>33.8</b>	<b>19.8</b>	<b>17.9</b>

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED BALANCE SHEET**  
as at 30 June 2008

	30 June		31 Dec.	
	2008		2007	
	€000	€000	€000	€000
<b>Assets</b>				
Cash and balances with central banks	662.320	1.320.130	662.320	1.320.130
Placements with banks	3.810.923	6.004.318	3.810.923	6.004.318
Investments at fair value through profit or loss	315.771	454.539	315.771	454.539
Loans and advances to customers	19.591.825	17.104.049	19.591.825	17.104.049
Bank accounts of Group companies	1.839.528	1.632.109	1.839.528	1.632.109
Investments available-for-sale and held-to-maturity	3.286.425	3.498.235	3.286.425	3.498.235
Investments in Group companies	635.832	418.814	635.832	418.814
Investment in associate	16.494	22.405	16.494	22.405
Property and equipment	268.071	265.414	268.071	265.414
Intangible assets	15.214	15.694	15.214	15.694
Other assets	265.747	221.592	265.747	221.592
<b>Total assets</b>	<b>30.708.150</b>	<b>30.957.299</b>	<b>30.708.150</b>	<b>30.957.299</b>
<b>Equity</b>				
Share capital	573.410	483.726	573.410	483.726
Reserves	1.472.462	1.500.072	1.472.462	1.500.072
<b>Total equity</b>	<b>2.045.872</b>	<b>1.983.798</b>	<b>2.045.872</b>	<b>1.983.798</b>
<b>Liabilities</b>				
Amounts due to banks	1.773.316	1.211.154	1.773.316	1.211.154
Repurchase agreements	-	435.140	-	435.140
Customer deposits	24.472.458	24.711.887	24.472.458	24.711.887
Bank accounts of Group companies	414.085	416.774	414.085	416.774
Debt securities in issue	1.087.065	1.253.198	1.087.065	1.253.198
Other liabilities	344.144	276.600	344.144	276.600
Subordinated loan stock	571.210	668.748	571.210	668.748
<b>Total liabilities</b>	<b>28.662.278</b>	<b>28.973.501</b>	<b>28.662.278</b>	<b>28.973.501</b>
<b>Total liabilities and equity</b>	<b>30.708.150</b>	<b>30.957.299</b>	<b>30.708.150</b>	<b>30.957.299</b>
<b>Th. Aristodemou</b>	Chairman		<b>Th. Aristodemou</b>	Chairman
<b>A. Artemis</b>	Vice-Chairman		<b>A. Artemis</b>	Vice-Chairman
<b>A. Eliades</b>	Group Chief Executive Officer		<b>A. Eliades</b>	Group Chief Executive Officer
<b>Y. Kypr</b>	Group Chief General Manager		<b>Y. Kypr</b>	Group Chief General Manager
<b>Chr. Hadjimitsis</b>	Group General Manager Finance and Strategy		<b>Chr. Hadjimitsis</b>	Group General Manager Finance and Strategy

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	€000	€000
Total equity, at 1 January	1.983.798	1.546.036
Profit after tax	214.320	187.963
Dividend paid and dividend reinvested	(85.932)	(52.664)
Exercise of share options	-	29.142
Cost of share-based payments	672	3.465
Net (loss)/profit recognised directly in equity	(66.986)	73.981
Total equity, at 30 June	<u>2.045.872</u>	<u>1.787.923</u>

**INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CASH FLOW STATEMENT**  
for the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	€000	€000
<b>Net cash flow (used in)/from operating activities</b>	<b>(2.719.207)</b>	<b>996.023</b>
<b>Net cash flow from/(used in) investing activities</b>	<b>32.042</b>	<b>(233.414)</b>
<b>Net cash flow used in financing activities</b>	<b>(193.622)</b>	<b>(32.937)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2.880.787)</b>	<b>729.672</b>
<b>Cash and cash equivalents</b>		
At 1 January	6.689.616	4.737.752
Exchange adjustments	(179)	707
Net (decrease)/increase in cash and cash equivalents	(2.880.787)	729.672
<b>At 30 June</b>	<b>3.808.650</b>	<b>5.468.131</b>

**NOTES:**

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2008 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union. Additionally, these financial statements comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board. On 1 January 2008, date of the introduction of the Euro as the new official currency of the Republic of Cyprus, the functional currency of the Company and its subsidiaries in Cyprus as well as the presentation currency of the Group financial statements (including comparative amounts) changed from Cyprus pounds to the Euro. As a result of this change, as from 1 January 2008 all assets and liabilities of the Company and its subsidiaries in Cyprus have been converted using the fixed conversion rate of €1 = C£0,585274. The comparative amounts presented in this announcement have been converted into Euro using the above rate.
2. The accounting policies that have been followed for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2008 are consistent with those followed for the preparation of the financial statements for year 2007.
3. Other income for the six months ended 30 June 2008 includes dividend income of €3.126 thousand (corresponding period of 2007: €2.491 thousand) for the Group and €1.454 thousand (corresponding period of 2007: €1.095 thousand) for the Company. The dividend income for the three months ended 30 June 2008 amounted to €3.113 thousand (corresponding period of 2007: €2.402 thousand) for the Group and €1.443 thousand (corresponding period of 2007: €1.040 thousand) for the Company. It also includes negative goodwill on the acquisition of a subsidiary company amounting to €325 thousand (corresponding period of 2007: €3.089 thousand).
4. Investments available-for-sale and held-to-maturity on 30 June 2008 include investments available-for-sale amounting to €3.327.930 thousand (31 December 2007: €3.423.199 thousand) for the Group and €3.272.446 thousand (31 December 2007: €3.363.184 thousand) for the Company and investments held-to-maturity amounting to €4.123 thousand (31 December 2007: €125.447 thousand) for the Group and €13.979 thousand (31 December 2007: €135.051 thousand) for the Company.
5. Other liabilities at 30 June 2008 include provisions for pending litigation or claims of €3.330 thousand (31 December 2007: €3.330 thousand) for the Group and the Company and other provisions of €24.898 thousand (31 December 2007: €23.311 thousand) for the Group and €23.999 thousand (31 December 2007: €22.199 thousand) for the Company.
6. The net profit/(loss) recognised directly in equity in the Statement of Changes in Equity for the six months ended 30 June 2008 are as follows:

	Group €000	Company €000
Losses from change in fair value of available-for-sale investments	(85.479)	(57.921)
Losses from change in fair value of financial instruments designated as cash flow hedges	(688)	(1.409)
Deferred tax	1.242	1.241
Exchange adjustments	(1.423)	(179)
Transfer to the income statement on impairment of debt securities	2.796	2.796
Transfer to the income statement on redemption/sale of available-for-sale investments and financial instruments designated as cash flow hedges	(12.754)	(11.514)
Total	<u>(96.306)</u>	<u>(66.986)</u>

7. The number of persons employed by the Group at 30 June 2008 was 7.600 (31 December 2007: 6.909) and by the Company was 6.499 (31 December 2007: 6.257).
8. The number of shares of the Company that are held by subsidiaries and associates of the Company (including shares that are held by life insurance subsidiaries and hold the shares as part of the financial assets that are invested for the benefit of insurance policyholders) at 30 June 2008 was 4.593 thousand (31 December 2007: 4.602 thousand) and their cost of acquisition was €31.656 thousand (31 December 2007: €32.656 thousand).
9. The Companies that are included in the Interim Condensed Consolidated Financial Statements of the Group at 30 June 2008 and the method of consolidation used is reported in note 18 of the financial statements. The investment in Cytustees Investment Public Company Ltd, a closed-end investment company, was included in the financial statements as an associate during the period from 8 February to 26 April 2007 using the equity method. Following the acquisition of additional shares by the Group on 27 April 2007, the company was accounted for as a subsidiary, in accordance with the provisions of the IFRSs. The investment in Interfund Investments Plc, which is a closed-end investment company, was acquired on 21 May 2007 and is included in the financial statements as from that date. The subsidiary company LLC CB 'Bank of Cyprus' obtained its licence of operation in Russia on 6 June 2007 and is included in the financial statements as from that date. The subsidiary company 'Cyprus Leasing LLC' was incorporated on 16 October 2007 in Russia and is included in the financial statements as from that date. On 26 May 2008 the Company completed the acquisition of the Ukrainian Bank AvtoZAZBank. The Company acquired 97,18% of the share capital of AvtoZAZBank, for the sum of €57,9 million paid in cash. AvtoZAZBank is accounted for as a subsidiary, since the date of acquisition.
10. The payment of the final dividend for 2007 amounting to €0,25 per share, and totalling €141.556 thousand was approved at the Annual General Meeting of the shareholders on 14 May 2008. The dividend was paid to the shareholders on 10 June 2008. In June 2007 the final dividend was paid to the shareholders for the year 2006 was C£0,10 (€0,17) per share, amounting to €95.372 thousand.
11. There were no fixed charges in favour of third parties over the Group's property and equipment at 30 June 2008 and 31 December 2007.
12. The provision for pending litigation or claims at 30 June 2008 is set out in Note 5. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.
13. Related party transactions: (a) Loans and other advances to members of the Board of Directors and key management personnel of €9.799 thousand for the Group and the Company. (b) Loans and other advances to other connected persons of €217.238 thousand for the Group and €2.056.766 thousand for the Company. (c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend) of €90.317 thousand for the Group and the Company. (d) Tangible security of €344.195 thousand for the Group and the Company. (e) Deposits by members of the Board of Directors and key management personnel of €116.251 thousand for the Group and the Company. (f) Deposits by other connected persons of €76.038 thousand for the Group and €490.123 thousand for the Company. (g) Sales (interest income) of €6.360 thousand for the Group and €60.084 thousand for the Company. (h) Purchases (interest expense) of €3.299 thousand for the Group and €13.109 thousand for the Company. (i) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons of €3.936 thousand for the Group and €3.336 thousand for the Company.
14. On 25 June 2008 the required approvals were obtained regarding the issue of convertible bonds up to €573,4 million to be offered to the existing shareholders and referred to as 'Convertible Bonds 2013/2018'. The subscription period for eligible shareholders on the basis of Priority Rights was set at 15-28 July 2008. The convertible bonds will be issued at par in values of €1 and will bear a fixed interest rate of 7,50% until 30 June 2009 and floating interest rate thereafter, equal to the 6-month Euribor in force at the beginning of each interest period plus 1,00%. The conversion periods have been set between 15-31 March for the years 2011-2013 and between 15-30 September for the years 2010-2012. The conversion price has been set at €10,50 and redemption will be at par, i.e. €1 per Convertible Bond. The Convertible Bonds 2013/2018 may be redeemed at the option of the Bank at their principal amount together with any outstanding interest payments on 30 June 2013, or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus. In the event that the Convertible Bonds 2013/2018 are not redeemed, then for the period from 1 July 2013 to 30 June 2018 the floating interest rate will be equal to the 6-month Euribor in force at the beginning of each interest period plus 3,00%.
15. On 26 June 2008 the Company announced that it has entered into an agreement for the acquisition of an 80% interest in Uniastrum Bank in Russia, which has the ninth largest banking network in the country, for the total of United States \$576 million (€364 million). The two founding shareholders currently leading the management of Uniastrum Bank will maintain a 10% interest each. This residual shareholding is subject to a put/call option arrangement over a three year period, payable in cash, depending on the financial performance of Uniastrum Bank during the three year period. The acquisition is expected to be completed in the last quarter of 2008, following the relevant approval by the regulatory authorities in Cyprus and Russia.