



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2005**

BANK OF CYPRUS GROUP
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
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BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2005**

		<i>Six months ended</i>		<i>Year ended</i>
		<i>30 June</i>		<i>31 December</i>
		<i>2005</i>	<i>2004</i>	<i>2004</i>
	Notes	<i>C€000</i>	<i>C€000</i>	<i>C€000</i>
Turnover	3	379 152	323 022	691 411
Net interest income		132 295	116 356	245 880
Net fee and commission income		43 062	40 675	85 913
Foreign exchange income		6 430	7 587	15 489
Net losses on sale and revaluation of financial instruments		(145)	(4 606)	(4 567)
Income from insurance business and other income	4	15 490	10 546	22 826
		197 132	170 558	365 541
Staff costs		(73 962)	(66 954)	(138 288)
Other operating expenses	5	(42 520)	(41 036)	(89 504)
Profit before provisions		80 650	62 568	137 749
Provisions for bad and doubtful debts		(42 320)	(38 706)	(83 695)
Provision for impairment of available-for-sale investments		-	(2 126)	(3 117)
Profit before tax		38 330	21 736	50 937
Tax		(7 019)	(5 879)	(12 408)
Profit after tax		31 311	15 857	38 529
Basic and diluted earnings per share (cent)	6	6,7	3,4	8,3

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED INCOME STATEMENT
for the three month period from 1 April to 30 June 2005**

	<i>Three months ended</i>	
	<i>30 June</i>	
	<i>2005</i>	<i>2004</i>
Notes	<i>C£000</i>	<i>C£000</i>
Turnover	192 913	169 420
Net interest income	66 438	61 325
Net fee and commission income	22 511	21 317
Foreign exchange income	3 316	4 100
Net losses on sale and revaluation of financial instruments	(297)	(4 843)
Income from insurance business and other income	4 6 844	5 211
	98 812	87 110
Staff costs	(36 051)	(33 669)
Other operating expenses	5 (21 562)	(19 990)
Profit before provisions	41 199	33 451
Provisions for bad and doubtful debts	(22 389)	(22 689)
Provision for impairment of available-for-sale investments	-	(2 899)
Profit before tax	18 810	7 863
Tax	(3 545)	(2 783)
Profit after tax	15 265	5 080
Basic and diluted earnings per share (cent)	3,3	1,1

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2005**

		<i>30 June</i> <i>2005</i> <i>C€000</i>	<i>31 December</i> <i>2004</i> <i>C€000</i>
	Notes		
Assets			
Cash and balances with central banks		464 576	439 314
Placements with banks		2 118 287	1 511 577
Investments at fair value through profit or loss		89 791	95 486
Loans and advances to customers	7	6 419 952	5 979 252
Non-trading investments		1 723 754	1 689 957
Property and equipment	8	155 088	157 531
Intangible assets		12 286	13 296
Other assets	9	188 740	178 019
		11 172 474	10 064 432
Life assurance business net assets attributable to policyholders		208 278	195 551
Total assets		11 380 752	10 259 983
Liabilities			
Amounts due to banks		392 781	131 380
Customer deposits and other accounts		9 263 838	8 655 882
Debt securities in issue	10	319 857	148 612
Other liabilities	11	240 910	201 852
		10 217 386	9 137 726
Life assurance business liabilities to policyholders		208 278	195 551
Subordinated loan stock	12	362 948	367 593
Equity			
Share capital	13	233 706	232 385
Reserves		358 434	326 728
		592 140	559 113
Total liabilities and equity		11 380 752	10 259 983
Contingent liabilities and commitments			
Contingent liabilities		744 421	710 600
Commitments		1 186 281	1 184 972

V. G. Rologis, *Chairman*

A. Artemis, *Vice Chairman*

A. Eliades, *Group Chief Executive Officer*

Y. Kypri, *Group Chief General Manager*

Chr. Hadjimitsis, *Group General Manager Finance*

BANK OF CYPRUS GROUP**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2005**

	Share capital <i>C€000</i>	Share premium <i>C€000</i>	Revaluation reserves <i>C€000</i>	Exchange adjustments reserve <i>C€000</i>	Retained earnings <i>C€000</i>	Total equity <i>C€000</i>
At 1 January 2005						
As previously reported	232 385	238 955	54 063	(2 828)	36 538	559 113
Impact from the reclassification of investments to the fair value through profit or loss category (Note 2)	-	-	2 855	-	(2 855)	-
As restated	<u>232 385</u>	<u>238 955</u>	<u>56 918</u>	<u>(2 828)</u>	<u>33 683</u>	<u>559 113</u>
Profit after tax	-	-	-	-	31 311	31 311
Dividends (Note 14)	-	-	-	-	(18 591)	(18 591)
Revaluation of available-for-sale investments	-	-	14 793	-	-	14 793
Transfer to the income statement on termination of cash flow hedges	-	-	4 043	-	-	4 043
Deferred tax	-	-	1 207	-	-	1 207
Exchange adjustments	-	-	-	(6)	-	(6)
Dividend reinvestment	1 321	2 907	-	-	-	4 228
Increase in value of life assurance policies in force	-	-	800	-	(800)	-
Transfer of realised profits on disposal of property	-	-	(89)	-	89	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(3 958)	-	-	(3 958)
At 30 June 2005	<u>233 706</u>	<u>241 862</u>	<u>73 714</u>	<u>(2 834)</u>	<u>45 692</u>	<u>592 140</u>

BANK OF CYPRUS GROUP**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2004**

	Share capital <i>C€000</i>	Share premium <i>C€000</i>	Revaluation reserves <i>C€000</i>	Exchange adjustments reserve <i>C€000</i>	Retained earnings <i>C€000</i>	Total equity <i>C€000</i>
At 1 January 2004						
As previously reported	232 385	238 955	54 140	(2 379)	183	523 284
Impact from the reclassification of investments to the fair value through profit or loss category (Note 2)	-	-	3 876	-	(3 876)	-
As restated	<u>232 385</u>	<u>238 955</u>	<u>58 016</u>	<u>(2 379)</u>	<u>(3 693)</u>	<u>523 284</u>
Profit after tax	-	-	-	-	15 857	15 857
Revaluation of available-for-sale investments	-	-	(12 371)	-	-	(12 371)
Fair value change of financial instruments designated as cash flow hedges	-	-	1 378	-	-	1 378
Transfer to the income statement of impairment loss of available-for-sale investments	-	-	2 126	-	-	2 126
Deferred tax	-	-	331	-	-	331
Exchange adjustments	-	-	-	45	-	45
Increase in value of life assurance policies in force	-	-	670	-	(670)	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(52)	-	-	(52)
At 30 June 2004	<u>232 385</u>	<u>238 955</u>	<u>50 098</u>	<u>(2 334)</u>	<u>11 494</u>	<u>530 598</u>

BANK OF CYPRUS GROUP**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2005**

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	<i>C£000</i>	<i>C£000</i>
Net cash flow from operating activities		
Profit before tax	38 330	21 736
Provisions for bad and doubtful debts	42 320	38 706
Depreciation of property and equipment and amortisation of intangible assets and discounts/premiums	8 629	9 517
Income from investments and disposal of property, equipment and intangible assets, less interest on subordinated loan stock	(36 639)	(17 342)
	<u>52 640</u>	<u>52 617</u>
Net increase in loans and advances to customers and other accounts	(478 039)	(383 566)
Net increase in customer deposits and other accounts	1 083 690	858 114
	<u>658 291</u>	<u>527 165</u>
Tax paid	(12 562)	(13 864)
Net cash flow from operating activities	645 729	513 301
Net cash flow from/(used in) investing activities	916	(365 681)
Net cash flow (used in)/from financing activities	(21 975)	22 757
Net increase in cash and cash equivalents for the six months	624 670	170 377
Cash and cash equivalents		
At 1 January	1 944 401	1 812 728
Exchange adjustments	(6)	45
Net increase in cash and cash equivalents for the six months	<u>624 670</u>	<u>170 377</u>
At 30 June	<u>2 569 065</u>	<u>1 983 150</u>

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The condensed interim consolidated financial statements include the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and all its subsidiaries and jointly controlled company, which together are referred to as the 'Group', and were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2005.

The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2004.

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

2. Accounting policies

The financial statements of the Group are drawn up in accordance with all international financial reporting standards which have been adopted for use by the European Union and the International Financial Reporting Standards, including International Accounting Standard No. 34 'Interim Financial Reporting'.

The accounting policies that have been followed for the preparation of the condensed interim consolidated financial statements for the six month period were the same as those followed in the preparation of the annual financial statements for the year 2004, except as set out below.

Revised International Accounting Standards

As from 1 January 2005, the following revised International Accounting Standards ('IAS') and new International Financial Reporting Standards ('IFRS') came into force:

- IAS 1 (revised 2003)	Presentation of financial statements
- IAS 2 (revised 2003)	Inventories
- IAS 8 (revised 2003)	Accounting policies, changes in accounting estimates and errors
- IAS 10 (revised 2003)	Events after the balance sheet date
- IAS 16 (revised 2003)	Property, plant and equipment
- IAS 17 (revised 2003)	Leases
- IAS 21 (revised 2003)	The effects of changes in foreign exchange rates
- IAS 24 (revised 2003)	Related party disclosures
- IAS 27 (revised 2003)	Consolidated and separate financial statements
- IAS 28 (revised 2003)	Investments in associates
- IAS 31 (revised 2003)	Interests in joint ventures
- IAS 32 (revised 2003)	Financial instruments: disclosure and presentation
- IAS 33 (revised 2003)	Earnings per share
- IAS 36 (revised 2004)	Impairment of assets
- IAS 38 (revised 2004)	Intangible assets
- IAS 39 (revised 2003)	Financial instruments: recognition and measurement
- IAS 40 (revised 2003)	Investment property
- IFRS 2 (issued 2004)	Share-based payment
- IFRS 3 (issued 2004)	Business combinations
- IFRS 4 (issued 2004)	Insurance contracts
- IFRS 5 (issued 2004)	Non-current assets held for sale and discontinued operations

The adoption of the above Standards did not have a material effect on the financial statements of the Group, except as set out below.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting policies (continued)

Changes in accounting policies

Financial instruments

As from 1 January 2005, the Group adopted the revised IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. IAS 39 (revised) allows the designation of any financial asset, upon initial recognition or when IAS 39 (revised) is first applied, as a financial asset at fair value through profit or loss.

Upon the initial application of IAS 39 (revised), the Group transferred certain investments in equity shares and debt securities from the available-for-sale category to the fair value through profit or loss category. In accordance with the transitional provisions of IAS 39 (revised), the transfer of investments was applied retrospectively.

The value of the available-for-sale investments which were transferred to the fair value through profit or loss category on 1 January 2004 and 31 December 2004 amounted to C£25 003 thousand and C£23 296 thousand respectively.

As a result of the transfer of investments, the Group's financial statements were restated as follows:

	<i>Six months ended 30 June 2004 C£000</i>	<i>Year ended 31 December 2004 C£000</i>
Profit after tax, as previously reported	16 228	37 508
Effect on:		
- net gains/(losses) on sale and revaluation of financial instruments	(776)	(1 789)
- provision for impairment of available-for-sale investments	405	2 810
Profit after tax, as restated	<u>15 857</u>	<u>38 529</u>
(Decrease)/increase in basic and diluted earnings per share (cent)	<u>(0,1)</u>	<u>0,2</u>

The restatement to reserves is set out in the consolidated statement of changes in equity. The transfer of investments did not have any effect on the Group's equity at 30 June and 31 December 2004. The transfer did not have a material effect on the Group's results for the six months ended 30 June 2005 and the Group's equity as at 30 June 2005.

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting policies (continued)

Changes in accounting policies (continued)

Non-current assets held for sale and discontinued operations

On 1 January 2005, the Group adopted IFRS 5 'Non-current assets held for sale and discontinued operations'. The Standard requires that non-current assets or disposal groups be classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Netting of assets and liabilities is not permitted.

IFRS 5 provides that certain criteria be met for the classification of an asset or disposal group as held for sale. Certain assets owned by the Group meet the criteria of the Standard. These assets were reclassified as assets held for sale and are included under "Other assets" in the condensed consolidated balance sheet (Note 9). Comparative amounts are not restated, in accordance with the provisions of IFRS 5.

Goodwill and intangible assets

On 1 January 2005, the Group adopted the revised IAS 36 'Impairment of assets' and IAS 38 'Intangible assets' and the new IFRS 3 'Business combinations', which were applied prospectively. As from 1 January 2005, the book value of goodwill will be reviewed annually for impairment. During the year 2004, the Group recorded goodwill amortisation expense of C£117 thousand.

Insurance contracts

On 1 January 2005, the Group adopted IFRS 4 'Insurance contracts', which applies to all insurance and reinsurance contracts entered into by the Group. The application of IFRS 4 did not have a material effect on the financial statements of the Group.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

The Group has three principal business segments: (a) banking and financial services, (b) life and general insurance business, and (c) property and hotel business.

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

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>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
Turnover	<u>342 417</u>	<u>289 523</u>	<u>33 318</u>	<u>31 004</u>	<u>3 417</u>	<u>2 495</u>	<u>379 152</u>	<u>323 022</u>
Profit before tax	<u>29 688</u>	<u>17 991</u>	<u>6 899</u>	<u>3 412</u>	<u>1 743</u>	<u>333</u>	<u>38 330</u>	<u>21 736</u>

4. Income from insurance business and other income

Other income for the six months ended 30 June 2005 includes dividend income of C£113 thousand (corresponding period of 2004: C£87 thousand) and for the three months ended 30 June 2005 of C£51 thousand (corresponding period of 2004: C£59 thousand).

5. Other operating expenses

Other operating expenses for the six months ended 30 June 2005 include depreciation of property and equipment and amortisation of intangible assets of C£9 881 thousand (corresponding period of 2004: C£9 627 thousand) and for the three months ended 30 June 2005 of C£4 917 thousand (corresponding period of 2004: C£4 810 thousand).

BANK OF CYPRUS GROUP**NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS****6. Basic and diluted earnings per share**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2005</i>	<i>2004</i>
Profit after tax (C£ thousand)	<u>31 311</u>	<u>15 857</u>
Weighted average number of shares in issue during the period (thousand)	<u>465 254</u>	<u>465 050</u>
Basic and diluted earnings per share (cent)	<u>6,7</u>	<u>3,4</u>

At 30 June 2005 and 2004 there were no potentially dilutive ordinary shares.

The weighted average number of shares in issue during the six months ended 30 June 2004 has been adjusted to reflect the bonus element resulting from the issue of shares under the Group's Dividend Reinvestment Plan, for the 2004 dividend.

7. Loans and advances to customers

	<i>30 June</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>C£000</i>	<i>C£000</i>
Loans and advances to customers	6 780 930	6 450 286
Provisions for bad and doubtful debts	<u>(360 978)</u>	<u>(471 034)</u>
	<u>6 419 952</u>	<u>5 979 252</u>

Provisions for bad and doubtful debts

	Provisions	Suspended income	Total
	<i>C£000</i>	<i>C£000</i>	<i>C£000</i>
At 1 January 2005	337 565	133 469	471 034
Exchange adjustments	(605)	(26)	(631)
Applied in writing off advances	(131 170)	(36 700)	(167 870)
Suspended income less collections	-	16 125	16 125
Charge for the period	<u>42 320</u>	<u>-</u>	<u>42 320</u>
At 30 June 2005	<u>248 110</u>	<u>112 868</u>	<u>360 978</u>

8. Capital expenditure

The total capital expenditure of the Group for the six months ended 30 June 2005 amounts to C£7 457 thousand (corresponding period of 2004: C£7 890 thousand).

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Other assets

Other assets at 30 June 2005 include the positive fair value of derivative financial instruments of C£11 328 thousand (31 December 2004: C£9 307 thousand) and assets held for sale of C£3 281 thousand (31 December 2004: nil).

10. Debt securities in issue

Bank of Cyprus Public Company Ltd has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €1 000 million (31 December 2004: €1 000 million). Under the Programme, on 27 May 2005 the Company issued a 3-year floating rate Senior Bond amounting to €300 million. The issue/reoffer price of the Bond was set at 99,853%.

11. Other liabilities

Other liabilities at 30 June 2005 include the negative fair value of derivative financial instruments of C£26 603 thousand (31 December 2004: C£27 065 thousand) and a provision for pending litigation or claims of C£2 025 thousand (31 December 2004: C£2 148 thousand).

12. Subordinated loan stock

	<i>30 June 2005 C£000</i>	<i>31 December 2004 C£000</i>
Subordinated Bonds 2006/2011 in Euro	157 538	159 238
Subordinated Bonds 2008/2013 in Euro	112 637	115 582
Capital Securities Series A	62 781	62 781
Capital Securities Series B	29 992	29 992
	362 948	367 593

All subordinated loan stock has been issued by Bank of Cyprus Public Company Ltd. The subordinated loan stock 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 the shareholders of the Company.

The Subordinated Bonds 2006/2011 bear a floating rate of interest, mature on 20 June 2011 and were issued in Euro (€75 million) on 20 June 2001. The Company has the option to redeem the Bonds in whole on or after 20 June 2006. The interest rate is set at 1,20% above the three month Euribor until 20 June 2006 and will increase to 2,40% thereafter. The Bonds are listed on the Luxembourg Stock Exchange.

Bank of Cyprus Public Company Ltd has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €1 000 million (31 December 2004: €1 000 million).

Under the EMTN Programme, the Company has issued €200 million floating rate Bonds in Euro maturing in October 2013. The Company has the option to call the Bonds during or after October 2008. The interest rate was set at 1,00% above the three month Euribor until October 2008 and will increase to 2,20% thereafter. The issue/reoffer price of the Bonds was set at 99,766%. The Bonds are listed on the Luxembourg Stock Exchange. At 30 June 2005, Bonds outstanding amounted to €197 million (31 December 2004: €200 million), as Bonds amounting to €3 million were held by the Company for trading purposes.

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. Subordinated loan stock (continued)

Capital Securities Series A amounting to C£65 million and Series B amounting to C£30 million were issued in Cyprus pounds on 20 February 2003 and 22 March 2004 respectively, and were offered in Cyprus. The Capital Securities rank as Tier 1 capital and have no maturity date. They may, however, be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their principal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter. The Capital Securities bear floating interest rate, which is revised every three months. The interest rate is equal to the base rate of the Company at the beginning of each three month period plus 1,00%. Interest is payable quarterly. The Capital Securities are listed on the Cyprus Stock Exchange. At 30 June 2005 and 31 December 2004 the Capital Securities Series A and Series B outstanding amounted to C£62 781 thousand and C£29 992 thousand respectively, as C£2 219 thousand of Capital Securities Series A and C£8 thousand of Capital Securities Series B were held by the Company for trading purposes.

13. Share capital

	<i>30 June 2005</i>		<i>31 December 2004</i>	
	<i>Shares (thousand)</i>	<i>C£000</i>	<i>Shares (thousand)</i>	<i>C£000</i>
<i>Authorised</i>				
Shares of 50 cent 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	<u>464 771</u>	<u>232 385</u>	<u>464 771</u>	<u>232 385</u>
Dividend reinvestment	<u>2 642</u>	<u>1 321</u>	<u>-</u>	<u>-</u>
At 30 June 2005/31 December 2004	<u>467 413</u>	<u>233 706</u>	<u>464 771</u>	<u>232 385</u>

The Company has a Dividend Reinvestment Plan in force. The price of the shares acquired under the Plan for the 2004 dividend was set at C£1,60 per share. As a result of the reinvestment of the 2004 dividend, the Company's share capital and share premium reserve increased by C£1 321 thousand (2 642 800 shares) and C£2 907 thousand respectively.

14. Dividend

The dividend for the year 2004 which amounted to C£18 591 thousand (4 cent per share) was approved at the Annual General Meeting of the shareholders on 18 May 2005 and was paid on 16 June 2005.

15. Staff numbers

The number of persons employed by the Group as at 30 June 2005 was 5 933 (31 December 2004: 5 890).

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. Group companies

The consolidated financial statements of the Group at 30 June 2005 include the following companies, by country of incorporation:

Cyprus: Bank of Cyprus Public Company Ltd, Mortgage Bank of Cyprus Ltd, Bank of Cyprus Finance Corporation Ltd, Bank of Cyprus Factors 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 and JCC Payment Systems Ltd.

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

United Kingdom: Bank of Cyprus United Kingdom (branch).

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

Australia: Bank of Cyprus Australia Pty Ltd.

Ireland: BOC International Fund Management Ltd.

All the above companies are wholly owned subsidiaries (100%), except for JCC Payment Systems Ltd, in which the Group holds 45% of the issued share capital. This company is accounted for as an interest in a jointly controlled entity. There was no change in the companies that were consolidated or in the method of consolidation at 30 June and 31 December 2004, compared to 30 June 2005.

17. Other information

- (i) There are no fixed charges in favour of third parties over the Group's property and equipment as at 30 June 2005.
- (ii) The Group's provision for pending litigation or claims at 30 June 2005 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 and operations.
- (iii) On 30 June 2005 there were loans and advances outstanding to members of the Company's Board of Directors and their connected persons amounting to C£82 934 thousand. In addition, there were contingent liabilities in the form of documentary credits, guarantees and commitments to lend, amounting to C£29 190 thousand. Connected persons include spouses, minor children and companies in which a director holds, directly or indirectly, at least 20% of the voting shares.
- (iv) On 27 May 2005 the Group entered into an agreement with the Aspis Group of Greece for the sale of its shares in Universal Life Insurance Public Co. Ltd. The agreement is subject to certain conditions and pre-requisites, mainly relating to securing the necessary approvals by the regulatory authorities of Cyprus and Greece. There is an outstanding legal dispute between the Group and Mr A. Georgiou, main shareholder of Universal Life Insurance Public Co. Ltd, relating to the alleged exercise of an existing option to purchase the Group's shareholding in Universal Life Insurance Public Co. Ltd. The outcome of this dispute is not expected to have a material effect on the Group's financial position.

BANK OF CYPRUS GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. Other information *(continued)*

- (v) An application for the payment by the Company of an amount up to \$77 112 thousand (£36 667 thousand) plus interest is pending before the courts of New York, relating to balances that certain customers allegedly maintain with Bank of Cyprus Public Company Ltd. This application, which relates to executing a judgement of the courts against third parties, does not create any legal obligation for the Company if no accounts exist in the names of third parties/customers, and in the present case no such accounts exist. The Company, pursuant to consultation and advice from its legal counsel in New York, expects that of the final outcome of the proceedings will be in favour of the Group.
- (vi) On 27 July 2005 the Securities and Exchange Commission of Cyprus announced that it has carried out an investigation into a possible breach by the Bank of the provisions of articles 67 and 68 of the Cyprus Stock Exchange Law, with respect to the sale of the Company's shares in Greece in October 2000, and that a report on its findings will be submitted to the Attorney General of the Republic of Cyprus for any further action.

18. Change in the composition of the Board of Directors

On 18 May 2005, Mr Solon Triantafyllides resigned as Chairman of the Board of Directors. The Board of Directors elected Messrs Vassilis Rologis and Andreas Artemis as Chairman and Vice Chairman, respectively.

Review report to the Board of Directors of Bank of Cyprus Public Company Ltd

We have reviewed the condensed interim consolidated financial statements of Bank of Cyprus Public Company Ltd and its subsidiaries, which comprise the consolidated balance sheet as at 30 June 2005, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from 1 January 2004 to 30 June 2005, and the related notes. We have not reviewed the condensed consolidated income statement for the three month period from 1 April to 30 June 2005, which is included in the accompanying financial statements. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements for the six months ended 30 June 2005 are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Ernst & Young
Chartered Accountants

Nicosia
26 August 2005