

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements
for the six months ended

30 June 2007

Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2007

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Bank of Cyprus Group

Interim Consolidated Income Statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 June		Year ended 31 Dec.
		2007	2006	2006
		C£000	C£000	C£000
Turnover	4	583.066	443.188	974.290
Interest income		461.977	341.481	752.237
Interest expense		(249.885)	(177.895)	(393.608)
Net interest income		212.092	163.586	358.629
Fee and commission income		57.536	52.624	107.359
Fee and commission expense		(3.432)	(3.468)	(6.248)
Foreign exchange income		11.822	8.676	20.789
Net gains on sale and change in fair value of financial instruments		11.241	18.584	14.979
Income from insurance business		15.488	13.063	26.402
Other income	5	6.815	2.339	8.719
		311.562	255.404	530.629
Staff costs		(83.038)	(74.969)	(155.883)
Other operating expenses	6	(51.019)	(45.296)	(91.864)
Profit before provisions		177.505	135.139	282.882
Provisions for impairment of loans and advances	8	(19.068)	(33.897)	(58.359)
Share of profit of associates		4.118	-	-
Profit before tax		162.555	101.242	224.523
Tax		(26.108)	(16.222)	(41.417)
Profit after tax		136.447	85.020	183.106
Profit after tax attributable to:				
Shareholders of the Company		134.260	85.020	183.106
Minority interest		2.187	-	-
		136.447	85.020	183.106
Basic earnings per share (cent)	7	24,2	15,5	33,3
Diluted earnings per share (cent)	7	24,2	15,5	33,3

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Interim Consolidated Income Statement

for the three months from 1 April to 30 June 2007

		<i>Three months ended 30 June</i>	
		<i>2007</i>	<i>2006</i>
	<i>Notes</i>	<i>C€000</i>	<i>C€000</i>
Turnover		304.216	227.092
Interest income		243.152	175.179
Interest expense		(131.419)	(89.974)
Net interest income		111.733	85.205
Fee and commission income		27.037	26.950
Fee and commission expense		(1.683)	(1.629)
Foreign exchange income		6.899	4.847
Net gains on sale and change in fair value of financial instruments		7.765	10.192
Income from insurance business		7.655	5.973
Other income	5	5.796	1.332
		165.202	132.870
Staff costs		(41.709)	(36.802)
Other operating expenses	6	(27.025)	(23.419)
Profit before provisions		96.468	72.649
Provisions for impairment of loans and advances		(7.714)	(15.756)
Share of profit of associates		1.953	-
Profit before tax		90.707	56.893
Tax		(16.398)	(9.094)
Profit after tax		74.309	47.799
Profit after tax attributable to:			
Shareholders of the Company		72.122	47.799
Minority interest		2.187	-
		74.309	47.799
Basic earnings per share (cent)		13,0	8,7
Diluted earnings per share (cent)		13,0	8,7

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Interim Consolidated Balance Sheet

as at 30 June 2007

		30 June	31 Dec.
		2007	2006
	Notes	C£000	C£000
Assets			
Cash and balances with central banks		746.217	683.088
Placements with banks		2.860.163	2.486.465
Investments at fair value through profit or loss		302.412	236.592
Loans and advances to customers	8	9.759.128	8.365.155
Investments available-for-sale and held-to-maturity		2.246.887	2.110.688
Property and equipment		188.919	153.813
Intangible assets		10.060	10.284
Other assets	9	279.133	229.733
Investment in associates		9.327	-
		16.402.246	14.275.818
Life assurance business net assets attributable to policyholders		304.905	287.157
Total assets		16.707.151	14.562.975
Liabilities			
Amounts due to banks		455.679	261.328
Customer deposits and other accounts		13.317.227	12.099.736
Debt securities in issue	10	911.792	433.777
Other liabilities	11	332.862	256.351
		15.017.560	13.051.192
Life assurance business liabilities to policyholders		304.905	287.157
Subordinated loan stock	12	326.374	320.005
Total liabilities		15.648.839	13.658.354
Equity			
Share capital	13	281.138	276.919
Reserves		754.747	627.702
Equity attributable to the shareholders of the Company		1.035.885	904.621
Minority interest		22.427	-
Total equity		1.058.312	904.621
Total liabilities and equity		16.707.151	14.562.975
Contingent liabilities and commitments			
Contingent liabilities		978.271	857.273
Commitments		1.651.327	1.592.332

E. P. Ioannou *Chairman*
A. Eliades *Group Chief Executive Officer*
Y. Kypri *Group Chief General Manager*
Chr. Hadjimitsis *Group General Manager Finance*

A. Artemis *Vice Chairman*
C. G. Stavrakis *Chief Executive Officer – Cyprus
and Deputy Group Chief Executive
Officer*

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Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

	Attributable to the shareholders of the Company					Minority interest C€000	Total C€000
	Share capital C€000	Share premium C€000	Other reserves (Note 15) C€000	Retained earnings C€000	Total C€000		
At 1 January 2007	276.919	341.365	96.407	189.930	904.621	-	904.621
Losses from change in fair value of available-for-sale investments	-	-	(4.803)	-	(4.803)	-	(4.803)
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(563)	-	(563)	-	(563)
Property revaluation	-	-	29.189	-	29.189	-	29.189
Deferred tax	-	-	(3.709)	-	(3.709)	-	(3.709)
Exchange adjustments	-	-	511	-	511	-	511
Increase in value of life assurance policies in force	-	-	2.499	(2.499)	-	-	-
Reversal of revaluation of investment in associates	-	-	(43)	(455)	(498)	-	(498)
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(1.233)	-	(1.233)	-	(1.233)
Net profit/(loss) recognised directly in equity	-	-	21.848	(2.954)	18.894	-	18.894
Profit after tax for the period	-	-	-	134.260	134.260	2.187	136.447
Total profit for the period	-	-	21.848	131.306	153.154	2.187	155.341
Dividend paid (Note 14) and dividend reinvestment (Note 13)	1.885	23.111	-	(55.819)	(30.823)	-	(30.823)
Exercise of share options (Note 13)	2.334	14.722	-	-	17.056	-	17.056
Cost of share-based payments	-	-	-	2.183	2.183	-	2.183
Shares of the Company held by subsidiaries and associates	-	-	(10.306)	-	(10.306)	-	(10.306)
Acquisition of subsidiary	-	-	-	-	-	20.240	20.240
At 30 June 2007	281.138	379.198	107.949	267.600	1.035.885	22.427	1.058.312

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Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2006

	Share capital C£000	Share Premium C£000	Other Reserves (Note 15) C£000	Retained earnings C£000	Total C£000
At 1 January 2006	272.658	311.399	93.021	84.573	761.651
Gains from change in fair value of available-for-sale investments	-	-	917	-	917
Losses from change in fair value of financial instruments designated as cash flow hedges	-	-	(1.083)	-	(1.083)
Deferred tax	-	-	959	-	959
Exchange adjustments	-	-	38	-	38
Increase in value of life assurance policies in force	-	-	1.867	(1.867)	-
Transfer of realised profits on disposal of property	-	-	(21)	21	-
Transfer to the income statement on redemption/sale of available-for-sale investments	-	-	(5.349)	-	(5.349)
Loss recognised directly in equity	-	-	(2.672)	(1.846)	(4.518)
Profit after tax for the period	-	-	-	85.020	85.020
Total profit/(loss) for the period	-	-	(2.672)	83.174	80.502
Dividend paid (Note 14) and dividend reinvestment	1.695	10.140	-	(38.211)	(26.376)
Exercise of share options	414	2.284	-	-	2.698
At 30 June 2006	274.767	323.823	90.349	129.536	818.475

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Interim Consolidated Cash Flow Statement

for the six months ended 30 June 2007

		<i>Six months ended 30 June</i>	
		<i>2007</i>	<i>2006</i>
		<i>C£000</i>	<i>C£000</i>
	<i>Notes</i>		
Net cash flow from operating activities			
Profit before tax		162.555	101.242
Minority interest		(2.187)	-
Provisions for impairment of loans and advances		19.068	33.897
Depreciation of property and equipment, amortisation of intangible assets and discounts/premiums and cost of share-based payments		11.302	11.223
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock		(49.617)	(30.300)
		141.121	116.062
Net increase in loans and advances to customers and other accounts		(1.513.676)	(643.967)
Net increase in customer deposits and other accounts		1.944.216	385.057
		571.661	(142.848)
Tax paid		(7.070)	(12.572)
<i>Net cash inflow/(outflow) from operating activities</i>		564.591	(155.420)
Cash flow from investing activities			
Purchases of investments		(551.601)	(397.468)
Proceeds on disposal/redemption of investments		408.649	378.917
Interest on treasury bills and debt securities		56.136	43.609
Dividend income from equity shares		1.458	101
Acquisition of associates and subsidiaries		(26.132)	-
Purchase of property and equipment		(12.930)	(4.312)
Proceeds on disposal of property and equipment		120	273
Purchase of intangible assets		(1.912)	(1.751)
Purchase of investment property		-	(10)
Proceeds on disposal of investment property		3.394	1.171
<i>Net cash flow (used in)/from investing activities</i>		(122.818)	20.530
Cash flow from financing activities			
Issue of share capital		17.056	2.698
Issue of subordinated loan stock		-	114.840
Redemption of subordinated loan stock		-	(153.237)
Dividend payment		(30.823)	(26.376)
Interest on subordinated loan stock		(5.510)	(9.574)
<i>Net cash flow used in financing activities</i>		(19.277)	(71.649)
Net increase/(decrease) in cash and cash equivalents for the period		422.496	(206.539)
<i>Cash and cash equivalents</i>			
At 1 January		2.815.195	2.780.103
Exchange adjustments		511	38
Net increase/(decrease) in cash and cash equivalents for the period		422.496	(206.539)
At 30 June	16	3.238.202	2.573.602

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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 25 July 2007.

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The principal activities of the Group 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. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2007 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as this was issued by the International Accounting Standards Board (IASB) and was adopted by the European Union (EU).

All International Financial Reporting Standards (IFRSs) issued by the IASB and effective 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, these 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 2006.

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2007 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'.

The Interim Condensed Consolidated Financial Statements are presented in Cyprus Pounds (C£) and all amounts are rounded to the nearest thousand, except when otherwise indicated.

3. Significant accounting policies

The accounting policies that have been followed for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2007 are consistent with those followed for the preparation of the financial statements for year 2006, except for the adoption by the Group of the new and amended IFRSs as of 1 January 2007 and the adoption of an accounting policy for recording investments in associates, as stated below, as the Group had no such investments in the previous year.

Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary company nor a joint venture.

3. Significant accounting policies (continued)

Investments in associates (continued)

Using the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the results of the associate is included in the income statement. Losses of the associate in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired. The Group recognises its share of any changes in the equity of the associate through the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies are consistent with those followed by the Group.

New and Amended IFRSs and Interpretations

IFRS 7 'Financial Instruments: Disclosures' and a complementary amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' (effective for annual periods beginning on or after 1 January 2007)

IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'.

The amendment to IAS 1 introduces disclosures relating to the level of an entity's capital and how it is managed.

The additional disclosures required, will be presented in the annual financial statements of the Group for year 2007.

IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1 November 2006)

IFRIC 10 provides that, should any impairment losses be recognised in the interim financial statements in relation to goodwill, available-for-sale investments in equity shares or unquoted equity shares carried at cost, these impairment losses may not be reversed in subsequent interim periods or when preparing the annual financial statements. The adoption of IFRIC 10 did not have any impact on these interim financial statements.

IFRIC 11 and IFRS 2 'Group and Treasury Share Transactions' (effective for annual periods beginning on or after 1 March 2007)

The Group has early adopted IFRIC 11 as of 1 January 2007. IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares of the company, to be accounted for as equity-settled schemes by an entity, even if the entity, chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity shares granted. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent.

IFRIC 11 applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company.

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Notes to the Interim Condensed Consolidated Financial Statements

4. 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 six geographic segments: (a) Cyprus, (b) Greece and (c) other countries (United Kingdom, Channel Islands, Australia, Romania and Russia).

The primary reporting format is by business segment.

	Banking and financial services		Insurance business		Property and hotel business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007 C€000	2006 C€000	2007 C€000	2006 C€000	2007 C€000	2006 C€000	2007 C€000	2006 C€000
Turnover	535.233	403.647	41.063	36.406	6.770	3.135	583.066	443.188
Profit before tax	148.652	92.002	11.177	8.173	2.726	1.067	162.555	101.242

5. Other income

Other income for the six months ended 30 June 2007 includes dividend income of C€1.458 thousand (corresponding period of 2006: C€101 thousand) and for the three months ended 30 June 2007 dividend income of C€1.406 thousand (corresponding period of 2006: C€84 thousand). It also includes the excess of the Group's share of the fair value of the identifiable net assets of an acquired subsidiary (discount on acquisition) of C€1.808 thousand (Note 19).

6. Other operating expenses

Other operating expenses for the six months ended 30 June 2007 include depreciation of property and equipment and amortisation of intangible assets of C€9.008 thousand (corresponding period of 2006: C€9.319 thousand) and for the three months ended 30 June 2007 of C€4.535 thousand (corresponding period of 2006: C€4.598 thousand).

7. Basic and diluted earnings per share

	Six months ended 30 June	
	2007	2006
Profit after tax (C€ thousand) attributable to the shareholders of the Company	134.260	85.020
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	554.928	546.835
Basic earnings per share (cent)	24,2	15,5
Weighted average number of shares, adjusted for the exercise of share options, excluding treasury shares (thousand)	555.143	547.112
Diluted earnings per share (cent)	24,2	15,5

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Notes to the Interim Condensed Consolidated Financial Statements

7. Basic and diluted earnings per share (continued)

The Group has issued Share Options to its employees, which constitute 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.

The weighted average number of shares for the six months ended 30 June 2006 has been adjusted to reflect the bonus element of the shares issued under the Dividend Reinvestment Plan, resulting from the dividend payments in December 2006 and June 2007.

8. Loans and advances to customers

	30 June 2007	<i>31 December 2006</i>
	C£000	<i>C£000</i>
Loans and advances to customers	10.242.350	8.826.863
Provisions for impairment of loans and advances and suspended income	(483.222)	(461.708)
	9.759.128	8.365.155

Provisions for impairment of loans and advances and suspended income

	Provisions	Suspended income	Total
	<i>C£000</i>	<i>C£000</i>	C£000
At 1 January 2007	323.002	138.706	461.708
Exchange adjustments	1.076	175	1.251
Applied in writing off loans and advances	(8.097)	(10.386)	(18.483)
Suspended income for the period net of current year collections	-	12.451	12.451
Collections of loans previously written off	7.227	-	7.227
Charge for the period	19.068	-	19.068
At 30 June 2007	342.276	140.946	483.222

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Notes to the Interim Condensed Consolidated Financial Statements

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

Provisions for impairment of loans and advances and suspended income *(continued)*

	Provisions	Suspended income	Total
	C€000	C€000	C€000
At 1 January 2006	292.478	121.332	413.810
Exchange adjustments	164	(92)	72
Applied in writing off loans and advances	(9.626)	(2.188)	(11.814)
Suspended income for the period net of current year collections	-	15.043	15.043
Collections of loans previously written off	2.640	-	2.640
Charge for the period	33.897	-	33.897
At 30 June 2006	319.553	134.095	453.648

9. Other assets

Other assets at 30 June 2007 include the positive fair value of derivative financial instruments of C€37.483 thousand (31 December 2006: C€21.277 thousand).

10. Debt securities in issue

	Annual Interest rate	30 June 2007	31 Dec. 2006
		C€000	C€000
Medium term Senior Debt			
€3 million 2003/2008	Three-month Euribor plus 0,45%	1.751	1.735
€300 million 2005/2008	Three-month Euribor plus 0,30%	174.999	172.709
€300 million 2006/2009	Three-month Euribor plus 0,33%	173.857	173.304
€500 million 2007/2010	Three-month Euribor plus 0,20%	287.053	-
		637.660	347.748
Short term Commercial Paper			
in Euro	-	243.141	19.053
in U.S. Dollars	-	30.703	66.688
		273.844	85.741
Interest-free loan from the European Development Bank	-	288	288
		911.792	433.777

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Notes to the Interim Condensed Consolidated Financial Statements

10. Debt securities in issue *(continued)*

Debt securities in issue are not secured and the rights and claims of the 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 €2.000 million (31 December 2006: €1.500 million).

Under this Programme, the Company issued in June 2005, €300 million Senior Debt 2005/2008 which has a three-year term, bears a floating rate of interest and was issued at the price of 99,853%. In the context of the EMTN Programme, the Company also issued in June 2006, €300 million Senior Debt 2006/2009 which has a three-year term, bears a floating rate of interest and was issued at the price of 99,942% and in June 2007, €500 million Senior Debt 2007/2010 which has a three year term, bears a floating rate of interest and was issued at the price of 99,915%. The €3 million Senior Debt 2003/2008 was issued at par in 2003.

At 30 June 2007, the amount of the €300 million Senior Debt 2005/2008 outstanding was €300 million (31 December 2006: €299 million) as the Company did not hold any debt securities for trading purposes (31 December 2006: €1 million). At 30 June 2007, the amount of the €300 million Senior Debt 2006/2009 outstanding was €298 million (31 December 2006: €300 million) as €2 million (31 December 2006: nil) of debt securities were held by the Company for trading purposes. At 30 June 2007, the amount of the €500 million Senior Debt 2007/2010 outstanding was €492 million as €8 million of debt securities were held by the Company for trading purposes.

The issues of €300 million 2005/2008, €300 million 2006/2009 and €500 million 2007/2010 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 2006: €500 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 will have a maturity period up to 364 days. The Commercial Paper will not be listed on any stock exchange.

11. Other liabilities

Other liabilities at 30 June 2007 include the negative fair value of derivative financial instruments of C£7.349 thousand (31 December 2006: C£10.152 thousand) and provisions for pending litigation or claims of C£2.228 thousand (31 December 2006: C£2.473 thousand).

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Notes to the Interim Condensed Consolidated Financial Statements

12. Subordinated loan stock

	30 June 2007	31 December 2006
	C£000	C£000
Subordinated Bonds 2008/2013 in Euro (€200 million)	116.102	114.503
Subordinated Bonds 2011/2016 in Euro (€200 million)	116.260	111.308
Capital Securities Series A (C£65 million)	64.129	64.311
Capital Securities Series B (C£30 million)	29.883	29.883
	326.374	320.005

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 €2.000 million (31 December 2006: €1.500 million).

Under this Programme, the Company issued in October 2003, €200 million Subordinated Bonds 2008/2013 in Euro, bearing floating rate of interest and maturing in October 2013. The Company has the option to call the Bonds in whole during or after October 2008. The annual 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 issue price of the Bonds was 99,766%. The Bonds are listed on the Luxembourg Stock Exchange. At 30 June 2007, the amount of €200 million Subordinated Bonds 2008/2013 outstanding amounted to €199 million (31 December 2006: €198 million) as €1 million (31 December 2006: €2 million) of Bonds were held by the Company for trading purposes.

Under the EMTN Programme, the Company issued in May 2006, €200 million Subordinated Bonds 2011/2016 in Euro, bearing floating rate of interest and maturing in May 2016. The Company has the option to call the Bonds in whole during or after May 2011. The annual 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 issue price of the Bonds was 99,861%. The Bonds are listed on the Luxembourg Stock Exchange. At 30 June 2007, the amount of €200 million Subordinated Bonds 2011/2016 outstanding amounted to €199 million (31 December 2006: €193 million) as €1 million (31 December 2006: 7 million) of Bonds were held by the Company for trading purposes.

Capital Securities

Capital Securities Series A amounting to C£65 million and Series B amounting to C£30 million were issued in Cyprus Pounds in February 2003 and March 2004 respectively, and were offered in Cyprus. 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. The Capital Securities bear a floating interest rate, which is revised every three months. The annual 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.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

12. Subordinated loan stock (continued)

Capital Securities (continued)

At 30 June 2007, the Capital Securities Series A and Series B outstanding amounted to C£64.129 thousand and C£29.883 thousand respectively (31 December 2006: C£64.311 thousand and C£29.883 thousand respectively) as C£871 thousand of Capital Securities Series A and C£117 thousand of Capital Securities Series B (31 December 2006: C£689 thousand and C£117 thousand respectively) were held by the Company for trading purposes.

13. Share capital

	30 June 2007		31 December 2006	
	Shares (thousand)	C£000	Shares (thousand)	C£000
<i>Authorised</i>				
Shares of 50 cent each	600.000	300.000	600.000	300.000
<i>Issued and fully paid</i>				
At 1 January	553.839	276.919	545.316	272.658
Dividend reinvestment	3.770	1.885	6.519	3.259
Exercise of share options	4.667	2.334	2.004	1.002
At 30 June 2007/31 December 2006	562.276	281.138	553.839	276.919

The Company has in place 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 26 June 2007 was set at C£6,63 per share (27 June 2006: C£3,49 and 11 December 2006: C£5,07). As a result of the dividend reinvestment, 3.770.158 shares (31 December 2006: 6.519.027 shares) were issued during the six months ended 30 June 2007 and the Company's share capital and share premium increased by C£1.885 thousand (31 December 2006: C£3.259 thousand) and C£23.111 thousand (31 December 2006: C£24.434 thousand) respectively.

Share Options

The Company has 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 they give the holder the right to buy one share of the Company at the price of C£3,26 per share. The Share Options 2001/2007 can be exercised by their holders from 31 January 2004 to 31 December 2007. The Share Options 2001/2007 are outside the scope of IFRS 2 'Share-based payments'.

During the six months ended 30 June 2007, 504.698 (31 December 2006: 2.004.493) Share Options 2001/2007 were exercised. At 30 June 2007, 364.759 Options had not been exercised by their holders, while 6.900 Options were forfeited because of the departure of their holders from the Group. As a result of the exercise of the Share Options, the Company's share capital and share premium increased by C£253 thousand (31 December 2006: C£1.002 thousand) and C£1.393 thousand (31 December 2006: C£5.532 thousand) respectively.

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Notes to the Interim Condensed Consolidated Financial Statements

13. Share capital (continued)

Share Options (continued)

The Company has also granted Share Options 2006/2007 to all permanent employees in Cyprus and Greece who were in service at 30 September 2006 (grant date) provided they remained in service until 31 March 2007. The number of Share Options 2006/2007 issued was 4.283.300. During the period from 31 March 2007 to 30 June 2007, 4.162.255 Options were exercised, as a result of which, the Company's share capital and share premium increased by C£2.081 thousand and C£13.329 thousand respectively. At 30 June 2007, 56.804 Options had not been exercised by their holders, while 64.241 Options were forfeited because of the departure of their holders from the Group. The exercise price of the Share Options has been set at C£3,70 and the exercise period was from 31 March 2007 to 30 June 2007 and has been extended until 31 August 2007.

14. Dividend

The Annual General Meeting of the shareholders held on 6 June 2007 approved the payment of a dividend of C£0,10 per share, amounting to C£55.819 thousand. The dividend was paid to the shareholders on 26 June 2007.

In June 2006 the final dividend for 2005 of C£0,07 per share and in December 2006 the interim dividend for 2006 of C£0,07 per share were paid to shareholders, amounting to C£38.211 thousand and C£38.501 thousand respectively.

15. Other reserves

	Property revaluation reserve C£000	Revaluation reserve of available-for-sale investments C£000	Cash flow hedge reserve C£000	Life assurance in-force business reserve C£000	Capital reserve C£000	Exchange adjustments reserve C£000	Shares of the Company C£000	Total C£000
At 1 January 2007	36.016	33.554	(535)	27.800	2.183	(2.611)	-	96.407
Losses from change in fair value	-	(4.803)	(563)	-	-	-	-	(5.366)
Property revaluation	29.189	-	-	-	-	-	-	29.189
Deferred tax	(4.508)	799	-	-	-	-	-	(3.709)
Exchange adjustments	-	-	-	-	-	511	-	511
Increase in value of life assurance policies in force	-	-	-	2.499	-	-	-	2.499
Reversal of revaluation of investments in associates	-	(43)	-	-	-	-	-	(43)
Transfer of the income statement on redemption/sale	-	(1.233)	-	-	-	-	-	(1.233)
Shares of the Company held by subsidiaries and associates	-	-	-	-	-	-	(10.306)	(10.306)
At 30 June 2007	60.697	28.274	(1.098)	30.299	2.183	(2.100)	(10.306)	107.949

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Notes to the Interim Condensed Consolidated Financial Statements

15. Other reserves (continued)

	Property revaluation reserve C€000	Revaluation reserve of available-for-sale investments C€000	Cash flow hedge reserve C€000	Life assurance in-force business reserve C€000	Capital reserve C€000	Exchange adjustments reserve C€000	Total C€000
At 1 January 2007	36.656	33.380	-	23.700	2.183	(2.898)	93.021
Losses from change in fair value	-	917	(1.083)	-	-	-	(166)
Deferred tax	3	956	-	-	-	-	959
Exchange adjustments	-	-	-	-	-	38	38
Increase in value of life assurance policies in force	-	-	-	1.867	-	-	1.867
Reversal of revaluation of investments in associates	(21)	-	-	-	-	-	(21)
Transfer of the income statement on redemption/sale	-	(5.349)	-	-	-	-	(5.349)
At 30 June 2007	36.638	29.904	(1.083)	25.567	2.183	(2.860)	90.349

16. Cash and cash equivalents

	30 June 2007	30 June 2006
	C€000	C€000
Cash and non obligatory balances with central banks	582.962	431.532
Placements with banks repayable within six months	2.655.240	2.142.070
	3.238.202	2.573.602

17. Staff numbers

The number of persons employed by the Group at 30 June 2007 was 6.555 (31 December 2006: 6.192).

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Notes to the Interim Condensed Consolidated Financial Statements

18. Group companies

The Interim Condensed Consolidated Financial Statements of the Group at 30 June 2007 include the following companies, by country of incorporation:

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 Asfaltiki (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'.

Ireland: BOC International Fund Management Ltd.

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

Company	Percentage holding		Accounting treatment
	30 June 2007	31 December 2006	
JCC Payment Systems Ltd	45,0	45,0	Proportional consolidation
Cytrustees Investment Public Company Ltd	49,5	3,3	Consolidation (8 February until 26 April 2007: Equity method)
Interfund Investments Plc	23,6	-	Equity method

The investment in Cytrustees Investment Public Company Ltd was included in the financial statements for the first time as an associate during the three months ended 31 March 2007 using the equity method. Following the acquisition of additional shares by the Group on 27 April 2007 (Note 19), the company is accounted for as a subsidiary, in accordance with the provisions of IFRSs.

The investment in Interfund Investments Plc, which is a closed-end investment company, was acquired on 21 May 2007 and was included in the financial statements for the first time during the three months ended 30 June 2007. The subsidiary company LLC CB 'Bank of Cyprus' obtained its licence of operation in Russia on 6 June 2007 and was included in the financial statements for the first time during the three months ended 30 June 2007. The subsidiary company Cyprus Leasing (Romania) IFN SA and the branch of the Company in Romania (Bank of Cyprus Romania) were included in the financial statements for the first time during the three months ended 31 December 2006.

The Group decided to terminate the activities of its subsidiary BOC International Fund Management Ltd and has started the dissolution process. The subsidiary Old Company (BCL) Ltd has been liquidated and for the first time was not included in the financial statements during the three months ended 31 March 2007.

There was no other change in the companies that were consolidated or in the method of consolidation compared to 30 June and 31 December 2006.

Bank of Cyprus Group

Notes to the Interim Condensed Consolidated Financial Statements

19. Acquisition of subsidiary company

On 27 April 2007, the Group acquired 23,1% of the share capital of Cytrustees Investment Public Company Ltd, which is a closed-end investment company. Also, on 29 June 2007 the Group elected to reinvest its dividend from Cytrustees Investment Public Company Ltd, as a result of which additional shares of the company were acquired. The Group's total shareholding at 30 June 2007 amounted to 49,5%. Information relating to the acquisition of the additional shares in the subsidiary company is set out below:

	<i>C£000</i>
Group's share in the fair value of the identifiable net assets acquired	11.130
Cost of the acquisition paid in cash	(9.322)
Excess of the Group's share of the fair value of the identifiable net assets acquired	1.808

The amount of profit after tax of the subsidiary attributable to the shareholders of the Company since the date of the acquisition (27 April 2007) amounts to C£1.524 thousand.

20. Related party transactions

	30 June 2007	31 December 2006
	C£000	C£000
Loans and other advances to:		
- members of the Board of Directors and key management personnel	5.500	4.806
- connected persons	83.564	79.947
	89.064	84.753
Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend)	49.053	52.183
	138.117	136.936
Tangible security	135.665	135.760
Deposits of:		
- members of the Board of Directors and key management personnel	76.424	3.291
- connected persons	16.530	14.990
	92.954	18.281

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Notes to the Interim Condensed Consolidated Financial Statements

20. Related party transactions *(continued)*

Interest income and expense from related parties amounted C£2.405 thousand and C£396 thousand (corresponding period of 2006: C£2.489 thousand and C£126 thousand).

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.

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 with the same terms as those which apply to the rest of the Group's employees.

Remuneration

During the six months ended 30 June 2007, the remuneration of the members of the Board of Directors and key management personnel amounted to C£1.590 thousand (corresponding period of 2006: C£1.238 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 which were assigned to the Commercial General Insurance Ltd group for the six months ended 30 June 2007 amounted to C£323 thousand (corresponding period of 2006: C£249 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 2007 amounted to C£193 thousand (corresponding period of 2006: C£301 thousand). Also, 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 2007 amounted to C£214 thousand (corresponding period of 2006: C£3 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 2007 amounted to C£55 thousand (corresponding period of 2006: C£50 thousand).

21. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2007 amounts to C£14.873 thousand (corresponding period of 2006: C£6.064 thousand).
- The freehold property of the Group was revalued at 30 June 2007 by independent qualified valuers, on the basis of market value. The relevant revaluation reserve is set out in Note 15.
- There are no fixed charges in favour of third parties over the Group's property and equipment at 30 June 2007.
- The Group's provision for pending litigation or claims at 30 June 2007 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.

21. Other information *(continued)*

- 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 \$77 million (C£33 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. There is a pending application before the court for the reopening of the case. The outcome of the case is not expected to have a material impact on the Group's financial position.
- 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 Company of the provisions of articles 67 and 68 of the Cyprus Stock Exchange Law, with respect to the sale of shares in Greece in October 2000, and that a report on its findings will be prepared and sent to the Attorney General of the Republic of Cyprus. The Group does not expect that the outcome of the investigation will have any material impact on the Group's financial position.
- In September 2006 a law suit against the Company has been served by the 'Trustees of the AremisSoft Corporation Liquidating Trust' before the New York district court, claiming that the Company, in breach of its obligations to AremisSoft, has not taken all the necessary measures to prevent the principal shareholder of AremisSoft to execute transfers leading to the appropriation by him of significant sums belonging to AremisSoft. The 'Trustees of the AremisSoft Corporation Liquidating Trust' request the issuance of a court order for an amount of at least \$50 million (C£22 million). A motion to dismiss the complaint, on various grounds, has been filed. The Group does not expect to have any material financial impact as a result of the law suit.

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 1 to 20, which comprise the interim consolidated balance sheet as at 30 June 2007, 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

Nicosia
25 July 2007