

UNIVERSAL BANK PUBLIC LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

CONTENTS

Condensed Income Statement	2
Condensed Balance Sheet	3
Condensed Statement of Changes in Equity	4
Condensed Cash Flow Statement	5
Notes to the Condensed Interim Financial Statements	6 -9

**Condensed Income Statement
for the six months ended 30 June 2004**

	Note	Six month period ended 30 June		Year ended 31 December
		2004 £	2003 £	2003 £
Turnover	3	6.872.544	6.075.027	<u>12.550.087</u>
Net interest income		2.268.740	1.983.963	4.241.028
Fee and commission income		614.886	587.654	1.111.096
Foreign exchange income and other operating income		314.337	272.451	<u>584.767</u>
Total operating income		3.197.963	2.844.068	5.936.891
Staff costs		(1.878.175)	(1.678.779)	(3.434.633)
Loss on revaluation and sale of equity investments		(3.195)	(30.030)	(3.650)
Other operating expenses		(1.206.097)	(1.430.151)	<u>(2.731.266)</u>
Total operating expenses		(3.087.467)	(3.138.960)	<u>(6.169.549)</u>
Profit/(loss) before provisions		110.496	(294.892)	(232.658)
Provisions for bad and doubtful debts		(792.119)	(1.484.170)	<u>(3.281.817)</u>
Loss before tax		(681.623)	(1.779.062)	<u>(3.514.475)</u>
Tax		(30.000)	(16.292)	<u>49.512</u>
Loss for the period		(711.623)	(1.795.354)	<u>(3.464.963)</u>
Loss per share (cents)	4	(4,7)	(11,9)	<u>(22,9)</u>

**Condensed Balance Sheet
at 30 June 2004**

	Note	30 June 2004 £	31 December 2003 £
ASSETS			
Cash and balances with banks		36.741.439	44.615.983
Loans and advances to customers	5	129.506.342	126.326.115
Government, other debt securities and equity shares		31.307.787	23.032.613
Property and equipment	6	3.492.152	3.729.365
Intangible assets	7	560.114	656.626
Other assets		3.075.817	3.173.736
Total Assets		204.683.651	201.534.438
LIABILITIES			
Customer Deposits		179.822.461	176.014.507
Other liabilities and accruals		4.221.372	4.185.539
Total liabilities		184.043.833	180.200.046
Subordinated loan stock	8	8.000.000	8.000.000
EQUITY			
Share Capital	9	15.128.151	15.128.151
Reserves		(2.488.333)	(1.793.759)
		12.639.818	13.334.392
Total liabilities and equity		204.683.651	201.534.438
CONTINGENT LIABILITIES AND COMMITMENTS			
Contingent Liabilities	10	9.025.471	9.745.430
Commitments	10	7.661.950	7.181.411

Andreas Georghiou – Chairman

Dr Spyros Episkopou – General Manager

Demetris Shacallis – Manager, Financial Services

**Statement of changes in equity
for the six months ended 30 June 2004**

	Share capital	Share premium	Equity and property revaluation and general reserves	Accumulated losses	Total equity
	£	£	£	£	£
Six months ended 30 June 2003					
1 January 2003	15.128.151	12.399.495	(11.536)	(11.273.522)	16.242.588
Loss after tax	-	-	-	(1.795.354)	(1.795.354)
Revaluation of investments available-for-sale	-	-	(30.030)	-	(30.030)
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	30.030	-	30.030
30 June 2003	15.128.151	12.399.495	(11.536)	(13.068.876)	14.447.234
Six months ended 30 June 2004					
1 January 2004	15.128.151	12.399.495	545.231	(14.738.485)	13.334.392
Loss after tax	-	-	-	(711.623)	(711.623)
Revaluation of investments available-for-sale	-	-	20.244	-	20.244
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	(3.195)	-	(3.195)
30 June 2004	15.128.151	12.399.495	562.280	(15.450.108)	12.639.818

**Condensed Cash Flow Statement
for the six months ended 30 June 2004**

	30 June 2004 £	30 June 2003 £
<u>Cash flows from operating activities</u>		
Loss before tax	(681.623)	(1.779.062)
Provision for bad and doubtful debts	792.119	1.484.170
Depreciation of property and equipment	421.382	546.049
Amortisation of prepaid expenses	-	176.707
Income from investments	(436.188)	(457.952)
Interest on loan capital	239.561	-
Impairment provision	3.195	30.030
	338.446	(58)
Increase in loans and advances to customers	(3.972.347)	(11.128.769)
Decrease in other debit balances	130.732	182.603
Increase in customer deposits	3.807.954	2.372.765
Increase in other liabilities	22.883	39.194
	327.668	(8.534.265)
Taxes paid	-	-
Net cash flows from operating activities	327.668	(8.534.265)
Net cash flows from investing activities	(13.359.206)	(3.365.755)
Net cash flows from financing activities	(239.561)	4.592.300
Net decrease in cash and cash equivalents for the six-month period ended	(13.271.099)	(7.307.720)
<u>Cash and cash equivalents</u>		
Balance at 1 January	50.012.538	37.879.936
Net decrease in cash and cash equivalents	(13.271.099)	(7.307.720)
Balance at 30 June	36.741.439	30.572.216

Notes to the Condensed Interim Financial Statements for the six months ended 30 June 2004

1 Unaudited condensed interim financial statements

The condensed interim financial statements for the six-months ended 30 June 2003 and 30 June 2004 have not been audited by the Bank's external auditors.

2 Accounting policies

The condensed interim financial statements for the six-month period are expressed in Cyprus pounds (C£) and are drawn up in accordance with the provisions of the International Financial Reporting Standards (IFRS), including International Accounting Standard No.34 'Interim Financial Reporting'.

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

The accounting policies that have been followed for the preparation of the condensed interim financial statements for the six-month period were the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2003. It should be noted that, as of 1 January 2004 the Bank effected the new stricter regulations of the Central Bank of Cyprus relating to suspension of income. According to the new regulations, income is suspended on all loans and advances which are not fully secured and are more than six months in arrears. During 2003, income was suspended on all loans and advances which were not fully secured and were more than nine months in arrears.

3 Activities and turnover

The Bank's principal activity during the period was the provision of banking and financial services in Cyprus.

Turnover represents interest income, fee and commission income, investment income, foreign exchange income, and other income. The Bank does not provide leasing or hire purchase services.

4 Loss per share

	30.6.2004	30.6.2003
	£	£
Loss attributable to shareholders	<u>(711.623)</u>	<u>(1.795.354)</u>
Weighted average number of shares in issue during the year	<u>15.128.151</u>	15.128.151
Loss per share (cent)	<u>(4,7)</u>	<u>(11,9)</u>

**Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2004**

5 Loans and advances to customers

Loans and advances to customers include credit facilities granted to related companies, which amounted to £3.706.734 as at 30 June 2004 (31 December 2003: £3.813.076). The total amount of provisions for bad and doubtful debts and interest suspension for credit facilities to related companies as at 30 June 2004 amounted to £2.861.863 (31 December 2003: £2.861.863).

6 Property, plant and equipment

	Immovable property 30.6.2004 £	Equipment 30.6.2004 £	Total 30.6.2004 £	Total 31.12.2003 £
Cost or estimated fair value				
1 January	2.966.276	3.010.554	5.976.830	5.364.969
Additions	7.082	53.146	60.228	249.650
Disposals/write-offs	-	-	-	(93.065)
Revaluation	-	-	-	669.879
Reversal of depreciation due to revaluation	-	-	-	(214.603)
30 June/ 31 December	2.973.358	3.063.700	6.037.058	5.976.830
Depreciation				
1 January	411.069	1.836.396	2.247.465	1.807.404
Charge for the period/year	90.410	207.031	297.441	690.077
Disposals/write-offs	-	-	-	(35.413)
Reversal of depreciation due to revaluation	-	-	-	(214.603)
30 June/31 December	501.479	2.043.427	2.544.906	2.247.465
Net book value	2.471.879	1.020.273	3.492.152	3.729.365

7 Intangible assets

	Goodwill on leasehold property 30.6.2004 £	Computer software 30.6.2004 £	Total 30.6.2004 £	Total 31.12.2003 £
Cost				
1 January	50.000	2.525.650	2.575.650	2.367.216
Additions	-	27.429	27.429	208.434
30 June/31 December	50.000	2.553.079	2.603.079	2.575.650
Depreciation				
1 January	15.470	1.903.554	1.919.024	1.500.239
Charge for the period/year	3.570	120.371	123.941	418.785
30 June/31 December	19.040	2.023.925	2.042.965	1.919.024
Net book value	30.960	529.154	560.114	656.626

**Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2004**

8 Subordinated loan stock

	30.6.2004	31.12.2003
	£	£
Debentures 2003/2008	8.000.000	8.000.000

On 25 July 2003 the Bank issued debentures amounting to C£8.000.000 with duration of five (5) years maturing on 25 July 2008. These are non-secured and are included in the direct, non-secure subordinated liabilities of the Bank. Interest is paid twice per year, on 30 June and 31 December. The debentures carry a variable interest rate equal to the weighted average of the basic interest rate of the Central Bank of Cyprus (Lombard rate) for Cyprus pounds that was in effect during the previous interest rate period (i.e. the previous six month period), plus 1,50%. The Bank can, if it chooses to do so, buy the total amount of debentures back, or it can partially buy them back at their nominal value plus any interest accrued with six months of notice, after approval by the Central Bank of Cyprus.

9 Share capital

	30.6.2004	30.6.2004	31.12.2003	31.12.2003
	No. of	£	No. of	£
	shares		shares	
AUTHORISED				
Shares £1 each	50.000.000	50.000.000	50.000.000	50.000.000
ISSUED				
Fully paid shares				
Balance at 1 January	15.128.151	15.128.151	15.128.151	15.128.151
Balance at 30 June/31 December	15.128.151	15.128.151	15.128.151	15.128.151

10 Contingent liabilities and commitments

	30.6.2004	31.12.2003
	£	£
<i>Contingent liabilities</i>		
Acceptances and endorsements	28.518	191.188
Guarantees	8.996.953	9.554.242
	9.025.471	9.745.430
	30.6.2004	31.12.2003
	£	£
<i>Commitments</i>		
Documentary credits	878.929	506.885
Undrawn formal standby facilities, credit lines and other commitments to lend	6.783.021	6.674.526
	7.661.950	7.181.411

Notes to the Condensed Interim Financial Statements for the six months ended 30 June 2004

11 Transactions with directors

The analysis of loans and other advances, unutilised limits, and guarantees to members of the Board of Directors and connected persons as at 30 June 2004 were as follows:

	Number of Directors	Loans and other advances £	Unutilised facility limits £	Guarante es £
More than 1% of the net assets of the Bank, per Director	3	6.707.085	83.264	163.869
Less than 1% of the net assets of the Bank, per Director	3	117.945	40.169	1.500
Total	6	6.825.030	123.433	165.369

Connected persons include spouses, minor children and companies in which a Director holds, directly or indirectly, at least 20% of the voting shares.

12 Other information

There are no claims or assessments against the Bank the outcome of which would have a material effect on the Bank's financial position and operations.

13 Approval of condensed interim financial statements

The condensed interim financial statements were approved for issue by the Board of Directors on 30 August 2004.