

UNIVERSAL BANK PUBLIC LIMITED

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

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**Condensed Income Statement
for the six months ended 30 June 2005**

	Note	Six month period ended 30 June		Year ended 31 December
		2005 C£	2004 C£	2004 C£
Turnover	3	7.409.355	6.872.544	14.827.278
Net interest income		2.382.630	2.268.740	5.056.274
Fee and commission income		617.886	614.886	1.242.199
Foreign exchange income and other operating income		361.844	314.337	691.312
Total operating income		3.362.360	3.197.963	6.989.785
Staff costs		(2.012.931)	(1.878.175)	(3.798.334)
Loss on revaluation and sale of equity investments		0	(3.195)	(4.485)
Other operating expenses		(1.220.931)	(1.206.097)	(2.570.611)
Total operating expenses		(3.233.862)	(3.087.467)	(6.373.430)
Profit before provisions		128.498	110.496	616.355
Provisions for bad and doubtful debts		(784.051)	(792.119)	(2.654.356)
Loss before tax		(655.553)	(681.623)	(2.038.001)
Tax		(59.254)	(30.000)	-
Loss for the period		(714.807)	(711.623)	(2.038.001)
Loss per share (cents)	4	(4,7)	(4,7)	(13,5)

**Condensed Balance Sheet
at 30 June 2005**

	Note	30 June 2005 C£	31 December 2004 C£
ASSETS			
Cash and balances with banks		34.156.234	28.221.171
Loans and advances to customers	5	126.644.831	127.815.266
Government, other debt securities and equity shares		25.573.661	33.243.401
Property and equipment	6	3.108.104	3.292.567
Intangible assets	7	344.671	428.766
Other assets		1.245.746	2.189.124
Total Assets		191.073.247	195.190.295
LIABILITIES			
Customer Deposits		167.226.024	166.097.609
Other liabilities and accruals		5.019.847	9.557.137
Total liabilities		172.245.871	175.654.746
Subordinated loan stock	8	8.000.000	8.000.000
EQUITY			
Share Capital	9	15.128.151	15.128.151
Reserves		(4.300.775)	(3.592.602)
		10.827.376	11.535.549
Total liabilities and equity		191.073.247	195.190.295
CONTINGENT LIABILITIES AND COMMITMENTS			
Contingent Liabilities	10	10.496.233	11.743.332
Commitments	10	7.612.599	7.215.615

Symeon Matsis – *Chairman*

Dr Spyros Episkopou – *General Manager*

Demetris Shacallis – *Manager, Financial Services*

**Condensed statement of changes in equity
for the six months ended 30 June 2005**

	Share Capital	Share Premium	Equity and property revaluation and general reserves	Accumulated losses	Total equity
	C£	C£	C£	C£	C£
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
Six months ended 30 June 2005					
1 January 2005	15.128.151	12.399.495	552.663	(16.544.760)	11.535.549
Loss after tax	-	-	-	(714.807)	(714.807)
Revaluation of investments available-for-sale	-	-	6.634	-	6.634
Transfer to the Income Statement for the provision of impairment of available-for-sale investments	-	-	-	-	-
30 June 2005	15.128.151	12.399.495	559.297	(17.259.567)	10.827.376

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

	30 June 2004 C£	30 June 2003 C£
<u>Cash flows from operating activities</u>		
Loss before tax	(655.553)	(681.623)
Provision for bad and doubtful debts	784.051	792.119
Depreciation of property and equipment and amortisation of prepaid expenses	359.610	423.992
Income from investments, impairment provision less interest on subordinated loan stock	(400.679)	(193.432)
	87.429	341.056
Decrease/(increase) in loans and advances to customers	386.384	(3.972.347)
Increase in customer deposits	1.128.415	3.807.954
Decrease/(increase) in deposits with the Central Bank of Cyprus and in Government and other debt securities held-to-maturity	2.141.403	(14.071.100)
Decrease in other debit balances	934.133	128.122
Increase in other liabilities	701.822	22.883
	5.379.586	(13.743.432)
Taxes paid	-	-
Net cash flows from/(used in) operating activities	5.379.586	(13.743.432)
Net cash flows from investing activities	588.339	348.531
Net cash flows used in financing activities	(5.569.429)	(239.561)
Net increase/(decrease) in cash and cash equivalents for the six-month period ended	398.496	(13.634.462)
<u>Cash and cash equivalents</u>		
Balance at 1 January	24.865.978	39.513.901
Net increase/(decrease) in cash and cash equivalents	398.496	(13.634.462)
Balance at 30 June	25.264.474	25.879.439

Notes to the Condensed Interim Financial Statements for the six months ended 30 June 2005

1 Unaudited condensed interim financial statements

The condensed interim financial statements for the six-months ended 30 June 2005 and 2004 have not been audited by the Bank's external auditors.

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

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

2 Accounting policies

The condensed interim financial statements 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 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 2004, except as set out below.

Revised International Accounting Standards

As from 1 January 2005, the following 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 2003)	Impairment of assets
- IAS 38 (revised 2003)	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 Standards did not have a material effect on the financial statements of the Bank.

Notes to the Condensed Interim Financial Statements for the six months ended 30 June 2005

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.

Loss per share

	30.6.2 005 CC£	30.6. 2004 CCC£
Loss attributable to shareholders	<u>(714.807)</u>	<u>(711.623)</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>(4,7)</u>

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

Loans and advances to customers

Loans and advances to customers include credit facilities granted to related companies, which as at 30 June 2005 amounted to C£3.376.647 (31 December 2004: C£3.285.466). The total amount of provisions for bad and doubtful debts and interest suspension for credit facilities to related companies as at 30 June 2005 amounted to C£2.293.792 (31 December 2004: C£2.831.863).

Property, plant and equipment

	Immovable property 30.6.2005 CC£	Equipment 30.6.2005 CC£	Total 30.6.2005 CC£	Total 31.12.2004 CC£
Cost or estimated fair value				
1 January	2.991.678	3.116.280	6.107.958	5.976.830
Additions	4.916	82.345	87.261	156.119
Disposals/write-offs	-	-	-	(24.991)
30 June/ 31 December	<u>2.996.594</u>	<u>3.198.625</u>	<u>6.195.219</u>	<u>6.107.958</u>
Depreciation				
1 January	607.001	2.208.390	2.815.391	2.247.465
Charge for the period/year	100.219	171.505	271.724	587.784
Disposals/write-offs	-	-	-	(19.858)
30 June/31 December	<u>707.220</u>	<u>2.379.895</u>	<u>3.087.115</u>	<u>2.815.391</u>
Net book value	<u>2.289.374</u>	<u>818.730</u>	<u>3.108.104</u>	<u>3.292.567</u>

**Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2005**

Intangible assets

	Goodwill on leasehold property 30.6.2005 CC£	Computer software 30.6.2005 CC£	Total 30.6.2005 C£	Total 31.12.2004 C£
Cost				
1 January	50.000	2.589.569	2.639.569	2.575.650
Additions	-	1.182	1.182	63.919
30 June/31 December	<u>50.000</u>	<u>2.590.751</u>	<u>2.640.751</u>	<u>2.639.569</u>
Depreciation				
1 January	22.610	2.188.193	2.210.803	1.919.024
Charge for the period/year	3.570	81.707	85.277	291.779
30 June/31 December	<u>26.180</u>	<u>2.269.900</u>	<u>2.296.080</u>	<u>2.210.803</u>
Net book value	<u>23.820</u>	<u>320.851</u>	<u>344.671</u>	<u>428.766</u>

Subordinated loan stock

	30.6.2005 C£	31.12.2004 C£
Debentures 2003/2008	<u>8.000.000</u>	<u>8.000.000</u>

On 25 July 2003 the Bank issued debentures amounting to CC£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.

Share capital

	30.6.2005 No. of shares	30.6.2005 C£	31.12.2004 No. of shares	31.12.2004 C£
AUTHORISED				
Shares C£1 each	<u>50.000.000</u>	<u>50.000.000</u>	50.000.000	50.000.000
ISSUED				
Fully paid shares				
Balance at 1 January	<u>15.128.151</u>	<u>15.128.151</u>	15.128.151	15.128.151
Balance at 30 June/31 December	<u>15.128.151</u>	<u>15.128.151</u>	15.128.151	15.128.151

**Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2005**

Contingent liabilities and commitments

	30.6.2005	31.12.2004
	C£	C£
<i>Contingent liabilities</i>		
Acceptances and endorsements	107.057	29.072
Guarantees	10.389.176	11.714.260
	10.496.233	11.743.332
	30.6.2005	31.12.2004
	C£	C£
<i>Commitments</i>		
Documentary credits	318.063	395.770
Undrawn formal standby facilities, credit lines and other commitments to lend	7.294.536	6.819.845
	7.612.599	7.215.615

Transactions with directors

The analysis of loans and other advances, unutilised limits, and guarantees to members of the Board of Directors of the Bank and the Parent Company and their connected persons during the year 30 June 2005 was as follows:

	Number of existing Directors of the Bank	Number of Directors of the parent company	Loans and other advances	Unutilised facility limits	Guarantees
			C£	C£	C£
More than 1% of the net assets of the Bank, per Director	1	2	10.217.207	175.223	84.483
Less than 1% of the net assets of the Bank, per Director	5	11	141.636	71.435	1.500
Total	6	13	10.358.843	246.658	85.983

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

All transactions with members of the Board of Directors and/or their connected persons are based on normal commercial terms.

**Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2005**

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.

Approval of condensed interim financial statements

The condensed interim financial statements were approved for issue by the Board of Directors on 29 August 2005.