



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**31 MARCH 2003**

**LAIKI GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED 31 MARCH 2003**

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## LAIKI GROUP

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS ENDED 31 MARCH 2003

	Note	31.03.2003 C£ '000	31.03.2002 C£ '000
Net interest income		31.140	27.934
Income from fees and commissions, dealing in exchange and other income		<u>15.068</u>	<u>14.635</u>
Operating income		46.208	42.569
Administrative expenses		<u>(30.244)</u>	<u>(27.557)</u>
Operating profit before the results from disposal and revaluation of securities		15.964	15.012
Loss on disposal and revaluation of securities		<u>(1.541)</u>	<u>(4.378)</u>
Operating profit after the results from disposal and revaluation of securities		14.423	10.634
Provision for bad and doubtful debts		<u>(9.096)</u>	<u>(4.632)</u>
Profit before tax		5.327	6.002
Tax		<u>(1.289)</u>	<u>(3.356)</u>
Profit after tax		4.038	2.646
Minority interest		<u>19</u>	<u>634</u>
Profit attributable to the shareholders of the Bank		<u>4.057</u>	<u>3.280</u>
<b>Earnings per share</b>			
Earnings per share – cents	4	<u>1,3</u>	<u>1,1</u>

## LAIKI GROUP

### CONDENSED CONSOLIDATED BALANCE SHEET 31 MARCH 2003

	Note	31.03.2003 C£ '000	31.12.2002 C£ '000
<b>Assets</b>			
Cash and cash equivalents		1.002.801	1.082.499
Advances and other assets		3.760.507	3.635.794
Investments		33.754	37.115
Tangible fixed assets	6	84.164	85.278
Intangible assets		40.274	41.412
		<u>4.921.500</u>	<u>4.882.098</u>
<b>Share capital and reserves</b>			
Share capital	7	151.819	151.819
Share premium	7	2.358	2.385
		<u>154.177</u>	<u>154.204</u>
Reserves	8	121.659	120.896
<b>Shareholders' equity</b>		<b>275.836</b>	<b>275.100</b>
<b>Minority interest</b>		<b>26.251</b>	<b>26.039</b>
<b>Loan capital</b>	9	<b>150.725</b>	<b>148.723</b>
		<u>452.812</u>	<u>449.862</u>
<b>Liabilities</b>			
Deposits and other liabilities		4.468.688	4.432.236
		<u>4.921.500</u>	<u>4.882.098</u>

## LAIKI GROUP

### CONDENSED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE THREE MONTHS ENDED 31 MARCH 2003

	<b>31.03.2003</b> <b>C£ '000</b>	31.03.2002 C£ '000
Revaluation of available-for-sale investments	<b>(3.492)</b>	(1.759)
Exchange differences arising in the period	<b>198</b>	(110)
Net loss not recognised in the profit and loss account	<b>(3.294)</b>	(1.869)
Profit attributable to the shareholders of the Bank	<b>4.057</b>	3.280
Total recognised gain	<b>763</b>	1.411
Reserves at 1 January	<b>120.896</b>	152.468
Total recognised gain	<b>763</b>	1.411
Reserves at 31 March	<b>121.659</b>	153.879

## LAIKI GROUP

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2003

	<b>31.03.2003</b>	31.03.2002
	<b>€ '000</b>	€ '000
<b>Cash (outflow) /inflow (used in) / from operating activities</b>	<b>(75.164)</b>	8.721
<b>Taxation</b>	<b>(2.571)</b>	(4.584)
<b>Net cash (outflow) / inflow (used in) / from operating activities</b>	<b>(77.735)</b>	4.137
<b>Cash outflow used in investing activities</b>		
Purchases less proceeds from sale of fixed assets	<b>(960)</b>	(2.095)
Additions less disposals of available-for- sale investments	-	(137)
<b>Net cash outflow used in investing activities</b>	<b>(960)</b>	(2.232)
<b>Cash (outflow) /inflow (used in)/from financing activities</b>		
Issue of share capital	-	960
Interest received from investment securities	<b>1.491</b>	1.401
Interest paid on loan capital	<b>(1.740)</b>	(2.017)
<b>Net cash (outflow)/inflow (used in)/ from financing activities</b>	<b>(249)</b>	344
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(78.944)</b>	2.249
<b>Cash and cash equivalents</b>		
Balance at 1 January	<b>1.082.499</b>	997.209
Exchange differences	<b>(754)</b>	(93)
Net (decrease) / increase in cash and cash equivalents	<b>(78.944)</b>	2.249
Balance at 31 March	<b>1.002.801</b>	999.365

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the first three months of 2003 have not been audited by the external auditors of the Group.

#### 2. ACCOUNTING POLICIES

The condensed consolidated financial statements follow the same accounting policies as the annual financial statements and have been prepared in accordance with International Accounting Standard 34.

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

The condensed consolidated financial statements are presented in Cyprus Pounds, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group and the Bank and consolidate the results of the Bank and its subsidiary companies as at 31 March 2003.

#### 3. COMPARATIVES

The comparative figures have been adjusted to conform to changes in the presentation in the current period. An amount of C£157.000 relating to special contribution for defence deducted from salaries as at 31 March 2002 has been reclassified from taxation to staff costs.

#### 4. EARNINGS PER SHARE

	<b>31.03.2003</b> <b>C£ '000</b>	31.03.2002 C£ '000
Profit attributable to the shareholders of the Bank	<u>4.057</u>	<u>3.280</u>
	<b>31.03.2003</b> <b>'000</b>	31.03.2002 '000
Weighted average number of shares in issue during the period	<u>303.167</u>	<u>298.635</u>
Earnings per share – cents	<u>1,3</u>	<u>1,1</u>

The fully diluted earning per share is not disclosed because the conversion price of the debentures was higher than the market value of the share in the Cyprus Stock Exchange as at 31 March 2003.

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 5. SEGMENTAL ANALYSIS

##### By class of business

##### Three months ended 31 March 2003

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Gross income	72.864	2.522	10.704	(6.276)	79.814
Profit before tax and results from disposal and revaluation of securities	2.160	673	4.035		6.868
Profit before tax	2.161	41	3.125		5.327
Tax					(1.289)
Profit after tax					4.038
Minority interest					19
Profit attributable to the shareholders of the Bank					4.057

##### Three months ended 31 March 2002

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Gross income	72.474	2.716	11.720	(5.862)	81.048
Profit before tax and results from disposal and revaluation of securities	6.039	77	4.264		10.380
Profit / (loss) before tax	5.478	(1.507)	2.031		6.002
Tax					(3.356)
Profit after tax					2.646
Minority interest					634
Profit attributable to the shareholders					

**LAIKI GROUP****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****6. TANGIBLE FIXED ASSETS**

Movement in the first three months of 2003:

	<b>C£ '000</b>
Net book value at 1 January	85.278
Additions less disposals of fixed assets	836
Depreciation	(2.007)
Translation adjustments	57
	<hr/>
Net book value at 31 March	<b>84.164</b>

**7. SHARE CAPITAL AND SHARE PREMIUM ACCOUNTS**

Movement in the first three months of 2003:

	<b>Share capital C£ '000</b>	<b>Share premium C£ '000</b>
Issued and paid up at 1 January	<b>151.583</b>	<b>2.385</b>
Restatement due to correction in value of shares issued for the acquisition of Action Insurance Brokers Ltd	-	(27)
	<hr/>	<hr/>
Issued and paid up at 31 March	<b>151.583</b>	<b>2.358</b>
Equity element of convertible debentures (Note 9)	236	-
	<hr/>	<hr/>
Balance at 31 March	<b>151.819</b>	<b>2.358</b>

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8. RESERVES

Movement in the first three months of 2003:

	C£ '000
<b>Revenue reserves</b>	
Balance at 1 January	109.270
Profit for the period	<u>4.057</u>
Balance at 31 March	<u>113.327</u>
<b>Property revaluation reserves</b>	
Balance at 1 January and 31 March	<u>11.873</u>
<b>Investment revaluation reserves</b>	
Balance at 1 January	3.772
Revaluation for the period	<u>(3.492)</u>
Balance at 31 March	<u>280</u>
<b>Currency translation reserves</b>	
Balance at 1 January	(4.019)
Exchange differences arising in the period	<u>198</u>
Balance at 31 March	<u>(3.821)</u>
<b>Total reserves at 31 March</b>	<u><b>121.659</b></u>

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 9. LOAN CAPITAL

	C£'000
<b>Convertible debentures 2001/2006</b>	
Balance at 1 January	9.768
Equity element of convertible debentures (Note 7)	(236)
	<hr/>
Balance 31 March	9.532
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<b>Convertible debentures 2003/2010</b>	6.796
	<hr/>
<b>Non-convertible debentures 2003/2009</b>	30.000
	<hr/>
<b>Subordinated Eurobonds due 2011</b>	104.397
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<b>Total loan capital at 31 March</b>	<b>150.725</b>
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The repayment date of the above debentures with the exception of the convertible debentures 2001/2006 falls in the period of "over 5 years" from the balance sheet date i.e. later than 2007.

#### **Convertible debentures 2001/2006**

In March 1997 the Bank issued C£ 15 m. convertible debentures. The debentures pay interest every six months on 30 June and 31 December of each year and they mature in 2006. Interest is fixed at 7% on nominal value for the first two years. Thereafter, interest is reset every six months based on the average interest rate of government bonds in the preceding six-monthly period.

The debentures are convertible into Cyprus Popular Bank Ltd shares in June of each year until 2003. The conversion price is set at C£ 1,20 (adjustment due to bonus issue) per share in the years 2000 to 2003. The conversion price is adjusted every time there is a new issue of shares.

In the period from 30 June 2001 to 30 June 2006, the Bank has the right to repurchase all or part of the debentures at par and to pay the holder an amount equal to the nominal value of debentures plus any

accrued interest. In such a case, the holder of the debentures reserves the right to convert the debentures into shares.

The debentures are not secured and they rank for payment after the claims of depositors and other creditors.

## **LAIKI GROUP**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **9. LOAN CAPITAL (continued)**

##### **Convertible debentures 2003/2010**

In June 2001 the Bank issued C£ 6,7 m convertible debentures. The debentures pay interest every six months on 31 January and 31 July of each year and they mature in 2010. Interest is fixed at 7% on nominal value for the first year. Thereafter, interest will be reset based on the higher of the average interest rate of government bonds plus 0,25% or the highest interest offered on yearly deposits plus 0,25%.

The debentures are convertible into Cyprus Popular Bank Ltd shares in July of each year from 2003 to 2009. The conversion price is set at C£ 5,70 per share in the years 2003 to 2009. The conversion price is adjusted every time there is a new issue of shares.

In the period from 31 July 2003 to 25 June 2010, the Bank has the right to repurchase all or part of the debentures at par and to pay the holder an amount equal to the nominal value of debentures plus any accrued interest. In such a case, the holder of the debentures reserves the right to convert the debentures into shares.

The debentures are not secured and they rank for payment after the claims of depositors and other creditors.

##### **Non-convertible debentures 2003/2009**

In June 1999 the Bank issued C£ 30m. non-convertible debentures. The debentures pay interest every six months on 31 May and 30 November of each year and they mature in 2009.

Interest is fixed at 7,25% on nominal value for the first year. Thereafter, the debentures pay floating interest. The floating interest rate will be equal to the average interest rate of government bonds plus 0,75% or the highest interest rate offered by the Bank for one-year customer deposits plus 0,75%, whichever is higher.

After 31 May 2003, the Bank has the right to repurchase all or part of the debentures at par and to pay the holder an amount equal to the nominal value of the debentures plus any accrued interest.

The debentures are not secured and they rank for payment after the claims of depositors and other creditors.

## **LAIKI GROUP**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **9. LOAN CAPITAL (continued)**

##### **Subordinated Eurobonds due 2011**

In November 2001 the Bank issued euro 180 m. step-up floating rate subordinated bonds redeemable in whole on 28 November 2011. The bonds pay interest every three months in arrears on 28 February, 28 May, 28 August and 28 November in each year. Interest is set at 1,4% above the three-month rate of euro ("Euribor"). After 28 November 2006 its interest will increase by 1,4%.

The Bank has the option to redeem the bonds in whole on or after 28 November 2006.

The bonds constitute unsecured, subordinated obligations of the Bank and they rank for payment after the claims of depositors and other creditors.

The bonds are listed on the Luxemburg Stock Exchange and their market value at 31 March 2003 was euro 180,5m.

#### **10. CAPITAL COMMITMENTS**

The Capital expenditure of the Group contracted but not provided for at 31 March 2003 amounted to C£ 3,9 m.

#### **11. POST BALANCE SHEET EVENTS**

On 10 April 2003 the Bank issued C£ 15 m non-convertible debentures, which mature on 31 December 2007.

#### **12. APPROVAL OF FINANCIAL STATEMENTS**

The condensed consolidated financial statements were approved by the Board of Directors on 19 May 2003.

