



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**31 MARCH 2005**

**LAIKI GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three months ended 31 March 2005**

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## LAIKI GROUP

### CONDENSED CONSOLIDATED INCOME STATEMENT For the three months ended 31 March 2005

	Note	31.03.2005 C£ '000	31.03.2004 C£ '000
Net interest income		39.154	34.169
Net fee and commission income		11.788	11.167
Profit on disposal and revaluation of securities		1.144	1.202
Foreign exchange and other income		6.693	6.690
<b>Operating income</b>		<b>58.779</b>	<b>53.228</b>
Administrative expenses		(36.258)	(33.548)
Profit before provision for impairment of advances		22.521	19.680
Provision for impairment of advances		(10.967)	(11.450)
Profit before impairment of available-for-sale investments		11.554	8.230
Impairment of available-for-sale investments		-	(600)
Share of results of associates before tax		277	181
<b>Profit before tax</b>		<b>11.831</b>	<b>7.811</b>
Tax		(2.268)	(1.138)
<b>Profit after tax</b>		<b>9.563</b>	<b>6.673</b>
<b>Minority interest</b>		<b>(594)</b>	<b>(380)</b>
<b>Net profit attributable to the equity holders of the Bank</b>		<b>8.969</b>	<b>6.293</b>
<b>Earnings per share for profit attributable to the equity holders of the Bank</b>			
Basic earnings per share - cents	4	3,0	2,1

## LAIKI GROUP

### CONDENSED CONSOLIDATED BALANCE SHEET 31 March 2005

	Note	31.03.2005 C£ '000	31.12.2004 C£ '000
<b>Assets</b>			
Cash, balances with Central Banks and due from other banks		1.287.301	1.312.558
Advances to customers and other assets		4.026.065	3.872.936
Available-for-sale investments and investments in associates		441.145	390.209
Intangible assets		30.721	32.057
Property and equipment	6	83.914	85.143
<b>Total assets</b>		<b>5.869.146</b>	<b>5.692.903</b>
<b>Liabilities</b>			
Deposits and other liabilities		5.302.342	5.138.695
<b>Loan capital</b>	7	<b>214.984</b>	214.124
<b>Capital and reserves attributable to the Bank's equity holders</b>			
Share capital	8	152.450	152.450
Share premium	8	2.949	2.949
Reserves	9	160.745	149.781
		316.144	305.180
<b>Minority interest</b>		<b>35.676</b>	34.904
<b>Total equity</b>		<b>351.820</b>	<b>340.084</b>
<b>Total equity and liabilities</b>		<b>5.869.146</b>	<b>5.692.903</b>

**LAIKI GROUP**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the three months ended 31 March 2005**

	Attributable to equity holders of the Bank			Revenue reserves	Minority interest	Total
	Share capital	Share premium	Revaluation and currency translation reserves			
	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000
<b>Three months ended 31 March 2005</b>						
<b>Balance 1 January 2005 as previously reported</b>	<b>152.450</b>	<b>2.949</b>	<b>13.249</b>	<b>136.275</b>	<b>34.904</b>	<b>339.827</b>
Prior year adjustment	-	-	257	-	-	257
<b>Balance 1 January 2005 as restated</b>	<b>152.450</b>	<b>2.949</b>	<b>13.506</b>	<b>136.275</b>	<b>34.904</b>	<b>340.084</b>
Arising in the period:						
Adjustment on revaluation of property	-	-	(197)	-	-	(197)
Revaluation of available-for-sale investments	-	-	2.011	-	(17)	1.994
Exchange differences arising in the period	-	-	181	-	195	376
<i>Net profit recognised directly in equity</i>	-	-	1.995	-	178	2.173
Net profit	-	-	-	8.969	594	9.563
<b>Balance 31 March 2005</b>	<b>152.450</b>	<b>2.949</b>	<b>15.501</b>	<b>145.244</b>	<b>35.676</b>	<b>351.820</b>
<b>Three months ended 31 March 2004</b>						
Balance 1 January 2004 as previously reported	152.450	2.949	9.998	115.015	29.393	309.805
Prior year adjustment	-	-	214	-	-	214
	152.450	2.949	10.212	115.015	29.393	310.019
Balance 1 January 2004 as restated						
Arising in the period:						
Revaluation of available-for-sale investments	-	-	(162)	-	-	(162)
Impairment of available-for-sale investments	-	-	600	-	-	600
Exchange differences arising in the period	-	-	(110)	-	10	(100)
<i>Net profit recognised directly in equity</i>	-	-	328	-	10	338
Net profit	-	-	-	6.293	380	6.673
Balance 31 March 2004	152.450	2.949	10.540	121.308	29.783	317.030

**LAIKI GROUP****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the three months ended 31 March 2005**

	<b>31.03.2005</b>	31.03.2004
	<b>C£ '000</b>	C£ '000
<b>Cash generated from operations</b>	<b>5.467</b>	28.393
Tax paid	<u>(4.073)</u>	<u>(2.270)</u>
<b>Net cash from operating activities</b>	<b><u>1.394</u></b>	<b><u>26.123</u></b>
<b>Cash flows from investing activities</b>		
Additions less proceeds from disposal of property and equipment	<b>(503)</b>	(185)
Additions less proceeds from disposal of computer software	<b>(422)</b>	(358)
Additions less proceeds from disposal of available-for-sale investments	<b>(48.676)</b>	(35.002)
Income received from available-for-sale investments	<u>2.847</u>	<u>1.686</u>
<b>Net cash used in investing activities</b>	<b><u>(46.754)</u></b>	<b><u>(33.859)</u></b>
<b>Cash flows from financing activities</b>		
Interest paid on loan capital	<u>(2.656)</u>	<u>(2.368)</u>
<b>Net cash used in financing activities</b>	<b><u>(2.656)</u></b>	<b><u>(2.368)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(48.016)</b>	(10.104)
<b>Cash and cash equivalents at beginning of period</b>	<b>1.378.059</b>	1.174.945
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<u>5.996</u>	<u>5.159</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>1.336.039</u></b>	<b><u>1.170.000</u></b>

## **LAIKI GROUP**

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

#### **1. UNAUDITED FINANCIAL STATEMENTS**

The condensed consolidated financial statements for the three months ended 31 March 2005 have not been audited by the external auditors of the Group.

#### **2. ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

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

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 Bank and the Group and consolidate the results of the Bank and its subsidiary companies as at 31 March 2005.

The same accounting policies as for the annual financial statements for the year 2004 have been followed in the preparation of the condensed consolidated financial statements, except as set out below.

#### **Revised International Accounting Standards**

As from 1 January 2005, the Group adopted the following International Financial Reporting Standards ('IFRS') and revised International Accounting Standards ('IAS'), which came into force and are relevant to its operations.

IAS 1 (revised 2003) Presentation of Financial Statements

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 Venture

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

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2. ACCOUNTING POLICIES (continued)

##### Revised International Accounting Standards (continued)

The adoption of the above Standards did not have a material effect on the Group's financial statements.

##### Changes in accounting policies

###### *Goodwill*

With the adoption of IAS 36 (revised 2004) 'Impairment of Assets' and IAS 38 (revised 2004) 'Intangible Assets', the Group ceased the amortisation of goodwill and the book value of goodwill is tested for impairment at regular intervals.

###### *Financial Instruments*

Upon the initial application of IAS 39 (revised 2003) 'Financial Instruments: Recognition and Measurement', the Group transferred certain investments from the held-to-maturity category and from corporate bonds and debentures to the available-for-sale category. In accordance with the transitional provisions of IAS 39 (revised 2003), the transfer of investments was applied retrospectively. The prior year adjustment relates to these transfers. The reserves as at 1 January 2004 and the balance sheet as at 31 December 2004 were adjusted to reflect this.

#### 3. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

#### 4. EARNINGS PER SHARE

	31.03.2005 C£ '000	31.03.2004 C£ '000
Net profit attributable to the equity holders of the Bank	<u>8.969</u>	<u>6.293</u>
	31.03.2005 '000	31.03.2004 '000
Weighted average number of shares in issue during the period	<u>304.011</u>	<u>304.011</u>
Basic earnings per share – cents	<u>3,0</u>	<u>2,1</u>

Fully diluted earnings per share is not disclosed, as the price for the conversion of debentures is higher than the market price of the Cyprus Popular Bank Public Company Ltd share at the Cyprus Stock Exchange as at 31 March 2005.

# LAIKI GROUP

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. SEGMENTAL ANALYSIS

#### By class of business

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
<b>Three months ended 31 March 2005</b>					
<b>Total revenues</b>	<b>93.091</b>	<b>3.937</b>	<b>12.801</b>	<b>(5.650)</b>	<b>104.179</b>
Profit before tax, provision for impairment of goodwill and impairment of available-for-sale investments	<b>7.501</b>	<b>1.540</b>	<b>3.790</b>		<b>12.831</b>
Profit before tax	<b>7.501</b>	<b>640</b>	<b>3.690</b>		<b>11.831</b>
Tax					<b>(2.268)</b>
Profit after tax					<b>9.563</b>
Minority interest					<b>(594)</b>
<b>Net profit attributable to the equity holders of the Bank</b>					<b>8.969</b>
<b>Three months ended 31 March 2004</b>					
<b>Total revenues</b>	<b>77.314</b>	<b>3.468</b>	<b>12.302</b>	<b>(5.834)</b>	<b>87.250</b>
Profit before tax, amortisation of goodwill and impairment of available-for-sale investments	<b>3.801</b>	<b>1.254</b>	<b>4.448</b>		<b>9.503</b>
Profit before tax	<b>3.119</b>	<b>465</b>	<b>4.227</b>		<b>7.811</b>
Tax					<b>(1.138)</b>
Profit after tax					<b>6.673</b>
Minority interest					<b>(380)</b>
<b>Net profit attributable to the equity holders of the Bank</b>					<b>6.093</b>

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 6. PROPERTY AND EQUIPMENT

Movement in the three months to 31 March 2005:

	C£ '000
Net book value at 1 January 2005	85.143
Additions less disposals of property and equipment	546
Adjustment on revaluation of property	(197)
Depreciation	(1.885)
Exchange differences	307
	<hr/>
Net book value at 31 March 2005	<u>83.914</u>

#### 7. LOAN CAPITAL

	C£ '000
<b>Convertible debentures 2001/2006</b>	8.754
<b>Convertible debentures 2003/2010</b>	6.796
<b>Non-convertible debentures 2003/2009</b>	30.000
<b>Non-convertible debentures 2003/ 2007</b>	15.000
<b>Eurobonds due 2011</b>	104.878
<b>Capital securities</b>	50.000
	<hr/>
	215.428
Equity element of convertible debentures (Note 8)	(444)
	<hr/>
<b>Total loan capital</b>	<u>214.984</u>

The repayment date of the above debentures with the exception of eurobonds due 2011 falls in the period of "over one but less than five years" from the balance sheet date. The repayment date of eurobonds due 2011 falls in the period of "over 5 years" from the balance sheet date. The capital securities are perpetual.

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

In March 1997 the Bank issued C£ 15 m convertible debentures due 2006. The debentures pay interest every six months on 30 June and 31 December of each year. Interest was 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.

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

##### **Convertible debentures 2001/2006** (continued)

The debentures were convertible into Cyprus Popular Bank Public Company Ltd shares in June of each year until 2003. The conversion price was set at C£ 1,20 (adjustment due to bonus issue) per share in the years 2000 to 2003. The conversion price was adjusted every time there was 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, according to the terms of the debenture issue.

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

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

In June 2001 the Bank issued C£ 6,7 m convertible debentures due 2010. The debentures pay interest every six months on 31 January and 31 July of each year. Interest was fixed at 7% on nominal value for the first year. Thereafter, interest is 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 Public Company 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, according to the terms of the debenture issue.

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£ 30 m non-convertible debentures due 2009. The debentures pay interest every six months on 31 May and 30 November of each year. Interest was fixed at 7,25% on nominal value for the first year. Thereafter, the debentures pay floating interest. The floating interest rate is equal to the average interest rate of government bonds for one year plus 0,75% or the highest interest rate offered by the Bank for one year customer deposits plus 0,75%, whichever is higher.

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 7. LOAN CAPITAL (continued)

##### **Non-convertible debentures 2003/2009** (continued)

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.

##### **Non-convertible debentures 2003/2007**

In April 2003 the Bank issued C£ 15 m non-convertible debentures due 2007. The debentures pay interest every six months on 30 June and 31 December of each year.

Interest was fixed at 6,50% on nominal value until 31 December 2004. Thereafter, the debentures will pay floating interest. The floating interest rate will be equal to the weighted average base rate for the relevant six-monthly period plus 1%.

The Bank has the right to repurchase the debentures in the market, by special agreement or by offer to all debenture holders at any price.

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

##### **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 1,40% above the three-month rate of euro ("Euribor"). After 28 November 2006 its interest will be set at 2,8% above Euribor.

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 the depositors and other creditors.

The bonds are listed on the Luxembourg Stock Exchange and their market value at 31 March 2005 was euro 180,7 m.

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 7. LOAN CAPITAL (continued)

##### Capital securities

In June 2003 the Bank issued C£ 25 m capital securities, which were offered to a limited number of investors. In September 2003 the Bank issued an additional C£ 25 m capital securities, which were offered to the Bank's shareholders and to the public.

The securities pay floating interest, which is revised at the beginning of each interest period. The floating interest rate is equal to the base rate at the beginning of the period plus 1,2%. The capital securities pay interest quarterly at 31 March, 30 June, 30 September and 31 December in each year.

The capital securities are perpetual, but can be repurchased in full at the option of the Bank at nominal value plus accrued interest on 30 June 2008 or at any interest payment date thereafter, after approval from the Central Bank of Cyprus.

In case the capital securities are not repurchased by the Bank 10 years after their issue, then the holder has the right to exchange the securities with ordinary shares of the Bank at any interest payment date thereafter, at a discount of 10% on the average price of the ordinary share as this will be traded on the Cyprus Stock Exchange for a period of one month before the respective exchange date.

The capital securities constitute direct non-secured and subordinated obligations of the Bank. They rank for payment after the claims of depositors and other creditors.

#### 8. SHARE CAPITAL AND SHARE PREMIUM

	<b>Share capital C£ '000</b>	<b>Share premium C£ '000</b>
Issued and paid-up	<b>152.006</b>	<b>2.949</b>
Equity element of convertible debentures (Note 7)	<u>444</u>	<u>-</u>
Balance 31 March 2005	<u><b>152.450</b></u>	<u><b>2.949</b></u>

## LAIKI GROUP

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 9. RESERVES

Movement in the three months to 31 March 2005:

	C£ '000
<b>Revenue reserves</b>	
Balance at 1 January 2005	136.275
Net profit for the period	<u>8.969</u>
Balance at 31 March 2005	<u>145.244</u>
<b>Property revaluation reserves</b>	
Balance at 1 January 2005	14.959
Adjustment on revaluation of property	<u>(197)</u>
Balance at 31 March 2005	<u>14.762</u>
<b>Investment revaluation reserves</b>	
Balance at 1 January 2005	1.970
Prior year adjustment	<u>257</u>
	2.227
Revaluation for the period	<u>2.011</u>
Balance at 31 March 2005	<u>4.238</u>
<b>Currency translation reserves</b>	
Balance at 1 January 2005	(3.680)
Exchange differences arising in the period	<u>181</u>
Balance at 31 March 2005	<u>(3.499)</u>
<b>Total reserves at 31 March 2005</b>	<u>160.745</u>

## **LAIKI GROUP**

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

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

Capital expenditure contracted but not provided for at 31 March 2005 amounted to C£ 2,4 m.

#### **11. APPROVAL OF FINANCIAL STATEMENTS**

The condensed consolidated financial statements were approved by the Board of Directors on 24 May 2005.