



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2003

LAIKI GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

CONTENTS

	Page
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003	1
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2003	2
CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2003	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003	5
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6-13

LAIKI GROUP

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

	Note	30.09.2003 C£ '000	30.09.2002 C£ '000
Net interest income		95.531	89.928
Income from fees and commissions, dealing in exchange and other income		<u>47.698</u>	<u>45.829</u>
Operating income		143.229	135.757
Administrative expenses		<u>(93.647)</u>	<u>(89.134)</u>
Operating profit before the results from disposal and revaluation of securities		49.582	46.623
Loss on disposal and revaluation of securities		<u>(600)</u>	<u>(12.449)</u>
Operating profit after the results from disposal and revaluation of securities		48.982	34.174
Provision for bad and doubtful debts		<u>(36.947)</u>	<u>(20.165)</u>
Operating profit before transfer from reserve		12.035	14.009
Transfer from investment revaluation reserve due to impairment in the value of available-for-sale investments		<u>-</u>	<u>(47.149)</u>
Profit / (loss) before tax		12.035	(33.140)
Tax		<u>(3.977)</u>	<u>(3.274)</u>
Profit / (loss) after tax		8.058	(36.414)
Minority interest		<u>(41)</u>	<u>1.602</u>
Profit / (loss) attributable to the shareholders of the Bank		<u>8.017</u>	<u>(34.812)</u>
Earnings per share			
Earnings per share (cents)	4	<u>2,6</u>	<u>(11,6)</u>

LAIKI GROUP

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2003

	3 months to September 2003 C£ '000	3 months to September 2002 C£ '000
Net interest income	32.758	33.240
Income from fees and commissions, dealing in exchange and other income	16.236	14.764
Operating income	48.994	48.004
Administrative expenses	(32.059)	(33.012)
Operating profit before the results from disposal and revaluation of securities	16.935	14.992
Profit / (loss) on disposal and revaluation of securities	957	(3.512)
Operating profit after the results from disposal and revaluation of securities	17.892	11.480
Provision for bad and doubtful debts	(14.847)	(9.239)
Operating profit before transfer from reserve	3.045	2.241
Transfer from investment revaluation reserve due to impairment in the value of available-for-sale investments	-	(47.149)
Profit / (loss) before tax	3.045	(44.908)
Tax	(1.211)	3.357
Profit / (loss) after tax	1.834	(41.551)
Minority interest	(314)	519
Profit / (loss) attributable to the shareholders of the Bank	1.520	(41.032)

LAIKI GROUP

CONDENSED CONSOLIDATED BALANCE SHEET 30 SEPTEMBER 2003

	Note	30.09.2003 C£ '000	31.12.2002 C£ '000
Assets			
Cash and cash equivalents		1.040.176	1.082.499
Advances and other assets		3.824.862	3.635.794
Investments		33.405	37.115
Tangible fixed assets	6	83.524	85.278
Intangible assets		38.096	41.412
		<u>5.020.063</u>	<u>4.882.098</u>
Share capital and reserves			
Share capital	7	152.006	151.819
Share premium	7	2.949	2.385
		<u>154.955</u>	<u>154.204</u>
Reserves	8	125.091	120.896
Shareholders' equity		280.046	275.100
Minority interest		29.551	26.039
Loan capital	9	215.120	148.723
		<u>524.717</u>	<u>449.862</u>
Liabilities			
Deposits and other liabilities		4.495.346	4.432.236
		<u>5.020.063</u>	<u>4.882.098</u>

LAIKI GROUP

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

	Share capital C£ '000	Share premium C£ '000	Revaluation and currency translation reserves C£ '000	Retained earnings C£ '000	Total C£ '000
Nine months ended 30 September 2003					
Balance 1 January 2003	151.819	2.385	11.626	109.270	275.100
Arising in the period:					
Revaluation of available-for-sale investments	-	-	(4.076)	-	(4.076)
Exchange differences for the period	-	-	254	-	254
<i>Net loss not recognised in the profit and loss account</i>	-	-	(3.822)	-	(3.822)
Profit attributable to the shareholders of the Bank	-	-	-	8.017	8.017
Conversion of debentures	423	591	-	-	1.014
Restatement due to correction in value of shares issued for the acquisition of Action Insurance Brokers Ltd	-	(27)	-	-	(27)
Equity element of convertible debentures not exercised	(236)	-	-	-	(236)
Balance 30 September 2003	152.006	2.949	7.804	117.287	280.046
Nine months ended 30 September 2002					
Balance 1 January 2002	149.404	427	(17.632)	170.100	302.299
Arising in the period:					
Revaluation of available-for-sale investments	-	-	(22.218)	-	(22.218)
Impairment in the value of available-for-sale investments (*)	-	-	47.149	-	47.149
Exchange differences for the period	-	-	(109)	-	(109)
<i>Net profit not recognised in the profit and loss account</i>	-	-	24.822	-	24.822
Loss attributable to the shareholders of the Bank	-	-	-	(34.812)	(34.812)
Dividend paid	-	-	-	(9.007)	(9.007)
Issue of share capital	2.358	1.874	-	-	4.232
Conversion of debentures	60	84	-	-	144
Change in the equity element of convertible debentures	(3)	-	-	-	(3)
Balance 30 September 2002	151.819	2.385	7.190	126.281	287.675

(*) In accordance with the proposed revisions to International Financial Reporting Standard 39, a significant and prolonged decline in the fair value of an available-for-sale investment constitutes objective

evidence of impairment. Therefore, on 30 September 2002 we transferred C£ 47,1 m from the investment revaluation reserve to the profit and loss account.

LAIKI GROUP

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

	30.09.2003	30.09.2002
	C£ '000	C£ '000
Cash outflow used in operating activities	(94.352)	(17.706)
Taxation	(5.961)	(10.225)
Net cash outflow used in operating activities	(100.313)	(27.931)
Cash outflow used in investing activities		
Purchases less proceeds from sale of fixed assets	(4.247)	(6.473)
Purchases less proceeds from sale of computer software	(544)	-
Purchases less proceeds from sale of available-for-sale investments	-	(4.028)
Participation in share capital of Laiki Life S.A.	-	(791)
Net cash outflow used in investing activities	(4.791)	(11.292)
Cash inflow/(outflow) from/(used in) financing activities		
Issue of debentures	15.000	-
Issue of capital securities	50.000	-
Issue of share capital	-	4.373
Interest received from investment securities	4.405	4.063
Dividends received from available-for-sale investments	50	262
Interest paid on loan capital	(5.727)	(5.951)
Dividends paid	-	(9.007)
Net cash inflow/(outflow) from/(used in) financing activities	63.728	(6.260)
Net decrease in cash and cash equivalents	(41.376)	(45.483)
Cash and cash equivalents		
Balance at 1 January	1.082.499	997.209
Exchange differences	(947)	(2.626)
Net decrease in cash and cash equivalents	(41.376)	(45.483)
Balance at 30 September	1.040.176	949.100

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the nine months to 30 September 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 Financial Reporting Standard 34.

The condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 December 2002.

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 30 September 2003.

3. COMPARATIVES

The comparative figures have been adjusted to conform to changes in the presentation in the current period. An amount of C£478.000 relating to special contribution for defence deducted from salaries as at 30 September 2002 has been reclassified from taxation to staff costs.

4. EARNINGS PER SHARE

	30.09.2003	30.09.2002
	C£ '000	C£ '000
Profit / (loss) attributable to the shareholders of the Bank	<u>8.017</u>	<u>(34.812)</u>
	30.09.2003	30.09.2002
	'000	'000
Weighted average number of shares in issue during the period	<u>303.401</u>	<u>300.419</u>
Earnings per share (cents)	<u>2,6</u>	<u>(11,6)</u>

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTAL ANALYSIS

By class of business

Nine months ended 30 September 2003

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Gross income	217.232	8.465	35.478	(17.714)	243.461
(Loss) / profit before tax and results from disposal and revaluation of securities	(549)	694	12.490		12.635
(Loss) / profit before tax	(403)	275	12.163		12.035
Tax					(3.977)
Profit after tax					8.058
Minority interest					(41)
Profit attributable to the shareholders of the Bank					8.017

Nine months ended 30 September 2002

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Gross income	227.008	6.374	36.051	(16.473)	252.960
Profit / (loss) before tax and results from disposal and revaluation of securities	13.255	(1.659)	14.862		26.458
(Loss) / profit before tax	(11.203)	(27.085)	5.148		(33.140)
Tax					(3.274)
Loss after tax					(36.414)
Minority interest					1.602

Loss attributable to the shareholders
of the Bank

(34.812)

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. TANGIBLE FIXED ASSETS

Movement in the nine months to 30 September 2003:

	C£ '000
Net book value at 1 January	85.278
Additions less disposals of fixed assets	4.175
Depreciation	(5.992)
Translation adjustments	63
	<hr/>
Net book value at 30 September	83.524
	<hr/>

7. SHARE CAPITAL AND SHARE PREMIUM ACCOUNTS

Movement in the nine months to 30 September 2003:

	Share capital C£ '000	Share premium C£ '000
Issued and paid up at 1 January	151.583	2.385
Conversion of debentures	423	591
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 30 September	152.006	2.949
	<hr/>	<hr/>

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. RESERVES

Movement in the nine months to 30 September 2003:

	C£ '000
Revenue reserves	
Balance at 1 January	109.270
Profit for the period	<u>8.017</u>
Balance at 30 September	<u>117.287</u>
Property revaluation reserves	
Balance at 1 January and 30 September	<u>11.873</u>
Investment revaluation reserves	
Balance at 1 January	3.772
Revaluation for the period	<u>(4.076)</u>
Balance at 30 September	<u>(304)</u>
Currency translation reserves	
Balance at 1 January	(4.019)
Exchange differences arising in the period	<u>254</u>
Balance at 30 September	<u>(3.765)</u>
Total reserves at 30 September	<u>125.091</u>

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL

	C£ '000
Convertible debentures 2001/2006	
Balance at 1 January	9.768
Conversion of debentures	(1.014)
	<hr/>
Balance 30 September	8.754
	<hr/>
Convertible debentures 2003/2010	6.796
	<hr/>
Non-convertible debentures 2003/2009	30.000
	<hr/>
Subordinated Eurobonds due 2011	104.570
	<hr/>
Non-convertible debentures 2003/ 2007	15.000
	<hr/>
Capital securities	50.000
	<hr/>
Total loan capital at 30 September	<u>215.120</u>

The repayment date of the above debentures with the exception of the convertible debentures 2001/2006 and the non-convertible debentures 2003/2007 falls in the period of "over 5 years" from the balance sheet date i.e. later than 2008.

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 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.

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 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 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£ 30 m 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 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 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 30 September 2003 was euro 180,3 m.

Non-convertible debentures 2003/2007

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

Interest is fixed at 6,50% on nominal value until 31 December 2004. Thereafter, the debentures 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.

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.

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL (continued)

Capital securities (continued)

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.

10. CAPITAL COMMITMENTS

The Capital expenditure of the Group contracted but not provided for at 30 September 2003 amounted to C£ 2,7 m.

11. COMMITTEE FOR THE PROTECTION OF COMPETITION

Proceedings against the three biggest commercial banks, including Cyprus Popular Bank Ltd, have begun and are still pending before the Committee for the Protection of Competition. The proceedings relate to alleged violations of the Protection of Competition Law. The Cyprus Popular Bank Ltd objects and disputes these allegations.

12. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved by the Board of Directors on 26 November 2003.