

# UNIVERSAL BANK

annual report 2000



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# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Universal Savings Bank Ltd will be held at the Universal Group of Companies headquarters in Nicosia, on 27 June 2001 at 5:30 p.m., to transact the following business:

## **Agenda**

1. Submission of the financial statements of the Bank for the year ended 31 December 2000 and the Directors' and Auditors' Report.
2. Election of the members of the Board of Directors.
3. Fixing the remuneration of the Directors.
4. Re-appointment of the Auditors and fixing their remuneration.
5. Transaction of any other business, which can be carried out at the Annual General Meeting.

By order of the Board

M.P. Kleopas  
Secretary

*Nicosia, 29 May 2001.*

## **Notes:**

*A member entitled to attend and vote at the above meeting, is entitled to appoint a proxy to attend and vote on his behalf. The instrument appointing a proxy must be deposited either at the registered office of the Bank, 12-14 Kennedy Avenue, Nicosia or received at P.O. Box 28510, 2080 Nicosia, at least 48 hours before the time of the meeting.*

# Board of Directors and Executives

## **Board Of Directors**

George Syrimis, *Chairman*

Andreas Georghiou, *Executive Vice Chairman*

Elias Pantelides

Michalis Michaelides

Iosif Vavlitis

Michalis Kleopas

Pavlos Photiades

Alexandra Ghalanou

## **General Manager**

Dr Spyros Episkopou

## **Financial Controller**

Demetris Shacallis

## **Secretary**

Michalis Kleopas

## **Registered Office**

12-14 Kennedy Avenue

P.O. Box 28510, 2080 Nicosia

Tel: 0777333

Fax: 02 358702

## **Auditors**

Ernst & Young

*Chartered Accountants*

## **Legal Adviser**

Dr Kypros Chrysostomides & Co.



Lead the way and let others follow.

lead the way



Remember that strong bonds will support and guide your way to the future.

strong bonds



Now you have the power to build the future!  
Look for those who can help you make it come true.

build the future!

## Chairman's Statement

It is with great pleasure that I present to you the Annual Report for the year 2000, putting forward a few comments about the results, developments and prospects of the Bank.

The profit from operations amounted to C£948.472 compared to C£641.087 in the previous year. After the provision for doubtful debts and the deduction of corporation tax, the net profits rose to C£456.788 representing an increase of 13%. Equally important are considered to be the improvements of other financial indicators. Total assets reached a level of C£132,3 million representing a 58% increase compared to 1999. In addition, loans and advances reached a total of C£72,4 million registering an increase of 98% and deposits reached a total of C£82,6 million showing an increase of 33%. As a result of the above the capital adequacy ratio of our Bank has improved to reach a level of 30%, which is considered one of the highest in the Cyprus banking sector.



With the granting of the full Banking License, our Bank's operations cover a complete range of banking services through our nationwide coverage of Banking Centers totaling 14. The Banking Center network will soon be extended further through the opening of 4 new Banking Centers.

All Banking Centers are based on the new and dynamic corporate group identity that was implemented with success during the year by the Universal Group of Companies.

The installation and operational process of the new banking information technology systems (on-line Globus Banking System) have progressed to the second phase which covers the Treasury, Portfolio Management, Collateral and Trade Finance modules. Completion of the second phase is expected to take place within the year 2001 after which our Bank would be in a position to provide and operate a full range of automated banking products under a single-data warehouse. We believe that our investment in the Globus Banking System and other related information systems will give our Bank a technological advantage for at least the next five years.

During the year 2000 the Bank set in operation the first 11 Automatic Teller Machines (ATM) nationwide. Our aim is to provide all our Banking Centers with the necessary equipment in order to achieve high standards of client service.

The operation of the nationwide Call Centre continued with success. A study is currently underway for our Bank to offer to its clients Internet and WAP Banking services. Simultaneously, we are investigating the provision of e-commerce clearing services.

The range of our banking products is expanding continuously with new products especially in the area of bank assurance. We are in the process of designing new products with the objective of becoming profitably differentiated from the other banks and always with the overall objective of providing products and solutions to our customers that would help in the expansion of their operations.

Equally important is the introduction of the new 3-year Index Linked Deposit Investment Plan whose performance is linked to the performance of the Dow Jones Euro Stoxx 50 and the Credit Suisse Technology Indices.

In May 2000, Universal Bank acquired 15% of the start-up issued share capital of the company SpiderTrade.Com Ltd. The total percentage holding for the Universal Group of companies as at 31 December 2000 was 25%. The Bank's investment in the share capital of SpiderTrade.Com Ltd is expected to have a positive effect on the profitability of the Bank, on the expansion of the Bank's clientele as well as on the provision and launching of the Bank's products through the Internet.

With the enactment of the relevant legislation for Mutual Funds, the Bank is making the necessary preparations for the provision of Custodian Services not just for the Universal Group of companies but also for other companies outside the group. The Custodian department has been set-up.

The increase of the issued share capital during the year from 8.750.000 shares to 15.000.000 resulted in the increase of the Bank's Capital Base to an amount exceeding C£28 million. This increase is in accordance with the Bank's policy of financing important investments and expansion plans from own funds, a policy that was applied throughout the year 2000.



The high capital adequacy of our Bank is considered very important, as we will be able to form a sound base for the operation of international trade transactions with our correspondent banks abroad. It is common knowledge that in order for foreign correspondent banks to be able to offer lines of credit to local banks for international trade transactions a strong capital adequacy is required.

Following a decision of the Extraordinary General Meeting which followed the Annual General Meeting of 21 June 2000, the authorised share capital of the Bank was increased from fifteen million Cyprus pounds (C£15.000.000) divided into fifteen million C£1 shares, to fifty million Cyprus pounds (C£50.000.000), divided into fifty million C£1 shares with the creation of thirty-five million additional C£1 shares (35.000.000), with the same conditions and rights as with the existing shares. At the same meeting, the Board of Directors was authorised to issue and allot new shares of nominal value C£1 each to the members of staff of the Universal Group of companies with such terms and conditions that the issue would constitute a motivational tool for their productivity and loyalty to the Group. The first such issue took place at the beginning of 2001 and the terms and conditions of the issue have already been announced.

The interest rate liberalization environment demands from banks to be in a position to be able to move at a faster pace with direct effect on their profitability. We believe that our strong information technology infrastructure enables us to take decisions at a fast and flexible pace as well as evaluate the opportunities and dangers associated with the banking sector.

The Board of Directors recognises and evaluates on an ongoing basis the changes and dynamics of the Cyprus as well as the European banking and economic sectors. In order to tackle these changes, the Bank together with other Group companies carry out various studies and research so as to expand either through participations or by entering into various associations with other parties.

Based on the above and the continuous expansion of our operations, the prospects for the results of the year 2001 are expected to be satisfactory.

I would like to take this opportunity to express my warmest thanks to our former General Manager, Mr George Makariou. Mr Makariou worked very hard and productively for a period of four years with the financial backing of the holding company (Universal Life) and the close cooperation and guidance of our Executive Vice-Chairman, Mr Andreas Georghiou. These factors have contributed towards the progression and growth of our small Savings Bank into a dynamic financial center with our ambition for further expansion. Mr Makariou resigned from the position of General Manager on 28 February 2001 to take over the management of his family businesses. Dr Spyros Episkopou was appointed as the Bank's General Manager on the 1 March 2001. Dr Episkopou's qualifications and experience in the financial services sector together with his pleasant and kind personality represent the necessary tools for the continuous growth of our Banking institution aiming always to a better future.

Finally, I would like to thank our customers and our shareholders for believing in our vision and for their support. In addition, I wish to thank the members of the Board of Directors, our Auditors and Legal Advisers, as well as all other associates for their valuable services. Lastly, special thanks to the Executive and General Management and our personnel for the dedication and zeal with which they work for the speedy achievement of our vision and our targets.

George Syrimis  
Chairman

*Nicosia, 29 May 2001*

# Report of the Directors

The Board of Directors of Universal Savings Bank Ltd ("Bank") submit to the shareholders their report for the year ended 31 December 2000.

## **Activities**

The Bank is a subsidiary company of the Universal Group of Companies. The Bank's activities during the year were the provision of banking and financial services. The Bank is not a public company for the purposes of the Income Tax Law.

## **Results**

The profit from operations for the year amounts to C£948.472 compared to C£641.087 for the year 1999. After the provision for doubtful debts and the deduction of taxation the profit amounts to C£456.788 compared to C£403.508 for the previous year. This profit is transferred to reserves.

## **Board of Directors**

The Board of Directors of the Bank consists of the members listed on page 3. All were members of the Board throughout the year 2000. According to the Company's Articles of Association Messrs Andreas Georghiou, Elias Pantelides and Iosif Vavlitis retire by rotation and, being eligible, offer themselves for re-election.

## **Share Capital**

On 12 September 2000 the Bank issued 6.250.000 shares of nominal value C£1 each, which were offered to the existing shareholders in the ratio of five new shares for every seven shares held on 20 April 2000 at the price of C£2.40 per share. These shares were called up and fully paid in one instalment by 12 September 2000.

## **Auditors**

The auditors of the Bank Messrs Ernst & Young have signified their willingness to continue in office. A resolution fixing their remuneration will be proposed at the Annual General Meeting.

George Syrimis  
Chairman

*Nicosia, 29 May 2001.*



## Financial Report 2000



## Profit and Loss Account

for the year ended 31 December 2000

|  | Note | 2000<br>C£         | 1999<br>C£  |
|--|------|--------------------|-------------|
| Turnover   |      | <b>9,001,436</b>   | 6,052,942   |
| Interest receivable                                  | 2    | <b>6,610,715</b>   | 4,109,763   |
| Interest payable                                     | 3    | <b>(4,195,444)</b> | (2,891,651) |
| <b>Net interest income</b>                           |      | <b>2,415,271</b>   | 1,218,112   |
| Fees and commissions receivable                      |      | <b>2,070,080</b>   | 1,460,619   |
| Fees and commissions payable                         |      | <b>(51,034)</b>    | (27,821)    |
| Income from equity shares                            | 4    | <b>76,615</b>      | 423,271     |
| Foreign exchange income                              |      | <b>65,506</b>      | 50,319      |
| Other operating income                               | 5    | <b>178,520</b>     | 8,970       |
| <b>Total operating income</b>                        |      | <b>4,754,958</b>   | 3,133,470   |
| Personnel costs                                      | 6    | <b>(1,594,608)</b> | (1,221,509) |
| Depreciation and amortisation of fixed assets        |      | <b>(781,244)</b>   | (479,996)   |
| Amortisation of prepaid fees                         | 7    | <b>(346,239)</b>   | (5,225)     |
| Unrealised loss on revaluation of equity investments |      | <b>(148,968)</b>   | (209,825)   |
| Other operating expenses                             |      | <b>(935,427)</b>   | (575,828)   |
| <b>Total operating expenses</b>                      |      | <b>(3,806,486)</b> | (2,492,383) |
| <b>Operating profit before provisions</b>            |      | <b>948,472</b>     | 641,087     |
| Provision for bad and doubtful debts                 | 14   | <b>(227,406)</b>   | (93,312)    |
| <b>Profit before tax</b>                             | 8    | <b>721,066</b>     | 547,775     |
| Tax  | 9    | <b>(264,278)</b>   | (144,267)   |
| <b>Profit for the year</b>                           | 27   | <b>456,788</b>     | 403,508     |
| Earnings per share (cent)                            | 10   | <b>4.3</b>         | 4.7         |

## Statement of Recognised Gains and Losses

for the year ended 31 December 2000

|  | 2000<br>C£     | 1999<br>C£ |
|--|----------------|------------|
| Retained earnings, as per Profit & Loss Account      | <b>456,788</b> | 403,508    |
| Profits transferred to reserves:                     |                |            |
| Unrealised gain on revaluation of equity investments | <b>27,603</b>  | 47,005     |
| <b>Total recognised gains</b>                        | <b>484,391</b> | 450,513    |

The notes on pages 13 to 29 form part of these financial statements.

# Balance Sheet

as at 31 December 2000

|  | Note | 2000<br>C£         | 1999<br>C£        |
|--|------|--------------------|-------------------|
| <b>ASSETS</b>                                    |      |                    |                   |
| Cash and balances with the Central Bank          | 11   | 15.694.352         | 8.637.401         |
| Government and other debt securities             | 12   | 14.303.285         | 9.347.300         |
| Placements with banks                            | 13   | 9.128.931          | 15.500.373        |
| Loans and advances to customers                  | 14   | 72.416.543         | 36.511.858        |
| Equity shares                                    | 15   | 275.440            | 3.067.264         |
| Investment in related company                    | 16   | 191.250            | -                 |
| Investment in subsidiary company                 | 17   | 495                | 495               |
| Property, plant and equipment                    | 18   | 3.248.625          | 2.070.872         |
| Intangible fixed assets                          | 19   | 1.086.117          | 1.293.600         |
| Other assets                                     | 20   | 4.950.846          | 919.921           |
| <b>Total assets</b>                              |      | <b>121.295.884</b> | <b>77.349.084</b> |
| <b>LIABILITIES</b>                               |      |                    |                   |
| Deposits by banks                                | 21   | 8.500.000          | -                 |
| Deposits and other customer accounts             | 22   | 82.632.824         | 62.233.596        |
| Government Loan                                  | 23   | 150.000            | 300.000           |
| Other liabilities                                | 24   | 562.191            | 1.017.124         |
| Accruals   | 25   | 1.468.621          | 1.253.502         |
| <b>Total liabilities</b>                         |      | <b>93.313.636</b>  | <b>64.804.222</b> |
| <b>SHAREHOLDERS' FUNDS</b>                       |      |                    |                   |
| Share capital                                    | 26   | 15.000.000         | 8.750.000         |
| Share premium                                    | 27   | 12.399.495         | 3.649.495         |
| Revaluation reserve                              | 27   | 27.603             | 47.005            |
| General reserve                                  |      | 26.867             | 26.867            |
| Retained earnings                                | 27   | 528.283            | 71.495            |
|  |      | <b>27.982.248</b>  | <b>12.544.862</b> |
| <b>Total liabilities and shareholders' funds</b> |      | <b>121.295.884</b> | <b>77.349.084</b> |
| <b>CONTINGENT LIABILITIES</b>                    |      |                    |                   |
| Contingent liabilities                           | 28   | 10.957.299         | 6.230.354         |

George Syrimis - *Chairman*

Andreas Georgiou - *Executive Vice Chairman*

Dr Spyros Episkopou - *General Manager*

Demetris Shacallis - *Financial Controller*

The notes on page 13 to 29 form part of these financial statements.

# Cash Flow Statement

for the year ended 31 December 2000

|  | Note | 2000<br>C£          | 1999<br>C£         |
|--|------|---------------------|--------------------|
| <b>Net cash inflow from operating activities</b>             | 32   | <b>(18.659.404)</b> | 22.574.957         |
| <b>Investing activities</b>                                  |      |                     |                    |
| Purchase of property, plant and equipment                    |      | (1.766.092)         | (1.827.674)        |
| Proceeds from the disposal of property, plant and equipment  |      | 14.500              | 75                 |
| Purchase of equity shares                                    |      | (624.559)           | (6.203.178)        |
| Proceeds from the sale of equity shares                      |      | 3.109.916           | 3.389.355          |
| Interest received from Government debt securities            |      | 942.188             | 504.207            |
| Dividends received from equity shares                        |      | 21.279              | 7.010              |
|  |      | <b>1.697.232</b>    | <b>(4.130.205)</b> |
| <b>Financing activities</b>                                  |      |                     |                    |
| Issue of share capital                                       |      | 15.000.000          | 4.500.000          |
| Repayment of Government loan                                 |      | (150.000)           | (150.000)          |
| Interest paid on Government loan                             |      | (13.547)            | (21.789)           |
| Proceeds from borrowed funds                                 |      | 8.500.000           | -                  |
|  |      | <b>23.336.453</b>   | <b>4.328.211</b>   |
| <b>Net increase in cash and cash equivalent for the year</b> | 33   | <b>6.374.281</b>    | <b>22.772.963</b>  |

The notes on page 13 to 29 form part of these financial statements.

# Notes to the Financial Statements

**for the year ended 31 December 2000**

## **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed in respect of items that are considered material or important for the results of operations and the financial position of the Bank are stated below:

### **Basis of preparation**

The financial statements, which are expressed in Cyprus pounds, have been prepared under the historical cost convention and in accordance with the provisions of the Cyprus Companies Law, the Cyprus Stock Exchange Law and Regulations and the International Accounting Standards.

### **Advances and other customer accounts before 15 August 1974**

Provision has been made for all advances and other customer accounts, which were granted prior to 15 August 1974.

### **Loans and advances**

Loans and advances are stated net of specific and general provisions for doubtful debts, which may arise during the ordinary course of business.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realisable value. In addition, general provisions are made to provide for losses which have not been specifically identified but are known to exist in any portfolio of advances of financial institutions. The level of general provisions is made on the basis of past experience, current economic conditions and other relevant factors.

### **Interest receivable and payable**

Interest receivable and payable are recognised in the Profit & Loss account on an accruals basis other than what is stated in the following paragraph.

Interest receivable and payable on balances before 15 August 1974 was calculated up to 15 August 1974, the day on which the Bank suspended its operations due to the Turkish invasion. All interest with regard to these balances is accounted for when paid or received.

The Bank has adopted this year a new accounting policy of suspending interest on all loans and advances that are considered doubtful and for which specific provision has been made. Such interest is not credited to income but is taken to an interest in suspense account and is only released to the Profit and Loss account when its collectability is no longer subject to significant doubt. Previously, interest was accrued on all doubtful debts and where necessary, was included in specific provisions.

The change in accounting policy will result in a fairer presentation of the operating results.

### **Fees and commissions**

Fees and commissions receivable are recognised on the basis of the completion of the transaction so as to correspond to the cost of providing the service.

Fees receivable in respect of the undertaking of credit risk are recognised on the date of undertaking of the credit risk.

### **Foreign currency transactions**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated in Cyprus Pounds at the rate of exchange ruling at the balance sheet date. Exchange differences arising from current transactions and the translation of amounts denominated in foreign currency are taken to the Profit and Loss account.

### **Fees and commissions**

Fees and commissions receivable are recognised on the basis of the completion of the transaction so as to correspond to the cost of providing the service.

Fees receivable in respect of the undertaking of credit risk are recognised on the date of undertaking the credit risk.

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Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated in Cyprus Pounds at the rate of exchange ruling at the balance sheet date. Exchange differences arising from current transactions and the translation of amounts denominated in foreign currency are taken to the Profit and Loss account.

# Notes to the Financial Statements

## for the year ended 31 December 2000

### Lease Expenses

Lease expenses represent accrued lease rentals for the year and are included in other operating expenses.

### Investments in Government and other debt securities

Investments in Government and other debt securities are stated at their maturity value less any unamortised discount arising on their purchase. Discounts are amortised on a systematic basis to maturity.

### Equity Shares

Investments in quoted equity shares are considered to be long-term investments and are stated at their market price.

Increases in market value are credited to revaluation reserve. Decreases in market values are debited to the revaluation reserve up to the amount already credited. Further decreases are debited to the Profit and Loss account. In the case of disposal of revalued investments the relevant revaluation reserve balance is transferred to the Profit and Loss account.

### Property, plant and equipment and computer software

Property, plant and equipment and computer software are stated at historic cost less accumulated depreciation.

Leasehold property is stated at cost less accumulated depreciation.

Any profits or losses arising from the disposal of fixed assets are transferred to the profit and loss account in the year of disposal.

All fixed assets, with the exception of immovable property, which remained in the Turkish occupied area, were written off in 1974. In addition, provision has been made for the total value of immovable property situated in the Turkish occupied area.

### Depreciation and amortisation

Depreciation on furniture and fittings, equipment and motor vehicles is calculated on the basis of cost less estimated residual value on a straight-line basis over the useful economic lives of the assets, commencing from the month of acquisition.

The annual depreciation rates for the year 2000 were as follows:

|   |       |
|---|-------|
|   | %     |
| Buildings                                   | 4     |
| Furniture and fittings                      | 10    |
| Office and Information Technology equipment | 20-25 |
| Motor vehicles                              | 15-20 |

Leasehold improvements are amortised over a period of 10 years or over the lease period if this period is less than 10 years.

### Investment in related company

The investment in related company is carried at cost.

### Investment in subsidiary company

The investment in subsidiary company is shown at cost.

# Notes to the Financial Statements

## for the year ended 31 December 2000

### **Cash and cash equivalents**

Cash and cash equivalents in the Cash Flow Statement represent cash in hand, short term deposits and other debt with local banks repayable within three months as well as deposits with the Central Bank of Cyprus, and Government and other debt securities held for trade.

### **Income from leasing and hire purchase**

The Bank does not provide leasing or hire purchase services.

### **Retirement benefits**

The Bank operates a defined benefits scheme which is fully funded. All contributions to the scheme are made on an annual basis with the purpose of creating enough reserves during the working lives of the employees to provide for the payment of a lump sum either upon retirement or on death before retirement. The annual cost of providing benefits under this scheme is taken to the Profit and Loss account.

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits is debited to the Profit and Loss account over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial reports at least every three years. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the average interest rate of the Government development bonds with similar duration as the duration of the liability.

Actuarial gains or losses exceeding 10% of the present value of the defined benefit obligation or the fair value of the plan assets of the scheme, whichever is greater, are recognized over the average remaining working lives of the employees participating in the scheme.

The cost of providing benefits under the defined contributions scheme is taken to the Profit and Loss account.

### **Taxation**

Provision for taxation is made in accordance with the provisions of the Income Tax Law. Deferred tax is also provided at the rates expected to be used for taxes payable arising on temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets are recognized for all deductible temporary differences only to the extent that it is probable that future taxable profits will be available for set-off.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 1. Incorporation and main activities

The Bank was incorporated in Cyprus, and is a public company in accordance with the provisions of the Companies Act and the Cyprus Stock Exchange Law and Regulations. The Bank is not considered to be a public company for the purposes of the Income Tax Law. The Bank's main activities during the year were the provision of banking and financial services.

## 2. Interest receivable

|                                      | 2000<br>C£       | 1999<br>C£       |
|--------------------------------------|------------------|------------------|
| Loans and advances to customers      | 4.521.937        | 3.063.043        |
| Placements with banks                | 1.146.590        | 541.979          |
| Government and other debt securities | 942.188          | 504.741          |
|                                      | <b>6.610.715</b> | <b>4.109.763</b> |

Following the adoption of the new accounting policy of suspending interest on all loans and advances that are considered doubtful and for which provision has been made, interest income was reduced by C£152.806 (1999: C£57.072), with a corresponding decrease of the specific provision.

## 3. Interest payable

|                           | 2000<br>C£       | 1999<br>C£       |
|---------------------------|------------------|------------------|
| Customer deposit accounts | 4.035.445        | 2.855.807        |
| Deposits by banks         | 146.452          | 14.055           |
| Government loan           | 13.547           | 21.789           |
|                           | <b>4.195.444</b> | <b>2.891.651</b> |

## 4. Income from equity shares

|                                      | 2000<br>C£    | 1999<br>C£     |
|--------------------------------------|---------------|----------------|
| Gains from the sale of equity shares | 55.336        | 416.261        |
| Dividends from equity shares         | 21.279        | 7.010          |
|                                      | <b>76.615</b> | <b>423.271</b> |

## 5. Other operating income

|                                      | 2000<br>C£     | 1999<br>C£   |
|--------------------------------------|----------------|--------------|
| Pre-1974 deposits ( <i>note 22</i> ) | 137.130        | -            |
| Other operating income               | 41.390         | 8.970        |
|                                      | <b>178.520</b> | <b>8.970</b> |

## 6. Personnel costs

|                                  | 2000<br>C£       | 1999<br>C£       |
|----------------------------------|------------------|------------------|
| Personnel salaries and wages     | 1.371.085        | 944.952          |
| Social insurance and other costs | 139.631          | 109.348          |
| Provident fund contributions     | -                | 107.209          |
| Retirement benefit costs         | 83.892           | 60.000           |
|                                  | <b>1.594.608</b> | <b>1.221.509</b> |

The average number of permanent employees employed by the Bank during the year 2000 was 134 (1999: 76).

# Notes to the Financial Statements

## for the year ended 31 December 2000

### Retirement benefits - Defined Benefits Scheme

During January 2000 the Bank implemented a provision of the Collective Employment Agreement signed between the Bank and ETYK (the Bank Employees' Union), with retrospective effect as from 1 January 1999. According to the Collective Agreement, the Bank is obliged from January 2000 onwards, to fully fund the retirement scheme providing for the payment of a lump sum upon the retirement or death before retirement and such lump sum is calculated on the basis of the permanent employee's years of service and is a multiple of the last 30-36 months of employee salaries before retirement.

The accumulated contributions to the Provident Fund of the permanent members of staff until 31 December 1999 were returned, and the Bank's accumulated contributions to the Provident Fund plus an additional amount of C£60.000 were used to fund the first year of operation of the new Defined Benefits Scheme.

During the year the Bank conducted an Actuarial valuation for the two years ended 31 December 1999 and 2000. The amounts appearing in the Balance Sheet of the Bank are as follows:

|  | 2000<br>C£                | 1999<br>C£    |
|--|---------------------------|---------------|
| Present value of the obligation                            | 300.440                   | 127.465       |
| Fair value of plan assets                                  | <b>(1.120.543)</b>        | -             |
| (Surplus)/deficit  | <b>(820.103)</b>          | 127.465       |
| Unrecognized actuarial (loss)/gain                         | <b>(1.975.297)</b>        | -             |
| Unrecognized transition obligation                         | <b>(53.972)</b>           | (67.465)      |
| Net (prepayment)/liability recognised in the Balance Sheet | <b><u>(2.849.372)</u></b> | <u>60.000</u> |

The amounts recognised in the Profit and Loss account in respect of the Defined Benefits Scheme are as follows:

|   | 2000<br>C£           |
|---|----------------------|
| Current Service cost                              | 177.165              |
| Interest cost                                     | 8.627                |
| Expected return on plan assets                    | <b>(115.393)</b>     |
| Actuarial loss/(gain) recognized in the year      | -                    |
| Amortization of transition obligation             | <b>13.493</b>        |
| Expense recognised in the Profit and Loss Account | <b><u>83.892</u></b> |

The actual return on plan assets for the year 2000 was negative, with a reduction in value of plan assets by 62%.

Movement in the net (prepayment)/liability as shown in the Balance Sheet:

|   | 2000<br>C£                | 1999<br>C£    |
|---|---------------------------|---------------|
| Balance of liability at 1 January                 | 60.000                    | -             |
| Expense recognised in the Profit and Loss account | 83.892                    | 60.000        |
| Employer funding of the retirement fund (note 20) | <b>(2.993.264)</b>        | -             |
| Net (prepayment)/liability at 31 December         | <b><u>(2.849.372)</u></b> | <u>60.000</u> |

At the beginning of the year 2000 the Bank decided to fund the defined benefits scheme by transferring all banking sector equity shares it held at 31 December 1999 at their market value as at that date together with an investment bond with an initial value of C£100.000 as at that date, to a trust under the name "The Universal Bank Trust Fund". As a result, the total funding from the Bank for the defined benefits scheme for the year 2000 amounts to C£2.993.264.

Had these investments not been transferred to the Trust for the funding of the defined benefits scheme, then the revaluation of these investments as at 31 December 2000 would have adversely affected the results of the Bank by C£1.876.002. The unrecognised actuarial loss, which resulted from the actuarial valuations, will be recognised in the Profit and Loss account over the average remaining working lives of the employees participating in the scheme.

# Notes to the Financial Statements

## for the year ended 31 December 2000

The principal actuarial assumptions used for the actuarial valuation were:

|                                | 2000 | 1999 |
|--------------------------------|------|------|
| Discount rate                  | 7.0% | 7.0% |
| Expected return on plan assets | 8.0% | 8.0% |
| Future salary increases        | 9.0% | 9.0% |
| Future price inflation         | 3.0% | 3.0% |

## 7. Amortisation of prepaid fees

|                    | 2000<br>C£     | 1999<br>C£ |
|--------------------|----------------|------------|
| Charge of the year | <b>346.239</b> | 5.225      |

The increase in this year's amortisation charge is related to the 3-year amortisation period of the premium paid for the option for the creation of the Index Linked Deposit product.

## 8. Profit before tax

Profit before taxation is stated after charging:

|  | 2000<br>C£ | 1999<br>C£ |
|--|------------|------------|
| Directors' emoluments                          | 17.736     | 15.612     |
| Auditors' remuneration                         | 9.721      | 9.000      |
| Depreciation of fixed assets                   | 781.244    | 479.996    |
| Amortisation of option premium                 | 346.239    | 5.225      |
| Operating lease rentals for immovable property | 148.758    | 103.145    |
| Loss/(gain) from the sale of fixed assets      | 78         | (43)       |

## 9. Tax

|  | 2000<br>C£     | 1999<br>C£     |
|--|----------------|----------------|
| Corporation tax profit for the year (20% - 25%)    | 155.596        | 36.869         |
| Special contribution to the defence fund (3% - 4%) | 15.912         | 16.364         |
| Prior year taxes                                   | -              | 4.050          |
| Deferred tax                                       | 92.770         | 86.984         |
|  | <b>264.278</b> | <b>144.267</b> |

Analysis of tax charge:

|   | 2000<br>C£      | 1999<br>C£     |
|---|-----------------|----------------|
| Profit before tax   | <b>721.066</b>  | 547.775        |
| Tax on the profit for the year at the normal tax rates  | 206.702         | 156.855        |
| Expenses and taxes not allowable  | 4.408           | 71.001         |
| Investment allowances for equipment, difference between wear and tear allowances and depreciation and other differences | <b>(39.602)</b> | (174.623)      |
|   | <b>171.508</b>  | 53.233         |
| Prior year taxes  | -               | 4.050          |
| Deferred tax  | 92.770          | 86.984         |
|   | <b>264.278</b>  | <b>144.267</b> |

At 31 December 2000 the Bank had tax losses carried forward amounting to C£329.342 (1999: C£574.517).

# Notes to the Financial Statements

for the year ended 31 December 2000

## 10. Earnings per share

|  | 2000<br>C£        | 1999<br>C£ |
|--|-------------------|------------|
| Profit attributable to shareholders                        | <u>456.788</u>    | 403.508    |
| Weighted average number of shares in issue during the year | <u>10.633.562</u> | 8.585.277  |
| Earnings per share (cent)                                  | <u>4,3</u>        | 4,7        |

The weighted average number of shares shown above has been adjusted to reflect the new issue of shares that took place on 12 September 2000 (*note. 26*).

## 11. Cash and balances with the Central Bank

Deposits with the Central Bank of Cyprus include the obligatory deposits for liquidity purposes which amount to C£7.098.801 (1999: C£4.259.019).

## 12. Government debt securities

|  | 2000<br>C£        | 1999<br>C£      |
|--|-------------------|-----------------|
| <b>Bonds held for trade:</b>                 |                   |                 |
| Cyprus Government                            | 13.503.285        | 8.547.300       |
| Cyprus listed companies                      | <u>800.000</u>    | 800.000         |
| Total Government and other bonds             | <u>14.303.285</u> | 9.347.300       |
| Repayable:                                   |                   |                 |
| - within one year                            | 247.300           | 247.300         |
| - between two and five years                 | 13.255.985        | 8.300.000       |
| - over five years                            | <u>800.000</u>    | 800.000         |
|  | <u>14.303.285</u> | 9.347.300       |
| Listed on the Cyprus Stock Exchange          | <u>14.303.285</u> | 9.347.300       |
| Movements in debt securities held for trade: |                   |                 |
| 1 January                                    | 9.347.300         | 4.079.353       |
| Acquisitions                                 | 5.000.000         | 6.095.074       |
| Redemptions                                  | -                 | (800.000)       |
| Amortisation of premium/discount             | <u>(44.015)</u>   | <u>(27.127)</u> |
| <b>31 December</b>                           | <u>14.303.285</u> | 9.347.300       |

## 13. Placements with banks

|                                     | 2000<br>C£       | 1999<br>C£ |
|-------------------------------------|------------------|------------|
| Repayable:                          |                  |            |
| - on demand                         | 3.572.464        | 4.706.531  |
| - within three months               | <u>5.556.467</u> | 10.061.055 |
|                                     | 9.128.931        | 14.767.586 |
| - between three months and one year | -                | 732.787    |
|                                     | <u>9.128.931</u> | 15.500.373 |

## 14. Loans and advances to customers

|                                       | 2000<br>C£        | 1999<br>C£       |
|---------------------------------------|-------------------|------------------|
| Loans and other advances              | 73.161.568        | 36.876.671       |
| Provisions for bad and doubtful debts | <u>(745.025)</u>  | <u>(364.813)</u> |
|                                       | <u>72.416.543</u> | 36.511.858       |

# Notes to the Financial Statements

for the year ended 31 December 2000

|                                     | 2000<br>C£        | 1999<br>C£        |
|-------------------------------------|-------------------|-------------------|
| Loans and advances are repayable:   |                   |                   |
| - on demand                         | 35,567,051        | 13,035,424        |
| - within three months               | 1,620,085         | 1,217,937         |
| - between three months and one year | 6,420,564         | 2,128,409         |
| - between one and five years        | 12,668,319        | 11,372,002        |
| - after five years                  | 16,885,549        | 9,122,899         |
|                                     | <b>73,161,568</b> | <b>36,876,671</b> |

The spread of loans and advances to the various industry sectors are:

|                           | 2000<br>C£        | 1999<br>C£        |
|---------------------------|-------------------|-------------------|
| Trade and industry        | 6,143,292         | 3,979,174         |
| Tourism                   | 8,820,305         | 3,464,385         |
| Property and construction | 14,177,939        | 6,214,648         |
| Personal and professional | 41,534,762        | 21,913,997        |
| Other sectors             | 2,485,270         | 1,304,467         |
|                           | <b>73,161,568</b> | <b>36,876,671</b> |

Loans and credit facilities granted to Directors are stated in note 38. No credit facilities were granted to the parent and fellow subsidiary company.

## Provisions for bad and doubtful debts:

### Year 2000

|                                 | Specific<br>C£ | Interest in<br>suspense<br>C£ | General<br>C£  | Total<br>C£     |
|---------------------------------|----------------|-------------------------------|----------------|-----------------|
| 1 January 2000                  | 277,741        | 57,072                        | 30,000         | <b>364,813</b>  |
| Debts recovered                 | (41,263)       | -                             | -              | <b>(41,263)</b> |
| Charge for the year             | 198,669        | -                             | 70,000         | <b>268,669</b>  |
| Net charge for the year         | 157,406        | -                             | 70,000         | <b>227,406</b>  |
| Suspended interest for the year | -              | 152,806                       | -              | <b>152,806</b>  |
| Total                           | 157,406        | 152,806                       | 70,000         | <b>380,212</b>  |
| <b>31 December</b>              | <b>435,147</b> | <b>209,878</b>                | <b>100,000</b> | <b>745,025</b>  |

### Year 1999

|                                 | Specific<br>C£ | Interest in<br>suspense<br>C£ | General<br>C£ | Total<br>C£    |
|---------------------------------|----------------|-------------------------------|---------------|----------------|
| 1 January 1999                  | 214,429        | -                             | -             | <b>214,429</b> |
| Debts recovered                 | (6,206)        | -                             | -             | <b>(6,206)</b> |
| Charge for the year             | 69,518         | -                             | 30,000        | <b>99,518</b>  |
| Net charge for the year         | 63,312         | -                             | 30,000        | <b>93,312</b>  |
| Suspended interest for the year | -              | 57,072                        | -             | <b>57,072</b>  |
| Total                           | 63,312         | 57,072                        | 30,000        | <b>150,384</b> |
| <b>31 December</b>              | <b>277,741</b> | <b>57,072</b>                 | <b>30,000</b> | <b>364,813</b> |

# Notes to the Financial Statements

for the year ended 31 December 2000

## Advances and other accounts before 15 August 1974

These consist of:

|   | 2000<br>C£ | 1999<br>C£ |
|---|------------|------------|
| Loans to third parties  | 610.806    | 682.611    |
| Provision for advances and other loan accounts<br>before 15 August 1974 | (610.806)  | (682.611)  |
|   | <u>-</u>   | <u>-</u>   |

## 15. Equity shares

|                                     | 2000<br>C£     | 1999<br>C£       |
|-------------------------------------|----------------|------------------|
| <b>Long-term investments</b>        |                |                  |
| Listed on the Cyprus Stock Exchange | 275.440        | 3.067.264        |
|                                     | <u>275.440</u> | <u>3.067.264</u> |

According to the Collective Agreement between the Bank and ETYK, the Bank is obliged to fully fund the new retirement scheme. On the basis of the actuarial valuation prepared by the Bank's actuaries Bacon & Woodrow, the Board of Directors decided to set up a trust under the name "The Universal Bank Trust Fund" and transfer all of the banking sector equity shares it held as at 31 December 1999 at their current value which amounted to C£2.893.264 (see note 6).

## 16. Investment in related company

The amount of C£191.250 represents the cost of acquisition of 15% of the start-up issued share capital of SpiderTrade.Com Ltd. The company's activities include the provision of on-line trading services through the Internet for stock broking transactions at the Cyprus Stock Exchange.

## 17. Investment in Subsidiary company

This amount represents the cost of the investment. The subsidiary company, Universal Leasing and Factoring Ltd, is a wholly owned subsidiary of Universal Savings Bank Ltd. Its share capital consists of 100,000 shares of C£1 each. The company is dormant up to now and as a result no consolidated accounts have been prepared.

## 18. Property, plant and equipment

|                       | Immovable<br>property<br>2000<br>C£ | Equipment<br>2000<br>C£ | Total<br>2000<br>C£ | Total<br>1999<br>C£ |
|-----------------------|-------------------------------------|-------------------------|---------------------|---------------------|
| <b>Cost</b>           |                                     |                         |                     |                     |
| 1 January             | 1.204.461                           | 1.273.437               | 2.477.898           | 1.518.152           |
| Additions             | 778.889                             | 793.208                 | 1.572.097           | 960.876             |
| Disposals             | -                                   | (17.150)                | (17.150)            | (1.130)             |
| 31 December           | <u>1.983.350</u>                    | <u>2.049.495</u>        | <u>4.032.845</u>    | <u>2.477.898</u>    |
| <b>Depreciation</b>   |                                     |                         |                     |                     |
| 1 January             | 104.783                             | 302.243                 | 407.026             | 143.641             |
| Charge for the year   | 108.418                             | 271.348                 | 379.766             | 264.483             |
| Disposals             | -                                   | (2.572)                 | (2.572)             | (1.098)             |
| 31 December           | <u>213.201</u>                      | <u>571.019</u>          | <u>784.220</u>      | <u>407.026</u>      |
| <b>Net Book Value</b> | <u>1.770.149</u>                    | <u>1.478.476</u>        | <u>3.248.625</u>    | <u>2.070.872</u>    |

During 1996 the Bank created a provision for the total net book value of the immovable property situated in the area controlled by the Turkish occupation forces, amounting to C£25.092.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 19. Intangible fixed assets

|                       | Computer<br>software<br>2000<br>C£ | Computer<br>software<br>1999<br>C£ |
|-----------------------|------------------------------------|------------------------------------|
| <b>Cost</b>           |                                    |                                    |
| 1 January             | 1.534.761                          | 667.963                            |
| Additions             | 193.995                            | 866.798                            |
| 31 December           | <u>1.728.756</u>                   | <u>1.534.761</u>                   |
| <b>Depreciation</b>   |                                    |                                    |
| 1 January             | 241.161                            | 25.648                             |
| Charge for the year   | 401.478                            | 215.513                            |
| 31 December           | <u>642.639</u>                     | <u>241.161</u>                     |
| <b>Net Book Value</b> | <u>1.086.117</u>                   | 1.293.600                          |

## 20. Other assets

|   | 2000<br>C£       | 1999<br>C£ |
|---|------------------|------------|
| Sundry debtors  | 727.457          | 878.117    |
| Prepaid fees  | 1.230.125        | 41.804     |
| Total employer funding of the retirement fund<br>(note 6) | <u>2.993.264</u> | -          |
|   | <u>4.950.846</u> | 919.921    |

Prepaid fees are amortised through the Profit and Loss account. Prepaid membership fees to VISA International, are amortised over a period of 10 years. The cost associated with the acquisition of the option for the creation of the Index linked deposit/investment product whose performance is linked to that of the indices of foreign Stock Exchanges is amortised over a period of 3 years (commencement of amortisation May 2000).

## 21. Deposits by banks

The amount of C£8.500.000 represents inter-bank placements and it is repayable on demand.

## 22. Deposits and other customer accounts

|                                       | 2000<br>C£        | 1999<br>C£        |
|---------------------------------------|-------------------|-------------------|
| Deposits of parent company            | 7.159.217         | 5.177.268         |
| Deposits of fellow subsidiary company | 984.670           | 1.317.928         |
| Other customer deposits               | 74.488.937        | 55.556.816        |
| Deposits before 15 August 1974        | -                 | 181.584           |
|                                       | <u>82.632.824</u> | <u>62.233.596</u> |

# Notes to the Financial Statements

## for the year ended 31 December 2000

Except for the deposits of the parent and subsidiary companies listed above, there were no other material transactions between the Bank and the above-mentioned companies.

|                                     | 2000<br>C£        | 1999<br>C£        |
|-------------------------------------|-------------------|-------------------|
| Repayable:                          |                   |                   |
| - on demand                         | 9.552.335         | 9.761.097         |
| - within three months               | 27.276.250        | 20.174.728        |
| - between three months and one year | 19.213.203        | 32.116.187        |
| - between one and five years        | 26.591.036        | -                 |
|                                     | <u>82.632.824</u> | 62.052.012        |
| Deposits before 15 August 1974      | -                 | 181.584           |
|                                     | <u>82.632.824</u> | <u>62.233.596</u> |

The following amounts represent interest paid on the balances of the parent and fellow subsidiary companies. Interest is calculated daily at 6.5% on credit balances and 8.0% on debit balances.

|  | 2000<br>C£      | 1999<br>C£ |
|--|-----------------|------------|
| Parent company-Universal Life Insurance Company Ltd  | <u>225.354</u>  | 299.713    |
| Fellow subsidiary - Universal Life (HELLAS) A.A.E.Z. | <u>12.590</u>   | 11.123     |
| Fellow subsidiary - Universal Financial Services Ltd | <u>18.097</u>   | 23.390     |
| Fellow subsidiary - Universal Investments Ltd        | <u>(40.396)</u> | -          |

The Bank is entitled to legal protection according to the Debtors Relief (Temporary provisions) Laws of 1979 to 1995, as a displaced and affected legal entity, and in previous years the Bank did not proceed with the repayment of these depositors or other creditors in relation to the frozen balances as of August 1974. Nevertheless, on 15 December 1998, the Board of Directors decided to release all pre-15 August frozen 1974 deposits amounting to C£420.846 in favour of the Bank's depositors. As at the date of these financial statements a pre-1974 balance of C£137.130 remained unclaimed. Due to the fact that the above amount consists of a large number of small deposit accounts and the likelihood of demand is minimal, the Board of Directors decided to transfer this amount to the Profit and Loss account and in case of demand of these deposits to debit the Profit and Loss account accordingly.

### 23. Government loan

On 22 May 1989 the Bank and the Government of Cyprus signed an agreement on the basis of which a government loan of C£750.000 was granted to the Bank without any securities. The basic provisions of the loan agreement are:

- The loan carries interest of 5,5% per annum.
- The repayment of the loan commenced on 22 May 1997 due to an eight-year grace period granted by the Government of Cyprus, and is made in 10 equal semi-annual instalments.
- Until the repayment of the loan, the operation and management of the Bank's affairs are under government supervision and control through a Government representative who participates in all Board of Directors meetings and can exercise veto on certain matters.

During the year the seventh and eighth loan instalments were repaid amounting to a total of C£150.000. A further amount of amount C£150.000 will be repaid within the next 12 months.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 24. Other liabilities

|                         | 2000<br>C£     | 1999<br>C£       |
|-------------------------|----------------|------------------|
| Sundry creditors        | 193.231        | 735.585          |
| Corporation tax payable | 23.436         | 24.014           |
| Deferred tax            | 233.943        | 141.173          |
| Retirement benefits     | -              | 60.000           |
| Other liabilities       | 111.581        | 56.352           |
|                         | <b>562.191</b> | <b>1.017.124</b> |

The deferred tax liability balance represents the difference between the carrying amount of assets and liabilities and their tax base.

## 25. Accruals

|                  | 2000<br>C£       | 1999<br>C£       |
|------------------|------------------|------------------|
| Bills payable    | 834.963          | 785.369          |
| Accrued interest | 374.970          | 273.523          |
| Other accruals   | 258.688          | 194.610          |
|                  | <b>1.468.621</b> | <b>1.253.502</b> |

## 26. Share capital

|                                   | 2000<br>No. of<br>shares | 2000<br>C£        | 1999<br>No. of<br>shares | 1999<br>C£ |
|-----------------------------------|--------------------------|-------------------|--------------------------|------------|
| <b>AUTHORISED</b>                 |                          |                   |                          |            |
| Shares C£1 each                   | <b>50.000.000</b>        | 50.000.000        | 15.000.000               | 15.000.000 |
| <b>ISSUED</b>                     |                          |                   |                          |            |
| <b>Fully paid shares</b>          |                          |                   |                          |            |
| Balance at 1 January              | 8.750.000                | 8.750.000         | 6.250.000                | 6.250.000  |
| Issued during the year            | 6.250.000                | 6.250.000         | 2.500.000                | 2.500.000  |
| <b>Balance 31 December</b>        | <b>15.000.000</b>        | <b>15.000.000</b> | 8.750.000                | 8.750.000  |
| <b>Total issued share capital</b> | <b>15.000.000</b>        | <b>15.000.000</b> | 8.750.000                | 8.750.000  |

Following a decision of the Board of Directors of the Bank, at the Annual General Meeting dated 21 June 2000, the authorised share capital of the Bank was increased from fifteen million Cyprus pounds (C£15.000.000) divided into fifteen million C£1 shares, to fifty million Cyprus pounds (C£50.000.000), divided into fifty million C£1 shares with the creation of thirty-five million additional C£1 shares (35.000.000), with conditions and rights as with the existing shares.

On 12 September 2000 the Bank issued 6.250.000 shares of nominal value C£1 each, which were offered to the existing shareholders in the ratio of five new shares for every seven shares held on 20 April 2000 at the price of C£2.40 per share. These shares were called up and fully paid in one instalment by 12 September 2000.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 27. Reserves

### Share premium reserve

|                 | 2000<br>C£        | 1999<br>C£       |
|-----------------|-------------------|------------------|
| 1 January       | 3.649.495         | 1.649.495        |
| Issue of shares | 8.750.000         | 2.000.000        |
| 31 December     | <u>12.399.495</u> | <u>3.649.495</u> |

### Revaluation reserve

|   | 2000<br>C£    | 1999<br>C£    |
|---|---------------|---------------|
| 1 January   | 47.005        | -             |
| Transfer of realised gains to the Profit and Loss account | (47.005)      | -             |
| Movement in the year                                      | 27.603        | 47.005        |
| 31 December   | <u>27.603</u> | <u>47.005</u> |

### Retained earnings

|   | 2000<br>C£     | 1999<br>C£    |
|---|----------------|---------------|
| 1 January                                 | 71.495         | (332.013)     |
| Profit as originally stated               | -              | 450.513       |
| Revaluation of equity shares adjustment   | -              | (47.005)      |
| Transfer from the Profit and Loss account | 456.788        | 403.508       |
| 31 December                               | <u>528.283</u> | <u>71.495</u> |

## 28. Contingent liabilities

|   | 2000<br>C£        | 1999<br>C£       |
|---|-------------------|------------------|
| Obligations for guarantees on behalf of customers | <u>10.957.299</u> | <u>6.230.354</u> |

The obligations for guarantees on behalf of customers represent performance guarantees and other letters of guarantee by which the Bank creates an irrevocable obligation to pay a specific amount to the beneficiary in the event of a customer's default. Consequently, the amounts which the Bank is expected to pay are considerably lower than the total amount of these guarantees.

Prior to 15 August 1974, the Bank provided guarantees to third parties on behalf of customers including previous members of the Board of Directors, which amounted to C£72.125. In the event of this liability being crystallised, the Bank will be entitled to protection under the provisions of the Debtors Relief (Temporary Provisions) Laws of 1979.

## 29. Prior year adjustment

The Bank's profits for the year ended 31 December 1999 have been adjusted downwards by C£47.005, representing gains from equity shares revaluation, which had originally been included in the Profit & Loss account for the year 1999 rather than in the revaluation reserve. During the year 2000, the equity shares associated with the above adjustment were disposed of and hence the gain was transferred from the revaluation reserve to the Profit and Loss account for the current year, as shown in note 27.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 30. Commitments

Commitments under operating leases are as follows:

|                                | 2000<br>C£     | 1999<br>C£     |
|--------------------------------|----------------|----------------|
| Operating leases which expire: |                |                |
| - within one year              | 148.758        | 103.145        |
| - between two and five years   | 396.323        | 355.466        |
| - after five years             | 18.605         | 67.248         |
|                                | <u>563.686</u> | <u>525.859</u> |

Commitments for contractual capital expenditure for the Bank amount to C£1.580.108 (1999: C£900.150).

The Bank's commitments under operating leases depend on the provisions of the relevant operating lease agreements. These agreements contain provisions for future adjustments on the lease amounts. In addition to the above, on the expiration of the lease period the Bank has the right for renewal.

As at 31 December 2000, the amount of total credit facilities approved but not drawn was C£4.300.800 (1999: C£550.000). The overdraft limits on current accounts represent credit facility commitments granted to customers. Such limits are granted for a specific period of time and can be cancelled at the Bank's discretion after notifying the customer.

The Bank has the obligation to repay the pre-15 August 1974 frozen deposits whose balance as at 31 December 2000 amounted to C£137.130 (1999: C£181.584).

## 31. Risk management

### Credit risk

Credit risk is the risk of a person or an organisation defaulting in the repayment of their obligations to the Bank in respect of the credit facilities granted to them by the Bank. The Bank minimises this risk by spreading its loan portfolio over all economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted. The credit risk of connected accounts is monitored on a unified basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Bank, adopts as the main criteria the repayment capability and obtaining sufficient collateral and the continuous monitoring of credit accounts and the timely preventive action further minimise to a large extent, the exposure to credit risk. In addition, the Bank maintains sufficient provisions for potential losses from doubtful debts, the level of which is evaluated by the Central Bank of Cyprus in its annual inspection.

### Market risk

Market risk is the risk of adverse movements in the level of interest rates, in the rates of exchange between currencies and the current prices of securities and other financial contracts. Accordingly, these movements may affect the Bank's profitability.

Currency risk results from the fact that the Bank maintains deposits in foreign currencies. In order to cover this risk the Bank maintains the equivalent foreign currency position, as deposits, with other banks.

Interest rate risk is the Bank's exposure to adverse movements in the interest rates. It arises as a result of timing differences on the repricing of assets and liabilities. Interest rate movements are closely monitored by the Bank's management.

### Liquidity risk

Liquidity risk originates from the fact that current cash obligations of the Bank may not be covered by the required deposits. In order to adequately cover these obligations as well as to be able to provide finance to its customers, continuous cash inflow is essential for the Bank. For the improvement of such inflows the Bank closely monitors its deposits as well as the approved credit facilities not drawn by its customers. The Bank's objective is to provide banking services to a wide range of customers in order to avoid its dependence on a small number of customers as well as the risk of mass withdrawals.

# Notes to the Financial Statements

for the year ended 31 December 2000

## 32. Net cash inflow from operating activities

|  | 2000<br>C£          | 1999<br>C£        |
|--|---------------------|-------------------|
| Profit before tax  | 721.066             | 547.775           |
| Provision for bad and doubtful debts                               | 227.406             | 150.384           |
| Depreciation of fixed assets                                       | 781.244             | 479.996           |
| Amortisation of prepaid expenses                                   | 346.239             | 5.225             |
| Loss/(profit) on the sale of fixed assets                          | 78                  | (43)              |
| Dividend income received   | (21.279)            | (7.010)           |
| Profit from the disposal of equity shares                          | (55.336)            | (416.261)         |
| Decrease in the market value of equity shares                      | 148.968             | 209.825           |
|  | <b>2.148.386</b>    | <b>969.891</b>    |
| Increase in deposits and other customer accounts                   | 20.580.812          | 26.640.272        |
| (Decrease)/increase in other liabilities                           | (547.125)           | 567.414           |
| Increase in accruals and deferred income                           | 215.119             | 995.472           |
| Decrease in pre-15 August 1974 deposits                            | (181.584)           | (226.269)         |
| Increase in loans and advances to customers                        | (36.284.897)        | (6.222.438)       |
| Increase in other assets   | (4.030.925)         | (671.360)         |
| Increase in investment in related company                          | (191.250)           | -                 |
| Interest received from Government and other debt securities        | (942.188)           | (504.207)         |
| Interest paid on Government loan                                   | 13.547              | 21.789            |
| Decrease in deposits with other banks repayable after three months | 732.787             | 1.118.274         |
|  | <b>(18.487.318)</b> | <b>22.688.838</b> |
| Taxes paid   | (172.086)           | (113.881)         |
|  | <b>(18.659.404)</b> | <b>22.574.957</b> |

## 33. Cash and cash equivalents

|  | 2000<br>C£        | 1999<br>C£        |
|--|-------------------|-------------------|
| Deposits with the Central Bank of Cyprus                                       | 15.694.352        | 8.637.401         |
| Government and other debt securities   | 14.303.285        | 9.347.300         |
| Cash and deposits with other banks repayable within three months               | 9.128.931         | 14.767.586        |
|  | <b>39.126.568</b> | <b>32.752.287</b> |
| Cash and deposits with other banks repayable between three months and one year | -                 | 732.787           |
|  | <b>39.126.568</b> | <b>33.485.074</b> |
|  | 2000<br>C£        | 1999<br>C£        |
| Balance at 1 January   | 32.752.287        | 9.979.324         |
| Net increase in cash and cash equivalents                                      | 6.374.281         | 22.772.963        |
| Balance at 31 December   | <b>39.126.568</b> | <b>32.752.287</b> |

# Notes to the Financial Statements

for the year ended 31 December 2000

## 34. Assets and liabilities in foreign currency

| <b>Assets</b>      | <b>2000</b>        | 1999              |
|--------------------|--------------------|-------------------|
|                    | <b>C£</b>          | C£                |
| Cyprus pounds      | <b>112.344.823</b> | 74.660.304        |
| Other currencies   | <b>8.951.061</b>   | 2.688.780         |
|                    | <b>121.295.884</b> | <b>77.349.084</b> |
|                    |                    |                   |
| <b>Liabilities</b> | <b>2000</b>        | 1999              |
|                    | <b>C£</b>          | C£                |
| Cyprus pounds      | <b>114.770.687</b> | 75.084.219        |
| Other currencies   | <b>6.525.197</b>   | 2.264.865         |
|                    | <b>121.295.884</b> | <b>77.349.084</b> |

## 35. Fair value of financial instruments

The Management of the Bank is of the opinion that the fair value of financial instruments is equal to their carrying value. Most of the assets and liabilities are short-term or are stated at current market values and therefore, their fair value is equal to their carrying value as shown in the Balance Sheet.

The fair value of loans and advances to customers is equal to the value shown in the Balance Sheet net of provisions for bad and doubtful debts.

## 36. Directors' interest in the share capital of the Bank

The beneficial interest in the share capital of the Bank, of each of the Directors, their spouses and minor children, and of companies in which they hold, directly or indirectly, at least 20% of the voting shares, at 31 December 2000 and 15 May 2001, is stated below:

|                | <b>Percentage</b> | Percentage |
|----------------|-------------------|------------|
|                | <b>31.12.2000</b> | 15.5.2001  |
|                | %                 | %          |
| G. Syrimis     | 0,15              | 0,15       |
| A. Georghiou   | 0,60              | 0,60       |
| E. Pantelides  | 2,85              | 2,84       |
| M. Michaelides | -                 | -          |
| I. Vavlitis    | 1,93              | 1,92       |
| M. Cleopas     | 0,38              | 0,38       |
| P. Photiades   | 0,30              | 0,30       |
| A. Ghalanou    | 0,29              | 0,29       |

## 37. Shareholders who hold more than 5% of the share capital of the Bank

The shareholders who held more than 5% of the share capital of the Bank at 15 May 2001 were:

|  |        |
|--|--------|
| Universal Life Insurance Company Limited | 60,38% |
|--|--------|

## 38. Transactions with Directors

The analysis of loans and other advances, unutilised limits, and guarantees to members of the Board of Directors and connected persons during the year 31 December 2000 was as follows:

|   | Number of<br>Directors | Loans<br>and other<br>advances<br>C£ | Unutilised<br>facility<br>limits<br>C£ | Guarantees<br>C£ |
|---|------------------------|--------------------------------------|--|------------------|
| More than 1% of the net assets<br>of the Bank, per Director | 2                      | 1.697.239                            | 777.419                                | 1.038.928        |
| Less than 1% of the net assets<br>of the Bank, per Director | 6                      | 623.642                              | 307.176                                | 2.000            |
| <b>Total</b>  | <b>8</b>               | <b>2.320.881</b>                     | <b>1.084.595</b>                       | <b>1.040.928</b> |

# Notes to the Financial Statements

## for the year ended 31 December 2000

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

### 39. Related party transactions

The nature of transactions between the Bank and the related companies are regarded as being at arm's length, and they are analysed as follows:

|   | SpiderTrade.Com<br>Ltd<br>C£ | SpiderTrade.Com<br>Finance Ltd<br>C£ |
|---|------------------------------|--------------------------------------|
| <b>Transactions</b>                       |                              |                                      |
| Interest receivable and other commissions | 5.529                        | 49.472                               |
| <b>Amounts receivable/(payable):</b>      |                              |                                      |
| Debit bank balances                       | -                            | 667.266                              |
| Credit bank balances                      | (179.307)                    | -                                    |

During the year the Bank granted credit facilities of C£200.000 to SpiderTrade.Com Ltd and C£3.000.000 to SpiderTrade.Com Finance Ltd.

SpiderTrade.Com Finance Ltd is a wholly owned subsidiary of SpiderTrade.Com Ltd.

### 40. Comparative figures

Certain prior year figures have been restated to conform with the presentation adopted in the current year. In addition, they have been modified as a result of the change in the accounting policy relating to the interest income recognition on non-performing loans.

### 41. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 29 May 2001.

## Report of the Auditors

### **To the members of Universal Savings Bank Limited**

We have audited the financial statements on pages 8 to 29 and have obtained all the information and explanations we considered necessary. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper books of account have been kept by the Company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Company at 31 December 2000 and of its results from operations and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Cyprus Companies Law, Cap.113.

Ernst & Young  
Chartered Accountants

*Nicosia, 29 May 2001.*

## Main Offices and Banking Centers

### **Head Office**

85 Dhigeni Akrita Ave.  
1070 Nicosia  
Telephone: 0777333 (Local) +357- 777333 (Overseas)  
Fax: 02-358702 (Local) +357-2- 358702 (Overseas)

### **Postal Address**

PO Box 28510  
2080 Nicosia

### **General Manager's Office**

85 Dhigeni Akrita Ave.  
1070 Nicosia  
Telephone: 02-883311  
Fax: 02-883355

### **Customer Teleservice Center**

25 Elia Papakyriacou Str.  
2415 Engomi, Nicosia  
Telephone: 0777333  
Fax: 02-358702

### **Shares Department**

12-14 Kennedy Ave.  
1087 Nicosia  
Telephone: 02-883700  
Fax: 02-883788

### **Correspondent Banking Unit**

6A Kennedy Ave.  
1087 Nicosia  
Telephone: 02-817130  
Fax: 02-767175

### **Swift and Foreign Currency Operations**

6A Kennedy Ave.  
1087 Nicosia  
Telephone: 02-817130  
Fax: 02-767175

### **Trade Services**

6A Kennedy Ave.  
1087 Nicosia  
Telephone: 02-817130  
Fax: 02-767175

### **Bank Card Center**

6 Demetsanis Str.  
1070 Nicosia  
Telephone: 02-883343  
Fax: 02-883348

### **International Customer Services**

6A Kennedy Ave.  
1087 Nicosia  
Telephone: 02-817130  
Fax: 02-767175

### **Financial Control Department**

6 Demetsanis Str.  
1070 Nicosia  
Telephone: 02-883412  
Fax: 02-883336

### **Treasury Department**

6 Demetsanis Str.  
1070 Nicosia  
Telephone: 02-883338  
Fax: 02-883336

### **Business and Retail Banking**

85 Dhigeni Akrita Ave.  
1070 Nicosia  
Telephone: 02-883393  
Fax: 02-883409

## Main Offices and Banking Centers

### **BANKING CENTERS**

#### **NICOSIA**

##### **Kennedy Banking Center**

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1087 Nicosia  
Telephone: 02-883600  
Fax: 02-754387

##### **Strovolos Banking Center**

364 Troodos Ave.  
2052 Strovolos, Nicosia  
Telephone: 02-327222  
Fax: 02-321733

##### **Universal Tower Banking Center**

85 Dhigeni Akrita Ave.  
1070 Nicosia  
Telephone: 02-883326  
Fax: 02-883350

##### **Makedonitissa Banking Center**

25 Elia Papakyriakou Str.  
2415 Engomi, Nicosia  
Telephone: 02-819870  
Fax: 02-356388

##### **Pallouriotissa Banking Center**

39 Corner Poulou & Kapota Str.  
& Ay. Andrea Str.  
1040 Nicosia  
Telephone: 02-877244  
Fax: 02-730410

##### **Makariou Banking Center**

101 Arch. Makarios III Ave.  
1071 Nicosia  
Telephone: 02-875600  
Fax: 02-766105

#### **LIMASSOL**

##### **Ayias Phylaxeos Banking Center**

63 Ayias Phylaxeos Str.  
3025 Limassol  
Telephone: 05-388218  
Fax: 05-388510

##### **Kolonaki Banking Center**

20 Kolonakiou Str., Shop D  
St. Athanasios  
4103 Limassol  
Telephone: 05-430222  
Fax: 05-430305

#### **LARNACA**

##### **Larnaca Banking Center**

1 Gladstonos Ave, Panayiotio Building  
6023 Larnaca  
Telephone: 04-664255  
Fax: 04-664279

#### **PAPHOS**

##### **Gr. Digeni Banking Center**

20 Griva Dhigeni Ave.  
8061 Paphos  
Telephone: 06-941777  
Fax: 06-944120

##### **Ev. Pallikaridis Banking Center**

121 Ev. Pallikaridi Ave.  
8010 Paphos  
Telephone: 06-819111  
Fax: 06-911450

##### **Tombs of the Kings Banking Center**

21 Tombs of the Kings Ave.  
Diana Court 3, Shop 8  
8046 Kato Paphos  
Telephone: 06-811866  
Fax: 06-811871

#### **FAMAGUSTA**

##### **Paralimni Banking Center**

5 St. George Str.  
5280 Paralimni  
Telephone: 03-730555  
Fax: 03-730455

##### **Ayia Napa Banking Center**

21 Ayias Mavris Str.  
5330 Ayia Napa  
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Fax: 03-724055

##### **Protaras Banking Center**

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Fax: 03-833577



