



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2004

LAIKI GROUP

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

	Note	9 months ended 30.09.2004 C£ '000	9 months ended 30.09.2003 C£ '000
Net interest income		110.853	95.531
Net fee and commission income		34.996	31.881
Loss on disposal and revaluation of securities		(1.162)	(600)
Foreign exchange and other income		19.336	15.400
Operating income		164.023	142.212
Administrative expenses		(104.175)	(93.647)
Profit before provision for impairment of advances		59.848	48.565
Provision for impairment of advances		(35.116)	(36.947)
Profit before impairment of available-for-sale investments		24.732	11.618
Impairment of available-for-sale investments		(4.941)	-
Share of results of associates before tax		1.162	417
Profit before tax		20.953	12.035
Tax		(4.796)	(3.977)
Profit after tax		16.157	8.058
Minority interest		(137)	(41)
Net profit attributable to the shareholders of the Bank		16.020	8.017
Earnings per share			
Earnings per share - cent	4	5,3	2,6

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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2004

	Note	3 months ended 30.09.2004 C£ '000	3 months ended 30.09.2003 C£ '000
Net interest income		39.638	32.758
Net fee and commission income		11.973	11.142
(Loss) / profit on disposal and revaluation of securities		(321)	957
Foreign exchange and other income		6.521	4.922
Operating income		57.811	49.779
Administrative expenses		(35.310)	(32.059)
Profit before provision for impairment of advances		22.501	17.720
Provision for impairment of advances		(12.090)	(14.847)
Profit before impairment of available-for-sale investments		10.411	2.873
Impairment of available-for-sale investments		(4.001)	-
Share of results of associates before tax		639	172
Profit before tax		7.049	3.045
Tax		(1.971)	(1.211)
Profit after tax		5.078	1.834
Minority interest		(161)	(314)
Net profit attributable to the shareholders of the Bank		4.917	1.520

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CONDENSED CONSOLIDATED BALANCE SHEET 30 SEPTEMBER 2004

	Note	30.09.2004 C£ '000	31.12.2003 C£ '000
Assets			
Cash, balances with Central Banks and due from other banks		1.327.763	1.052.839
Advances to customers and other assets		4.073.962	3.868.601
Available-for-sale investments and investments in associates		25.356	32.628
Intangible assets		32.162	35.776
Property and equipment	6	81.828	85.630
Total assets		5.541.071	5.075.474
Liabilities			
Customer deposits and other liabilities	7	5.000.949	4.550.601
Loan capital	8	213.283	215.068
Minority interest		29.203	29.393
Share capital and reserves			
Share capital	9	152.450	152.450
Share premium	9	2.949	2.949
Reserves	10	142.237	125.013
		297.636	280.412
Total shareholders' equity and liabilities		5.541.071	5.075.474

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

	Share capital C£ '000	Share premium C£ '000	Revaluation and currency translation reserves C£ '000	Revenue reserves C£ '000	Total C£ '000
Nine months ended 30 September 2004					
Balance 1 January 2004	152.450	2.949	9.998	115.015	280.412
Arising in the period:					
Revaluation of available-for-sale investments	-	-	(3.303)	-	(3.303)
Transfer from revaluation reserves to income statement on disposal of property	-	-	(74)	-	(74)
Impairment of available-for-sale investments	-	-	4.941	-	4.941
Exchange differences arising in the period	-	-	(360)	-	(360)
<i>Net profit not recognised in the income statement</i>	-	-	1.204	-	1.204
Net profit attributable to the shareholders of the Bank	-	-	-	16.020	16.020
Balance 30 September 2004	152.450	2.949	11.202	131.035	297.636
Nine months ended 30 September 2003					
Balance 1 January 2003	151.819	2.385	11.626	105.412	271.242
Arising in the period:					
Revaluation of available-for-sale investments	-	-	(4.076)	-	(4.076)
Exchange differences arising in the period	-	-	254	-	254
<i>Net loss not recognised in the income statement</i>	-	-	(3.822)	-	(3.822)
Net profit attributable to the shareholders of the Bank	-	-	-	8.017	8.017
Conversion of debentures	423	591	-	-	1.014
Adjustment in the value of shares issued for the acquisition of Action Insurance Brokers Ltd	-	(27)	-	-	(27)
Change in the equity element of convertible debentures	(236)	-	-	-	(236)
Balance 30 September 2003	152.006	2.949	7.804	113.429	276.188

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004**

	30.09.2004	30.09.2003
	C£ '000	C£ '000
Cash generated from/(used in) operations	255.875	(94.352)
Tax paid	<u>(6.591)</u>	<u>(5.961)</u>
Net cash from/(used in) operating activities	<u>249.284</u>	<u>(100.313)</u>
Cash flows from investing activities		
Purchase less proceeds from disposal of property and equipment	(2.059)	(4.247)
Purchase less proceeds from disposal of computer software	(1.758)	(544)
Additions less disposals of available-for-sale investments	61	-
Income received from held-to-maturity investments	5.545	4.405
Income received from available-for-sale investments	<u>50</u>	<u>50</u>
Net cash from/(used in) investing activities	<u>1.839</u>	<u>(336)</u>
Cash flows from financing activities		
Proceeds from issue of loan capital	-	65.000
Interest paid on loan capital	<u>(7.321)</u>	<u>(5.727)</u>
Net cash (used in)/from financing activities	<u>(7.321)</u>	<u>59.273</u>
Net increase/(decrease) in cash and cash equivalents	243.802	(41.376)
Cash and cash equivalents at beginning of period	1.174.945	1.082.499
Effects of exchange rate changes on cash and cash equivalents	<u>(3.464)</u>	<u>(947)</u>
Cash and cash equivalents at end of period	<u>1.415.283</u>	<u>1.040.176</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the nine months ended 30 September 2004 have not been audited by the external auditors of the Group.

2. ACCOUNTING POLICIES

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

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

The condensed consolidated financial statements are presented in Cyprus Pounds, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Cyprus Popular Bank Public Company Ltd (the Bank) and the Group and consolidate the results of the Bank and its subsidiary companies as at 30 September 2004.

3. COMPARATIVES

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

4. EARNINGS PER SHARE

	30.09.2004	30.09.2003
	C£ '000	C£ '000
Net profit attributable to the shareholders of the Bank	<u>16.020</u>	<u>8.017</u>
	30.09.2004	30.09.2003
	'000	'000
Weighted average number of shares in issue during the period	<u>304.011</u>	<u>303.401</u>
Earnings per share – cents	<u>5,3</u>	<u>2,6</u>

Fully diluted earnings per share is not disclosed, as the price for the conversion of debentures into shares is higher than the market price of the Bank's share at the Cyprus Stock Exchange as at 30 September 2004.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTAL ANALYSIS

By class of business

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Nine months ended 30 September 2004					
Total revenues	246.151	10.288	34.389	(19.975)	270.853
Profit before tax, amortisation of goodwill and impairment of available-for-sale investments	17.095	3.466	8.604		29.165
Impairment of available-for-sale investments	(3.305)	(1.422)	(214)		(4.941)
Profit/(loss) before tax	13.543	(322)	7.732		20.953
Tax					(4.796)
Profit after tax					16.157
Minority interest					(137)
Net profit attributable to the shareholders of the Bank					16.020
Nine months ended 30 September 2003					
Total revenues	217.554	8.046	36.304	(17.714)	244.190
Profit before tax and amortisation of goodwill	140	1.269	12.827		14.236
Impairment of available-for-sale investments	-	-	-		-
(Loss)/profit before tax	(403)	275	12.163		12.035
Tax					(3.977)
Profit after tax					8.058
Minority interest					(41)
Net profit attributable to the shareholders of the Bank					8.017

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

Movement in the nine months ended 30 September 2004:

	C£ '000
Net book value at 1 January	85.630
Additions less disposals of property and equipment	2.360
Depreciation	(5.921)
Transfer of revaluation due to disposal of property	(74)
Exchange differences	(167)
	<hr/>
Net book value at 30 September	<u>81.828</u>

7. OTHER LIABILITIES

During the year the Bank set up a Euro Medium Term Note Programme for a total amount of euro 750m. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In July 2004 the Bank issued euro 300m. of senior debt from the above Programme- amount included in other liabilities. The bonds are repayable three years from their issue and pay interest every three months. The interest rate is set at euribor plus 0,5%.

The bonds are listed on the Luxembourg Stock Exchange.

8. LOAN CAPITAL

	30.09.2004 C£ '000
Convertible debentures 2001/2006	8.754
Convertible debentures 2003/2010	6.796
Non-convertible debentures 2003/2009	30.000
Non-convertible debentures 2003/ 2007	15.000
Eurobonds due 2011	103.177
Capital securities	50.000
	<hr/>
	213.727
Equity element of convertible debentures (Note 9)	(444)
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Total loan capital	<u>213.283</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOAN CAPITAL (continued)

The repayment date of the above debentures with the exception of the convertible debentures 2001/2006, the non-convertible debentures 2003/2009 and the non-convertible debentures 2003/2007 falls in the period of "over 5 years" from the balance sheet date i.e. later than 2009.

Convertible debentures 2001/2006

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

The debentures were convertible into Cyprus Popular Bank Ltd shares in June of each year until 2003, therefore the conversion option is no longer available. The conversion price was set at C£ 1,20 (adjustment due to bonus issue) per share in the years 2000 to 2003. The conversion price was adjusted every time there was a new issue of shares.

In the period from 30 June 2001 to 30 June 2006, the Bank has the right to repurchase all or part of the debentures at par and to pay the holder an amount equal to the nominal value of debentures plus any accrued interest. In such a case, the holder of the debentures reserves the right to convert the debentures into shares, according to the terms of the debenture issue.

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

Convertible debentures 2003/2010

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

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

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOAN CAPITAL (continued)

Non-convertible debentures 2003/2009

In June 1999 the Bank issued C£ 30 m non-convertible debentures due 2009. The debentures pay interest every six months on 31 May and 30 November of each year. Interest was fixed at 7,25% on nominal value for the first year. Thereafter, the debentures pay floating interest. The floating interest rate is equal to the average interest rate of government bonds 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.

Non-convertible debentures 2003/2007

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

Interest 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.

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 be set at 2,8% above Euribor.

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

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

The bonds are listed on the Luxemburg Stock Exchange and their market value at 30 September 2004 was €180,8 m.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOAN CAPITAL (continued)

Capital securities

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

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

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

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

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

9. SHARE CAPITAL AND SHARE PREMIUM

	Share capital C£ '000	Share premium C£ '000
Issued and paid-up	152.006	2.949
Equity element of convertible debentures (Note 8)	444	-
Balance 30 September 2004	152.450	2.949

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. RESERVES

Movement in the nine months ended 30 September 2004:

	C€ '000
Revenue reserves	
Balance at 1 January	115.015
Net profit for the period	<u>16.020</u>
Balance at 30 September	<u>131.035</u>
Property revaluation reserves	
Balance at 1 January	12.996
Transfer to income statement on disposal of property	<u>(74)</u>
Balance at 30 September	<u>12.922</u>
Investment revaluation reserves	
Balance at 1 January	741
Transfer to income statement due to impairment of available-for-sale investments	4.941
Revaluation for the period	<u>(3.303)</u>
Balance at 30 September	<u>2.379</u>
Currency translation reserves	
Balance at 1 January	(3.739)
Exchange differences arising in the period	<u>(360)</u>
Balance at 30 September	<u>(4.099)</u>
Total reserves at 30 September	<u>142.237</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for at 30 September 2004 amounted to C£ 2,4 m.

12. COMMITTEE FOR THE PROTECTION OF COMPETITION

The pending proceedings before the Committee for the Protection of Competition (CPC) against three commercial banks, including the Cyprus Popular Bank Public Company Ltd, were concluded with the relevant ruling of the CPC by which a total fine was charged to the three commercial banks. The fine for the Bank is CYP 1.695.000. This amount is included in administrative expenses in the condensed consolidated income statement.

13. INTENTION FROM THIRD PARTIES FOR ACQUISITION OF THE INVESTMENT IN UNIVERSAL LIFE INSURANCE CO LTD

On 13 August 2004 the Bank announced that it has been notified in writing of the interest from third parties to purchase the 35% share capital of Universal Life Insurance Co Ltd, which is currently owned by the Bank. The Bank has agreed to the procedure to be followed, which may lead to an agreement for the sale of the shares owned by the Bank in Universal Life Insurance Co Ltd.

14. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved by the Board of Directors on 16 November 2004.