



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2006

LAIKI GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS for the six months ended 30 June 2006

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LAIKI GROUP
CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2006

	Note	6 months ended 30.06.2006 C£ '000	6 months ended 30.06.2005 C£ '000	6 months ended 30.06.2006 Euro '000 *	6 months ended 30.06.2005 Euro '000 *
Net interest income		95.734	79.891	166.493	138.941
Net fee and commission income		30.578	26.069	53.179	45.339
Profit on disposal and revaluation of securities		2.990	727	5.201	1.264
Foreign exchange income		6.652	5.705	11.569	9.921
Other income		10.491	7.508	18.245	13.057
Operating income		146.445	119.900	254.687	208.522
Staff costs		(51.480)	(46.345)	(89.531)	(80.600)
Depreciation, amortisation and impairment		(5.832)	(9.448)	(10.143)	(16.431)
Other administrative expenses		(20.845)	(19.050)	(36.251)	(33.130)
Profit before provision for impairment of advances		68.288	45.057	118.762	78.361
Provision for impairment of advances	7	(22.911)	(22.652)	(39.846)	(39.396)
Profit before share of profit from associates		45.377	22.405	78.916	38.965
Share of profit from associates		399	498	693	866
Profit before tax		45.776	22.903	79.609	39.831
Tax		(6.557)	(4.389)	(11.402)	(7.632)
Profit for the period		39.219	18.514	68.207	32.199
Attributable to:					
Minority interest		1.023	391	1.780	680
Equity holders of the Bank		38.196	18.123	66.427	31.519
		39.219	18.514	68.207	32.199
Earnings per share - for profit attributable to the equity holders of the Bank					
Earnings per share - cent	4	12,4	6,0	21,6	10,4

*Supplementary information – Note 17

LAIKI GROUP
CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 30 June 2006

	3 months ended 30.06.2006 C£ '000	3 months ended 30.06.2005 C£ '000	<i>3 months ended 30.06.2006 Euro '000 *</i>	<i>3 months ended 30.06.2005 Euro '000 *</i>
Net interest income	47.959	40.737	<i>83.406</i>	<i>70.848</i>
Net fee and commission income	15.725	13.819	<i>27.348</i>	<i>24.035</i>
Profit/(loss) on disposal and revaluation of securities	838	(417)	<i>1.457</i>	<i>(726)</i>
Foreign exchange income	3.695	2.763	<i>6.426</i>	<i>4.804</i>
Other income	5.684	3.757	<i>9.886</i>	<i>6.534</i>
Operating income	73.901	60.659	<i>128.523</i>	<i>105.495</i>
Staff costs	(26.398)	(23.250)	<i>(45.910)</i>	<i>(40.436)</i>
Depreciation, amortisation and impairment	(3.435)	(5.739)	<i>(5.975)</i>	<i>(9.981)</i>
Other administrative expenses	(9.594)	(9.134)	<i>(16.683)</i>	<i>(15.885)</i>
Profit before provision for impairment of advances	34.474	22.536	<i>59.955</i>	<i>39.193</i>
Provision for impairment of advances	(13.080)	(11.685)	<i>(22.749)</i>	<i>(20.323)</i>
Profit before share of profit from associates	21.394	10.851	<i>37.206</i>	<i>18.870</i>
Share of profit from associates	242	249	<i>421</i>	<i>433</i>
Profit before tax	21.636	11.100	<i>37.627</i>	<i>19.303</i>
Tax	(3.297)	(2.149)	<i>(5.733)</i>	<i>(3.736)</i>
Profit for the period	18.339	8.951	<i>31.894</i>	<i>15.567</i>
Attributable to:				
Minority interest	405	(203)	<i>705</i>	<i>(353)</i>
Equity holders of the Bank	17.934	9.154	<i>31.189</i>	<i>15.920</i>
	18.339	8.951	<i>31.894</i>	<i>15.567</i>

**LAIKI GROUP
CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2006**

	Note	30.06.2006	31.12.2005	30.06.2006	31.12.2005
		€ '000	€ '000	Euro '000 *	Euro '000 *
Assets					
Cash and balances with Central Banks		535.044	432.091	930.511	751.463
Due from other banks		1.566.248	1.365.173	2.723.909	2.374.213
Financial assets at fair value					
through profit or loss		213.768	172.890	371.771	300.679
Advances to customers	6	4.388.112	3.995.698	7.631.497	6.949.038
Government bonds and treasury bills		328.228	339.005	570.831	589.574
Available-for-sale financial assets		566.929	544.546	985.964	947.035
Other assets		128.921	127.370	224.211	221.515
Investments in associates		6.279	5.880	10.920	10.227
Intangible assets		56.426	46.246	98.132	80.427
Property and equipment	8	92.582	89.832	161.011	156.229
Total assets		7.882.537	7.118.731	13.708.757	12.380.400
Liabilities					
Due to other banks		219.782	122.538	382.229	213.110
Customer deposits		5.978.264	5.726.421	10.396.978	9.958.990
Senior debt		172.208	171.833	299.493	298.841
Other liabilities		546.170	502.211	949.860	873.409
		6.916.424	6.523.003	12.028.560	11.344.350
Loan capital	9	471.836	213.154	820.585	370.703
Share capital and reserves attributable to the Bank's equity holders					
Share capital	10	179.176	153.648	311.611	267.214
Share premium	10	39.530	4.843	68.747	8.423
Reserves	12	237.945	188.348	413.818	327.562
		456.651	346.839	794.176	603.199
Minority interest		37.626	35.735	65.436	62.148
Total equity		494.277	382.574	859.612	665.347

Total equity and liabilities7.882.5377.118.73113.708.75712.380.400**Supplementary information – Note 17***LAIKI GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2006**

	Attributable to equity holders of the Bank				Minority interest	Total
	Share capital	Share premium	Fair value and currency translation reserves	Revenue reserves		
	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000
Six months ended 30 June 2006						
Balance 1 January 2006	153.648	4.843	18.306	170.042	35.735	382.574
Revaluation of available-for-sale financial assets	-	-	11.604	-	(55)	11.549
Transfer of fair value reserves to income statement	-	-	(143)	-	-	(143)
Deferred tax	-	-	(175)	-	-	(175)
Exchange differences arising in the period	-	-	115	-	98	213
Acquisition of subsidiary	-	-	-	-	1.253	1.253
Change in the minority interest from changes in the shareholdings in Greek subsidiaries	-	-	-	-	(428)	(428)
Profit recognised directly in equity	-	-	11.401	-	868	12.269
Profit for the period	-	-	-	38.196	1.023	39.219
Total recognised profit for the period	-	-	11.401	38.196	1.891	51.488
Exercise of rights	25.528	35.740	-	-	-	61.268
Expenses on the issue of rights	-	(1.053)	-	-	-	(1.053)
	25.528	34.687	-	-	-	60.215
Balance 30 June 2006	179.176	39.530	29.707	208.238	37.626	494.277
Six months ended 30 June 2005						
Balance 1 January 2005	152.450	2.949	13.507	136.275	34.904	340.085
Adjustment on revaluation of property Revaluation of available-for-sale	-	-	(197)	-	-	(197)

financial assets	-	-	2.044	-	(1)	2.043
Exchange differences arising in the period	-	-	(551)	-	(290)	(841)
Profit recognised directly in equity	-	-	1.296	-	(291)	1.005
Profit for the period	-	-	-	18.123	391	18.514
Total recognised profit for the period	-	-	1.296	18.123	100	19.519
Balance 30 June 2005	152.450	2.949	14.803	154.398	35.004	359.604

LAIKI GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2006

	Note	30.06.2006	30.06.2005	30.06.2006	30.06.2005
		€ '000	€ '000	Euro '000 *	Euro '000 *
Cash generated from operations		4.121	215.906	7.166	375.489
Tax paid		(3.339)	(5.992)	(5.808)	(10.422)
Net cash from operating activities		782	209.914	1.358	365.067
Cash flows from investing activities					
Purchase less proceeds from disposal of property and equipment		(2.442)	(2.087)	(4.246)	(3.629)
Purchase less proceeds from disposal of computer software		(1.198)	(779)	(2.083)	(1.355)
Additions less proceeds from redemption of available-for-sale financial assets		(19.769)	(106.432)	(34.380)	(185.099)
Income received from available-for-sale financial assets		12.595	6.564	21.904	11.416
Acquisition of subsidiary net of cash acquired	15	(5.022)	-	(8.733)	-
Net cash used in investing activities		(15.836)	(102.734)	(27.538)	(178.667)
Cash flows from financing activities					
Net proceeds from rights issue		60.215	-	104.722	-
Proceeds from the issue of loan capital		258.313	-	449.239	-
Interest paid on loan capital		(4.836)	(5.259)	(8.411)	(9.146)
Net cash from/(used in) financing activities		313.692	(5.259)	545.550	(9.146)
Effects of exchange rate changes on cash and cash equivalents		(2.208)	3.875	(3.840)	6.739
Net increase in cash and cash equivalents		296.430	105.796	515.530	183.993
Cash and cash equivalents at beginning of period		1.770.138	1.378.059	3.078.502	2.396.623
Cash and cash equivalents at end of period		2.066.568	1.483.855	3.594.032	2.580.616

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements for the six months ended 30 June, 2006 have not been audited by the external auditors of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and should be read in conjunction with the audited financial statements for the year ended 31 December, 2005.

The condensed interim consolidated financial statements are presented in Cyprus Pounds, which is the functional and presentation currency of the Cyprus Popular Bank Public Company Ltd (the Bank) (parent) and consolidate the results of the Bank and its subsidiary companies as at 30 June, 2006.

The same accounting policies as for the annual financial statements for the year 2005 have been followed in the preparation of the condensed interim consolidated financial statements.

As from 1 January, 2006, the Group has adopted all applicable new and revised International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) which are relevant to its operations.

3. COMPARATIVES

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

4. EARNINGS PER SHARE

	30.06.2006	30.06.2005
	C£ '000	C£ '000
Profit attributable to the equity holders of the Bank	<u>38.196</u>	<u>18.123</u>
	30.06.2006	30.06.2005
	'000	'000

Weighted average number of shares in issue during the period	<u>307.387</u>	<u>304.011</u>
Earnings per share – cent	<u>12,4</u>	<u>6,0</u>

Fully diluted earnings per share is not disclosed, as the price for the conversion of debentures is higher than the market price of the Cyprus Popular Bank Public Company Ltd share at the Cyprus Stock Exchange as at 30 June, 2006.

LAIKI GROUP NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTAL ANALYSIS By business class

	Banking services C£ '000	Insurance services C£ '000	Financial and other services C£ '000	Eliminations C£ '000	Total C£ '000
Six months ended 30 June 2006					
Total revenues	245.438	10.899	25.762	(20.858)	261.241
Profit before tax and impairment of goodwill	<u>32.333</u>	<u>5.252</u>	<u>8.191</u>		<u>45.776</u>
Profit before tax	<u>32.333</u>	<u>5.252</u>	<u>8.191</u>		<u>45.776</u>
Tax					<u>(6.557)</u>
Profit for the period					<u>39.219</u>
 Six months ended 30 June 2005					
Total revenues	192.091	7.847	24.487	(12.686)	211.739
Profit before tax and impairment of goodwill	<u>19.273</u>	<u>2.893</u>	<u>4.937</u>		<u>27.103</u>
Profit before tax	<u>19.273</u>	<u>1.993</u>	<u>1.637</u>		<u>22.903</u>
Tax					<u>(4.389)</u>
Profit for the period					<u>18.514</u>

LAIKI GROUP**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****6. ADVANCES TO CUSTOMERS**

	30.06.2006
	C£ '000
Advances to customers	4.340.283
Instalment finance and leasing	386.871
	<hr/>
	4.727.154
Provision for impairment of advances (Note 7)	(339.042)
	<hr/>
	4.388.112
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The amount of income suspended is included in provision for impairment of advances.

7. PROVISION FOR IMPAIRMENT OF ADVANCES

Movement in the six months to 30 June 2006:

	Provisions	Suspension	Total
	C£ '000	of income	C£ '000
		C£ '000	
Balance 1 January 2006	248.866	70.749	319.615
Provision for impairment of advances from the acquisition of subsidiary	1.550	-	1.550
Provision for impairment of advances for the period	39.814	-	39.814
Release of provision and recoveries	(16.903)	(7.397)	(24.300)
Loans written-off	(12.345)	(1.108)	(13.453)
Exchange differences	98	-	98
Suspension of income for the period	-	15.718	15.718
		<hr/>	<hr/>

Balance 30 June 2006	261.080	77.962	339.042
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8. PROPERTY AND EQUIPMENT

Movement in the six months to 30 June 2006:

	C£ '000
Net book value at 1 January 2006	89.832
Property and equipment from the acquisition of subsidiary (Note 15)	2.786
Additions less disposals of property and equipment	3.245
Depreciation	(3.208)
Exchange differences	(73)
	<hr/>
Net book value at 30 June 2006	92.582

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL

	30.06.2006 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	103.417
Capital securities	50.000
Eurobonds due 2016	258.313
	<hr/>
	472.280
Equity element of convertible debentures (Note 10)	(444)
	<hr/>
Total loan capital	471.836

The repayment date of the convertible debentures 2001/2006 falls in the period of «over three months but less than one year» from the balance sheet date and the repayment date of Eurobonds due 2011 and the Eurobonds due 2016 falls in the period of «over five years» from the balance sheet date. The repayment date of the remaining debentures falls in the period of «over one but less than five years» from the balance sheet date. The capital securities are perpetual.

Convertible debentures 2001/2006

In March 1997 the Bank issued C£ 15 m convertible debentures due 2006. The debentures pay interest every six months on 30 June and 31 December of each year. Interest was fixed at 7% on nominal value

for the first two years. Thereafter, interest is reset every six months based on the average interest rate of government bonds in the preceding six-monthly period.

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

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.

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL (continued)

Convertible debentures 2003/2010

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

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

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

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

Non-convertible debentures 2003/2009

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

is equal to the average interest rate of government bonds for one year plus 0,75% or the highest interest rate offered by the Bank for one year customer deposits plus 0,75%, whichever is higher.

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

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

Non-convertible debentures 2003/2007

In April 2003 the Bank issued C£ 15 m non-convertible debentures due 2007. The debentures pay interest every six months on 30 June and 31 December of each year. Interest was fixed at 6,50% on nominal value until 31 December, 2004. Thereafter, the debentures pay floating interest. The floating interest rate is 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.

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL (continued)

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 on 28 February, 28 May, 28 August and 28 November in each year. Interest is set at 1,40% above the three-month rate of euro (Euribor). After 28 November, 2006 its interest will be set at 2,8% above Euribor.

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

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

The bonds are listed on the Luxembourg Stock Exchange and their market value at 30 June, 2006 was euro 180,8 m, C£ 104,0 m.

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.

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL (continued)

Eurobonds due 2016

During 2004 the Bank set up a Euro Medium Term Note Programme for a total amount of euro 750 m, pursuant to which the Bank would have the ability to issue senior and / or subordinated debt in accordance to its needs. In July 2004 the Bank issued euro 300 m of senior debt from this Programme.

In May 2006, after approval of the increase of the size of the Euro Medium Tern Note Programme from euro 750 m to euro 1 bln, the Bank successfully completed a subordinated debt issue (Tier 2 capital) totaling euro 450 m. The Issue was in the form of subordinated bond, maturing in 10 years. The Bank has the option to call it in after 5 years. The interest rate has been set at three month Euribor plus 0,75%, increased by 1% if the bond is not called in after five years.

The bond which constitutes unsecured, subordinated obligations of the Bank and which ranks for payment after the claims of the depositors and other creditors, is listed on the Luxembourg Stock Exchange and its market value at 30 June, 2006 was euro 448 m, C£ 257,6 m.

10. SHARE CAPITAL AND SHARE PREMIUM

Share capital C£ '000	Share premium C£ '000
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Issued and paid-up		
Balance 1 January 2006	153.204	4.843
Exercise of rights	25.528	35.740
Expenses on the issue of rights	-	(1.053)
	<u>178.732</u>	<u>39.530</u>
Equity element of convertible debentures (Note 9)	444	-
Balance 30 June 2006	<u>179.176</u>	<u>39.530</u>

Following the approval of the Extraordinary General Meeting on 15 June, 2006 the authorised share capital of the Bank was increased from C£ 200 m. to from C£ 200 m.

In June 2006 the Bank increased its share capital with the issue of 51.057.000 shares from rights for the benefit of existing shareholders at the price of C£ 1,20 per share. From this issue a total of C£ 61.268.000 was raised.

11. DIVIDEND

The Annual General Meeting of the Bank, held on 15 June, 2006, approved the payment of a dividend of 12% (6 cent per share of nominal value 50 cent). The dividend, which amounted to C£ 21.448.000, was paid on 10 July, 2006.

LAIKI GROUP NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. RESERVES

Movement in the six months to 30 June 2006:

	C£ '000
Revenue reserves	
Balance 1 January 2006	170.042
Profit for the period attributable to equity holders of the Bank	<u>38.196</u>
Balance 30 June 2006	<u>208.238</u>
Property fair value reserves	
Balance 1 January 2006	14.733
Deferred tax	<u>(175)</u>
Balance 30 June 2006	<u>14.558</u>
Available-for-sale financial asset fair value reserves	
Balance 1 January 2006	6.578
Revaluation for the period	11.604

Transfer to income statement due to sale of available-for-sale financial assets	<u>(143)</u>
Balance 30 June 2006	<u>18.039</u>
Currency translation reserves	
Balance 1 January 2006	(3.005)
Exchange differences arising in the period	<u>115</u>
Balance 30 June 2006	<u>(2.890)</u>
Total reserves 30 June 2006	<u>237.945</u>

13. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for at 30 June, 2006 amounted to C£ 6,9m.

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14. NET ASSETS ATTRIBUTABLE TO LIFE POLICYHOLDERS

The net assets attributable to life policyholders, which are included in the consolidated balance sheet are presented below:

	30.06.2006
	C£ '000
Deposits with banks (including deposits with the Cyprus Popular Bank Public Company Ltd)	65.363
Financial assets at fair value through profit or loss	128.304
Advances to policyholders	19.083
Balances recoverable from reinsurers and other assets	5.156
Investment property (including investment property used by Group companies)	14.480
Property and equipment	1.315
Liabilities	<u>(1.966)</u>
Net assets attributable to life policyholders	<u>231.735</u>

15. INVESTMENTS IN SUBSIDIARY COMPANIES

(a) Restructuring of the shareholdings in the subsidiaries in Greece

By order of the Board of Directors of the Bank and after approval from the Extraordinary General Meeting of Laiki Bank (Hellas) S.A. (Laiki Hellas), the Bank disposed of its shareholdings in the companies Laiki Leasing S.A. (shareholding 50%), Laiki Factoring S.A. (shareholding 50%), Laiki A.E.D.A.K. (shareholding 50%), Laiki Attalos Securities S.A. (shareholding 46%), Laiki life S.A. (shareholding 50%), Laiki Insurance Agency S.A. (shareholding 50%), to Laiki Hellas in exchange for the issue of 719.232 shares in Laiki Hellas at the price of euro 31,40 per share.

As a result of the above action the changes in the shareholdings in the subsidiaries of the Group in Greece are presented below:

	Shareholding 30.06.2006	Shareholding 31.12.2005
Laiki Bank (Hellas) S.A.	80%	78%
Laiki Leasing S.A.	80%	89%
Laiki Factoring S.A.	80%	89%
Laiki A.E.D.A.K.	78%	87%
Laiki Attalos Securities S.A.	75%	82%
Laiki Life S.A.	80%	89%
Laiki Insurance Agencies S.A.	80%	89%

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(b) Acquisition of subsidiary company

On 20 January, 2006 the Bank acquired 90,43% of the ordinary share capital of the Serbian bank Centrobanka a.d. (later renamed to Laiki Bank a.d.) for a total amount of C£ 19,3m. (euro 33,6 m.).

	C£ '000
Purchase consideration	19.209
Acquisition expenses	59
Total acquisition cost	19.268
Share of the fair value of the net assets acquired	(11.835)
Goodwill	7.433

Goodwill is attributable to securing a banking license in Serbia achieved through the acquisition, which will allow the Group to take advantage both of the significant growth margins of the Serbian banking sector as well as the prospects of the Serbian economy. At the present stage it was not feasible to accurately value the banking license and therefore it has not been accounted for as an intangible asset.

	Acquiree' s	
	carrying	Preliminary
	amount	fair value
	C£ '000	C£ '000
Cash and cash equivalents	14.246	14.246
Advances	31.708	32.196
Other assets	3.285	3.463
Intangible assets	32	3.800
Property and equipment	3.625	2.786
Due to other banks	(4.925)	(4.925)
Customer deposits	(33.819)	(33.819)
Other liabilities	(3.831)	(4.659)
	<hr/>	<hr/>
Net assets	10.321	13.088
Less minority interest in net assets (9,57%)		(1.253)
		<hr/>
Net assets acquired		11.835
		<hr/>

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(b) Acquisition of subsidiary company (continued)

The Bank is in the process of completing the fair valuation and purchase price allocation of the acquisition of Laiki Bank a.d. as at the date of acquisition. Consequently the Group has applied initial accounting determined provisionally according to IFRS 3 'Business Combinations'. Based on this preliminary accounting the Group recognised C£ 3.768.000 intangible assets which relate to an estimated value for the existing branch network and an estimated value of the client base / relationship. For the period from 20 January, 2006 to 30 June, 2006 the acquired business suffered a loss of C£ 1.611.000. These results were charged with amortisation of the intangible assets recognised amounting to C£ 932.000.

The Group will recognise any adjustment to the preliminary values with the completion of the fair valuation and the purchase price allocation, within a period of 12 months from the acquisition date, as permitted by IFRS 3.

Cash outflow as per cash flow statement	C£ '000
Cash paid	19.268
Less: Cash and cash equivalents acquired	<u>(14.246)</u>
Acquisition of subsidiary net of cash acquired	<u>5.022</u>

16. POST BALANCE SHEET EVENTS

On 31 July, 2006 the Bank announce its decision to:

(a) call in the non-convertible debentures 2003/2009 at par plus interest in accordance with its rights as contained in the terms of issue of the relevant Prospectus dated 19 May 1999. The call in of the debentures 2003/2009 has been approved by the Central Bank of Cyprus.

(b) call in the convertible debentures 2003/2010 at par plus interest in accordance with its rights as contained in the terms of issue of the relevant Prospectus dated 18 May 2001. The call in of the debentures 2003/2010 has been approved by the Central Bank of Cyprus.

(c) purchase the debentures 2003/2007 with an offer to all holders of these debentures in accordance with the terms of issue of the relevant Prospectus dated 27 March 2003. The offer price will be C£ 1012 for each debenture of C£ 1000, plus interest. The purchase of the debentures 2003/2007 has been approved by the Central Bank.

LAIKI GROUP

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. POST BALANCE SHEET EVENTS (continued)

On 17 July, 2006 the Non Executive Chairman of the Board of Directors Mr Kikis N. Lazarides withdrew from the position of Member of the Board of Directors. On 26 July, 2006 Mr. Michalis R. Erotokritos resigned from the position of the Managing Director and the position of the Member of the Board of Directors. Also Mr. Theofilos Theofilou resigned from the position of Member of the Board of Directors. The Board of Directors elected Mr Neoklis Lysandrou and Mrs Rena Rouvitha Panou as new Members of the Board. Mr. Neoklis Lysandrou was elected as Non-executive Chairman. The Board of Directors appointed Mr. Christos Stylianides as Managing Director. In addition the Executive Committee was

appointed, consisting of Mr Christos Stylianides (Chairman), Mr Kyriakos Mageiras, Mr Michalis Louis, Mr Panayiotis Kounnis and Mr Petros Petrou (Members).

Due to the very recent changes in the structure of the Board of Directors of the Bank, it was not practically possible to gather and present complete data for the Note to the financial statements 'Related Party Transactions'. The required information will be disclosed in the condensed interim financial statements for 30.09.2006.

17. SUPPLEMENTARY INFORMATION

The condensed consolidated income statement for the six months ended 30 June, 2006, the condensed consolidated income statements for the three months ended 30 June, 2006, the condensed consolidated balance sheet as at 30 June, 2006, as well as the condensed consolidated cash flow statement for the six months ended 30 June, 2006, in euro, constitute supplementary information. The translation from Cyprus pounds (the Group's functional currency) to euro for the purpose of this supplementary information was performed using the exchange rate for euro as at 30 June, 2006, which was 0,575.

18. APPROVAL OF FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were approved by the Board of Directors on 8 August, 2006.