



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
31 MARCH 2006

LAIKI GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2006

CONTENTS	Page
Condensed Consolidated Income Statement	1
Condensed Consolidated Balance Sheet	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Cash Flow Statement	4
Notes to the Condensed Consolidated Financial Statements	5

LAIKI GROUP
CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2006

	Note	3 months ended 31.03.2006 C£ '000	3 months ended 31.03.2005 C£ '000	<i>3 months ended 31.03.2006 Euro '000 *</i>
Net interest income		47.775	39.154	<i>82.943</i>
Net fee and commission income		14.853	12.250	<i>25.786</i>
Profit on disposal and revaluation of securities		2.152	1.144	<i>3.736</i>
Foreign exchange income		2.957	2.942	<i>5.134</i>
Other income		4.807	3.751	<i>8.345</i>
Operating income		72.544	59.241	<i>125.944</i>
Staff costs		(25.082)	(23.095)	<i>(43.545)</i>
Depreciation, amortisation and impairment		(2.397)	(3.709)	<i>(4.161)</i>
Other administrative expenses		(11.251)	(9.916)	<i>(19.533)</i>
Profit before provision for impairment of advances		33.814	22.521	<i>58.705</i>
Provision for impairment of advances	7	(9.831)	(10.967)	<i>(17.068)</i>
Profit before share of profit from associates		23.983	11.554	<i>41.637</i>
Share of profit from associates		157	249	<i>273</i>
Profit before tax		24.140	11.803	<i>41.910</i>
Tax		(3.260)	(2.240)	<i>(5.660)</i>
Profit for the period		20.880	9.563	<i>36.250</i>
Attributable to:				
Minority interest		618	594	<i>1.073</i>
Equity holders of the Bank		20.262	8.969	<i>35.177</i>
		20.880	9.563	<i>36.250</i>
Earnings per share - for profit attributable to the equity holders of the Bank				
Earnings per share - cent	4	6,6	3,0	<i>11,46</i>

**Supplementary information – Note 16*

LAIKI GROUP
CONDENSED CONSOLIDATED BALANCE SHEET
31 March 2006

	Note	31.03.2006 C£ '000	31.12.2005 C£ '000	31.03.2006 Euro '000 *
Assets				
Cash and balances with Central Banks		369.569	432.091	641.613
Due from other banks		1.431.992	1.365.173	2.486.097
Financial assets at fair value				
through profit or loss		197.632	172.890	343.111
Advances to customers	6	4.229.513	3.995.698	7.342.905
Government bonds and treasury bills		373.947	339.005	649.213
Available-for-sale financial assets		577.243	544.546	1.002.158
Other assets		131.328	127.370	228.000
Investments in associates		6.037	5.880	10.481
Intangible assets		56.735	46.246	98.498
Property and equipment	8	92.687	89.832	160.915
Total assets		7.466.683	7.118.731	12.962.991
Liabilities				
Due to other banks		236.320	122.538	410.278
Customer deposits		5.906.552	5.726.421	10.254.430
Senior debt		172.798	171.833	299.997
Other liabilities		526.103	502.211	913.373
		6.841.773	6.523.003	11.878.078
Loan capital	9	213.653	213.154	370.925
Share capital and reserves attributable to the Bank's equity holders				
Share capital	10	153.648	153.648	266.750
Share premium	10	4.843	4.843	8.408
Reserves	12	215.662	188.348	374.413
		374.153	346.839	649.571
Minority interest		37.104	35.735	64.417
Total equity		411.257	382.574	713.988
Total equity and liabilities		7.466.683	7.118.731	12.962.991

*Supplementary information – Note 16

LAIKI GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 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
Three months ended 31 March 2006						
Balance 1 January 2006	153.648	4.843	18.306	170.042	35.735	382.574
Revaluation of available-for-sale financial assets	-	-	7.112	-	(6)	7.106
Deferred tax	-	-	(160)	-	-	(160)
Exchange differences arising in the period	-	-	100	-	104	204
Acquisition of subsidiary	-	-	-	-	891	891
Change in the minority interest from the acquisition of shareholding in Laiki Bank (Hellas) S.A.	-	-	-	-	(238)	(238)
Profit recognised directly in equity	-	-	7.052	-	751	7.803
Profit for the period	-	-	-	20.262	618	20.880
Total recognised profit for the period	-	-	7.052	20.262	1.369	28.683
Balance 31 March 2006	153.648	4.843	25.358	190.304	37.104	411.257
Three months ended 31 March 2005						
Balance 1 January 2005	152.450	2.949	13.507	136.275	34.904	340.085
Adjustment on revaluation of property	-	-	(197)	-	-	(197)
Revaluation of available-for-sale financial assets	-	-	2.011	-	(17)	1.994
Exchange differences arising in the period	-	-	180	-	195	375
Profit recognised directly in equity	-	-	1.994	-	178	2.172
Profit for the period	-	-	-	8.969	594	9.563
Total recognised profit for the period	-	-	1.994	8.969	772	11.735
Balance 31 March 2005	152.450	2.949	15.501	145.244	35.676	351.820

LAIKI GROUP
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the three months ended 31 March 2006

	31.03.2006	31.03.2005
	C£ '000	C£ '000
Cash generated from operations	46.268	5.467
Tax paid	<u>(1.161)</u>	<u>(4.073)</u>
Net cash from operating activities	<u>45.107</u>	<u>1.394</u>
Cash flows from investing activities		
Purchase less proceeds from disposal of property and equipment	(813)	(503)
Purchase less proceeds from disposal of computer software	(490)	(422)
Additions less proceeds from redemption of available-for-sale financial assets	(36.449)	(48.676)
Income received from available-for-sale financial assets	5.509	2.847
Acquisition of subsidiary net of cash acquired	(5.022)	-
Net cash used in investing activities	<u>(37.265)</u>	<u>(46.754)</u>
Cash flows from financing activities		
Interest paid on loan capital	(2.384)	(2.656)
Net cash used in financing activities	<u>(2.384)</u>	<u>(2.656)</u>
Effects of exchange rate changes on cash and cash equivalents	(1.400)	5.996
Net increase/(decrease) in cash and cash equivalents	4.058	(42.020)
Cash and cash equivalents at beginning of period	<u>1.770.138</u>	<u>1.378.059</u>
Cash and cash equivalents at end of period	<u>1.774.196</u>	<u>1.336.039</u>

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the three months ended 31 March, 2006 have not been audited by the external auditors of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed 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 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 31 March, 2006.

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

	31.03.2006	31.03.2005
	C£ '000	C£ '000
Profit attributable to the equity holders of the Bank	<u>20.262</u>	<u>8.969</u>
	31.03.2006	31.03.2005
	'000	'000
Weighted average number of shares in issue during the period	<u>306.408</u>	<u>304.011</u>
Earnings per share – cent	<u>6,6</u>	<u>3,0</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 31 March, 2006.

LAIKI GROUP
NOTES TO THE CONDENSED 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
Three months ended 31 March 2006					
Total revenues	117.601	5.511	13.507	(12.115)	124.504
Profit before tax and impairment of goodwill	16.970	2.784	4.386		24.140
Profit before tax	16.970	2.784	4.386		24.140
Tax					(3.260)
Profit for the period					20.880

Three months ended 31 March 2005

Total revenues	93.569	3.937	12.801	(5.650)	104.657
Profit before tax and impairment of goodwill	7.473	1.540	3.790		12.803
Profit before tax	7.473	640	3.690		11.803
Tax					(2.240)
Profit for the period					9.563

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

	31.03.2006
	C£ '000
Advances to customers	4.184.055
Instalment finance and leasing	<u>376.167</u>
	4.560.222
Provision for impairment of advances (Note 7)	<u>(330.709)</u>
	<u>4.229.513</u>

The amount of income suspended is included in provision for impairment of advances.

7. PROVISION FOR IMPAIRMENT OF ADVANCES

Movement in the three months to 31 March 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	1.549	-	1.549
Provision for impairment of advances for the period	11.446	-	11.446
Release of provision and recoveries	(1.615)	(3.287)	(4.902)
Loans written-off	(4.291)	(595)	(4.886)
Exchange differences	60	-	60
Suspension of income for the period	-	7.827	7.827
	<u>256.015</u>	<u>74.694</u>	<u>330.709</u>
Balance 31 March 2006	256.015	74.694	330.709

8. PROPERTY AND EQUIPMENT

Movement in the three months to 31 March 2006:

	C£ '000
Net book value at 1 January 2006	89.832
Property and equipment from the acquisition of subsidiary	3.626
Additions less disposals of property and equipment	801
Depreciation	(1.466)
Exchange differences	<u>(106)</u>
Net book value at 31 March 2006	<u>92.687</u>

LAIKI GROUP
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN CAPITAL

	31.03.2006
	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	103.547
Capital securities	50.000
	<hr/>
	214.097
Equity element of convertible debentures (Note 10)	(444)
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Total loan capital	213.653
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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 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 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 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 31 March, 2006 was euro 181,1 m, C£ 104,3 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 CONSOLIDATED FINANCIAL STATEMENTS

10. SHARE CAPITAL AND SHARE PREMIUM

	Share capital C£ '000	Share premium C£ '000
Issued and paid-up	153.204	4.843
Equity element of convertible debentures (Note 9)	<u>444</u>	<u>-</u>
Balance 31 March 2006	<u>153.648</u>	<u>4.843</u>

11. DIVIDEND

In the Annual General Meeting, which is scheduled for 15 June, 2006, the Board of Directors has decided to propose a dividend of 12% (6 cent per share of 50 cent nominal value).

12. RESERVES

Movement in the three months to 31 March 2006:

	C£ '000
Revenue reserves	
Balance 1 January 2006	170.042
Profit for the period attributable to equity holders of the Bank	<u>20.262</u>
Balance 31 March 2006	<u>190.304</u>
Property fair value reserves	
Balance 1 January 2006	14.733
Deferred tax	<u>(160)</u>
Balance 31 March 2006	<u>14.573</u>
Available-for-sale financial asset fair value reserves	
Balance 1 January 2006	6.578
Revaluation for the period	<u>7.112</u>
Balance 31 March 2006	<u>13.690</u>
Currency translation reserves	
Balance 1 January 2006	(3.005)
Exchange differences arising in the period	<u>100</u>
Balance 31 March 2006	<u>(2.905)</u>
Total reserves 31 March 2006	<u>215.662</u>

LAIKI GROUP
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for at 31 March, 2006 amounted to C£ 7,5 m.

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:

	31.03.2006
	C£ '000
Deposits with banks (including deposits with the Cyprus Popular Bank Public Company Ltd)	63.560
Financial assets at fair value through profit or loss	128.857
Advances to policyholders	19.453
Balances recoverable from reinsurers and other assets	7.005
Investment property (including investment property used by Group companies)	14.477
Property and equipment	1.228
Liabilities	(53)
	<hr/>
Net assets attributable to life policyholders	234.527

15. ACQUISITION OF SUBSIDIARY COMPANY

On 20 January, 2006 the Bank acquired 90,43% of the share capital of the Serbian bank Centrobanka a.d. for a total amount of euro 33,6 m. Centrobanka a.d. is based in Belgrade and has 5 branches, 3 business units and 22 sub-branches. It has a market share in Serbia of 1,6% in deposits and 1,4% in advances.

The purchase price allocation, according to IFRS 3, has not been completed and therefore disclosure of additional information is not possible at the present stage. All relevant information required by IFRS 3 will be disclosed upon completion of the purchase price allocation process.

16. SUPPLEMENTARY INFORMATION

The condensed consolidated income statement for the three months ended 31 March, 2006 as well as the condensed consolidated balance sheet as at 31 March, 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 31 March, 2006, which was 0,576.

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. DISPOSAL OF HSBC FINANCE (NETHERLANDS) SHAREHOLDING IN THE CYPRUS POPULAR BANK PUBLIC CO LTD

In February 2006 HSBC disposed 9,98% of its shareholding in the Bank to Marfin Financial Group Holdings S.A. and 8,18% to Tosca Fund. Following consultation between the Management of Laiki Group and HSBC it was decided to offer the remaining 3% of their holding to the employees of Laiki Group in all the countries in which the Group has presence.

18. APPROVAL OF FINANCIAL STATEMENTS

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