



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2004

LAIKI GROUP

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

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 SIX MONTHS ENDED 30 JUNE 2004

	Note	6 months ended 30.06.2004 C£ '000	3 months ended 30.06.2004 C£ '000	6 months ended 30.06.2003 C£ '000	3 months ended 30.06.2003 C£ '000
Net interest income		71.215	37.046	62.773	31.633
Net fee and commission income		23.023	11.856	20.739	10.866
Loss on disposal and revaluation of securities		(841)	(2.043)	(1.557)	(16)
Foreign exchange and other income		12.815	6.125	10.478	5.428
Operating income		106.212	52.984	92.433	47.911
Administrative expenses		(68.865)	(35.317)	(61.588)	(31.344)
Profit before provision for impairment of advances		37.347	17.667	30.845	16.567
Provision for impairment of advances		(23.026)	(11.576)	(22.100)	(13.004)
Profit before impairment of available-for-sale investments		14.321	6.091	8.745	3.563
Impairment of available-for-sale investments		(940)	(340)	-	-
Share of results of associates before tax		523	342	245	100
Profit before tax		13.904	6.093	8.990	3.663
Tax		(2.825)	(1.687)	(2.766)	(1.477)
Profit after tax		11.079	4.406	6.224	2.186
Minority interest		24	404	273	254
Net profit attributable to the shareholders of the Bank		11.103	4.810	6.497	2.440
Earnings per share					
Earnings per share - cents	4	3,7		2,1	

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CONDENSED CONSOLIDATED BALANCE SHEET 30 JUNE 2004

	Note	30.06.2004 C£ '000	31.12.2003 C£ '000
Assets			
Cash, balances with Central Banks and due from other banks		1.079.242	1.052.839
Advances to customers and other assets		4.047.556	3.868.601
Available-for-sale investments and investments in associates		30.287	32.628
Intangible assets		32.941	35.776
Property and equipment	6	82.984	85.630
Total assets		5.273.010	5.075.474
Liabilities			
Customer deposits and other liabilities		4.740.000	4.550.601
Loan capital	7	214.294	215.068
Minority interest		29.221	29.393
Share capital and reserves			
Share capital	8	152.450	152.450
Share premium	8	2.949	2.949
Reserves	9	134.096	125.013
		289.495	280.412
Total shareholders' equity and liabilities		5.273.010	5.075.474

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Share capital C£ '000	Share premium C£ '000	Revaluation and currency translation reserves C£ '000	Revenue reserves C£ '000	Total C£ '000
Six months ended 30 June 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	-	-	(2.843)	-	(2.843)
Impairment of available-for-sale investments	-	-	940	-	940
Exchange differences arising in the period	-	-	(117)	-	(117)
<i>Net loss not recognised in the income statement</i>	-	-	(2.020)	-	(2.020)
Net profit attributable to the shareholders of the Bank	-	-	-	11.103	11.103
Balance 30 June 2004	152.450	2.949	7.978	126.118	289.495
Six months ended 30 June 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	-	-	(2.988)	-	(2.988)
Exchange differences arising in the period	-	-	103	-	103
<i>Net loss not recognised in the income statement</i>	-	-	(2.885)	-	(2.885)
Net profit attributable to the shareholders of the Bank	-	-	-	6.497	6.497
Conversion of debentures	423	591	-	-	1.1014
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 June 2003	152.006	2.949	8.741	111.909	275.605

LAIKI GROUP**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

	30.06.2004	30.06.2003
	C£ '000	C£ '000
Cash generated from/(used in) operations	28.056	(108.598)
Tax paid	<u>(5.110)</u>	<u>(3.534)</u>
Net cash from/(used in) operating activities	<u>22.946</u>	<u>(112.132)</u>
Cash flows from investing activities		
Purchase less proceeds from disposal of property and equipment	(923)	(2.523)
Purchase less proceeds from disposal of computer software	(709)	(344)
Additions less disposals of available-for-sale investments	29	-
Income received from held-to-maturity investments	3.475	2.943
Income received from available-for-sale investments	<u>50</u>	<u>50</u>
Net cash from investing activities	<u>1.922</u>	<u>126</u>
Cash flows from financing activities		
Proceeds from issue of loan capital	-	40.000
Interest paid on loan capital	<u>(4.774)</u>	<u>(3.578)</u>
Net cash (used in)/from financing activities	<u>(4.774)</u>	<u>36.422</u>
Net increase/(decrease) in cash and cash equivalents	20.094	(75.584)
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>18</u>	<u>(39)</u>
Cash and cash equivalents at end of period	<u>1.195.057</u>	<u>1.006.876</u>

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 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 June 2004.

3. COMPARATIVES

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

4. EARNINGS PER SHARE

	30.06.2004	30.06.2003
	C£ '000	C£ '000
Net profit attributable to the shareholders of the Bank	<u>11.103</u>	<u>6.497</u>
	30.06.2004	30.06.2003
	'000	'000
Weighted average number of shares in issue during the period	<u>304.011</u>	<u>303.188</u>
Earnings per share – cents	<u>3,7</u>	<u>2,1</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 June 2004.

LAIKI GROUP

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
Six months ended 30 June 2004					
Total revenues	158.492	6.988	22.335	(12.016)	175.799
Profit before tax, amortisation of goodwill and impairment of available-for-sale investments	8.336	2.481	6.209		17.026
Profit before tax	7.231	905	5.768		13.904
Tax					(2.825)
Profit after tax					11.079
Minority interest					24
Net profit attributable to the shareholders of the Bank					11.103
Six months ended 30 June 2003					
Total revenues	145.011	5.569	23.167	(12.054)	161.693
Profit before tax, amortisation of goodwill and impairment of available-for-sale investments	1.245	1.081	8.131		10.457
Profit before tax	883	419	7.688		8.990
Tax					(2.766)
Profit after tax					6.224
Minority interest					273
Net profit attributable to the shareholders of the Bank					6.467

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

Movement in the six months ended 30 June 2004:

	C£ '000
Net book value at 1 January	85.630
Additions less disposals of property and equipment	1.211
Depreciation	(3.933)
Exchange differences	76
	<hr/>
Net book value at 30 June	82.984

7. LOAN CAPITAL

	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	104.188
Capital securities	50.000
	<hr/>
	214.738
Equity element of convertible debentures (Note 8)	(444)
	<hr/>
Total loan capital	214.294

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.

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOAN CAPITAL (continued)

Convertible debentures 2001/2006 (continued)

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.

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.

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOAN CAPITAL (continued)

Non-convertible debentures 2003/2009 (continued)

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 June 2004 was €180,8 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.

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOAN CAPITAL (continued)

Capital securities (continued)

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.

8. 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 7)	444	-
Balance 30 June 2004	152.450	2.949

LAIKI GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. RESERVES

Movement in the six months ended 30 June 2004:

	C£ '000
Revenue reserves	
Balance at 1 January	115.015
Net profit for the period	<u>11.103</u>
Balance at 30 June	<u>126.118</u>
Property revaluation reserves	
Balance at 1 January and 30 June	<u>12.996</u>
Investment revaluation reserves	
Balance at 1 January	741
Transfer to income statement due to impairment of available-for-sale investments	940
Revaluation for the period	<u>(2.843)</u>
Balance at 30 June	<u>(1.162)</u>
Currency translation reserves	
Balance at 1 January	(3.739)
Exchange differences arising in the period	<u>(117)</u>
Balance at 30 June	<u>(3.856)</u>
Total reserves at 30 June	<u>134.096</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for at 30 June 2004 amounted to C£ 2,7 m.

11. 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.

12. POST BALANCE SHEET EVENTS

During the year the Bank set up a Euro Medium Term Note Programme for a total amount of €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 €300m. of senior debt from the above Programme. 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.

13. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved by the Board of Directors on 5 August 2004.