



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2005

LAIKI GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2005

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CONDENSED CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2005

	Note	6 months ended 30.06.2005 C€ '000	6 months ended 30.06.2004 C€ '000	6 months ended 30.06.2005 Euro '000 *
Net interest income		79.891	71.215	139.304
Net fee and commission income		25.068	23.023	43.711
Profit/(loss) on disposal and revaluation of securities		727	(841)	1.267
Foreign exchange and other income		13.213	12.815	23.039
Operating income		118.899	106.212	207.321
Administrative expenses		(73.842)	(68.865)	(128.756)
Profit before provision for impairment of advances		45.057	37.347	78.565
Provision for impairment of advances		(22.652)	(23.026)	(39.498)
Profit before impairment of available-for-sale investments		22.405	14.321	39.067
Impairment of available-for-sale investments		-	(940)	-
Share of results of associates		553	523	965
Profit before tax		22.958	13.904	40.032
Tax		(4.444)	(2.825)	(7.749)
Profit after tax		18.514	11.079	32.283
Minority interest		(391)	24	(682)
Net profit attributable to the equity holders of the Bank		18.123	11.103	31.601
Earnings per share for profit attributable to the equity holders of the Bank				
Basic earnings per share - cents	4	6,0	3,7	10,4

*Supplementary information – Note 11

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CONDENSED CONSOLIDATED INCOME STATEMENT for the three months ended 30 June 2005

	3 months ended 30.06.2005 C£ '000	3 months ended 30.06.2004 C£ '000	<i>3 months ended 30.06.2005 Euro '000 *</i>
Net interest income	40.737	37.046	<i>71.033</i>
Net fee and commission income	13.280	11.856	<i>23.157</i>
Loss on disposal and revaluation of securities	(417)	(2.043)	<i>(728)</i>
Foreign exchange and other income	6.520	6.125	<i>11.368</i>
Operating income	60.120	52.984	<i>104.830</i>
Administrative expenses	(37.584)	(35.317)	<i>(65.534)</i>
Profit before provision for impairment of advances	22.536	17.667	<i>39.296</i>
Provision for impairment of advances	(11.685)	(11.576)	<i>(20.376)</i>
Profit before impairment of available-for-sale investments	10.851	6.091	<i>18.920</i>
Impairment of available-for-sale investments	-	(340)	-
Share of results of associates	276	342	<i>482</i>
Profit before tax	11.127	6.093	<i>19.402</i>
Tax	(2.176)	(1.687)	<i>(3.794)</i>
Profit after tax	8.951	4.406	<i>15.608</i>
Minority interest	203	404	<i>354</i>
Net profit attributable to the equity holders of the Bank	9.154	4.810	<i>15.962</i>

**Supplementary information – Note 11*

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CONDENSED CONSOLIDATED BALANCE SHEET 30 June 2005

	Note	30.06.2005 C£ '000	31.12.2004 C£ '000	30.06.2005 Euro '000 *
Assets				
Cash, balances with Central Banks and due from other banks		1.447.368	1.312.558	2.523.732
Advances to customers and other assets		4.150.653	3.872.936	7.237.368
Available-for-sale investments and investments in associates		499.182	390.209	870.409
Intangible assets		27.044	32.057	47.155
Property and equipment	6	83.658	85.143	145.872
Total assets		6.207.905	5.692.903	10.824.536
Liabilities				
Deposits and other liabilities		5.635.248	5.138.695	9.826.012
Loan capital	7	213.054	214.124	371.496
Capital and reserves attributable to the equity holders of the Bank				
Share capital	8	152.450	152.450	265.822
Share premium	8	2.949	2.949	5.143
Reserves	9	169.200	149.781	295.028
		324.599	305.180	565.993
Minority interest		35.004	34.904	61.035
Total equity		359.603	340.084	627.028
Total equity and liabilities		6.207.905	5.692.903	10.824.536

*Supplementary information – Note 11

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2005

	Attributable to equity holders of the Bank			Revenue reserves	Minority interest	Total
	Share capital	Share premium	Revaluation and currency translation reserves			
	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000	C£ '000
Six months ended 30 June 2005						
Balance 1 January 2005 as previously reported	152.450	2.949	13.249	136.275	34.904	339.827
Prior year adjustment	-	-	257	-	-	257
Balance 1 January 2005 as restated	152.450	2.949	13.506	136.275	34.904	340.084
Arising in the period:						
Adjustment on revaluation of property	-	-	(197)	-	-	(197)
Revaluation of available-for-sale investments	-	-	2.044	-	(1)	2.043
Exchange differences arising in the period	-	-	(551)	-	(290)	(841)
<i>Net profit/(loss) recognised directly in equity</i>	-	-	1.296	-	(291)	1.005
Net profit	-	-	-	18.123	391	18.514
Balance 30 June 2005	152.450	2.949	14.802	154.398	35.004	359.603
Six months ended 30 June 2004						
Balance 1 January 2004 as previously reported	152.450	2.949	9.998	115.015	29.393	309.805
Prior year adjustment	-	-	214	-	-	214
Balance 1 January 2004 as restated	152.450	2.949	10.212	115.015	29.393	310.019
Arising in the period:						
Revaluation of available-for-sale investments	-	-	(2.263)	-	-	(2.263)
Impairment of available-for-sale investments	-	-	940	-	-	940
Exchange differences arising in the period	-	-	(117)	-	(148)	(265)
<i>Net loss recognised directly in equity</i>	-	-	(1.440)	-	(148)	(1.588)
Net profit/(loss)	-	-	-	11.103	(24)	11.079
Balance 30 June 2004	152.450	2.949	8.772	126.118	29.221	319.510

LAIKI GROUP**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2005**

	30.06.2005	30.06.2004
	C£ '000	C£ '000
Cash generated from operations	215.906	93.517
Tax paid	<u>(5.992)</u>	<u>(5.110)</u>
Net cash from operating activities	<u>209.914</u>	<u>88.407</u>
Cash flows from investing activities		
Additions less proceeds from disposal of property and equipment	(2.087)	(923)
Additions less proceeds from disposal of computer software	(779)	(709)
Additions less proceeds from disposal of available-for-sale investments	(106.432)	(65.432)
Income received from available-for-sale investments	<u>6.564</u>	<u>3.525</u>
Net cash used in investing activities	<u>(102.734)</u>	<u>(63.539)</u>
Cash flows from financing activities		
Interest paid on loan capital	<u>(5.259)</u>	<u>(4.774)</u>
Net cash used in financing activities	<u>(5.259)</u>	<u>(4.774)</u>
Net increase in cash and cash equivalents	101.921	20.094
Cash and cash equivalents at beginning of period	1.378.059	1.174.945
Effects of exchange rate changes on cash and cash equivalents	<u>3.875</u>	<u>18</u>
Cash and cash equivalents at end of period	<u>1.483.855</u>	<u>1.195.057</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2005 have not been audited by the external auditors of the Group.

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

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 Bank and the Group and consolidate the results of the Bank and its subsidiary companies as at 30 June 2005.

The same accounting policies as for the annual financial statements for the year 2004 have been followed in the preparation of the condensed consolidated financial statements, except as set out below.

Revised International Accounting Standards

As from 1 January 2005, the Group adopted the following International Financial Reporting Standards ('IFRS') and revised International Accounting Standards ('IAS'), which came into force and are relevant to its operations.

IAS 1 (revised 2003) Presentation of Financial Statements

IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors

IAS 10 (revised 2003) Events after the Balance Sheet Date

IAS 16 (revised 2003) Property, Plant and Equipment

IAS 17 (revised 2003) Leases

IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates

IAS 24 (revised 2003) Related Party Disclosures

IAS 27 (revised 2003) Consolidated and Separate Financial Statements

IAS 28 (revised 2003) Investments in Associates

IAS 31 (revised 2003) Interests in Joint Venture

IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation

IAS 33 (revised 2003) Earnings per Share

IAS 36 (revised 2004) Impairment of Assets

IAS 38 (revised 2004) Intangible Assets

IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement

IAS 40 (revised 2003) Investment Property

IFRS 2 (issued 2004) Share-based Payment

IFRS 3 (issued 2004) Business Combinations

IFRS 4 (issued 2004) Insurance Contracts

IFRS 5 (issued 2004) Non-Current Assets Held for Sale and Discontinued Operations

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Revised International Accounting Standards (continued)

The adoption of the above Standards did not have a material effect on the Group's financial statements.

Changes in accounting policies

Goodwill

With the adoption of IAS 36 (revised 2004) 'Impairment of Assets', IAS 38 (revised 2004) 'Intangible Assets' and IFRS 3 (issued 2004) 'Business Combinations', from 1 January 2005 the Group ceased the amortisation of goodwill and tests for impairment annually or when there is an indication of impairment. The charge to the consolidated income statement for the six months ended 30 June 2005 for impairment of goodwill relating to the acquisition of Paneuropean Group and of Laiki ATTALOS Securities S.A. amounted to C£ 4.200.000.

Financial Instruments

Upon the initial application of IAS 39 (revised 2003) 'Financial Instruments: Recognition and Measurement', the Group transferred certain investments from the held-to-maturity category and from corporate bonds and debentures to the available-for-sale category. In accordance with the transitional provisions of IAS 39 (revised 2003), the transfer of investments was applied retrospectively. The prior year adjustment relates to these transfers. The reserves as at 1 January 2004 and the balance sheet as at 31 December 2004 were adjusted to reflect this.

3. COMPARATIVES

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

4. EARNINGS PER SHARE

	30.06.2005	30.06.2004
	C£ '000	C£ '000
Net profit attributable to the equity holders of the Bank	<u>18.123</u>	<u>11.103</u>
	30.06.2005	30.06.2004
	'000	'000
Weighted average number of shares in issue during the period	<u>304.011</u>	<u>304.011</u>
Basic earnings per share – cents	<u>6,0</u>	<u>3,7</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 2005.

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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
Six months ended 30 June 2005					
Total revenues	191.090	7.847	24.487	(12.686)	210.738
Profit before tax, impairment of goodwill and impairment of available-for-sale investments	19.328	2.893	4.937		27.158
Profit before tax	19.328	1.993	1.637		22.958
Tax					(4.444)
Profit after tax					18.514
Minority interest					(391)
Net profit attributable to the equity holders of the Bank					18.123
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 equity holders of the Bank					11.103

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

Movement in the six months to 30 June 2005:

	C£ '000
Net book value at 1 January 2005	85.143
Additions less disposals of property and equipment	2.117
Adjustment on revaluation of property	(197)
Depreciation	(3.614)
Exchange differences	209
	<hr/>
Net book value at 30 June 2005	<u>83.658</u>

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	102.948
Capital securities	50.000
	<hr/>
	213.498
Equity element of convertible debentures (Note 8)	(444)
	<hr/>
Total loan capital	<u>213.054</u>

The repayment date of the above debentures with the exception of eurobonds due 2011 falls in the period of "over one but less than five years" from the balance sheet date. The repayment date of eurobonds due 2011 falls in the period of "over 5 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOAN CAPITAL (continued)

Convertible debentures 2001/2006 (continued)

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.

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 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.

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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 was fixed at 6,50% on nominal value until 31 December 2004. Thereafter, the debentures will 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 1,40% 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 2005 was euro 180,7 m.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. 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.

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)	<u>444</u>	<u>-</u>
Balance 30 June 2005	<u>152.450</u>	<u>2.949</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. RESERVES

Movement in the six months to 30 June 2005:

	C£ '000
Revenue reserves	
Balance at 1 January 2005	136.275
Net profit for the period	<u>18.123</u>
Balance at 30 June 2005	<u>154.398</u>
Property revaluation reserves	
Balance at 1 January 2005	14.959
Adjustment on revaluation of property	<u>(197)</u>
Balance at 30 June 2005	<u>14.762</u>
Investment revaluation reserves	
Balance at 1 January 2005	1.970
Prior year adjustment	<u>257</u>
	2.227
Revaluation for the period	<u>2.044</u>
Balance at 30 June 2005	<u>4.271</u>
Currency translation reserves	
Balance at 1 January 2005	(3.680)
Exchange differences arising in the period	<u>(551)</u>
Balance at 30 June 2005	<u>(4.231)</u>
Total reserves at 30 June 2005	<u>169.200</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 2005 amounted to C£ 9,6 m.

11. SUPPLEMENTARY INFORMATION

The condensed consolidated income statement for the six months ended 30 June 2005 and for the three months ended 30 June 2005, as well as the condensed consolidated balance sheet as at 30 June 2005, 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 2005, 0,5735.

12. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved by the Board of Directors on 30 August 2005.