



Announcement

Group Financial Results for the year ended 31 December 2007

- **Spectacular increase in profits of 55%**
 - €485 mn (£284 mn) profit after tax
 - **Return on equity 27,6%**
 - **€0,25 proposed final dividend per share**
(€0,44 total dividend for the year)
 - **Improvement in loan portfolio quality**
 - Non-performing loans ratio decreased to 3,8%
 - **Dynamic entry in new markets (Russia, Romania, Ukraine)**
-

Nicosia, 27 February 2008

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. In 1991, the Group established its first branch in Greece where it has been expanding rapidly since 1999. It has an established banking presence in the United Kingdom and in 2001 it expanded to Australia through a wholly owned subsidiary bank. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, life and general insurance. The Group currently operates through a total of 301 branches, of which 143 operate in Cyprus, 135 in Greece, 6 in the United Kingdom, 11 in Australia, 4 in Romania, 1 in Russia and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Canada and South Africa. The Bank of Cyprus Group employs 6.909 staff worldwide.

At 31 December 2007, the Group's Total Assets reached €31,76 bn (C£18,59 bn) and the Shareholders' Funds were €1,97 bn (C£1,15 bn). The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found at the Group's website www.bankofcyprus.com.

A. Summary of Results

2007 was a year of exceptional financial performance, upgrading of infrastructure and international expansion for the Bank of Cyprus Group. Deploying the Group's strategic plan, the growth rates achieved well exceeded the planned targets.

Specifically, profit after tax for 2007 reached €485mn (C£284 mn) recording an annual increase of 55%, thus achieving a spectacular return on equity of 27,6%. The ratio of non-performing loans to total loans has improved from 5,6% at 31 December 2006 to 3,8% at 31 December 2007, achieving two years earlier the target of decreasing provisions to below 4% by 2009. At the beginning of 2008, the Group is strategically positioned in three new geographic markets aiming to initially leverage on the large number of client relationships with companies that operate in Russia, Romania and Ukraine and with excellent prospects of expanding operations in these countries given the healthy liquidity of the Group.

The increased Group profitability, led to the decision of the Board of Directors of the Bank to propose at the Annual General Meeting of its shareholders a dividend of €0,25 per share. The total of the proposed dividend and the interim dividend of €0,19 per share which was paid in December 2007 amounts to €0,44 per share compared to €0,29 paid last year, recording an increase of 52%.

The main financial highlights of the Group for 2007 are set out in the table below:

Table 1

Group Financial Highlights			
€ mn	Change	2007	2006
Profit before tax	+52%	582	384
Profit after tax	+55%	485	313
Earnings per Share	+53%	86,8 cent	56,9 cent
Return on Equity	+5,9 p.p.*	27,6%	21,7%
Cost/Income	-3,1 p.p.*	43,6%	46,7%

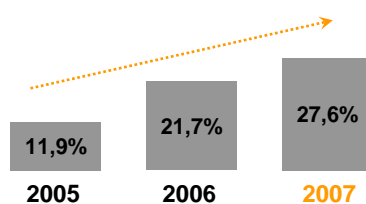
* p.p. = percentage points, 1 percentage point = 1%

- Group profit after tax for 2007 reached €485 mn (C£284 mn) compared to €313 mn (C£183 mn) for 2006, recording an increase of 55%.
- The Group return on equity increased substantially to 27,6% compared to 21,7% for 2006.
- The cost to income ratio improved to 43,6% compared to 46,7% for 2006.
- The improvement of profitability is the result of the following:
 - Increase of business volumes (31% in loans and 21% in deposits).
 - Increase of income (increase of net interest income by 23%, fees and commission income by 15% and insurance income by 25%).
 - Containment of cost growth at rates lower (15%) than those of the growth of business volumes (31%).
 - Further improvement in loan quality, with a resultant decrease of the annual provision charge to 0,3% of total loans.
- The improvement in the profitability of the Group's Cyprus operations is spectacular. Profit after tax increased by 56% to €377 mn (C£221 mn).
- The profitability of the Greek operations also registered a spectacular increase in 2007, with profit after tax increasing by 57% compared to 2006 to reach €100 mn (C£59 mn).

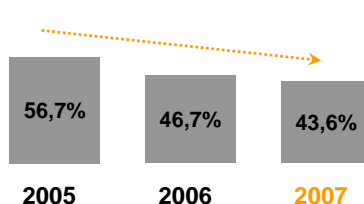
Graph 1

Evolution of indicators

Return on Equity



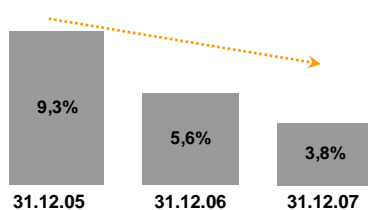
Cost/ Income



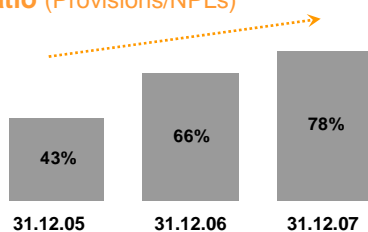
Graph 2

Evolution of non performing loans (NPLs)

NPL ratio (NPLs/Total loans)



Coverage ratio (Provisions/NPLs)



B. Financial Footings

Table 2

Analysis of Loans and Deposits by Geographic Sector								
€ mn	Group		Cyprus		Greece		Other countries	
	annual ±%	31.12.07	annual ±%	31.12.07	annual ±%	31.12.07	annual ±%	31.12.07
Loans Contribution	+31%	19.500	+38%	9.566 49%	+22%	7.919 41%	+39%	2.015 10%
Deposits Contribution	+21%	25.178	+26%	14.838 59%	+16%	8.799 35%	+13%	1.541 6%

B.1 Group Loans

The Group's loans reached €19,50 bn (C£11,41 bn) at 31 December 2007, recording an annual increase of 31%.

B.1.1 Loans in Cyprus

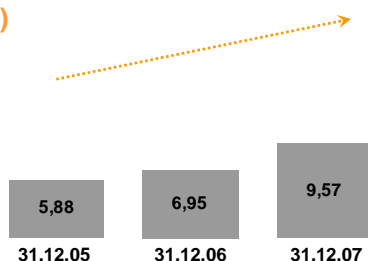
The Group's total loans in Cyprus at 31 December 2007 amounted to €9,57 bn (C£5,60 bn), recording an annual increase of 38%.

The Group has increased its market share in total loans of commercial banks and credit cooperatives in Cyprus, to 29,0% in December 2007 (latest available data), compared to 26,7% in December 2006, an increase of 2,3 percentage points in the last 12 months. The continued increase in our market share is the result of the recognition of Bank of Cyprus' leading brand name, as well as its extensive network and the effective marketing campaigns focusing on the business sector and mortgage lending.

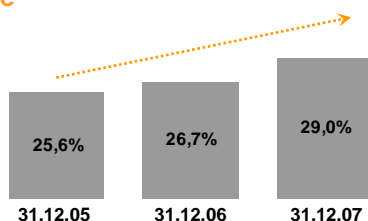
Graph 3

Increasing market share in loans

Loans (€bn)



Market share



B.1.2 Loans in Greece

In Greece, the annual rate of increase in the Group's loans reached 22%, with the Greek loan portfolio reaching €7,92 bn (C£4,64 bn) at 31 December 2007 and the market share standing at 3,7% in October 2007 (latest available data).

The Group's dynamic expansion in Greece focused mainly on housing and consumer loans. The balance of housing and consumer loans at 31 December 2007 increased by 31% and 23%, respectively, compared to 31 December 2006.

B.1.3 Loans in Other Countries

At 31 December 2007, Group loans in the United Kingdom and Australia increased by 9% and 39% respectively, reaching €1,27 bn (C£744 mn) and €401 mn (C£235 mn), respectively.

In the new markets, Russia and Romania, the Group's loan portfolio at 31 December 2007 reached €342 mn (C£200 mn). On 26 February 2008, these loans had increased to €444 mn, indicating excellent prospects for much higher volumes.

B.1.4 Loans by Customer Sector

The breakdown of the Group's loan portfolio in Cyprus and Greece by customer sector is shown below.

Table 3

Analysis of Loans by Customer Sector						
	Cyprus			Greece		
	€ 000	% portfolio	annual increase (%)	€ 000	% portfolio	annual increase (%)
Corporate	4.550	47%	43%	1.869	24%	18%
Small and Medium-sized Enterprises (SMEs)	1.518	16%	36%	3.426	43%	21%
Retail						
o Mortgage	2.073	22%	51%	1.352	17%	31%
o other	1.425	15%	11%	1.272	16%	23%
Total	9.566	100%	38%	7.919	100%	22%

B.1.5 Non-Performing Loans ("NPLs")

During 2007, the improvement in the quality of the Group's loan portfolio was exceptional and was the result of, among others:

- Collections of overdue amounts.
- Lower inflow of new NPLs as a result of the continuous improvement of credit risk management.

Specifically, the total amount of loans in arrear for longer than three months which are not fully covered by collateral ("non performing loans") has decreased to €747 mn (C£437 mn), an 11% decline in absolute numbers since 31 December 2006.

The ratio of NPLs to total Group loans at 31 December 2007 was 3,8% compared to 5,6% at 31 December 2006, thus achieving two years earlier the target of improving the NPL ratio to below 4% by 2009.

In parallel, the coverage ratio (provisions/NPLs) increased to 78% as at 31 December 2007, compared to 66% one year ago. The remaining balance of NPLs is fully covered by tangible collateral.

The quality of the loan portfolio in Cyprus registered a significant improvement with the relevant indicator improving to 5,0% at 31 December 2007 compared to 8,2% one year ago.

The quality of the Group loan portfolio in Greece remains very good. Using the NPL definition mentioned above, the Group's NPLs in Greece improved to 3,2% at 31 December 2007, compared to 3,9% a year earlier. This ratio compares favourably to the ratio of the Greek banking system, as per Bank of Greece data.

B.2 Group Deposits

The Group's total deposits recorded a significant increase of 21% and on 31 December 2007 they reached €25,18 bn (C£14,74 bn), enhancing its liquidity.

The increase in the Group's deposits is particularly important due to the recent turmoil in the money and debt financial markets. The continuous increase in deposits and the low loans to deposits ratio (77%), confirm the Group's ability to implement its strategic plan with moderate reliance on wholesale funding. It is noted that as at 31 December 2007, 79% of assets were funded by customer deposits and only 11% by wholesale funding.

B.2.1 Deposits in Cyprus

In Cyprus, the annual rate of increase in Group deposits was 26%. Deposits in Cyprus amounted to €14,84 bn (C£8,68 bn) at 31 December 2007. The Bank's market share of total deposits of commercial banks and credit cooperatives at end-December 2007 (latest available data) amounted to 31,6%, compared to 29,9% at end-December 2006.

A percentage of 60% of total deposits of the Group's Cyprus operations is in foreign currency. The Bank's market share in this sector of the deposit market among commercial banks stood at 44% in December 2007. It is noted that following Cyprus's entry in the Eurozone on 1 January 2008, the Euro is the national currency in Cyprus. The foreign currency deposits of the Group's Cyprus operations excluding euro denominated deposits amount to €6,5 bn (C£3,8 bn) and represent 44% of the Group's total deposits in Cyprus.

B.2.2 Deposits in Greece

Group deposits in Greece increased at an annual rate of 16%, reaching €8,80 bn (C£5,15 bn) at 31 December 2007. At the end of October 2007 (latest available data) the Group's market share in deposits in Greece stood at 3,6%.

B.2.3 Deposits in Other Countries

At 31 December 2007, the Group's deposits in the United Kingdom and Australia reached €1,26 bn (C£737 mn) and €259 mn (C£151 mn), recording an annual increase of 11% and 10%, respectively.

B.3 Shareholders' Funds

At 31 December 2007, the Group shareholders' funds amounted to €1,97 bn (C£1,15 bn), recording a significant increase of 27% since 31 December 2006. The Group capital adequacy ratio per Basel II requirements stood at 12,7% and the core tier 1 ratio at 8,7%.

C. Analysis of 2007 Results

C.1 Net Interest Income and Net Interest Margin

Net interest income reached €752 mn (C£440 mn), recording an annual increase of 23%. The increase is primarily attributable to the significant increase in the Group's footings in Cyprus and Greece, as well as to the improvement in the net interest margin (NIM) of the Group's operations in Cyprus.

The Group net interest margin (NIM) for 2007 remained stable at 2,81%, compared to 2006.

The NIM of the Group's operations in Cyprus increased from 2,38% for 2006 to 2,53% for 2007, primarily as a result of the higher growth rate in loans compared to deposits and the increased margin on foreign currency deposits.

The NIM of the Group's operations in Greece stood at 2,87% for 2007 compared to 3,14% for 2006 as a result of the comparatively higher growth rate of mortgage loans compared to the growth rates of other sectors, as mortgage loans earn a lower spread due to their low-risk nature. In addition, the Group's net interest margin fell due to the short term impact of the widening of the spread between the Euro base rate and the Euribor.

C.2 Income from Insurance Business

The growth of the Group's insurance operations was significant with an increase in new business premiums of 27% in life insurance and 13% in general insurance. Total income from insurance business recorded a 25% annual increase, reaching €56 mn (C£33 mn). The insurance business

contributed 8% to Group profit before tax amounting to €45 mn (C£27 mn), recording an annual increase of 53%.

C.3 Expenses

Total expenses for 2007 amounted to €486 mn (C£284 mn), with the annual rate of increase of 15% being significantly lower than the rate of increase in loans (31%). Despite the significant investments for the expansion of the Group's network in Greece and the start up expenses in Russia and Romania, the cost to income ratio improved to 43,6% for 2007 compared to 46,7% for 2006 mainly as a result of an increase in productivity.

Staff costs amounted to €296 mn (C£173 mn), recording an annual increase of 11%, mainly due to the increase in the costs of the expanding Greek operations by 28%. Staff costs in Greece grew as a result of the increase in staff numbers by 15%. The increase in staff in Greece is necessary to respond to increased business volumes (22% increase in loans) and to staff the 15 new branches which opened in the last 12 months, as well as the 10 new branches which have been rented and are expected to become operational in the next few months. The Group currently operates 135 branches in Greece. The increase in staff costs in Cyprus was contained to 3%, despite the much higher rates of increase in volumes (38% increase in loans).

The other (non-staff) operating expenses of the Group, including the operating expenses for the set up of the operations in Russia and Romania, recorded an annual increase of 21% and amounted to €190 mn (C£111 mn).

The cost to income ratio of the Group's Cyprus operations improved from 44,3% in 2006 to 37,6% in 2007. This ratio for the Group's Greek operations stands at the very satisfactory level of 50,9% (2006: 47,7%), especially considering the relatively low maturity level of the branch network and the cost of opening new branches, which is expensed as it is incurred.

C.4 Provisions for Impairment of Loans

The provision charge for 2007 amounted to €56 mn (C£33 mn) and represented 0,3% (2006: 0,7%) of total Group loans, reflecting both the improvement in the quality of the loan portfolio and the very satisfactory level of accumulated provisions which include an accumulated general provision charge of €195 mn (C£114 mn). (1% of total loans)

D. Strategy and Targets

The credibility, consistency and reliability of Bank of Cyprus have resulted in excellent results and have created a strong base which allows for well-planned further growth and greater success.

As far as the Group's strategy and targets for the three year period 2008-2010 are concerned, the Group, in parallel with this announcement of the results for the year 2007, has issued a separate announcement which has been posted on the Group's website www.bankofcyprus.com (Investor Relations / Press Releases).

Table 4

Analysis of Group Results and Other Financial Information							
€ mn	±%	2007	2006	±%	4Q07	3Q07	1H07
Net interest income	+23%	752	613	+3%	197	193	362
Net fee and commission income	+15%	198	173	+3%	54	52	92
Foreign exchange income	+32%	47	36	+1%	13	13	20
Net gains on sale and change in fair value of financial instruments	+14%	29	26	-131%	(4)	14	19
Net income from insurance business	+25%	56	45	+14%	16	14	26
Other income	+117%	33	14	-11%	10	11	13
Total income	+23%	1.115	907	-4%	286	297	532
Staff costs	+11%	(296)	(266)	+14%	(82)	(72)	(142)
Other operating expenses	+21%	(190)	(158)	+5%	(53)	(50)	(87)
Total expenses	+15%	(486)	(424)	+10%	(135)	(122)	(229)
Profit before provisions	+30%	629	483	-14%	151	175	303
Provisions for impairment of loans and advances	-44%	(56)	(99)	-72%	(5)	(18)	(33)
Share of profit of associates	-	9	0	-	0	2	7
Profit before tax	+52%	582	384	-9%	146	159	277
Tax	+30%	(92)	(71)	+70%	(30)	(17)	(45)
Minority Interest	-	(5)	0	-	0	(2)	(3)
Profit after tax	+55%	485	313	-17%	116	140	229
Number of staff	+12%	6.909	6.192	+2%	6.909	6.759	6.555
Net interest margin (NIM)	-	2,81%	2,81%	-9 b.p.*	2,68%	2,77%	2,91%
Cost/Income ratio	-3,1 p.p.*	43,6%	46,7%	+6,1 p.p.*	47,2%	41,1%	43,0%
Return on equity (ROE)	+5,9 p.p.*	27,6%	21,7%	-4,6 p.p.*	25,2%	29,8%	27,7%

* b.p. = basis points, 100 b.p. = 1 percentage point (1%)

Table 5

Geographical Sector Analysis of Results and Other Financial Information									
€ mn	Cyprus			Greece			Other counties		
	±%	2007	2006	±%	2007	2006	±%	2007	2006
Net interest income	+28%	435	341	+16%	276	238	+19%	41	35
Net fee and commission income	+12%	135	120	+20%	51	42	+21%	12	10
Foreign exchange income	+37%	43	31	+19%	4	3	-105%	0	1
Net gains on sale and change in fair value of financial instruments	-7%	28	30	-96%	0	2	+111%	1	(7)
Net income from insurance business	+18%	47	40	+82%	9	5	-	-	-
Other income	+111%	32	16		0	0	-	0	0
Total income	+25%	720	578	+17%	340	290	+40%	54	39
Staff costs	+3%	(181)	(176)	+28%	(92)	(72)	+23%	(22)	(18)
Other operating expenses	+12%	(89)	(80)	+23%	(81)	(66)	+82%	(20)	(11)
Total expenses	+6%	(270)	(256)	+25%	(173)	(138)	+29%	(42)	(29)
Profit before provisions	+40%	450	322	+10%	167	152	+25%	12	10
<i>Contribution</i>		71%	67%		27%	31%		2%	2%
Provisions for impairment of loans and advances	-43%	(25)	(45)	-48%	(30)	(58)	+121%	(1)	2
Share of profit of associates		9	0	-	0	0	-	0	0
Profit before tax	+56%	434	277	+45%	137	94	-5%	11	12
<i>Contribution</i>		74%	72%		24%	25%		2%	3%
Tax	+43%	(52)	(36)	+21%	(37)	(30)	-15%	(3)	(4)
Minority Interest	-	(5)	0	-	0	0	-	0	0
Profit after tax	+56%	377	241	+57%	100	64	+2%	8	8
<i>Contribution</i>		78%	77%		21%	20%		1%	3%
Number of staff	+4%	3.424	3.295	+15%	3.001	2.603	+65%	484	294
Net interest margin (NIM)	+15 b.p.*	2,53%	2,38%	-27 b.p.*	2,87%	3,14%	-12 b.p.*	1,85%	1,97%
Cost/Income ratio	-6,7 p.p.*	37,6%	44,3%	+3,2 p.p.*	50,9%	47,7%	-6 p.p.*	68,7%	74,7%
Return on equity (ROE)	+11,7 p.p.*	47,2%	35,5%	+5,3 p.p.*	19,3%	14,0%	-1,7 p.p.*	6,9%	8,6%

Table 6

Balance Sheet Overview			
€ mn	±%	31.12.2007	31.12.2006
Cash and balances with central banks	+13%	1.325	1.169
Placements with banks	+44%	6.158	4.265
Debt securities, T-bills and equity investments	+1%	4.070	4.011
Net loans and advances to customers	+32%	18.921	14.336
Other assets	+16%	1.289	1.116
Total assets	+28%	31.763	24.897
Amounts due to banks	+254%	1.668	471
Customer deposits	+21%	25.179	20.726
Debt securities in issue	+69%	1.254	742
Other liabilities	+15%	988	861
Subordinated loan stock	+21%	669	551
Minority Interest	-	39	0
Shareholder's equity	+27%	1.966	1.546

Notes:

- All geographical sector analyses are shown following restatements made to bring each sector's capital to the same percentage level of the sector's risk weighted assets.
- Reclassifications of comparative information for 2006 were made to conform to changes in the presentation in the current year. Such reclassifications relate mainly to the presentation of the Group's insurance operations and to facilitate disclosures required by IFRS 7 which has been adopted as of 1 January 2007. These reclassifications had no impact on profit after tax or the equity of the Group.
- The conversion from Euro (€) to Cyprus Pounds (C£) was made using the exchange rate at 31 December 2007 of €1=£0,585274.
- The Group's Consolidated Financial Statements for the year ended 31 December 2007, are available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
 - Registered Office: 51 Stassinos Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus
Telephone: +357 22 842128, Fax: +357 22 378422
 - Website: www.bankofcyprus.com (Inv. Relations/Financial Information)
- The detailed presentation of the financial results for 2007 and the strategy and targets for 2008-2010 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)