



Announcement

Strategy and targets for the three years to 2010

Targets:

- Average return on equity 26%
- Profit €540 mn for 2008 and annual growth rate of profit after tax above 25% for 2009 and 2010
- Reduction of cost to income ratio to below 40%
- Doubling of loan portfolio
- Accelerated penetration in new markets
 - 20% of total loan portfolio in markets outside Greece and Cyprus by 2010

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. Strategic priorities for the three years to 2010

At its meeting today the Board of Directors of Bank of Cyprus noted the exceptional growth rates of the Group for 2007, which were at levels that exceeded the budgeted targets, and the successful course of the Group towards the achievement of the strategic plan 2007-2009. In parallel, the Board of Directors revised the rolling strategic plan and financial targets of the Group and extended the plan's horizon to 2010.

On the occasion of the announcement of the strategy and financial targets of the Group, the Chairman of the Board of Directors and the Group Chief Executive Officer made the following statements:

«With strong profitability and capital position, a management team with a proven track-record, and strong strategic positions in Greece and Cyprus, as well as its good name in Eastern European countries, Bank of Cyprus will continue to expand and create value.»

Eleftherios P. Ioannou, Chairman of the Board of Directors

«The financial results of 2007 reflect the dynamic course of the Group and make us aim even higher. This momentum, our hard working and high quality staff, represent solid foundations for the success of the strategic plan 2008-2010. With our leading position in Cyprus, the excellent growth rates achieved organically in Greece, and the methodical expansion of our presence in new markets, we aim to double the size of the Bank by 2010, with €40 bn deposits and advances, 500 branches internationally and total profit for the three year period which will exceed €2 bn. The systematic transition of the Bank into a powerful player in the region will continue to create value for our shareholders»

Andreas Eliades, Group Chief Executive Officer

The Bank of Cyprus Group sets its strategic priorities for the three years period 2008-2010, aiming to create shareholder value on a sustainable basis. The initiatives of the Group aim to capitalise on strategic advantages of the Group for the benefit of its shareholders. The leading position of the Group in Cypriot banking, its critical role in the establishment of Cyprus as an international financial centre for businesses from Russia and other Eastern European countries, its particularly successful presence in Greece and its entry into new markets with high growth and profitability prospects represent its key growth drivers.

The strategic priorities of the Group for the three years period 2008-2010 focus on the following four directions:

A.1 Capitalise on opportunities in Cyprus

- Enhancement of domestic market position with particular focus on the retail and SME sector, in light of the continued positive macroeconomic environment, reinforced by the ongoing structural changes in the financial services sector.

The Group targets further market share gains in loans through flexible products, targeted product marketing, cross-selling through alternative distribution channels and strengthening of the front line personnel. The Group has already been successful in attracting new customers in 2007 despite its dominant position.

- Further strengthening of the Group's leading position in the profitable sector of banking services to international companies based in Cyprus.

Cyprus as an international financial centre offers specific advantages for corporations operating in Russia and many other countries of the ex-Soviet Union as well as businesses that invest in these countries. Cyprus, as a member of the European Union, with its competitive tax rate and efficient double taxation treaties, as well as high quality legal and accounting services, has significant prospects for further growth and consolidation of its position as a significant

international financial centre. The number of international commercial and investment companies based in Cyprus has been increasing consistently over the last decade. During 2007, Cyprus ranked first among the countries with foreign investment flows into Russia.

Bank of Cyprus aims to further strengthen its leading position in this profitable sector through the attraction of new clients, enrichment of its product offering and utilisation of its comparative advantages. These advantages arise from its position as the largest Cypriot bank with numerous years of operation in the sector, its specialised personnel, its excellent and reliable service and the valuable relationships it has created within the sector.

The adoption of Euro as the national currency of Cyprus is expected to positively impact the attraction of clients to the international banking sector.

- Enhancement of the insurance business via the introduction and marketing of new products, professionally and using the latest bancassurance methods exploiting the name and the wide customer base of the Group. In this direction, the Group will carry out campaigns promoting insurance products to the Bank's customers via Alternative Distribution Channels.

A.2 Enhancement of presence in Greece via expansion and gradual network maturity

- Further expansion of the Group's presence in the Greek banking market in light of the strong macroeconomic fundamentals and the low banking penetration of the Greek market relative to the Eurozone.

To this end, the Group plans to expand the branch network to 220 branches by 2010 (from 135 today), with particular emphasis on the Athens metropolitan area and other urban centres. The Group aims to increase its market share through the expansion of the network.

- The maturity of the approximately 880.000 client relationships, which offers improved pricing and cross-selling opportunities as well as the particularly cost efficient structure of the operations, are expected to enhance profitability significantly. The Group's experience of branch network maturity so far is particularly encouraging.
- Increase of fee and commission income through the enhancement of asset management services. Specifically, the Group aims to upgrade and specialise the provision of these services targeting a higher market share. To this end, the relevant divisions have been and will continue to be strengthened with qualified personnel.
- Maintain the high level of growth of insurance business, in terms of production as well as profitability. The synergies created by the expansion of the Group in Greece will further strengthen its position in the Greek insurance market.

A.3 Operational merger of Cyprus and Greek operations under the "One Bank" concept

The Group aims to achieve further improvements in network efficiency, by benefiting from the synergies arising from the adoption of a common currency (as of 1st January 2008), a common language and common legislative regulations in the two main geographical markets in which it operates through the operational merger of its Cyprus and Greek operations.

Specifically the Group will proceed to:

- Consolidate the information technology systems under a common IT platform aiming to:
 - decrease the cost of maintenance and operational support of its IT infrastructure
 - increase the potential for multiple selling especially in terms of brokerage transactions, leasing, factoring and investment products
 - enhance the efficient cooperation between management teams.

- Create centralised services in the following sectors:
 - human resources
 - internet banking
 - telephone banking
 - asset management and investment services
 - international banking services
 - product launching and support services aiming to decrease the cost and the time required for product development.

A.4 Expansion into new markets

The Group's expansion into new markets aims at the long-term continuation of its high growth rates and is based on its strategic comparative advantages in order to minimise risk and create value for shareholders. Countries that have been targeted are those where Bank of Cyprus has existing client relationships, feature extensive population, strong macroeconomic environment, low banking sector penetration, and brand recognition for Bank of Cyprus, thus providing very good prospects for the Group. The experience of our successful expansion into the competitive Greek market, our healthy liquidity and our existing client relationships comprise Bank of Cyprus' competitive advantage.

A.4.1 Dynamic expansion of operations in Russia

Russia is a large market where the Group commenced operations in August 2007. The prospects of the banking sector in Russia are very attractive for new market entrants due to the low penetration of the sector and the rapid growth rates of the Russian economy.

During the next three years the Group aims to:

- Reach noteworthy loan portfolio size and provide services to corporate clients (guarantees, letters of credit, foreign exchange services, payment orders, liquidity management, leasing). The increase in the loan portfolio will be achieved by leveraging on the large number of existing client relationships of the Group with Russian businesses and through the creation of new client relationships. The loan portfolio in Russia is expected to exceed €2,5 bn by 2010.
- Enhance the Group's presence in Moscow and St Petersburg through the expansion of the branch network to 16 branches by 2010 from one branch today, aiming to provide banking services to SME's and selected consumer groups as well as leasing services.

A.4.2 Dynamic expansion of operations in Romania

The Bank of Cyprus Group entered the Romanian market in March 2007 by offering leasing services. In July 2007, the Group started banking operations targeting initially the corporate banking sector.

Romanian real GDP growth stands at 6,0% while banking sector penetration remains low, offering significant growth opportunities for the banking sector. Bank of Cyprus will benefit from these opportunities, by aiming to:

- Expand the branch network/ business centres to 40 (from 4 today), 22 of which will be in Bucharest and 18 in other major cities in Romania with the objective of enhancing the services offered to corporate clients and to selected customer groups.

The provision of services to the retail sector will be developed cautiously to selected groups of retail customers. The Group is in a perfect position to utilise its experience in the credit card sector to achieve noteworthy market penetration in this sector. In parallel, further to its commitment to customers to offer quality service via alternative distribution channels, the Group will proceed to provide internet banking.

- Benefit from the opportunities available in project financing, participate in syndicated deals and in projects subsidised by the European Union.

- Utilise the Group's experience in the leasing sector in Greece, where it has a 19% market share, as well as its relationships with large vendors.
- Increase the size of the loan portfolio to €1,5 bn by 2010.

A.4.3 Commencement of operations in Ukraine in 2008

Ukraine has a buoyant economy with a real GDP growth of 7.0% in 2007 and total loans increasing annually by more than 70%. The high growth rates combined with the low banking penetration indicate the significant growth prospects of the sector.

- Bank of Cyprus signed a sale and purchase agreement for the acquisition of 95% of the share capital of the Ukrainian bank AvtoZAZBank for the sum of about €52 mn. The acquisition is expected to be completed within the first half of 2008. The primary target of the Group regarding the Ukrainian market is the integration of AvtoZAZBank within the Bank of Cyprus Group and the harmonization of its culture, systems and products with those of the Group.
- AvtoZAZBank operates through a network consisting of 26 branches. The branch restructuring of AvtoZAZBank will start during 2008, and the renewed branch network will be the foundation for the expansion of the Group's operations in this country.
- Bank of Cyprus aims to provide full banking services in Ukraine, leveraging on the significant number of client relationships it has established with businesses operating in this country via the international banking sector in Cyprus.
- On the basis of a preliminary strategic plan for this country, the Group aims to increase the loan portfolio in Ukraine to more than €800 mn by 2010.

A.4.3 Selective acquisitions as part of the Group's organic growth strategy

- In the context of its organic growth strategy the Group will continue to evaluate on an ongoing basis, in parallel with its organic growth plans, acquisition opportunities in the targeted markets with the aim of accelerating its penetration into the targeted markets. Bank of Cyprus has a strong capital base and liquidity and according to its three-year strategic plan undistributed profits are projected to increase and will be available for investment in the further expansion of the Group's operations.

It should be noted that the financial targets that follow do not incorporate the impact of potential acquisitions.

B. Profit target for 2008 and the two following years

On the basis of the assumptions of the Group's three-year strategic plan and the current conditions in the markets in which the Group operates, the Group's profit after tax for 2008 is expected to reach €540 mn, an increase of 11% compared to 2007.

The profit after tax for 2008 is affected by the following factors:

- On 1st January 2008, the Euro has been adopted as Cyprus' national currency and therefore the profit for 2008 will not include fees and commissions and foreign exchange income relating to the exchange between Cyprus Pounds and Euro. The foregone income is estimated at approximately €20-25 mn.
- The adoption of the Euro on 1st January 2008 as Cyprus' national currency was accompanied by the convergence of the Cyprus pound interest rate to that of the Euro. On 31 December 2007, in line with the Central Bank of Cyprus circular, all Cyprus Pound denominated loans of the Cypriot banks were converted to Euro and the ECB rate was set as the reference rate for the purposes of pricing these loans. As a result, as of 1st January 2008, the Group's interest income is

reduced by 0,5% (difference between the Cyprus pound interest rate of 4,5% and the ECB rate 4%) of the relevant loan amounts previously denominated in Cyprus pounds. On the liability side, the repricing of deposits to a large extent is not immediate and takes effect on the renewal/maturity of the deposit.

- During 2008, the Group will significantly develop its infrastructure in the three new geographic markets (Russia, Romania and Ukraine), and further expand its network in Greece, in line with the strategic plans described in part A above. These investments will yield significant benefits within the three year period, both in terms of growth and profitability.

For the following two years which fall within the horizon of the strategic plan, that is the years 2009 and 2010, the annual increase in profits is expected to exceed 25%.

C. Targets 2008-2010

The strategic priorities set by the Group for the three year period 2008-2010 and the successful execution of its strategy so far are expected to lead to exceptional results. Following their approval by the Board of Directors of the Bank, these expected results comprise the targets for all the personnel of the Group. More specifically, by 2010, the Group aims to:

C.1 Reduce the cost to income ratio to below 40%

The respective ratio for 2007 stood at 43,6%.

C.2 Deliver an average return on equity of 26%

The respective ratio stood at 27,6% for 2007.

C.3 Achieve high volume growth targets

More specifically the basic assumptions of the three-year strategic plan are:

- Loan annual growth rate of 28%. This rate of growth basically projects the doubling of the loan portfolio by 2010.
- Deposit annual growth rate of 16%.
- Net interest income annual growth rate of 21%.
- Total operating income annual growth rate of 18%

As a result of the higher productivity and economies of scale, the annual growth rate of total expenses is expected to be contained to 12% despite the significantly higher loan growth rates (28%) and the costs of network expansion abroad.

The loans to deposits ratio is expected to increase by 27 percentage points to reach the healthy level of 104%.

The net interest margin of the Group is expected to decrease by 25 basis points during 2008 as a result of the convergence of the Cyprus pound interest rate to that of the Euro and therefore the decrease in the interest rate by 50 basis points. The increased competition in lending and deposits, both in Cyprus and Greece will also contribute to the reduction of the net interest margin. On the other hand, the increase of the loan portfolio in new markets at attractive interest margins is expected to lead to the recovery of the Group's net interest margin in 2009 and 2010.

The improvement of the Group's loan quality and the adequate level of provision coverage, are expected to have a positive impact on the annual provision charge for the next three years, which is estimated at 30 basis points of average loan balances.

C.4 Maintenance of high capital adequacy

The aforementioned high growth rates are achievable given the Group's strong capital position and its further strengthening through significantly higher retained earnings while maintaining the current

dividend policy. On 31 December 2007, Group shareholders' funds stood at €1,97 bn and total capital adequacy ratio stood at 12,7% (Core Tier 1: 8,7%). The ratio is expected to be maintained at around 11% (Core Tier 1: 8%), allowing significant room for the issue of Tier 2 capital.

D. Aim of accelerated expansion in new markets by 2010

The Group targets significant increase of business volumes through accelerated expansion in new markets organically, as well as through possible acquisitions.

Specifically, the Group aims that by 2010 the share of its loan portfolio in countries outside Cyprus and Greece will represent 20% of its total portfolio.

E. Track-record provides assurance for future growth

The track record of the executive management in exceeding previously set targets provides assurance for the achievement of the targets set today. The strategy of the Group is clear. The Group's strategic priorities for autonomous growth, high profitability, and accelerated expansion into new markets are also well defined and clear. The primary objective has always been and remains the maximisation of shareholder value.

Notes:

1. The detailed presentation of the financial results for the year 2007 and the Group's strategy and targets for the three year period 2008-2010 has been posted on the Group's website www.bankofcyprus.com (Investor Relations/Presentations)
2. The audited Consolidated Financial Statements for the year ended 31 December 2007 will be available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
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