



Announcement

Group Financial Results for the quarter ended 31 March 2008

- Profit after tax €116 mn
 - Annual increase of 9%
 - High return on equity 23,2%
 - Improvement of non performing loans ratio to 3,6%
 - Dynamic business growth
 - 29% annual growth of loan portfolio
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Nicosia, 28 May 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 305 branches, of which 143 operate in Cyprus, 140 in Greece, 5 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 6.996 staff worldwide.

At 31 March 2008, the Group's Total Assets reached €30,85 bn and the Shareholders' Funds were €2,03 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

The Bank of Cyprus Group maintained high levels of profitability and return of equity and continued the dynamic growth of its operations in the new geographic markets with positive results despite the negative global environment. The investments of the Group in the new markets are expected to yield significant future benefits in the coming years, in terms of business growth as well as profitability.

Specifically, for the first quarter 2008 profit after tax reached €116mn recording an annual increase of 9% and achieving a return on equity of 23,2%. This performance is regarded as satisfactory considering the adverse conditions prevailing in the global banking environment. The Group increased its efficiency and improved the cost to income ratio from 44,6% for the first quarter 2007 to 43,7% for the first quarter 2008 despite the significant investment for further expansion of the network in Greece, and also the cost of the development of operations in Russia and Romania. The ratio of non-performing loans to total loans improved to 3,6% at 31 March 2008 from 5,0% at 31 March 2007 and from 3,8% at 31 December 2007. The Group's loan portfolio and deposits grew by 29% and 12% respectively. This performance is in line with the targets of the Group's three year strategic plan 2008-2010.

The main financial highlights of the Group for first quarter 2008 are set out in the table below:

Table 1

€ mn	Change	1Q08	1Q07	Year 2007
Group Financial Footings				
Total Assets	+19%	30.854	26.016	31.763
Total Loans	+29%	20.526	15.884	19.500
Total Deposits	+12%	23.983	21.489	25.179
Group Financial Highlights				
Profit after tax	+9%	116	106	485
Earnings per Share	+7%	20,5 cent	19,2 cent	86,8 cent
Return on Equity	-3,4 pp.*	23,2%	26,6%	27,6%
Cost/Income	-0,9 p.p.*	43,7%	44,6%	43,8%

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

- Profit after tax for the first quarter 2008 reached €116 mn compared to €106 mn for the first quarter 2007, recording an increase of 9%.
- The Group return on equity was maintained at a high level (23,2%) in a particularly demanding and negative environment.
- The cost to income ratio improved to 43,7% compared to 44,6% for the first quarter of 2007.
- The strong credit expansion continued in Cyprus, Greece and the new markets resulting in a significant annual increase of the Group's loan portfolio by 29%.
- There was a successful increase of the customer base and an annual increase of deposits by 12%.
- Cost growth was contained at rates lower (7%) than the rate of growth of business volumes (29%).
- The quality of the Group's loan portfolio improved with the relevant ratio being reduced to 3,6% compared to 5% at 31 March 2007 and 3,8% at 31 December 2007. The provision charge was maintained at 0,3% of total loans.

- The profitability of the Group's operations in Cyprus continues to be exceptional. Profit after tax for the first quarter of 2008 stood at €88 mn, recording an increase of 8% and generating a return on equity of 40%.
- The profitability of the Group's operations in Greece is also noteworthy with profit after tax for the first quarter of 2008 reaching €23 mn, recording an increase of 9% compared with the first quarter of 2007.
- The Group's operations in Russia and Romania made a positive contribution to profits for the first time. Profit after tax for the first quarter of 2008 reached €0,2 mn in Russia and €1,3 mn in Romania.

B. Prospects

The Group is focused on the implementation of its strategy of autonomous growth and further significant growth rates in both volumes and profits. The financial performance to date is in line with the targets of the Group's three year strategic plan 2008-2010.

The Group is taking measures to offset the negative impact from the continuous pressure on liability spreads. Such measures include the repricing of selected loan products, the faster expansion of the Group in the new markets with higher margins and the enhancement of other income.

C. Financial Footings

Table 2

Analysis of Loans and Deposits by Geographic Sector								
€ mn	Group		Cyprus		Greece		Other countries	
	annual ±%	31.03.08	annual ±%	31.03.08	annual ±%	31.03.08	annual ±%	31.03.08
Loans	+29%	20.526	+33%	10.084	+23%	8.350	+37%	2.092
<i>Contribution</i>				49%		41%		10%
Deposits	+12%	23.983	+14%	13.848	+9%	8.665	+3%	1.470
<i>Contribution</i>				58%		36%		6%

C.1 Group Loans

The Group's loans reached €20,53 bn at 31 March 2008, recording an annual increase of 29%.

C.1.1 Loans in Cyprus

The Group's total loans in Cyprus at 31 March 2008 amounted to €10,08 bn, recording an annual increase of 33%.

The Group has the leading market share (28,5%) in total loans of commercial banks and credit cooperatives in Cyprus. The preservation of our leading market share is the result of the recognition of Bank of Cyprus' leading brand name, its extensive network as well as the effective marketing campaigns focusing on the business sector and mortgage lending.

C.1.2 Loans in Greece

The annual rate of increase in the Group's loans in Greece reached 23%, with total loans reaching €8,35 bn at 31 March 2008 and the market share standing at 3,7% in December 2007 (latest available data).

The Group's dynamic expansion in Greece was focused mainly on mortgage and business loans. Mortgage and business loans (corporate customers) balances at 31 March 2008 increased by 33% and 39% respectively compared to 31 March 2007.

C.1.3 Loans in Other Countries

At 31 March 2008, Group loans in the United Kingdom and Australia recorded annual rates of increase of 3% and 25% respectively, reaching €1,22 bn and €395 mn, respectively.

In the new markets, Russia and Romania, the Group's loan portfolio reached €480 mn at 31 March 2008, recording an increase of 40% compared to the previous quarter ended 31 December 2007.

C.1.4 Loans by Customer Sector

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

Table 3

Analysis of Loans by Customer Sector						
	Cyprus			Greece		
	€ mn	% portfolio	annual increase (%)	€ mn	% portfolio	annual increase (%)
Corporate	4.723	47%	33%	2.026	24%	39%
Small and Medium-sized Enterprises (SMEs)	1.666	16%	37%	3.566	43%	13%
Retail						
o mortgage	2.202	22%	47%	1.444	17%	33%
o other	1.493	15%	13%	1.314	16%	23%
Total	10.084	100%	33%	8.350	100%	23%

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

The exceptional improvement in the quality of the Group's loan portfolio 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, a 5% decline in absolute numbers since 31 March 2007.

The ratio of NPLs to total Group loans at 31 March 2008 was 3,6% compared to 5,0% at 31 March 2007 and 3,8% at 31 December 2007.

In parallel, the Group increased the coverage ratio (provisions/NPLs) to 78% at 31 March 2008, compared to 72% one year ago. The remaining balance of NPLs is fully covered by tangible collateral.

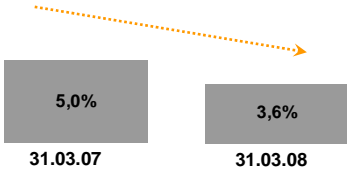
The quality of the loan portfolio in Cyprus registered a significant improvement with the relevant indicator improving to 4,9% at 31 March 2008 compared to 7,3% one year ago.

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 2,9% at 31 March 2008, compared to 3,4% a year earlier. This ratio compares favourably to the ratio of the Greek banking system, as per Bank of Greece data.

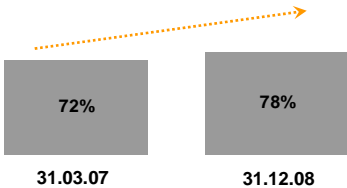
Graph 1

Evolution of non performing loans (NPLs)

NPL ratio (NPLs/Total loans)



Coverage ratio (Provisions/NPLs)



C.2 Group Deposits

The Group's total deposits increased by 12% reaching €23,98 bn at 31 March 2008, enhancing its liquidity.

The increase in the Group's deposits together with the low loans to deposits ratio (85,6%), confirm the Group's ability to implement its strategic plan. It is noted that as at 31 March 2008 78% of Group assets were funded by customer deposits whereas only 12% were funded by wholesale funding.

C.2.1 Deposits in Cyprus

In Cyprus, the annual rate of increase in Group deposits was 14% with total deposits reaching €13,85 bn as at 31 March 2008. The Group has the leading market share (30,0%) of total deposits of commercial banks and credit cooperatives.

A percentage of 39% of total deposits of the Group's Cyprus operations is in foreign currency. The Bank's market share in this sector among commercial banks stood at 43,1% in March 2008. It is noted that following Cyprus's entry into the Eurozone on 1 January 2008, the Euro is the national currency of Cyprus.

The US dollar deposits of the Group represent 79% of total foreign currency deposits in Cyprus. The annual rate of increase of foreign currency deposits, which was negatively impacted by the sharp decrease of the US dollar relative to the Euro, was 3%. It is noted that the real annual rate of increase of foreign currency deposits was 18%.

C.2.2 Deposits in Greece

Group deposits in Greece increased at an annual rate of 9%, reaching €8,66 bn at 31 March 2008. At the end of December 2007 (latest available data) the Group's market share in deposits in Greece stood at 3,6%.

C.2.3 Deposits in Other Countries

At 31 March 2008, the Group's deposits in the United Kingdom and Australia reached €1,16 bn and €259 mn respectively.

C.3 Shareholders' Funds

At 31 March 2008, the Group shareholders' funds amounted to €2,03 bn, recording a significant increase of 24% from 31 March 2007. The Group capital adequacy ratio per Basel II requirements stood at 12,4% and the core tier 1 ratio at 8,8%.

D. Analysis of Results for the first quarter 2008

D.1 Net Interest Income and Net Interest Margin

Net interest income reached €185 mn, recording an annual increase of 8%. The net interest income for the first quarter of 2008 is affected by the adoption of the Euro as Cyprus' national currency and the convergence of the Cyprus pound base rate to that of the Euro. As a result, as of 1st January 2008, the Group's interest income in Cyprus was negatively affected by the 0,5% reduction (difference between the Cyprus pound interest rate 4,5% and the ECB rate 4%) of the reference rate for pricing loans that were converted from Cyprus pounds to Euro on 31 December 2007. The ECB rate was set as the reference rate for the purposes of pricing these loans in line with a Central Bank of Cyprus circular. This had a short term negative impact on the net interest income of the first quarter 2008 and the net interest margin of the Group of the first quarter 2008, which has decreased to 2,49% compared to 2,68% for the fourth quarter 2007. The Group has already taken measures for the offsetting of these negative consequences as explained below.

The net interest margin of the Group's operations in Cyprus stood at 2,19% for the first quarter of 2008 compared to 2,46% for the last quarter 2007 and 2,57% for the first quarter 2007, as a result of the decrease of the base rate by 50 basis points as well as due to the increased competition especially on deposits. In April 2008 the Group announced the revision of the base rate for selected loan products of the Group's Cyprus operations which are priced with reference to the Bank of Cyprus base rate. This revision is expected to positively affect the net interest margin of the Cyprus operations. The Group evaluates the market conditions and will continue with the re-pricing of the loan portfolio accordingly.

The NIM of the Group's operations in Greece stood at 2,58% for the first quarter 2008 compared to 2,69% for the last quarter of 2007 and 3,02% for the first quarter of 2007 as a result of the comparatively higher growth rate of mortgage loans, which earn a lower spread due to their low-risk nature, compared to the growth rates of other sectors, as well as the increased competition in lending and deposits.

The Group aims to increase the loan portfolio in new markets with attractive interest margins that are expected to lead to the recovery of the Group's net interest margin.

D.2 Income from commissions and foreign exchange

The net fee and commission income and the foreign exchange income for the first quarter 2008 amount to €48 mn and €8 mn respectively. The income for the first quarter 2008 does not include fees and commissions and foreign exchange income for the exchange between the Cyprus Pound and the Euro.

D.3 Income from Insurance Business

Total income from insurance business recorded an annual increase of 19%, reaching €16 mn. Profit before tax of the insurance business amounted to €11 mn recording an annual increase of 12% and contributing 9% to Group profit before tax.

D.4 Expenses

Total expenses for the first quarter 2008 amounted to €119 mn, recording an annual rate of increase of 7%, a rate significantly lower than the rate of increase in loans (29%). The cost to income ratio improved from 44,6% in the first quarter of 2007 to 43,7% in the first quarter of 2008 despite the significant investment for the expansion of the Group's network in Greece and the cost of the expansion of operations in Russia and Romania.

Staff costs amounted to €74mn, recording an annual increase of 5%, mainly due to the increase in the costs relating to the expansion of the Greek operations. Staff costs in Greece grew by 10% as a result of the increase in staff numbers by 14%, in response to the increased business volumes (23% increase in loans) and to staff the 20 new branches which opened since 31 March 2007. The Group currently operates 140 branches in Greece. The staff costs in Cyprus remained at the same levels, despite the high rates of volume growth (33% increase in loans).

The other (non-staff) operating expenses of the Group, including the operating expenses for the start up of operations in Russia and Romania, recorded an annual increase of 9% and amounted to €45mn.

The cost to income ratio of the Group's operations in Cyprus improved from 40,8% for the first quarter of 2007 to 37,8% for the first quarter of 2008. In Greece the ratio stands at the very satisfactory level of 51,8% (1Q07: 49,7%), especially considering the low maturity of the branch network and the cost of the operation of new branches.

An analysis of the Group's network and human resources is shown in the table below:

Table 4

Analysis of Branches and Human Resources			
	1Q08	1Q07	Change
Branches	305	282	+23
Cyprus	143	144	-1
Greece	140	120	+20
Other countries	22	18	+4
Human Resource	6.996	6.351	+645
Cyprus	3.456	3.305	+151
Greece	3.044	2.663	+381
Other countries	496	383	+113

D.5 Provisions for Impairment of Loans

The provision charge for the first quarter 2008 amounted to €15 mn and represented 0,3% (2007: 0,3%) 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 of €206 mn (1% of total loans).

Table 5

Analysis of Group Results and Other Financial Information				
€ mn	±%	1Q08	1Q07	Year 2007
Net interest income	+8%	185	171	752
Net fee and commission income	-2%	48	49	198
Foreign exchange income	-9%	8	9	47
Net gains on sale and change in fair value of financial instruments attributable to shareholders **	-52%	3	6	24
Net income from insurance business	+19%	16	13	56
Other income	+618%	12	2	33
Total income	+9%	272	250	1.110
Staff costs	+5%	(74)	(71)	(296)
Other operating expenses	+9%	(45)	(41)	(190)
Total expenses	+7%	(119)	(112)	(486)
Profit before provisions	+11%	153	138	624
Provisions for impairment of loans and advances	-24%	(15)	(19)	(56)
Share of profit of associates	-241%	(5)	4	9
Profit before tax	+9%	133	123	577
Tax	+5%	(17)	(17)	(92)
Minority interest **	-	0	0	0
Profit after tax	+9%	116	106	485
Number of staff	+10%	6.996	6.351	6.909
Net interest margin (NIM)	-39 b.p.*	2,49%	2,88%	2,81%
Cost/Income ratio	-0,9 p.p.*	43,7%	44,6%	43,8%
Return on equity (RoE)	-3,4 p.p.*	23,2%	26,6%	27,6%

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

** For presentation purposes the net gains on sale and change in fair value of financial instruments have been calculated after the loss attributable to minority shareholders.

Table 6

Geographical Sector Analysis of Results and Other Financial Information									
€ mn	Cyprus			Greece			Other counties		
	±%	1Q08	1Q07	±%	1Q08	1Q07	±%	1Q08	1Q07
Net interest income	+6%	103	97	+8%	70	65	+37%	12	10
Net fee and commission income	-7%	31	34	+9%	13	12	+5%	4	3
Foreign exchange income	-12%	6	7	-24%	1	1	+239%	1	0
Net gains on sale and change in fair value of financial instruments attributable to shareholders	-	6	6		(3)	0	-	0	0
Net income from insurance business	+15%	14	12	+48%	2	1	-	-	-
Other income	+643%	12	2	-	0	0	-	0	0
Total income	+9%	172	158	+5%	83	79	+32%	17	13
Staff costs	-	(44)	(44)	+10%	(24)	(22)	+29%	(6)	(5)
Other operating expenses	+3%	(21)	(20)	+8%	(19)	(17)	+57%	(5)	(3)
Total expenses	+1%	(65)	(64)	+9%	(43)	(39)	+40%	(11)	(8)
Profit before provisions	+15%	107	94	+1%	40	40	+20%	6	5
<i>Contribution</i>		70%	68%		26%	29%		4%	3%
Provisions for impairment of loans and advances	-17%	(6)	(7)	-26%	(9)	(12)	-	0	0
Share of profit of associates	-241%	(5)	3	-	0	0	-	0	0
Profit before tax	+6%	96	90	+12%	31	28	+29%	6	5
<i>Contribution</i>		72%	74%		23%	22%		5%	4%
Tax	-5%	(8)	(9)	+25%	(8)	(7)	-7%	(1)	(1)
Minority Interest	-	0	0	-	0	0	-	0	0
Profit after tax	+8%	88	81	+9%	23	21	+39%	5	4
<i>Contribution</i>		76%	76%		20%	20%		4%	4%
Number of staff	+5%	3.456	3.305	+14%	3.044	2.663	+30%	496	383
Net interest margin (NIM)	-38 b.p.*	2,19%	2,57%	-44 b.p.*	2,58%	3,02%	+11b.p.*	2,02%	1,91%
Cost/Income ratio	-3 ,0 p.p.*	37,8%	40,8%	+2,1 p.p.*	51,8%	49,7%	+3,6 p.p.*	63,6%	60,0%
Return on equity (ROE)	-3,6 p.p.*	39,9%	43,5%	-0,7 p.p.*	16,0%	16,7%	+2,3 p.p.*	16,5%	14,2%

Table 7

Balance Sheet Overview				
€ mn	±%	31.03.2008	31.03.2007	31.12.2007
Cash and balances with central banks	-4%	704	731	1.325
Placements with banks	+9%	4.895	4.473	6.158
Debt securities, T-bills and equity investments	-6%	4.080	4.343	4.070
Net loans and advances to customers	+31%	19.941	15.263	18.921
Other assets	+2%	1.234	1.206	1.289
Total assets	+19%	30.854	26.016	31.763
Amounts due to banks and repurchase agreements	+294%	1.850	470	1.668
Customer deposits and other accounts	+12%	23.983	21.489	25.179
Debt securities in issue	+36%	1.359	1.001	1.254
Other liabilities	+20%	1.028	854	988
Subordinated loan stock	+3%	574	559	669
Minority Interest	-	27	0	39
Shareholders' equity	+24%	2.033	1.643	1.966

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.
- The Group's Interim Condensed Consolidated Financial Statements for the first quarter 2008, 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 122128, Fax: +357 22 378422
 - Website: www.bankofcyprus.com (Inv. Relations/Financial Information)
- The detailed presentation of the financial results for the first quarter 2008 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)