

FIRST QUARTER 2002 RESULTS

- **C£10,5mn (€18,2mn) PROFIT BEFORE TAX**
- **C£6,7mn (€11,7mn) PROFIT AFTER TAX**

Consolidated Profit and Loss Account		
	Quarter ended 31 March	
	2002	2001
	C£'000	C£'000
Turnover	140.113	146.386
Net interest income	38.323	41.446
Fees, commissions, other income and net income from insurance operations	20.516	20.027
Losses on sale and revaluation of securities	(1.986)	(1.937)
Foreign exchange income	3.794	2.874
Total income	60.647	62.410
Staff costs and other administrative expenses	(42.724)	(37.496)
Profit before provision for bad and doubtful debts	17.923	24.914
Provision for bad and doubtful debts	(7.450)	(4.735)
Profit before tax	10.473	20.179
Tax	(3.761)	(7.044)
Profit after tax	6.712	13.135

The Bank of Cyprus Group (the Group) presents its financial results for the quarter ended 31 March 2002, which were reviewed and approved by the Board of Directors of the Bank of Cyprus Ltd (the Bank) at its meeting held on 22 May 2002.

I. SUMMARY OF FINANCIAL RESULTS

Operating profit before provision for bad and doubtful debts and before tax reached **C£17,9mn (€31,2mn)** compared to C£24,9mn (€43,4mn) in the corresponding period of 2001, marking a **28,1% decrease**.

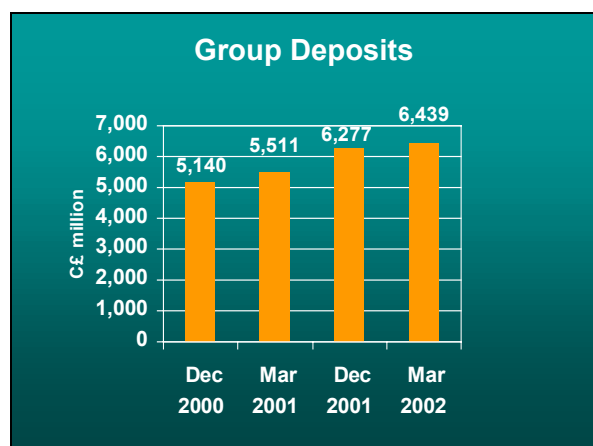
Profit after tax reached **C£6,7mn (€11,7mn)** against C£13,1mn (€22,9mn) in the corresponding period, recording a **48,9% decline**.

As mentioned above and as stated in the Group's announcement dated 24 April 2002, the Group's profit for the first quarter of 2002 show a marked reduction compared to the profit of the first quarter of 2001. The reduction was anticipated given that the first quarter of 2002 carries the full impact of the reduction in interest rates as well as the adverse effects on the global and Cyprus economy. The corresponding quarter of 2001 was not affected by any of the above adverse factors.

The Group's results are considered satisfactory, in view of the above negative factors and the general conditions prevailing in the Cyprus and Greek banking industry.

Since the beginning of 2002, the Group is implementing a plan to contain costs, improve efficiency and increase revenue. The Group's detailed plan is being implemented successfully, and the positive results are expected to become more evident in the second half of 2002.

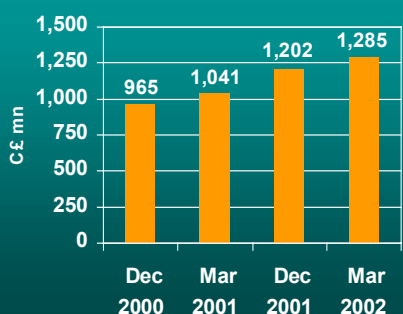
Given the above, the Group's results for the first quarter should not be considered as representative of the results for the whole of 2002, as it is expected that the results of the second half of 2002 will be better than the results of the corresponding period of 2001.



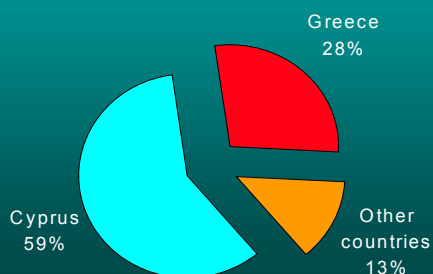
Group Loans and Advances



Loans and Advances in Greece



Loans and Advances by Geographical Sector 31 March 2002



II. FINANCIAL FOOTINGS

The Group's main Balance Sheet captions have continued to increase during 2002, especially with relation to the Group's operations in Greece and Australia.

➤ Total Assets

The Group's **total assets** reached C£7,76bn (€13,50bn) compared to C£7,68bn (€13,37bn) at 31 December 2001 and to C£6,69bn (€11,65bn) at 31 March 2001, marking an annual growth rate of 15,9%.

➤ Loans and advances

The Group's total gross loans and advances amounted to C£4,57bn (€7,94bn) compared to C£4,41bn (€7,68bn) at 31 December 2001, and C£4,04bn (€7,02bn) at 31 March 2001 recording an annual increase of 13,1%.

The Group's gross loans and advances in Greece reached C£1,29bn (€2,24bn), recording an increase of 6,9% or C£83,5mn (€145,2mn) since 31 December 2001. The annual increase amounts to C£245mn (€426mn) or 23,5% when compared to 31 March 2001.

The increase in the Group's loans and advances in Australia was also significant. Total loans and advances in the first quarter of 2002 increased to C£23,4mn (€40,7mn) or 56,5% and reached C£64,7mn (€112,7mn).

The share of the Group's loans and advances relating to its operations abroad increased to 41,4% (up from 39,3% at 31 March 2001 and up from 40,4% at 31 December 2001).

➤ Customer Deposits

The Group's customer deposits increased to C£6,44bn (€11,20bn), up from C£6,28bn (€10,92bn) at 31 December 2001 and C£5,51bn (€9,59bn) at 31 March 2001, marking an annual increase of 16,8%.

The Group's customer deposits in Greece reached C£1,62bn (€2,81bn), increasing by C£134mn (€234mn) or by 9,1% since 31 December 2001. The Group's deposits in Greece marked an annual increase of C£577mn (€1,00bn) or 55,5%, when compared to 31 March 2001.

The Group's customer deposits in Australia increased to C£42,2mn (€73,4mn), recording an increase of C£10,9mn (€18,9mn) or 34,6% since 31 December 2001.

The share of the Group's customer deposits relating to its operations abroad increased to 33,7% (up from



Customer Deposits in Greece



27,0% at 31 March 2001 and up from 32,0% at 31 December 2001).

III. ANALYSIS OF GROUP PROFITABILITY

Operating profit before provisions for bad and doubtful debts

As stated in the *Summary of Financial Results* above, the Group's profit before provisions for bad and doubtful debts decreased by 28,1%.

The share of the Group's profit before provisions for bad and doubtful debts attributed to the Group's operations abroad continued to rise, reaching 40,8% for the quarter ended 31 March 2002 compared to 38,2% for the year 2001 and 36,3% for the first quarter of 2001.

The Group's net interest income for the first half of 2002 amounted to C£38,3mn (€66,7mn), recording a 7,5% decrease, mainly as a result of the significantly higher interest rates prevailing in the first quarter of 2001.

The net interest margin (as a percentage of average interest bearing assets) recorded a gradual decrease during 2001, from 2,84% in the first quarter of 2001 to 2,11% in the final quarter of 2001 and with an average net interest margin for the whole year of 2001 of 2,49%. The net interest margin for the quarter ended 31 March 2002 rose to 2,18% up from 2,11% for the last quarter of 2001. Given the present conditions and the implementation of the Group's action plan for increased efficiency, it is expected that the net interest margin will continue to improve during 2002.

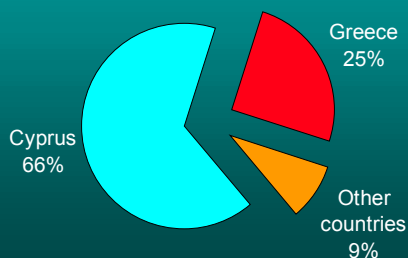
The Group's total fees, commissions, other income and net income from insurance operations increased to C£20,5mn (€35,7mn), recording a small increase of 2,4%, as a result of the weak economic activity and the small volume of transactions in the stock market.

The Group's losses from the sale and revaluation of securities reached C£2,0mn (€3,5mn), a level also shown in the corresponding 2001 period, as a result of the continued decline in share prices.

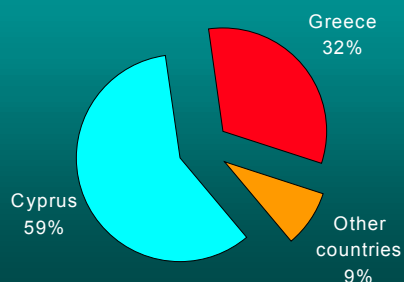
The Group's total foreign exchange income increased to 32% reaching C£3,8mn (€6,6mn), mainly as a result of the successful activity of the Treasury department.

The Group's total expenses increased by 13,9% to C£42,7mn (€74,3mn). This increase is lower than the increase in total assets during the period, reflecting the improvement in the Group's efficiency and cost containment. The increase is largely due to the Group's rapid expansion abroad, mainly to Greece and Australia where cost increases of 33% and 50%, respectively, were recorded.

Customer Deposits by Geographical Sector 31 March 2002



Operating Profit by Geographical Sector 1st Quarter 2002



Provisions for bad and doubtful debts

Provisions for bad and doubtful debts for the quarter ended 31 March 2002 amounted to C£7,5mn (€13,0mn), compared to C£4,7mn (€8,2mn) in the corresponding quarter of 2001, marking an increase of 57,3%.

The provisions for bad and doubtful debts increased significantly during the second half of 2001 as a result of the prevailing economic slowdown and the continuing decline of the local stock market. As a result, the provisions for bad and doubtful debts for the first quarter of 2001 (C£4,7mn; €8,2mn) were relatively low compared to the provisions of the full year 2001 (C£33,1mn; €57,6mn).

The significant increase in provisions during the first quarter of 2002 (57,3%) is, to a large degree, the result of the uneven distribution of the provision charge during 2001, as discussed above. The percentage increase of the first quarter does not reflect the expectations for the full year increase in the provision charge, which, at present, is not expected to be as high as that of the first quarter.

Profit before tax

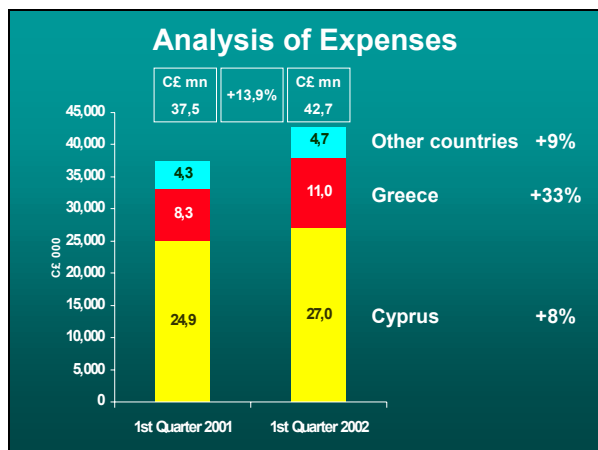
As a result of the relatively large increase in the provisions for bad and doubtful debts, the Group profit before tax amounted to C£10,5mn (€18,2mn), a 48,1% reduction on 2001.

The Group's insurance activities contributed C£1,61mn (€2,80mn) to profit before tax, compared to C£1,56mn (€2,72mn) in 2001, marking a 2,7% increase. The low level of growth in the net revenue from insurance operations and the drop in profits generated from banking operations led to the overall increase in the Group's share of profit attributed to insurance operations to 15,3%, up from 7,8% in the first quarter of 2001.

IV. GROUP ACTIVITIES AND PROSPECTS

In Cyprus, the base of its operations, the Group aims at maintaining its leading market position and at continuously increasing its profitability. Outside Cyprus, the Group continues the rapid expansion of its operations and its financial footings, primarily in Greece and Australia.

Aiming at profitability increase during 2002, the Group is implementing an action plan to contain operating costs, improve efficiency and increase revenue.





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Nicosia, 22 May 2002

Notes:

1. The exchange rate used for the conversion of Cyprus Pounds (C£) into Euro is 1C£=1,7402 Euro as at 31 March 2002.
2. The condensed financial statements for the quarter ended 31 March 2002 are available at the Bank of Cyprus Ltd. Registered Office and at the Group's website, as follows:

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Website www.bankofcyprus.com (Investor Relations)

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. The Group has been expanding rapidly in Greece. It has an established banking presence in the United Kingdom and in 2001 it expanded to Australia. Internationally, the Bank of Cyprus Group seeks to serve the expatriate Greek and Cypriot communities. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, venture capital, fund management, custody, life and general insurance. The Group currently operates through a total of 276 banking outlets, including 60 in Greece, eight in the United Kingdom, six in Australia and one in the Channel Islands. Bank of Cyprus also has representation in the United States of America, Canada, South Africa, Russia and Romania. At 31 March 2002, the Group's Total Assets reached C£7,8bn (€13,5bn) and the Group's Shareholders' Funds were C£546,5mn (€951,0mn). The Bank of Cyprus Group employs 5,408 staff worldwide. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information may be found at www.bankofcyprus.com.