Bank of Cyprus Group

Announcement

Bank of Cyprus optimistic
on further improvement of profitability and other financial indicators

Nicosia, 15 November 2005

With reference to the updated report on Bank of Cyprus Public Company Ltd («the Bank») issued by Moody's on 11 November 2005, the Bank notes that all the credit challenges quoted by Moody's are already being addressed successfully.

The results for the nine-month period ended 30 September 2005 have shown significant improvements in the Bank of Cyprus Group's («the Group») profitability and other indicators, namely:

- The cost to income ratio of the Group's Cyprus operations improved from 65,8% in the nine-month 2004 period to 59,4% in the nine-month 2005 period. The overall Group's cost to income ratio was reduced from 62,3% for the year 2004 to 57,8% for the nine-month period ended 30 September 2005.

- The return on equity of the Group's Cyprus operations improved from 3,0% in the nine-month 2004 period to 10,8% in the nine-month 2005 period. The Group's overall return on equity also improved from 7,6% to 11,3% for the respective periods.

- The non-performing loans to total loans ratio of the Group improved from 10,8% at end-2004 to 8,7% at 30 September 2005.

- The provisioning charge to total loans ratio was lower than in previous periods and stood at 1,28% for the nine-month 2005 period. The Group has already stated its intention of reducing this ratio to 1,0% by end-2007.

- The non-provisioned non-performing loans are expected to gradually decrease, as the Group's stated objective is to increase the coverage of the non-performing loans by provisions. It is noted than non-provisioned non-performing loans are fully covered by tangible security, valued at about 70% of market value.

- The Group has been operating in Greece since 1991 and the non-performing loans to total loans ratio of the Group's Greek operations as at 30 September 2005 stood at 4,3%.

- The Group's capital adequacy ratio at 30 September 2005 amounted to 12,7% compared to the minimum required ratio of 10,0% per the Central Bank of Cyprus and 8,0% per the European Union Directive. The forthcoming Rights issue which is expected to raise around C£109 mn will further improve the Group's capital position. The Rights issue will be completed on 19 December 2005.

- The unrecognised actuarial losses of the Group's defined benefit pension plans stood at C£103,8 mn at 31 December 2004. These losses are not actual losses and depend on a number of actuarial assumptions used such as the discount rate of the pension plan's liabilities, the expected rate of return on the plan's assets and the rate of future salary increases. The fair value of the plan's assets has increased since the beginning of the year mainly due to the increase in value of the ordinary shares held by the plan and therefore, a reduction of the unrecognised actuarial losses of the plan is expected by the next actuarial valuation which will be performed as of 31 December 2005. The Group amortises these unrecognised actuarial losses over the expected average remaining working lives of the employees in accordance with International Accounting Standards.

The Group's management is confident that the trends for the improvement in the Group's profitability and other financial indicators will continue.

As already announced on 1 November 2005, the results for the nine-month period ended 30 September 2005 have exceeded the targets that were set in the Group's three-year strategic plan (2005 – 2007). The Group will revise its strategic targets in the 2006 – 2008 three-year strategic plan, which is going to be reviewed in December 2005 – January 2006. The details of the new targets will be announced in early 2006.