



Announcement

- Group Financial Results
for the Six Months ended 30 June 2006
 - **68% increase in profit before provisions**
 - **172% increase in profit after tax**
 - Revised Profit Target for 2006: C£160 mn (€278 mn)
-

Nicosia, 27 July 2006

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 279 branches, of which 147 operate in Cyprus, 115 in Greece, six in the United Kingdom, ten 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. The Bank of Cyprus Group employs 6.100 staff worldwide.

At 30 June 2006, the Group's Total Assets reached C£13,22bn (€23,00bn) and the Group's Shareholders' Funds were C£818mn (€1,42bn). 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 1st Half 2006 Results

Group profit after tax for the first half 2006 (1H06) recorded an increase of 172% compared to the corresponding 2005 period. The improvement in all of the Group's profitability indicators was also significant. The reorganisation and development of the Group's business in Cyprus, combined with the cost containment and income enhancement plans, the positive course of the Group's insurance operations, the continuation of its dynamic expansion in Greece and the positive results from the sale and change in fair value of financial instruments contributed to the profitability improvement.

Table 1

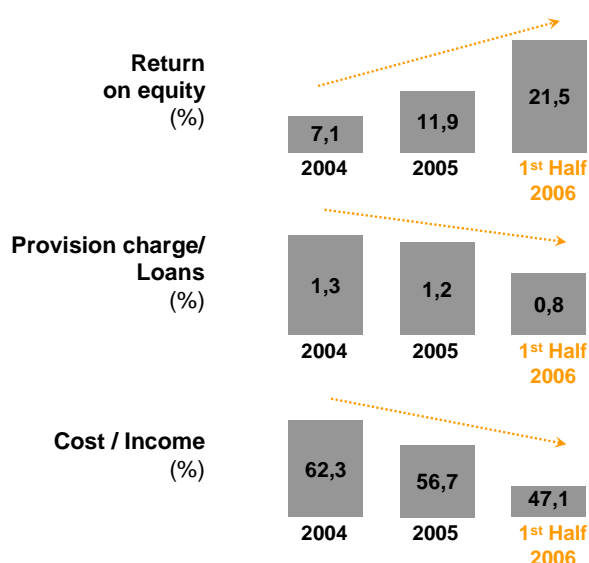
Group Financial Highlights				
in C£ mn	Change	1H06	1H05	Year 2005
Profit before provisions	+68%	135	81	182
Profit before tax	+164%	101	38	91
Profit after tax	+172%	85	31	72
Earnings per Share	+148%	15,6 cent	6,3 cent	14,4 cent
Cost/Income	-12,0 p.p.*	47,1%	59,1%	56,7%
Return on Equity	+10,6 p.p.*	21,5%	10,9%	11,9%

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

- Group profit after tax for 1H06 reached C£85 mn (€148 mn) compared to C£31 mn (€54 mn) for the corresponding 2005 half, recording an increase of 172%.
- As a result of the significant increase in the Group's profitability, the Group return on equity increased by 10,6 percentage points compared to 1H05, reaching 21,5%.
- Profit before provisions reached C£135 mn (€235 mn), recording an annual increase of 68%.
- The cost to income ratio improved to 47,1% compared to 59,1% for 1H05.
- The above results reflect:
 - The positive effect of the steps taken for:
 - Improvement of income (24% increase in net interest income, 14% increase in commission income and 12% increase in income from insurance operations).
 - Containment of the rate of increase of expenses to 3% compared to the rate of increase of deposits and loans of 15% and 19%, respectively.
 - Increase of loans (annual increase of 19%).
 - The increase by C£19 mn (€33 mn) in the profit from sale and change in fair value of financial instruments.
- The profitability improvement in the Group's Cyprus operations is remarkable:
 - 90% increase in profit before provisions to C£89 mn (€155 mn).
 - 277% increase in profit after tax to C£66 mn (€114 mn).
- The contribution of the Greek operations to Group profitability continues to be noteworthy:
 - 47% increase in profit before provisions to C£42 mn (€73 mn).
 - 60% increase in profit after tax to C£17 mn (€29 mn).
- The decrease of the ratio of NPLs to total loans from 9,3% at 1 January 2006 to 8,1% at 30 June 2006 is noteworthy.

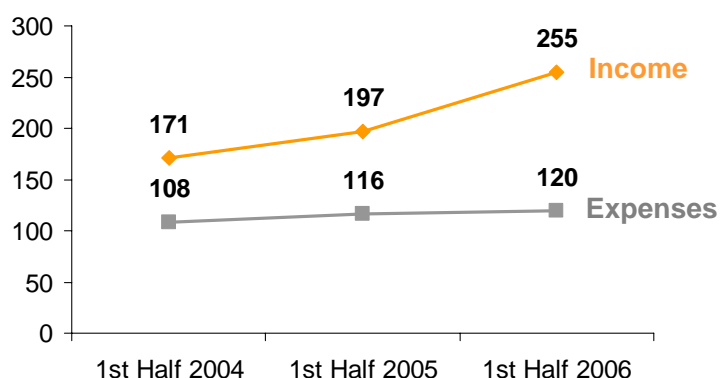
Graph 1

Evolution of indicators



Graph 2

Evolution of income and expenses (in C£ mn)



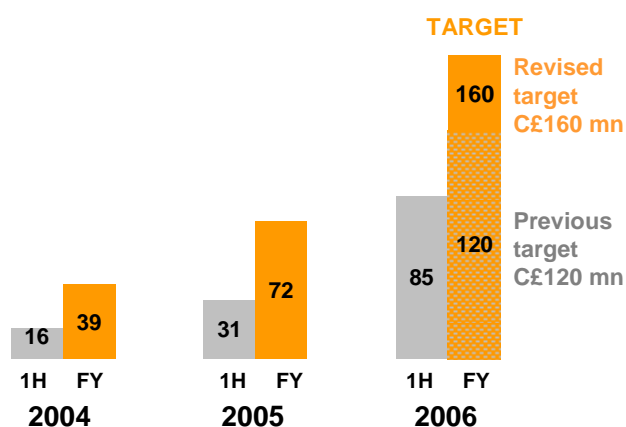
B. Prospects for 2006

Based on the Group financial results to date, the indications for their further development, as well as the current conditions in the markets in which the Group operates, it is expected that the Group profit after tax for the full year of 2006 will reach C£160 mn (€278 mn) compared to the previous target of C£120 mn (€209 mn). The expected profit is positively compared to the profit of C£72 mn (€126 mn) for 2005, an expected increase of 122%.

The Group is taking all the necessary measures for containment of non-performing loans. Specifically it is expected that at the end of 2006 the non-performing loans will decrease at a level below 7,5% of total loans, compared to 9,3% as at 1 January 2006.

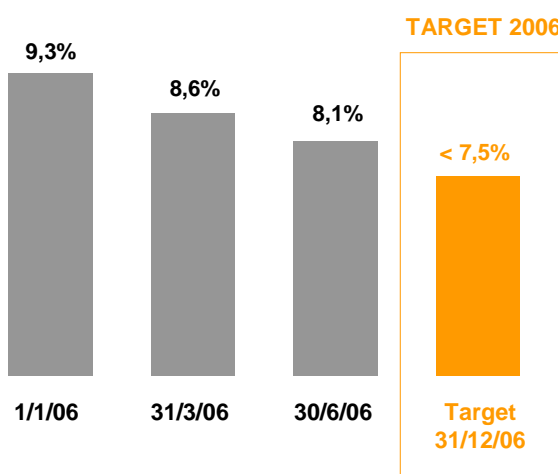
Graph 3

Evolution and target of profit after tax (C£ mn)



Graph 4

Evolution and target of % of non-performing loans



C. Financial Footings

Table 2

Analysis of Financial Footings by Geographic Sector

in C£ mn	Group		Cyprus		Greece		Other countries	
	annual ±%	30.6.06	annual ±%	30.6.06	annual ±%	30.6.06	annual ±%	30.6.06
Deposits	+15%	10.673	+19%	5.980	+12%	3.988	+7%	705
Contribution				56%		37%		7%
Loans	+19%	8.095	+20%	3.909	+23%	3.443	+4%	743
Contribution				48%		43%		9%

C.1 Group Loans

The Group's loans reached C£8,10 bn (€14,08 bn) at 30 June 2006, recording an increase of 19%.

C.1.1 Loans in Cyprus

The Group has significantly strengthened its presence in the retail lending sector in Cyprus. As such, the market share of the Bank in total banking system advances, including credit cooperatives, increased to 25,9% in April 2006 (latest published figures) compared to 24,4% in April 2005.

In Cyprus, the Group's total loans at 30 June 2006 amounted to C£3,91 bn (€6,80 bn), recording an annual increase of 20%.

C.1.2 Loans in Greece

In Greece, the annual rate of increase in the Group's loans reached 23%. The Group's loan portfolio in Greece increased to C£3,44 bn (€5,99 bn) at 30 June 2006.

As of end-April 2006, the Group's market share of loans in Greece increased to 3,89%, up from 3,76% a year ago.

The Group's dynamic expansion in lending in Greece focused mainly on housing and consumer loans. The balance of housing and consumer loans at 30 June 2006 increased by 53% and 37%, respectively, compared to 30 June 2005.

C.1.3 Loans in Other Countries

At 30 June 2006, Group loans in the United Kingdom and Australia increased by 3% and 8%, reaching C£591 mn (€1,03 bn) and C£152 mn (€265 mn), respectively.

C.1.4 Loans by Customer Sector

The breakdown of the Group's loan portfolio in Cyprus and Greece into the three customer sectors is shown below and indicates the success of the group in further penetrating into the retail sector:

Table 3

Analysis of Loans by Customer Sector				
% of total loans	Cyprus		Greece	
	30.6.06	31.12.05	30.6.06	31.12.05
Corporate	47,3%	48,7%	25,6%	26,1%
Small and Medium-sized Enterprises (SMEs)	16,2%	16,4%	44,6%	45,5%
Retail	36,5%	34,9%	29,8%	28,4%
Total	100,0%	100,0%	100,0%	100,0%

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

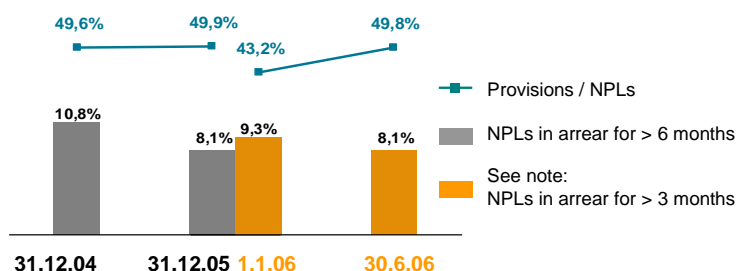
During 1H06 the Group has managed to improve the quality of its loan portfolio, due to:

- Collections of overdue amounts.
- Lower inflow of new NPLs as a result of improved credit risk control systems implemented by the Group in the past two years.
- Increase in tangible collateral.

Group NPLs declined, despite the introduction as of 1 January 2006 of new stricter rules issued by the Central Bank of Cyprus regarding the definition of non-performing loans. Specifically, the definition has been revised to include all loans in arrear for longer than 3 months (instead of six months as per the superseded rules). In addition, the NPL classification is applied to all other loans of the customers who have a specific facility classified as non-performing. Using the revised definition, Group NPLs declined from C£676 mn (€1,17 bn) at 1 January 2006 to C£642 mn (€1,12 bn) at 30 June 2006. The ratio of NPLs to total loans at 30 June 2006 was 8,1% compared to 9,3% at 1 January 2006.

Graph 5

Evolution of non performing loans (NPLs)



Note:

As of 1/1/2006, the criteria for classifying loans have changed to include all loans in arrear for longer than 3 months. In addition the NPL classification is applied to all other loans of the customers who have a specific facility classified as non-performing.

The vast majority of non-performing loans relate to the Group's Cyprus operations, where the time required to foreclose collateral, especially property, is lengthy, and acts as a deterring factor in the repayment of overdue amounts.

The efforts to reduce non performing loans will be strengthened if the enactment and implementation of improved procedures, which would expedite the foreclosure of property collateral, takes place in Cyprus.

Using the stricter definition mentioned earlier, the Group's NPLs in Greece at 30 June 2006 accounted for 4,9% of total loans, compared to 5,9% at 1 January 2006.

The ratio of coverage of NPLs by provisions increased to 50% at 30 June 2006, compared to 43% at 1 January 2006. The remaining balance of NPLs is covered by tangible collateral.

C.2 Deposits

The Group's total deposits at 30 June 2006 reached C£10,67 bn (€18,56 bn), recording a 15% annual increase.

C.2.1 Deposits in Cyprus

The increase in Group deposits in Cyprus during the past year was significant (19%), especially deposits in foreign currency. Total Group deposits in Cyprus at 30 June 2006 amounted to C£5,98 bn (€10,40 bn). At 30 April 2006 (latest available data), the Bank's market share of total banking system deposits in Cyprus, including credit cooperatives, amounted to 29,5%, compared to 29,2% in April 2005.

C.2.2 Deposits in Greece

The annual rate of increase in Group deposits in Greece reached 12%, with total deposits amounting to C£3,99 bn (€6,94 bn) at 30 June 2006 and market share to 3,57% based on the latest published figures (April 2006). In accordance with the Group three year (2006-2008) strategic plan, the Group targets the increase of its loans to deposits ratio. This ratio for the Group's operations in Greece increased to 86% at 30 June 2006 from 78% a year ago.

C.2.3 Deposits in Other Countries

At 30 June 2006, the Group's deposits in the United Kingdom and Australia reached C£587 mn (€1,02bn) and C£118 mn (€205 mn), increasing by 7% and 12%, respectively.

C.3 Capital Base and Capital Adequacy

Table 4

Capital Adequacy Composition		
in C£ mn	30.6.06	31.12.05
Tier 1 Capital	761	727
- Core Tier 1 Capital	667	636
Tier 2 Capital	260	321
Total Capital	1.021	1.048
Risk-weighted Assets	7.906	7.457
Capital Adequacy Ratio	12,9%	14,1%
- Core Tier 1 Ratio	8,4%	8,5%
- Tier 1 Ratio	9,6%	9,8%
- Tier 2 Ratio	3,3%	4,3%

At the end of 1H06, the Group shareholders funds amounted to C£818 mn (€1,42 bn).

At 30 June 2006, the Group capital adequacy ratio stood at 12,9%.

D. Analysis of 1st Half 2006 Results

D.1 Net Interest Income and Net Interest Margin

Net interest income reached C£164 mn (€284 mn), recording an annual increase of 24%. The increase is primarily attributable to the significant increase in the Group's footings in Greece and Cyprus. The Group net interest margin (NIM) for 1H06 was 2,70%, compared to 2,60% for the year 2005 and 2,63% for 1H05, mainly as a result of the improvement in the NIM of the Group's operations in Greece.

The net interest margin in Cyprus was contained at 2,21% for 1H06 compared to 2,27% for the year 2005 and 2,35% for 1H05. The reduction was the result of the reduction in the Cyprus pound base rate and the increase in foreign currency deposits.

The net interest margin of the Group's Greek operations for 1H06 stood at 3,11%, increasing from 2,82% for the year 2005 and 2,72% for 1H05. This development is mainly due to the improved cost of deposits of the Group's Greek operations, as well as the increase in the loans to deposits ratio to 86% from 78% a year ago.

D.2 Net Fee and Commission Income

Total net fee and commission income for 1H06 reached C£49 mn (€85 mn), recording an annual increase of 14%, primarily as a result of increased income from the Group's operations in Cyprus and Greece.

D.3 Income from Insurance Business

The good performance of the Group's insurance operations continued in 1H06. Income from insurance business recorded a 12% annual increase, reaching C£13 mn (€23 mn). Income from insurance business contributed 8% of Group profit before tax and reached C£8 mn (€14 mn), recording an increase of 18%.

The increase of insurance operations was significant, with an increase in new business premiums of 19% in life insurance and 11% in general insurance.

D.4 Net Gains on Sale and Change in Fair Value of Financial Instruments

During 1H06, the Group recorded C£19 mn (€32 mn) net gains on sale and change in fair value of financial instruments. This profit comprises C£14 mn (€23 mn) profit from the change in fair value of derivatives and C£5 mn (€9 mn) profit from disposal of shares and bonds.

D.5 Expenses

The Group's cost containment programme had a positive impact on the Group results. Total expenses for 1H06 amounted to C£120 mn (€209 mn), with the annual rate of increase being contained to 3% compared to the rate of increase in deposits and loans which was 15% and 19%, respectively. As a result of the cost containment, as well as the increased level of income (including the profit on sale and change in fair value of financial instruments), the cost to income ratio of the Group improved to 47,1% for 1H06, compared to 59,1% for 1H05.

Staff costs amounted to C£75 mn (€130 mn), recoding an annual increase of 1%, mainly due to the 4% reduction of the cost relating to the Group's Cyprus operations. The decrease was attributed to the reduction in staff numbers in Cyprus by 47 employees since 30 June 2005 and the relatively lower contributions to the staff pension plan, as a result of the notable reduction in the deficit of the plan. Staff costs relating to the Group's Greek operations increased by 16%, as a result of the increase in staff numbers by 7% (to 2.503 employees at 30 June 2006 from 2.349 employees one year ago) to respond to the increased volume of business (23% increase in loans) and to support the fifteen new branches opened in the intervening period.

The other (non-staff) operating expenses of the Group recorded an annual increase of 7% and amounted to C£45 mn (€79 mn).

The cost to income ratio of the Group's Cyprus operations improved to 44,6% for 1H06 compared to 60,5% for 1H05. The ratio for the Group's Greek operations stands at the satisfactory level of 49,0% (1H05: 56,1%), especially considering the relatively low maturity level of the branch network.

The Group's expenses in the other countries it operates increased by 1%.

D.6 Provisions for Bad and Doubtful Debts

The provision charge for 1H06 was C£34 mn (€59 mn). The provision charge represents 0,8% (2005: 1,2%) of total Group loans.

The Income and expense analysis as well as the Analysis of results and other financial information by geographic sector is presented in the tables below:

Table 5

Income and Expense Analysis						
in C£ mn	±%	1H06	1H05	±%	2 nd Q06	1 st Q06
Net interest income	+24%	164	132	+9%	85	78
Net fee and commission income	+14%	49	43	+6%	26	24
Foreign exchange income	+35%	8	6	+27%	5	4
Net gains on sale and change in fair value of financial instruments		19	(0)	+21%	10	8
Income from insurance business	+12%	13	12	-16%	6	7
Other income	-38%	2	4	-32%	1	1
Total income	+30%	255	197	+8%	133	122
Staff costs	1%	(75)	(74)	-4%	(37)	(38)
Other operating expenses	7%	(45)	(42)	+7%	(23)	(22)
Total expenses	3%	(120)	(116)	0%	(60)	(60)
Profit before provisions	68%	135	81	+16%	73	62
Provisions for bad and doubtful debts	-20%	(34)	(42)	-13%	(16)	(18)
Profit before tax	164%	101	38	+28%	57	44
Tax	131%	(16)	(7)	+28%	(9)	(7)
Profit after tax	172%	85	31	+28%	48	37
Net interest margin (NIM)	+7 b.p.*	2,70%	2,63%	+15 b.p.*	2,79%	2,64%

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

Table 6

Analysis of Results and Other Financial Information by Geographic Sector									
in C£ mn	Cyprus			Greece			Other countries		
	±%	1H06	1H05	±%	1H06	1H05	±%	1H06	1H05
Net interest income	+28%	89	70	+24%	65	52	-7%	9	10
Net fee and commission income	+16%	34	28	+10%	13	12	+9%	3	3
Foreign exchange income	+49%	7	5	-15%	1	1	-16%	0	0
Net gains on sale and change in fair value of financial instruments	808%	17	2	-175%	2	-2	+753%	0	0
Income from insurance business	+8%	12	11	61%	1	1	-	-	-
Other income	-23%	2	3	-60%	0	0	-95%	0	0
Total income	+35%	161	119	+27%	82	64	-9%	12	13
Staff costs	-4%	(49)	(51)	+16%	(21)	(18)	+1%	(5)	(5)
Other operating expenses	+8%	(23)	(21)	+6%	(19)	(18)	+3%	(3)	(3)
Total expenses	-%	(72)	(72)	+11%	(40)	(36)	+1%	(8)	(8)
Profit before provisions	+90%	89	47	+47%	42	28	-24%	4	5
<i>Contribution</i>		66%	58%		31%	35%		3%	7%
Provisions for bad and doubtful debts	-45%	(15)	(27)	+27%	(18)	(14)	-17%	(1)	(1)
Profit before tax	+276%	74	20	+68%	24	14	-25%	3	4
<i>Contribution</i>		74%	52%		23%	36%		3%	12%
Tax	+266%	(8)	(3)	+89%	(7)	(4)	-39%	(1)	(0)
Profit after tax	+277%	66	17	+60%	17	10	-21%	2	4
<i>Contribution</i>		78%	56%		19%	33%		3%	11%
Number of staff	-1%	3.293	3.340	+7%	2.503	2.349	0%	304	304
Net interest margin (NIM)	-14 b.p.	2,21%	2,35%	+39 b.p.	3,11%	2,72%	-23 b.p.	2,00%	2,23%
Cost/Income ratio	-15,9 p.p.	44,6%	60,5%	-7,1 p.p.	49,0%	56,1%	+6,5 p.p.	67,2%	60,7%
Return on equity (ROE)	+23,2 pp.	33,8%	10,6%	+3,7 p.p.	13,0%	9,3%	-4,3 p.p.	11,2%	15,5%

Notes:

1. All analyses by geographic sector are shown following restatements in the capital of each sector to bring it in line with the capital required by the capital adequacy regulations.
2. The conversions from Cyprus Pounds (C£) to Euro (€) were made using the exchange rate at 30 June 2006 of €1=C£0,5750.
3. According to the provisions of the regulations of the Cyprus Stock Exchange the Condensed Interim Consolidated Income Statement for the six months ended 30 June 2006 will be published. The Group's Condensed Consolidated Financial Statements for the six months ended 30 June 2006 will not be sent to shareholders, but will be available to the public, free of charge, 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)