Bank of Cyprus Group

Announcement

Group Financial Results
for the Nine Months ended 30 September 2006

- Spectacular increase of 158% in profit after tax

- Expected outperformance of profit target of C£160 mn (€277 mn) for 2006

- Significant improvement to 6,6% from 9,3%
of the ratio of non-performing loans to total loans

- Interim dividend of 7 cent (approximately €0,12 [3]) per share

Nicosia, 3 November 2006

A. Summary of Results

Group profit after tax for the 9 months ended 30 September 2006 (9M06) recorded an increase of 158% compared to the corresponding prior year period. The improvement in all of the Group's profitability indicators continues to be significant. The development of the Group's business in Cyprus, combined with the cost containment program, the very positive course of the Group's insurance operations and the continuation of its dynamic expansion in Greece contributed to the profitability improvement.

The improvement in the Group's loan portfolio and quality indicators is remarkable. Specifically, the ratio of non-performing loans to total loans has improved from 9,3% at 1 January 2006 to 6,6% at 30 September 2006.

The Board of Directors of the Bank, taking into consideration the results to date and the expected profitability for the whole year, has decided to pay an interim dividend of 7 cent (approximately €0,12 [3]) per share.

Table 1

Group Financial Highlights				
in C£ mn	**Change**	**9M06**	**9M05**	Year 2005
Profit before provisions	+58%	204	129	182
Profit before tax	+149%	154	62	91
Profit after tax	+158%	130	50	72
Earnings per Share	**+136%**	**23,8 cent**	**10,1 cent**	**14,4 cent**
Cost/Income	**-10,9 p.p.***	**46,9%**	**57,8%**	**56,7%**
Return on Equity	**+9,9 p.p.***	**21,2%**	**11,3%**	**11,9%**

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

- Group profit after tax for the 9 month period ended 30 September 2006 reached C£130 mn (€226 mn) compared to C£50 mn (€87 mn) for the corresponding prior year period, recording an increase of 158%.

- As a result of the significant increase in the Group's profitability, the Group return on equity increased by 9,9 percentage points compared to the corresponding 2005 period, reaching 21,2%.

- Profit before provisions reached C£204 mn (€353 mn), recording an annual increase of 58%.

- The cost to income ratio improved to 46,9% compared to 57,8% for the corresponding period last year.

- The above results reflect:

  - The positive effect of the steps taken for:
    - Improvement of income (27% increase in net interest income, 11% increase in fee and commission income and 14% increase in income from insurance operations).
    - Containment of the rate of increase of expenses to 2% compared to the rate of increase of deposits and loans of 17% and 19%, respectively.
    - Increase of loans (annual increase of 19%).

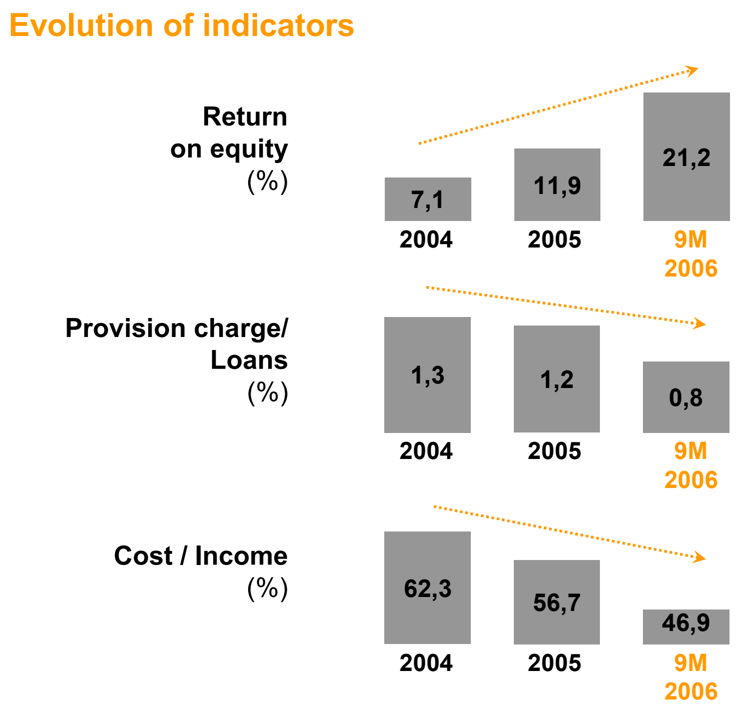
  - The increase by C£9 mn (€16 mn) in the profit from sale and change in fair value of financial instruments.

- The profitability improvement in the Group's Cyprus operations is remarkable:
    - 80% increase in profit before provisions to C£134 mn (€232 mn).
    - 269% increase in profit after tax to C£100 mn (€174 mn).

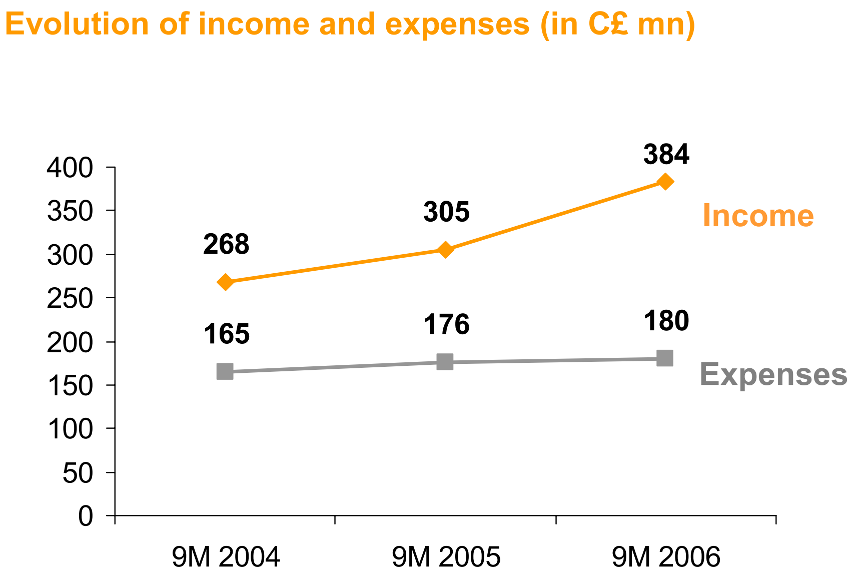
- The contribution of the Greek operations, which registered significant increase in their profitability, to Group profitability continues to be noteworthy:
  - 36% increase in profit before provisions to C£64 mn (€110 mn).
  - 43% increase in profit after tax to C£26 mn (€44 mn).

- The increase in the Group net interest margin to 2,76% for 9M06 from 2,60% for the corresponding prior year period is noteworthy.

Graph 1

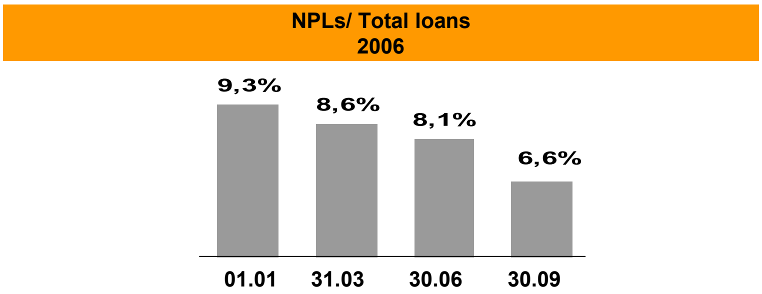


Graph 2

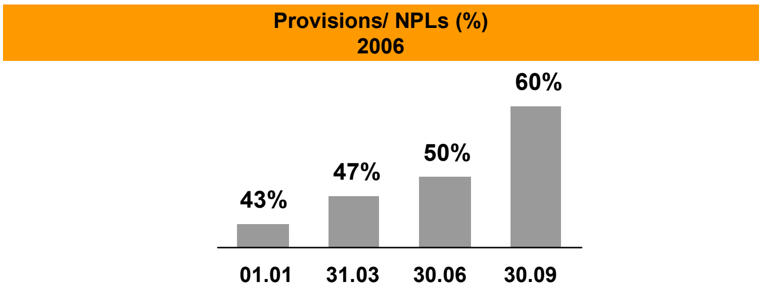


Graph 3

Evolution of non performing loans (NPLs)



Coverage of non performing loans (NPLs)



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 exceed the target of C£160 mn (€277 mn) which was set and announced on 27 July 2006.

The target to improve the ratio of non-performing loans to total loans to below 7,5%, compared to 9,3% as at 1 January 2006 has already been achieved. Specifically, the ratio of non-performing loans to total loans improved to 6,6% at 30 September 2006.

C. Financial Footings

Table 2

Analysis of Financial Footings by Geographic Sector

in C£ mn	Group		Cyprus		Greece		Other countries	
	annual ±%	30.9.06	annual ±%	30.9.06	annual ±%	30.9.06	annual ±%	30.9.06
Deposits *Contribution*	+17%	11.391	+21%	6.431 *57%*	+14%	4.221 *37%*	+10%	739 *6%*
Loans *Contribution*	+19%	8.313	+19%	3.942 *48%*	+22%	3.586 *43%*	+11%	785 *9%*

C.1 Group Loans

The Group's loans reached C£8,31 bn (€14,42 bn) at 30 September 2006, recording an annual 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 26,3% in August 2006 (latest published figures) compared to 24,8% in August 2005.

In Cyprus, the Group's total loans at 30 September 2006 amounted to C£3,94 bn (€6,84 bn), recording an annual increase of 19%.

C.1.2 Loans in Greece

In Greece, the annual rate of increase in the Group's loans reached 22%. The Group's loan portfolio in Greece increased to C£3,59 bn (€6,22 bn) at 30 September 2006.

As of end-July 2006, the Group's market share of loans in Greece was maintained at the levels of 3,6%.

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 September 2006 increased by 34% and 31%, respectively, compared to 30 September 2005.

C.1.3 Loans in Other Countries

At 30 September 2006, Group loans in the United Kingdom and Australia increased by 13% and 2%, reaching C£636 mn (€1,10 bn) and C£149 mn (€259 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	
	30.9.06	31.12.05	**30.9.06**	31.12.05
Corporate	45,9%	48,7%	25,4%	26,1%
Small and Medium-sized Enterprises (SMEs)	16,9%	16,4%	44,1%	45,5%
Retail	37,2%	34,9%	30,5%	28,4%
Total	100,0%	100,0%	100,0%	100,0%

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

During the first 9 months of 2006 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 in absolute numbers, 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 three 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£542 mn (€939 mn) at 30 September 2006. The ratio of NPLs to total loans at 30 September 2006 was 6,6% compared to 9,3% at 1 January 2006.

The ratio of coverage of NPLs by provisions increased to 60% at 30 September 2006, compared to 43% at 1 January 2006. The remaining balance of NPLs is covered by tangible collateral.

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.

The quality of the loan portfolio in Greece continues its further improvement, both in terms of reduction in the absolute amount of NPLs as well as the NPL ratio. Using the stricter definition mentioned earlier, the Group's NPLs in Greece at 30 September 2006 accounted for 4,6% of total loans, compared to 5,9% at 1 January 2006.

C.2 Deposits

The Group's total deposits at 30 September 2006 reached C£11,39 bn (€19,75 bn), recording a 17% annual increase.

C.2.1 Deposits in Cyprus

The increase in Group deposits in Cyprus during the past year was significant (21%), especially deposits in foreign currency. Total Group deposits in Cyprus at 30 September 2006 amounted to C£6,43 bn (€11,15 bn). At 30 August 2006 (latest available data), the Bank's market share of total banking system deposits in Cyprus, including credit cooperatives, amounted to 29,8%, compared to 29,5% in August 2005.

C.2.2 Deposits in Greece

The annual rate of increase in Group deposits in Greece reached 14%, with total deposits amounting to C£4,22 bn (€7,32 bn) at 30 September 2006 and the market share maintained at the level of 3,7% based on the latest published figures (July 2006).

C.2.3 Deposits in Other Countries

At 30 September 2006, the Group's deposits in the United Kingdom and Australia reached C£614 mn (€1,07bn) and C£125 mn (€217 mn), recording an annual increase of 9% and 12%, respectively.

C.3 Capital Base and Capital Adequacy

Table 4

Capital Adequacy Composition		
in C£ mn	**30.09.06**	31.12.05
Tier 1 Capital	798	727
- Core Tier 1 Capital	*704*	*636*
Tier 2 Capital	270	321
Total Capital	1.068	1.048
Risk-weighted Assets	8.285	7.457
Capital Adequacy Ratio	12,9%	14,1%
- Core Tier 1 Ratio	*8,5%*	*8,5%*
- Tier 1 Ratio	*9,6%*	*9,8%*
- Tier 2 Ratio	*3,3%*	*4,3%*

At 30 September 2006, the Group shareholders' funds amounted to C£876 mn (€1,52 bn) and the Group capital adequacy ratio stood at 12,9%.

D. Analysis of 9M06 Results

D.1 Net Interest Income and Net Interest Margin

Net interest income reached C£258 mn (€447 mn), recording an annual increase of 27%. The increase is primarily attributable to the significant increase in the Group's footings in Greece and Cyprus, as well as to the improvement in the net interest margin (NIM) of the Group's operations in Greece.

The Group net interest margin for 9M06 was 2,76%, compared to 2,60% for the year 2005 and the corresponding prior year period. As it has already been mentioned, the improvement is mainly the result of the increase in the NIM of the Group's operations in Greece from 2,76% for the first 9 months of 2005 to 3,12% for the first 9 months of 2006 despite the increased competition. The improvement has been achieved in a market in which NIM has been declining. This development is mainly attributable to the cost of deposits of the Group's Greek operations, which has improved by 59 basis points in the past year compared to the Euribor reference rate, with a parallel increase in deposits of 14%, as well as to the increase in the loans to deposits ratio to 85% from 79% a year ago.

The net interest margin in Cyprus was contained at 2,32% for 9M06 compared to 2,27% for the year 2005 and 2,32% for the corresponding prior year period. The net interest margin in Cyprus is adversely affected by the low margin earned on foreign currency deposits in Cyprus which are imposed to a high (75%) liquidity requirement by the Central Bank of Cyprus. The foreign currency deposits amount to 57% of the total deposits of the Group's operations in Cyprus.

D.2 Net Fee and Commission Income

Total net fee and commission income for the first 9M06 reached C£73 mn (€127 mn), recording an annual increase of 11%, primarily as a result of increased income from the Group's operations in Cyprus.

D.3 Income from Insurance Business

The good performance of the Group's insurance operations continued in the first 9 months of 2006. Income from insurance business recorded a 14% annual increase, reaching C£20 mn (€34 mn). Income from insurance business contributed 8% of Group profit before tax and reached C£13 mn (€22 mn), recording an increase of 23%.

The increase in the volume of insurance business was significant, with an increase in new business premiums of 10% in life insurance and 10% in general insurance.

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

During 9M06, the Group recorded C£12 mn (€22 mn) net gains on sale and change in fair value of financial instruments. This profit comprises C£7 mn (€13 mn) profit from disposal of financial instruments and C£5 mn (€9 mn) profit from the change in fair value of financial instruments.

D.5 Expenses

The Group's cost containment programme had a positive impact on the Group results. Total expenses for the 9M06 amounted to C£180 mn (€313 mn), with the annual rate of increase being contained to 2% compared to the rate of increase in deposits and loans of 17% 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 46,9% for the first 9 months of 2006, compared to 57,8% for the corresponding prior year period.

Staff costs amounted to C£114 mn (€197 mn), recoding an annual increase of 3%, mainly due to the 1% reduction of the cost relating to the Group's Cyprus operations. The decrease was attributed to the reduction in staff numbers in Cyprus by 51 employees since 30 September 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 6% (to 2.563 employees at 30 September 2006 from 2.418 employees one year ago) to respond to the increased volume of business (22% increase in loans) and to support the twenty new branches opened in the intervening period.

The other (non-staff) operating expenses of the Group recorded an annual increase of 1% and amounted to C£66 mn (€115 mn).

The cost to income ratio of the Group's Cyprus operations improved to 44,8% for first 9 months of 2006 compared to 59,4% for the first 9 months of 2005. The ratio for the Group's Greek operations stands at the satisfactory level of 48,1% (9M05: 53,7%), 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 the 9M06 was C£50 mn (€86 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	±%	9M 2006	9M 2005	±%	3rd Q06	2nd Q06	1st Q06
Net interest income	+27%	258	202	+11%	95	85	78
Net fee and commission income	+11%	73	66	-5%	24	26	24
Foreign exchange income	+39%	15	11	+23%	6	5	4
Net gains on sale and change in fair value of financial instruments	+273%	12	3	-160%	(6)	10	8
Income from insurance business	+14%	20	18	+14%	7	6	7
Other income	+15%	6	5	+156%	3	1	1
Total income	**+26%**	**384**	**305**	**-3%**	**129**	**133**	**122**
Staff costs	+3%	(114)	(110)	+6%	(39)	(37)	(38)
Other operating expenses	+1%	(66)	(66)	-10%	(21)	(23)	(22)
Total expenses	**+2%**	**(180)**	**(176)**	**0%**	**(60)**	**(60)**	**(60)**
Profit before provisions	**+58%**	**204**	**129**	**-6%**	**69**	**73**	**62**
Provisions for bad and doubtful debts	-26%	(50)	(67)	-1%	(16)	(16)	(18)
Profit before tax	**+149%**	**154**	**62**	**-7%**	**53**	**57**	**44**
Tax	+109%	(24)	(12)	-14%	(8)	(9)	(7)
Profit after tax	**+158%**	**130**	**50**	**-6%**	**45**	**48**	**37**
Net interest margin (NIM)	**+16 b.p***	**2,76%**	**2,60%**	**+11 b.p***	**2,90%**	**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**		
	+%	**9M06**	**9M05**	**+%**	**9M06**	**9M05**	**+%**	**9M06**	**9M05**
Net interest income	+35%	143	106	+24%	101	81	-7%	14	16
Net fee and commission income	+14%	52	45	+3%	17	17	+9%	5	4
Foreign exchange income	+53%	13	8	-18%	1	2	-3%	0	0
Net gains on sale and change in fair value of financial instruments	+192%	12	4	+198%	1	(1)	-15%	0	0
Income from insurance business	+11%	18	16	+58%	2	1	-	-	-
Other income	+46%	5	4	-48%	1	2	-94%	0	0
Total income	**+32%**	**243**	**183**	**+21%**	**123**	**102**	**-5%**	**19**	**20**
Staff costs	-1%	(75)	(75)	+16%	(31)	(27)	0%	(8)	(8)
Other operating expenses	0%	(34)	(34)	+1%	(28)	(28)	+4%	(5)	(5)
Total expenses	**0%**	**(109)**	**(109)**	**+8%**	**(59)**	**(55)**	**+1%**	**(13)**	**(13)**
Profit before provisions	**+80%**	**134**	**74**	**+36%**	**64**	**47**	**-16%**	**6**	**7**
Contribution		*66%*	*58%*		*31%*	*36%*		*3%*	*6%*
Provisions for bad and doubtful debts	-52%	(21)	(44)	+26%	(28)	(22)	-16%	(1)	(1)
Profit before tax	**+271%**	**113**	**30**	**+44%**	**36**	**25**	**-16%**	**5**	**6**
Contribution		*73%*	*49%*		*23%*	*40%*		*4%*	*11%*
Tax	+283%	(13)	(3)	+46%	(10)	(7)	-9%	(1)	(1)
Profit after tax	**+269%**	**100**	**27**	**+43%**	**26**	**18**	**-17%**	**4**	**5**
Contribution		*77%*	*54%*		*20%*	*36%*		*3%*	*10%*
Number of staff	**-2%**	**3.287**	**3.338**	**+6%**	**2.563**	**2.418**	**+2%**	**309**	**304**
Net interest margin (NIM)	**0 b.p.**	**2,32%**	**2,32%**	**+36 b.p.**	**3,12%**	**2,76%**	**-25 b.p.**	**1,94%**	**2,19%**
Cost/Income ratio	**-14,6p.p.**	**44,8%**	**59,4%**	**-5,6 p.p.**	**48,1%**	**53,7%**	**+4,2 p.p.**	**67,5%**	**63,3%**
Return on equity (ROE)	**+22,6 p.p.**	**33,4%**	**10,8%**	**+2,7 p.p.**	**13,3%**	**10,6%**	**-3,6 p.p.**	**11,3%**	**14,9%**

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 September 2006 of €1=C£0,5767.

3. The payment of the dividend will be based on the exchange rate in force on the working date immediately preceding the ex-dividend date, which may be different than the rate used for the purposes of this announcement.

4. The Group's Condensed Consolidated Financial Statements for the nine months ended 30 September 2006, as well as the presentation which will be presented to analysts via teleconference, are available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
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