



## Announcement

### **Group Financial Results for the Quarter ended 31 March 2007**

---

- Spectacular increase in profits of 67%
    - C£62 mn (€107 mn) profit after tax
    - Record high return on equity (26,6%) and all-time low cost to income ratio (44,0%)
  - Significant improvement to 5,0% of the ratio of non-performing loans to total loans in the first quarter against 8,6% in the first quarter 2006
- 

Nicosia, 10 May 2007

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 283 branches, of which 144 operate in Cyprus, 121 in Greece, 6 in the United Kingdom, 11 in Australia and 1 in the Channel Islands. Soon, the first branch of the Bank in Romania will start operations. Bank of Cyprus also has representation in the United States of America, Canada, South Africa and Russia. The Bank of Cyprus Group employs 6.351 staff worldwide.

At 31 March 2007, the Group's Total Assets reached C£15,22 bn (€26,21 bn) and the Shareholders' Funds were C£961 mn (€1,66 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](http://www.bankofcyprus.com)

On the occasion of the announcement of the financial results of the Group, the Chairman of the Board of Directors and the Group Chief Executive Officer made the following statements:

*«During the first quarter of 2007, we have achieved exceptional growth and returns at record high levels. With a clear strategy and high profitability, we are expanding into new markets where we have a competitive advantage. We have proven year after year and quarter after quarter that we are in a position to continue creating value for our shareholders.»*

Eleftherios P. Ioannou, Chairman of the Board of Directors

*«In February 2007 we set targets for the three year period 2007-2009. The Group financial results to date prove that we can deliver on our promises. With profits of €107 mn in the first quarter 2007, return on equity of 26,6% and cost to income ratio of 44,0% we are continuing to implement our strategy for further significant rates of increase in volumes and profits.»*

Andreas Eliades, Group Chief Executive Officer

## A. Summary of Results

Group profit after tax for the first quarter 2007 (1Q07) reached C£62 mn (€107 mn), recording an increase of 67% compared to the corresponding 2006 quarter. The Group's profit is primarily derived from core banking and insurance operations.

There was a significant improvement in all of the Group's performance indicators during 1Q07, with the return on equity increasing to 26,6% and the cost to income ratio improving to 44,0%. The fast growth rate of the Group's business in all the geographic markets that the Group operates and the positive development of the insurance operations contributed to the profitability improvement.

The efficient management of credit risk, building upon the revised procedures and systems implemented in the last two years, is delivering very positive results. The ratio of non-performing loans to total loans has improved from 5,6% only three months ago (31 December 2006) to 5,0% at 31 March 2007. This metric was 8,6% at 31 March 2006.

The main financial highlights of the Group for 1Q07 are set out below:

**Table 1**

Group Financial Highlights				
in € mn	Change	1Q07	1Q06	Year 2006
Profit before provisions	+33%	143	108	487
Profit before tax	+62%	124	76	387
Profit after tax	+67%	107	64	315
<b>Earnings per Share</b>	<b>+65%</b>	<b>19,3 cent</b>	<b>11,7 cent</b>	<b>57,5 cent</b>
<b>Cost/Income</b>	<b>-5,0 p.p.*</b>	<b>44,0%</b>	<b>49,0%</b>	<b>46,7%</b>
<b>Return on Equity</b>	<b>+7,5 p.p.*</b>	<b>26,6%</b>	<b>19,1%</b>	<b>21,7%</b>

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

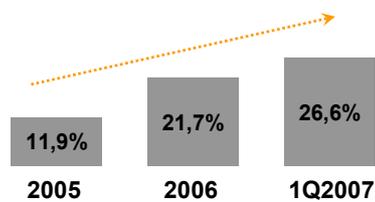
- Group profit after tax for 1Q07 reached C£62 mn (€107 mn) compared to C£37 mn (€64 mn) for the corresponding 2006 quarter, recording an increase of 67%.
- The Group return on equity increased substantially to 26,6% compared to 19,1% for the first quarter 2006 (1Q06).
- The cost to income ratio improved to 44,0% compared to 49,0% for 1Q06.
- The above results reflect the positive effect of the steps taken to:

- Increase business volumes (22% in loans and 21% in deposits).
  - Increase net interest income by 28%.
  - Increase fee and commission income by 21%.
  - Increase income from insurance operations by 10%.
  - Control cost growth, despite rapid expansion of business volumes (9% annual rate of increase in total expenses).
  - Enhance credit risk management, thus decreasing of the annual provision charge to 0,5% of total loans.
- The improvement in the profitability of the Group's Cyprus operations is spectacular. Profit after tax increased by 72% to C£47 mn (€82 mn).
  - The profitability of the Greek operations also registered a significant increase with profit after tax increasing by 50% to reach C£12 mn (€21 mn) and the return on equity increasing to 16,7% from 13,4% for 1Q06.

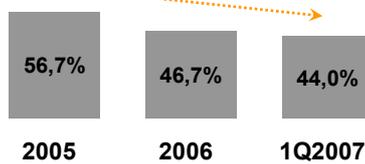
**Graph 1**

### Evolution of indicators

#### Return on Equity



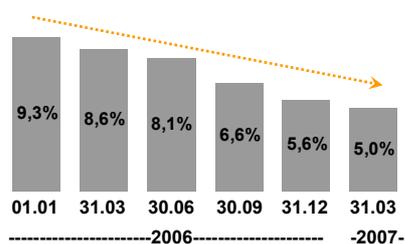
#### Cost/ Income



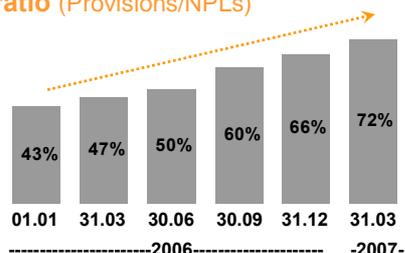
## Graph 2

### Evolution of non performing loans (NPLs)

NPL ratio (NPLs/Total loans)



Coverage ratio (Provisions/NPLs)



## B. Prospects

The Group is focused on the implementation of its strategy of autonomous growth and further significant growth rates in volumes and profits. 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, the Group reconfirms its confidence in achieving the ambitious targets which were announced in February 2007:

- Increase in profit after tax for 2007 to €415 mn (31% increase).
- Increase of return on equity to more than 25% by 2009.
- Improvement of the cost to income ratio to 40% by 2009.
- Annual growth rate of profit after tax of over 25% for the three year period 2007-2009.
- Reduction of the non-performing loans ratio to below 4,0% by 2009.

In parallel, the Group is successfully implementing its expansion strategy into new markets where it has comparative advantages. In particular, the Group's leasing subsidiary in Romania has been operational since March 2007. At the same time, the infrastructure for the provision of banking services in Romania and Russia has been substantially completed. It is expected that the operations of the banking units in these two countries will commence soon. The initial indications of our presence in the two countries are very encouraging.

## C. Financial Footings

Table 2

Analysis of Loans and Deposits by Geographic Sector								
in € mn	Group		Cyprus		Greece		Other countries	
	annual ±%	31.03.07	annual ±%	31.03.07	annual ±%	31.03.07	annual ±%	31.03.07
Loans	+22%	16.111	+23%	7.771	+20%	6.806	+24%	1.534
Contribution				48%		42%		10%
Deposits	+21%	21.556	+20%	12.181	+21%	7.940	+24%	1.435
Contribution				56%		37%		7%

## C.1 Group Loans

The Group's loans reached C£9,36 bn (€16,11 bn) at 31 March 2007, recording an annual increase of 22%.

### C.1.1 Loans in Cyprus

The Group has increased its market share in total loans of commercial banks and credit cooperatives in Cyprus, to 27,4% in March 2007, compared to 25,7% in March 2006, an increase of 1,7 percentage points. The continuous increase in our market share is the result of Bank of Cyprus' leading brand name and distribution network and the effective marketing campaigns focusing on the retail lending sector and specifically mortgage lending. The Group's market share in total loans, including those of the international banking units, was 23,9% in March 2007.

The Group's total loans in Cyprus at 31 March 2007 amounted to C£4,51 bn (€7,77 bn), recording an annual increase of 23%.

### C.1.2 Loans in Greece

In Greece, the annual rate of increase in the Group's loans reached 20%, a growth rate greater than the corresponding rate for the Greek banking system. The Group's Greek loan portfolio increased to C£3,95 bn (€6,81 bn) at 31 March 2007 and the market share stood at 3,7% in January 2007 (latest available data).

### C.1.3 Loans in Other Countries

At 31 March 2007, Group loans in the United Kingdom and Australia increased by 20% and 28%, reaching C£690 mn (€1,19 bn) and C£184 mn (€317 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. The Group's increasing penetration into the retail sectors of Cyprus and Greece as well as its strong presence in the small and medium-sized enterprises sector in Greece are noteworthy.

**Table 3**

Analysis of Loans by Customer Sector				
Percentage (%) of total loans	Cyprus		Greece	
	31.03.07	31.03.06	31.03.07	31.03.06
Corporate	47%	48%	22%	22%
Small and Medium-sized Enterprises (SMEs)	16%	16%	46%	48%
Retail	37%	36%	32%	30%
Total	100%	100,0%	100%	100%

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

During 1Q07, the improvement in the quality of the Group's loan portfolio was exceptional and was the result of, among others:

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

Specifically, the Group NPLs have declined by 29% since 31 March 2006. As at 31 March 2007, Group NPLs decreased to C£463 mn (€797 mn). The Group applies the stricter definition of NPLs which includes all loans in arrears for longer than three months (previously six months). In addition,

the NPL classification extends to all other loans of the customers who have a specific facility classified as non-performing.

The ratio of NPLs to total Group loans at 31 March 2007 was 5,0% compared to 8,6% at 31 March 2006 and 5,6% only three months ago (31.12.2006).

The coverage ratio (NPLs/provisions) increased to 72% as at 31 March 2007, compared to 47% one year ago. The remaining balance of NPLs is covered by tangible collateral.

The vast majority of non-performing loans relate to the Group's Cyprus operations with the relevant indicator improving to 7,3% at 31 March 2007 compared to 13,2% one year ago. It should be noted that in Cyprus, the long time required for the foreclosure of collateral, especially property, acts as an obstacle in the collection of overdue amounts. The potential harmonisation of the relevant legislation to European standards is expected to expedite the process of further decreasing non-performing loans.

The quality of the Group loan portfolio in Greece remains very good, despite the high growth rate of the loan portfolio. Using the stricter definition mentioned before, the Group's NPLs in Greece decreased to 3,4% of total loans at 31 March 2007, compared to 5,2% at 31 March 2006. This ratio compares favourably to the ratio of the Greek banking system (5,4% at 31 December 2006 as per Bank of Greece data).

## **C.2 Group Deposits**

The Group's total deposits at 31 March 2007 reached C£12,52 bn (€21,56 bn), recording a 21% annual increase.

### **C.2.1 Deposits in Cyprus**

In Cyprus, the annual rate of increase in Group deposits was 20%. Deposits in Cyprus amounted to C£7,07 bn (€12,18 bn) at 31 March 2007. The increase in deposits was accompanied by an increase in the deposit spread in Cyprus pounds (with reference to the base rate), having a positive impact on Group profitability. The Bank's market share of total deposits of commercial banks and credit cooperatives in Cyprus, for March 2007 amounted to 29,9%, compared to 29,7% for March 2006.

The Group's foreign currency deposits in Cyprus amounted to 58% of total deposits of the Cyprus operations with the Bank's market share among commercial banks and credit co-operatives maintained at the high level of 43%.

### **C.2.2 Deposits in Greece**

Group deposits in Greece increased significantly at an annual rate of 21%, with total deposits reaching C£4,61 bn (€7,94 bn) at 31 March 2007. At the end of January 2007 (latest available data) the Group's market share in deposits in Greece stood at 3,8%. The increase in deposits was accompanied by an increase in the spread earned by the Group during the last twelve months, thereby having a positive impact on profitability.

### **C.2.3 Deposits in Other Countries**

At 31 March 2007, the Group's deposits in the United Kingdom and Australia reached C£695 mn (€1,20 bn) and C£139 mn (€239 mn), recording an annual increase of 24% and 22%, respectively.

## C.3 Capital Base and Capital Adequacy

Table 4

In € mn	01.01.07
Tier 1 Capital *	1.338
Tier 2 Capital	458
Total Regulatory Capital	1.796
Total Capital Adequacy Ratio	12,8%
- Tier 1 Ratio	9,5%
- Tier 2 Ratio	3,3%

\* includes an amount of €162 mn of capital securities (hybrid tier 1 capital)

At 31 March 2007, the Group shareholders' funds amounted to C£961 mn (€1,66 bn), recording a significant increase of 20% since 31 March 2006. The Group capital adequacy ratio at 1<sup>st</sup> January 2007, according to the Basel II guidelines, stood at 12,8% compared to the minimum capital adequacy requirement of 8,0% imposed by the Central Bank of Cyprus.

## D. Analysis of First Quarter 2007 Results

### D.1 Net Interest Income and Net Interest Margin

Net interest income reached C£100 mn (€173 mn), recording an annual increase of 28%. The increase is primarily attributable to the significant increase in the Group's footings in Cyprus and Greece, as well as to the improvement in the net interest margin (NIM) of the Group's operations, especially in Cyprus.

The Group net interest margin for 1Q07 was 2,88%, compared to 2,64% for 1Q06. The NIM of the Group's operations in Cyprus increased significantly from 2,12% at 31 March 2006 to 2,57% at 31 March 2007, despite the intensified competition. The net interest margin in Cyprus is adversely affected by the low margin earned on foreign currency deposits in Cyprus, as a result of the high (75%) liquidity requirement imposed by the Central Bank of Cyprus on these deposits (that is the placement of these funds in liquid form through money market instruments, interbank deposits and highly rated bonds).

The NIM of the Group's operations in Greece was maintained at satisfactory levels (3,02% compared to 3,10% for 1Q06), despite the intensified competition, especially in the lending sector. It is noted that the loans to deposits ratio stands at 86% allowing for the significant growth in volumes of the Greek operations.

### D.2 Net Fee and Commission Income

Net fee and commission income for 1Q07 reached C£29 mn (€50 mn), recording an annual increase of 21%, primarily as a result of increased income from the Group's operations in Cyprus.

### D.3 Income from Insurance Business

The growth of the Group's insurance operations was significant with an increase in new business premiums of 25% in life insurance and 11% in general insurance. Income from insurance business recorded a 10% annual increase, reaching C£8 mn (€13 mn). The insurance business contributed 8% to Group profit before tax amounting to C£6 mn (€10 mn), recording an increase of 28%.

## D.4 Expenses

Total expenses for 1Q07 amounted to C£65 mn (€112 mn), with the annual rate of increase of 9% being significantly lower than the rate of increase in loans (22%). Also, as a result of the increase in productivity, the cost to income ratio improved to 44,0% in 1Q07 compared to 49,0% for the corresponding 2006 quarter.

Staff costs amounted to C£41 mn (€71 mn), recording an annual increase of 8%, mainly due to the increase in costs of the Greek operations by 24%, due to the Group's expansion in Greece. Staff costs in Greece increased as a result of the increase in staff numbers by 9% to 2.663 employees, to accommodate for the increased business volumes (20% increase in loans) and for the operation of the nine new branches which opened in the last 12 months. The Group currently operates 121 branches in Greece. During 1Q07, seven new branches have been rented which are being modified according to the Group's specifications and it is expected that they will soon be operational.

The other (non-staff) operating expenses of the Group recorded an annual increase of 10% and amounted to C£24 mn (€41 mn).

The cost to income ratio of the Group's Cyprus operations improved from 47,0% in 1Q06 to 39,9% in 1Q07. The ratio for the Group's Greek operations stands at the very satisfactory level of 49,7% (1Q06: 50,0%), especially considering the relatively low maturity level of the branch network and the cost of opening new branches which is expensed as incurred.

The Group's expenses in the other countries where it operates increased by 10%.

## D.5 Provisions for Impairment of Loans

The provision charge for 1Q07 amounted to C£11 mn (€19 mn) and represented 0,5% (2006: 0,7%) of total Group loans, reflecting the improvement in the quality of the loan portfolio.

**Table 5**

Analysis of Group Results and Other Financial Information				
In € mn	±%	1Q07	1Q06	Year 2006
Net interest income	+28%	173	135	618
Net fee and commission income	+21%	50	41	174
Foreign exchange income	+29%	8	7	36
Net gains on sale and change in fair value of financial instruments	-59%	6	14	26
Income from insurance business	+10%	13	12	45
Other income	+216%	5	2	15
<b>Total income</b>	<b>+21%</b>	<b>255</b>	<b>211</b>	<b>914</b>
Staff costs	+8%	(71)	(66)	(269)
Other operating expenses	+10%	(41)	(37)	(158)
<b>Total expenses</b>	<b>+9%</b>	<b>(112)</b>	<b>(103)</b>	<b>(427)</b>
<b>Profit before provisions</b>	<b>+33%</b>	<b>143</b>	<b>108</b>	<b>487</b>
Provisions for impairment of loans and advances	-37%	(19)	(32)	(100)
<b>Profit before tax</b>	<b>+62%</b>	<b>124</b>	<b>76</b>	<b>387</b>
Tax	+36%	(17)	(12)	(72)
<b>Profit after tax</b>	<b>+67%</b>	<b>107</b>	<b>64</b>	<b>315</b>
<b>Number of staff</b>	<b>+5%</b>	<b>6.351</b>	<b>6.062</b>	<b>6.192</b>
<b>Net interest margin (NIM)</b>	<b>+24 μ.β.</b>	<b>2,88%</b>	<b>2,64%</b>	<b>2,81%</b>
<b>Cost/Income ratio</b>	<b>-5,0 ε.μ.*</b>	<b>44,0%</b>	<b>49,0%</b>	<b>46,7%</b>
<b>Return on equity (ROE)</b>	<b>+7,5 ε.μ.*</b>	<b>26,6%</b>	<b>19,1%</b>	<b>21,7%</b>

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

Table 6

Geographical Sector Analysis of Results and Other Financial Information									
in € mn	Cyprus			Greece			Other counties		
	±%	1Q07	1Q06	±%	1Q07	1Q06	±%	1Q07	1Q06
Net interest income	+34%	98	73	+21%	65	54	+16%	10	8
Net fee and commission income	+23%	34	28	+12%	12	11	+30%	3	2
Foreign exchange income	+31%	8	6	+22%	1	1	-22%	0	0
Net gains on sale and change in fair value of financial instruments	-50%	6	13	-115%	0	2	-104%	0	0
Income from insurance business	+8%	12	11	+35%	2	1	-	-	-
Other income	+259%	5	1	-50%	0	0	+32%	0	0
<b>Total income</b>	<b>+24%</b>	<b>163</b>	<b>132</b>	<b>+15%</b>	<b>80</b>	<b>69</b>	<b>+24%</b>	<b>13</b>	<b>10</b>
Staff costs	+2%	(44)	(43)	+24%	(22)	(18)	+7%	(5)	(4)
Other operating expenses	+14%	(21)	(19)	+4%	(18)	(17)	+16%	(3)	(3)
<b>Total expenses</b>	<b>+5%</b>	<b>(65)</b>	<b>(62)</b>	<b>+15%</b>	<b>(40)</b>	<b>(35)</b>	<b>+10%</b>	<b>(8)</b>	<b>(7)</b>
<b>Profit before provisions</b>	<b>+41%</b>	<b>98</b>	<b>70</b>	<b>+16%</b>	<b>40</b>	<b>34</b>	<b>+55%</b>	<b>5</b>	<b>3</b>
<i>Contribution</i>		68%	65%		28%	32%		4%	3%
Provisions for impairment of loans and advances	-56%	(7)	(16)	-18%	(12)	(15)	-60%	(0)	(0)
<b>Profit before tax</b>	<b>+68%</b>	<b>91</b>	<b>54</b>	<b>+42%</b>	<b>28</b>	<b>19</b>	<b>+79%</b>	<b>5</b>	<b>3</b>
<i>Contribution</i>		74%	71%		22%	25%		4%	4%
Tax	+40%	(9)	(7)	+20%	(7)	(5)	+194%	(1)	(0)
<b>Profit after tax</b>	<b>+72%</b>	<b>82</b>	<b>47</b>	<b>+50%</b>	<b>21</b>	<b>14</b>	<b>+61%</b>	<b>4</b>	<b>3</b>
<i>Contribution</i>		76%	74%		20%	22%		4%	4%
<b>Number of staff</b>	<b>0%</b>	<b>3.305</b>	<b>3.301</b>	<b>+9%</b>	<b>2.663</b>	<b>2.451</b>	<b>+24%</b>	<b>383</b>	<b>310</b>
<b>Net interest margin (NIM)</b>	<b>+45 μ.β*</b>	<b>2,57%</b>	<b>2,12%</b>	<b>-8 μ.β*</b>	<b>3,02%</b>	<b>3,10%</b>	<b>-15 μ.β*</b>	<b>1,91%</b>	<b>2,06%</b>
<b>Cost/Income ratio</b>	<b>-7,1 ε.μ.*</b>	<b>39,9%</b>	<b>47,0%</b>	<b>-0,3 ε.μ.*</b>	<b>49,7%</b>	<b>50,0%</b>	<b>-7,8 ε.μ.*</b>	<b>60,0%</b>	<b>67,8%</b>
<b>Return on equity (ROE)</b>	<b>+14,7 ε.μ.*</b>	<b>43,5%</b>	<b>28,8%</b>	<b>+3,3 ε.μ.*</b>	<b>16,7%</b>	<b>13,4%</b>	<b>+2,9 ε.μ.*</b>	<b>14,2%</b>	<b>11,3%</b>

**Table 7**

Balance Sheet Overview				
In € mn	±%	31.03.2007	31.03.2006	31.12.2006
Cash and balances with central banks	+18%	736	622	1.176
Placements with banks	+21%	4.495	3.723	4.282
Debt securities, T-bills and equity investments	+17%	4.377	3.750	4.042
Net loans and advances to customers	+23%	15.307	12.485	14.405
Other assets	+15%	1.291	1.128	1.173
<b>Total assets</b>	<b>+21%</b>	<b>26.206</b>	<b>21.708</b>	<b>25.078</b>
Amounts due to banks	-6%	447	476	450
Customer deposits	+21%	21.556	17.847	20.836
Debt securities in issue	+82%	1.008	553	747
Other liabilities	+19%	980	824	936
Subordinated loan stock	-11%	559	631	551
<b>Shareholder's equity</b>	<b>+20%</b>	<b>1.656</b>	<b>1.377</b>	<b>1.558</b>

**Notes:**

1. 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.
2. The conversion from Cyprus Pounds (C£) to Euro (€) was made using the exchange rate at 31 March 2007 of €1=£0,5807.
3. The Group's Condensed Consolidated Financial Statements for the three months ended 31 March 2007, 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 842128, Fax: +357 22 378422
  - Website: [www.bankofcyprus.com](http://www.bankofcyprus.com) (Inv. Relations/Financial Information)
4. The detailed presentation of the financial results for the first quarter 2007 has been posted on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) (Inv. Relations/Presentations)