Bank of Cyprus Group

Announcement

Group Financial Results for the Nine months ended 30 September 2008

- Profit after tax €375 mn
  - High return on equity 24,4%
  - Improvement of non performing loans ratio to 3,4%

- Interim dividend of €0,15 per share

Nicosia, 6 November 2008

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. 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 570 branches, of which 223 operate in Russia, 152 in Greece, 143 in Cyprus, 29 in Ukraine, 5 in the United Kingdom, 10 in Australia, 7 in Romania, and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Canada and South Africa. The Bank of Cyprus Group employs 11.962 staff worldwide.

At 30 June 2008, the Group's Total Assets reached €34,03 bn and the Shareholders' Funds were €2,13 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.

A. Summary of Results

The Group maintained high levels of profitability and return on equity and continued the implementation of its strategic plans with positive results despite the negative international environment. Specifically, for the nine month period ended 30 September 2008 (9M08) profit after tax reached €375 mn achieving a return on equity of 24,4%. The Group maintained its efficiency with the cost to income ratio remaining at low levels (43,9%) for 9M08 despite the significant investment for further expansion of the network in Greece, and also the cost of the development of operations in Russia, Romania and Ukraine. The ratio of non-performing loans to total loans improved to 3,4% at 30 September 2008 from 4,3% at 30 September 2007 and from 3,8% at 31 December 2007. The Group's loan portfolio and deposits annual growth grew by 29% and 15% respectively on an annual basis.

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 €0,15 per share.

The main financial highlights of the Group for 9M08 are set out in the table below:

Table 1

€ mn	**Change**	**9M08**	9M07	Year 2007
Profit after tax	+1%	375	369	485
Earnings per Share	**-0,5%**	**65,9 cent**	**66,2 cent**	**86,8 cent**
Cost/Income	**+1,3 p.p.***	**43,9%**	**42,6%**	**43,8%**
Return on Equity	**-4,0 p.p.***	**24,4%**	**28,4%**	**27,6%**

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

- Profit after tax for 9M08 reached €375 mn compared to €369 mn for 9M07, recording an increase of 1%.
- The Group return on equity was maintained at a high level (24,4%) in a particularly demanding and negative environment.
- The Group maintained its strong liquidity with a loan to deposit ratio of 86,3%.
- The Group maintained its efficiency with the cost to income ratio for 9M08 remaining at low levels (43,9%).
- Credit expansion reached 29%.
- There was a successful increase of the customer base and an annual increase of deposits by 15%.
- Cost growth was contained (7%) at rates lower than the rate of growth of business volumes (29%).
- The quality of the Group's loan portfolio improved with the relevant ratio being reduced to 3,4% compared to 4,3% at 30 September 2007 and 3,8% at 31 December 2007. The provision charge was maintained at 0,3% of total loans.
- The profitability of the Group's operations in Cyprus continues to be satisfactory. Profit after tax for 9M08 stood at €288 mn generating a return on equity of 42%.
- The profitability of the Group's operations in Greece is also noteworthy with profit after tax for 9M08 reaching €73 mn.
- The Group's operations in Russia and Romania made a positive contribution with profit after tax for the first nine months of 2008 reaching €0,9 mn in Russia and €2,7 mn in Romania.

B. Prospects

The Bank of Cyprus Group has effectively shielded itself from the financial crisis, which began last year but intensified in the last three months. It has no exposure to high risk derivative products and has minimal reliance on wholesale (11%) whereas, 80% of the Group's assets are funded by customer deposits.

Regarding the Group's expected profitability for 2008, taking into consideration the results to date, the indications for their further development, the Group's measures to offset against the negative impact of the continued pressure on liability spreads and the current conditions prevailing in the markets in which it operates, it is expected that the profit target of €540 mn 2008 will be achieved.

The selective growth of the Group's operations in the new markets with the application of conservative credit policies is expected to positively contribute to our results and add significant value in forthcoming years, in terms of both business volumes and profitability.

The acquisition of the Russian Uniastrum Bank is a significant step for the Group creating excellent prospects for its profitability and at the same time ensuring the geographic and by sector diversification of its operations. Russia, with its underpenetrated banking sector and relatively strong economic growth, offers significant potential for development of banking services, especially in retail banking. The average real GDP growth of Russia for the period 2004-2007 was 7,3%. The real GDP growth rate for Russia is estimated at 7,0% for 2008 and 5,5% for 2009, which despite demonstrating a certain level of slowdown is still in excess of the growth rates estimated for the EU (1,3% for 2008 and 0,2% for 2009). Banking penetration in Russia is still at its infancy, with the loans to GDP ratio at end-2007 at only 36% compared to 114% in the Eurozone, and with spreads between loans and deposits generally in excess of those prevailing in the Eurozone.

Uniastrum is well positioned to capture the retail banking potential. The strong deposit base and capital base of Uniastrum allow it to self fund its asset growth utilising its extensive, albeit young, branch network. Uniastrum's focus on the retail and SME sectors complements our existing corporate focused presence in the country.

C. Financial Footings

Table 2

Analysis of Loans and Deposits by Geographic Sector								
€ mn	**Group**		**Cyprus**		**Greece**		**Other countries**	
	annual ±%	**30.09.08**	**annual ±%**	**30.09.08**	**annual ±%**	**30.09.08**	**annual ±%**	**30.09.08**
Loans	+29%	23.418	+30%	11.431	+24%	9.391	+45%	2.596
Contribution				*49%*		*40%*		*11%*
Deposits	+15%	27.129	+10%	15.081	+24%	10.342	+13%	1.706
Contribution				*56%*		*38%*		*6%*

C.1 Group Loans

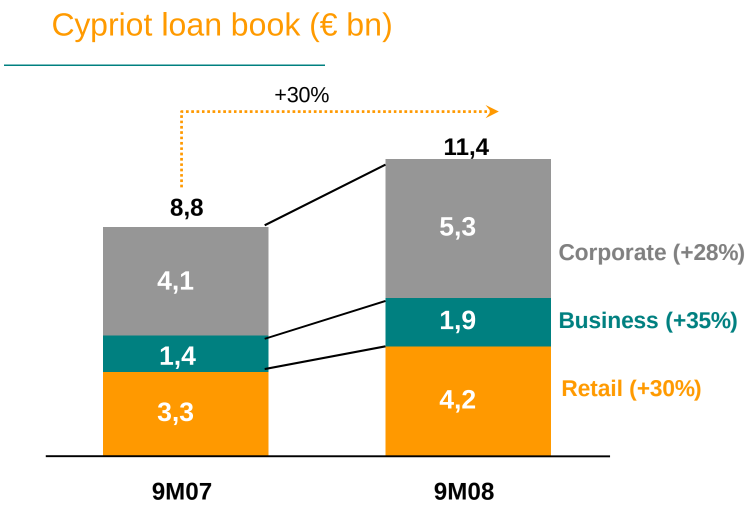
The Group's loans reached €23,42 bn at 30 September 2008, recording an annual increase of 29%.

C.1.1 Loans in Cyprus

The Group's total loans in Cyprus at 30 September 2008 amounted to €11,43 bn, recording an annual increase of 30% and represented 49% of the Group's total loan portfolio.

The Group has increased its market share in total loans of commercial banks and credit cooperatives in Cyprus, to 28,8% in September 2008, compared to 28,3% in September 2007, an increase of half a percentage point in the last 12 months. The increase of our leading market share is the result of the recognition of Bank of Cyprus' leading brand name, its extensive network as well as the effective marketing campaigns focusing on the SME sector and mortgage lending.

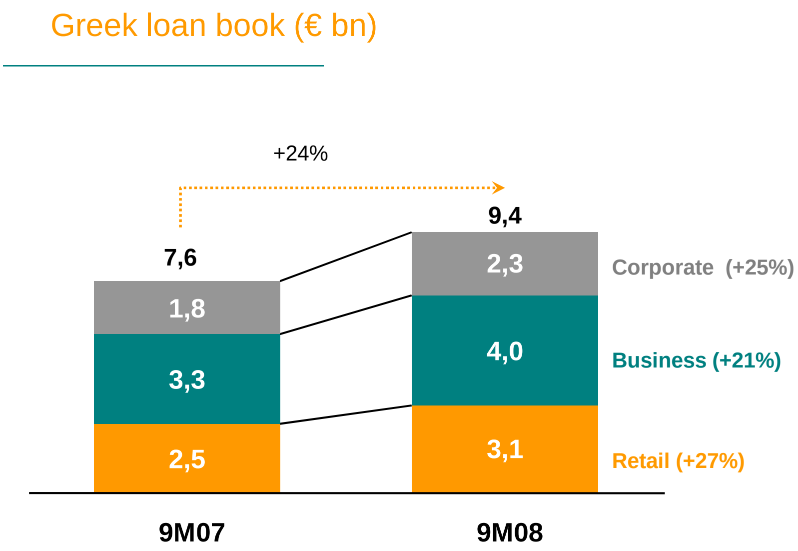
Graph 1



C.1.2 Loans in Greece

The annual rate of increase in the Group's loans in Greece reached 24%, with total loans reaching €9,39 bn at 30 September 2008 and the market share standing at 3,9% in July 2008 (latest available data) compared to 3,7% in July 2007. The Group's total loans in Greece represent 40% of its total loan portfolio.

Graph 2



C.1.3 Loans in Other Countries

At 30 September 2008, Group loans in the United Kingdom and Australia, reached €1,31 bn and €443 mn respectively.

In the new markets, Russia, Romania and Ukraine the Group's loan portfolio at 30 September 2008 reached €840 mn noting an increase of 146% from 31 December 2007. The Group's total loans in the new markets amount to 3,6% of its total loan portfolio.

C.1.4 Loans by Customer Sector

The breakdown of the Group's loan portfolio in Cyprus and Greece by customer sector is shown in the table below.

Table 3

Analysis of Loans by Customer Sector				
	Cyprus		Greece	
	€ mn	% portfolio	€ mn	% portfolio
Corporate	5.284	46%	2.299	25%
Small and Medium-sized Enterprises (SMEs)	1.937	17%	3.966	42%
Retail o Housing o Other	 2.541 1.669	 22% 15%	 1.673 1.453	 18% 15%
Total	11.431	100%	9.391	100%

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

The significant improvement in the quality of the Group's loan portfolio was the result of the continuous improvement of credit risk management and the collections of overdue amounts.

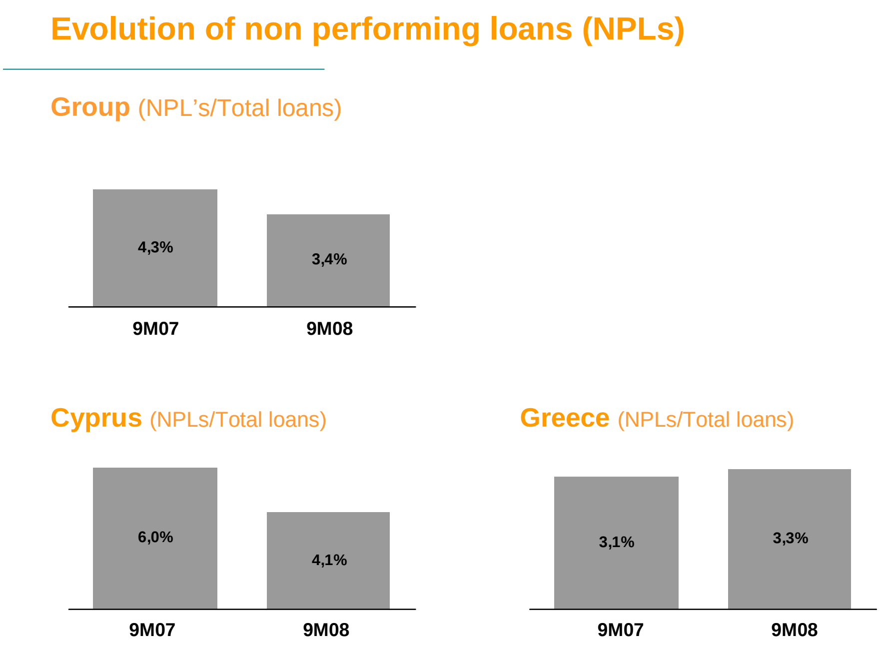
The ratio of loans in arrear for longer than three months which are not fully covered by collateral ("non performing loans") to total Group loans at 30 September 2008 was 3,4% compared to 4,3% at 30 September 2007 and 3,8% at 31 December 2007.

In parallel, the Group maintained the coverage ratio (provisions/NPLs) at 73% at 30 September 2008. The remaining balance of NPLs is fully covered by tangible collateral.

The quality of the loan portfolio in Cyprus registered a significant improvement with the relevant indicator improving to 4,1% at 30 September 2008 compared to 6,0% one year ago.

The quality of the Group loan portfolio in Greece remains very good. Using the NPL definition mentioned above, the Group's NPL ratio in Greece stood at 3,3% at 30 September 2008 (30 September 2007: 3,1%). This ratio compares favourably to the average ratio of the total banking system, as per Bank of Greece data.

Graph 3



C.2 Group Deposits

The Group's total deposits increased annually by 15% reaching €27,13 bn at 30 September 2008, enhancing its liquidity.

It is noted that as at 30 September 2008 80% of Group assets were funded by customer deposits whereas only 11% were funded from the wholesale market.

C.2.1 Deposits in Cyprus

In Cyprus, the annual rate of increase in Group deposits was 10% with total deposits reaching €15,08 bn at 30 September 2008. The Group has the leading market share (30,2%) of total deposits of commercial banks and credit cooperatives.

Group deposits in foreign currency in Cyprus increased by 16% compared to 2Q08 and amount to 38% of total deposits in Cyprus, with the Bank's market share in this sector among commercial banks standing at 42,1% in September 2008.

C.2.2 Deposits in Greece

Group deposits in Greece increased at an annual rate of 24%, reaching €10,34 bn at 30 September 2008. At the end of July 2008 (latest available data) the Group's market share in deposits in Greece stood at 3,8% compared to 3,6% in July 2007.

C.2.3 Deposits in Other Countries

At 30 September 2008, the Group's deposits in the United Kingdom and Australia reached €1,26 bn and €279 mn respectively.

C.3 Shareholders' Funds

At 30 September 2008, the Group shareholders' funds amounted to €2,13 bn, recording a significant year on year increase of 11%. The Group capital adequacy ratio as per Basel II requirements, taking into account the repayment of €200 mn tier 2 capital on 3 October 2008 as well as the acquisition of the Russian Uniastrum Bank on 31 October 2008, is estimated at about 11%.

D. Analysis of Results for 9M08

D.1 Net Interest Income and Net Interest Margin

Net interest income reached €578 mn, recording an annual increase of 4%. The relevant income for 9M08 was affected by the adoption of the Euro as Cyprus' national currency and the convergence of the Cyprus pound base rate to that of the Euro. As of 1st January 2008, the Group's interest income in Cyprus was negatively affected by the 0,5% reduction (difference between the Cyprus pound interest rate 4,5% and the European Central Bank (ECB) rate 4%) of the reference rate for pricing loans that were converted from Cyprus pounds to Euro on 31 December 2007. The ECB rate was set as the reference rate for the purposes of pricing these loans in line with a Central Bank of Cyprus circular. This had a short term negative impact on the net interest income and the net interest margin of the Group for 9M08. The Group has taken measures to offset the above negative consequences, as well as those of the continued pressure on liability spreads and as a result the net interest margin of the Group for 9M08 amounted to 2,52% compared to 2,68% for the fourth quarter 2007.

The net interest margin of the Group's operations in Cyprus was 2,28% for the third quarter 2008 compared to 2,50% for the second quarter 2008 and 2,19 for the first quarter 2008 as a result of the relatively higher growth rate of housing loans which earn a lower spread compared to other sectors, as well as the intensified competition for both loans and deposits. It should be noted that the net interest margin of the Group for the second quarter 2008 was favourably affected by increased collections of overdue amounts.

The net interest margin of the Group's operations in Greece was at 2,26% for the third quarter 2008 compared to 2,46% for the second quarter 2008 and 2,58% for the first quarter 2008 as a result of the comparatively higher growth rate of housing loans, which earn a lower spread due to their low-risk nature, compared to the growth rates of other sectors, as well as the increased competition in loans and deposits.

The Group aims to increase the loan portfolio in new markets with significantly higher interest margins that are expected to lead to the recovery of the Group's total net interest margin.

D.2 Income from commissions and foreign exchange

Net fee and commission income recorded a satisfactory annual increase (+7%) and reached €154 mn for 9M08 compared to €145 mn for 9M07. Foreign exchange income for 9M08 recorded an annual increase of 54% and reached €51 mn compared to €33 for 9M07.

D.3 Income from Insurance Business

Total income from insurance business recorded an annual increase of 18%, reaching €48 mn. Profit before tax of the insurance business amounted to €34 mn recording an annual increase of 13% and contributing 8% to Group profit before tax.

D.4 Expenses

Total expenses for 9M08 amounted to €376 mn, recording an annual rate of increase of 7%, a rate significantly lower than the rate of increase in loans (29%). The cost to income ratio stood at 43,9% compared to 42,6% for 9M07 despite the significant investment for the expansion of the Group's network in Greece and the cost of the expansion of operations in the new markets.

Staff costs amounted to €234mn, recording an annual increase of 10%, mainly due to the increase in the costs relating to the expansion of operations in Greece, Russia, Romania and Ukraine. Staff costs in Greece grew by 17% year on year, in response to the increased business volumes (24% increase in loans) and to staff the 24 new branches which opened since 30 September 2007. The Group currently operates 152 branches in Greece.

The other (non-staff) operating expenses of the Group, including the operating expenses for the start up of operations in Russia and Romania, recorded an annual increase of 3% and amounted to €142mn.

The cost to income ratio of the Group's operations in Cyprus was maintained at the low level of 37,5% for 9M08 (9M07: 36,6%). In Greece the ratio stands at the very satisfactory level of 51,8% (9M07: 50,1%), especially considering the low maturity of the branch network and the cost of the operation of new branches.

An analysis of the Group's network and human resources is shown in the table below:

Table 4

Analysis of Branches and Human Resources			
	9M08	**9M07**	**Change**
Branches	**346**	**291**	**+55**
Cyprus	143	144	-1
Greece	150	126	+24
Other countries	53	21	+32
Human Resource	**7.792**	**6.759**	**+1.033**
Cyprus	3.556	3.419	+137
Greece	3.180	2.896	+284
Other countries	1.056	444	+612

D.5 Provisions for Impairment of Loans

The provision charge for 9M08 amounted to €40 mn and represented 0,3% (2007: 0,3%) of total Group loans, reflecting both the improvement in the quality of the loan portfolio and the very satisfactory level of accumulated provisions which include an accumulated general provision amounting to 1% of total loans.

Table 5

Analysis of Group Results and Other Financial Information							
€ mn	±%	9M08	9M07	±%	3Q07	2Q07	1Q07
Net interest income	+4%	578	555	-2%	195	198	185
Net fee and commission income	+7%	154	145	-4%	52	54	48
Foreign exchange income	+54%	51	33	+330%	35	8	8
Net gains / (losses) on sale and change in fair value of financial instruments attributable to shareholders**	-98%	1	28	-237%	(8)	6	3
Income from insurance business	+18%	48	40	+37%	18	14	16
Other income	+13%	25	23	-77%	2	11	12
Total income	**+4%**	**857**	**824**	**+1%**	**294**	**291**	**272**
Staff costs	+10%	(234)	(214)	+4%	(81)	(79)	(74)
Other operating expenses	+3%	(142)	(138)	+2%	(49)	(48)	(45)
Total expenses	**+7%**	**(376)**	**(352)**	**+3%**	**(130)**	**(127)**	**(119)**
Profit before provisions	**+2%**	**481**	**472**	**+0%**	**164**	**164**	**153**
Provisions for impairment of loans and advances	-21%	(40)	(51)	+21%	(14)	(11)	(15)
Share of (loss) / profit of associates	-	(8)	10	+142%	(2)	(1)	(5)
Profit before tax	**+0%**	**433**	**431**	**-2%**	**148**	**152**	**133**
Tax	-6%	(58)	(62)	-29%	(17)	(24)	(17)
Minority Interest	-	-	-	-	-	-	-
Profit after tax	**+1%**	**375**	**369**	**+3%**	**131**	**128**	**116**
Number of staff	**+15%**	**7.792**	**6.759**	**+3%**	**7.792**	**7.600**	**6.996**
Net interest margin (NIM)	**+35 b.p.***	**2,52%**	**2,87%**	**-20 b.p.***	**2,47%**	**2,67%**	**2,49%**
Cost/Income ratio	**+1,3 p.p.***	**43,9%**	**42,6%**	**+0,8 p.p.***	**44,4%**	**43,6%**	**43,7%**
Return on equity (ROE)	**-4,0 p.p.***	**24,4%**	**28,4%**	**-0,7 p.p.***	**24,4%**	**25,1%**	**23,2%**

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

** For presentation purposes the net gains or losses on sale and change in fair value of financial instruments have been calculated after the loss attributable to minority shareholders.

Table 6

Geographical Sector Analysis of Results and Other Financial Information									
In € mn	Cyprus			Greece			Other counties		
	±%	9M08	9M07	±%	9M08	9M07	±%	9M08	9M07
Net interest income	+3%	327	319	+0%	206	206	+45%	44	31
Net fee and commission income	-2%	97	99	+28%	47	36	+18%	11	9
Foreign exchange income	+52%	47	31	-13%	2	3	-	2	0
Net gains / (losses) on sale and change in fair value of financial instruments attributable to shareholders**	-85%	4	28	-	(4)	(1)	-96%	0	1
Net income from insurance business	+21%	41	34	+5%	7	6	-	-	-
Other income	+12%	25	22	+27%	1	1	-	0	0
Total income	**+2%**	**541**	**533**	**+3%**	**259**	**251**	**+43%**	**57**	**41**
Staff costs	+4%	(136)	(132)	+17%	(76)	(66)	+30%	(22)	(17)
Other operating expenses	+5%	(67)	(64)	-4%	(58)	(60)	+27%	(17)	(14)
Total expenses	**+4%**	**(203)**	**(196)**	**+7%**	**(134)**	**(126)**	**+29%**	**(39)**	**(31)**
Profit before provisions	**+0%**	**338**	**337**	**+0%**	**125**	**125**	**+87%**	**18**	**10**
Contribution		*70%*	*72%*		*26%*	*26%*		*4%*	*2%*
Provisions for impairment of loans and advances	-74%	(4)	(16)	-2%	(34)	(35)	-	(2)	0
Share of (loss) / profit of associates	-	(8)	10	-	0	0	-	0	0
Profit before tax	**-1%**	**326**	**331**	**+0%**	**91**	**90**	**+66%**	**16**	**10**
Contribution		*75%*	*77%*		*21%*	*21%*		*4%*	*2%*
Tax	-2%	(38)	(39)	-12%	(18)	(20)	-15%	(2)	(3)
Minority Interest **									
Profit after tax	**-1%**	**288**	**292**	**+4%**	**73**	**70**	**+98%**	**14**	**7**
Contribution		*77%*	*79%*		*19%*	*19%*		*4%*	*2%*
Number of staff	**+4%**	**3.556**	**3.419**	**+10%**	**3.180**	**2.896**	**+138%**	**1056**	**444**
Net interest margin (NIM)	**-28 b.p.***	**2,29%**	**2,57%**	**-51 b.p.***	**2,43%**	**2,94%**	**+5 b.p.***	**1,94%**	**1,89%**
Cost/Income ratio	**+0,9 p.p.***	**37,5%**	**36,6%**	**+1,7 p.p.***	**51,8%**	**50,1%**	**-7,3 p.p.***	**68,8%**	**76,1%**
Return on equity (ROE)	**-5,5 p.p.***	**41,9%**	**47,4%**	**-1,1 p.p.***	**16,1%**	**17,2%**	**+4,1 p.p.***	**12,1%**	**8,0%**

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

** For presentation purposes the net gains or losses on sale and change in fair value of financial instruments have been calculated after the loss attributable to minority shareholders.

Table 7

Balance Sheet Overview				
In € mn	±%	30.09.2008	30.09.2007	31.12.2007
Cash and balances with central banks	-31%	730	1.060	1.325
Placements with banks	-3%	5.381	5.575	6.158
Debt securities, Treasury bills and equity investments	-12%	3.721	4.236	4.070
Net loans and advances to customers	+30%	22.829	17.578	18.921
Other assets	+8%	1.373	1.275	1.289
Total assets	**+15%**	**34.034**	**29.724**	**31.763**
Amounts due to banks	+22%	1.321	1.083	1.668
Customer deposits and other accounts	+15%	27.129	23.617	25.179
Debt securities in issue	-14%	1.311	1.518	1.254
Other liabilities	-1%	970	984	988
Subordinated loan stock	+103%	1.146	564	669
Minority Interest	-43%	23	40	39
Shareholders' equity	**+11%**	**2.134**	**1.918**	**1.966**

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 Mid - year financial report for the nine months ended 30 September 2008, is 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 122128, Fax: +357 22 378422
   - Website: **www.bankofcyprus.com** (Inv. Relations/Financial Information)

3. The detailed presentation of the financial results for the nine months ended 30 September 2008 has been posted on the Group's website **www.bankofcyprus.com** (Inv. Relations/Presentations)