

Announcement

Group Preliminary Financial Results for the year ended 31 December 2008 and

Indication for 2009 profitability

- Profit after tax €506 mn
 - Healthy loan portfolio
 - Non performing loans ratio at 3,7%
 - Profit after tax for 2009 estimated between €300- €400 mn
 - Positive contribution from Russian Uniastrum Bank
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Nicosia, 3 February 2009

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 575 branches, of which 214 operate in Russia, 160 in Greece, 143 in Cyprus, 33 in Ukraine, 5 in the United Kingdom, 10 in Australia, 9 in Romania, and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Canada, South Africa and Ukraine. The Bank of Cyprus Group employs 12.127 staff worldwide.

At 30 September 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

Bank of Cyprus Preliminary Results

Financial Highlights for 2008

€506 mn Profit for the year 2008

€ mn	Change	2008	2007
Profit before provisions	+10%	686	624
Profit before tax	+1%	581	577
Profit after tax	+4%	506	485
Earnings per share	+1,9 p.p.*	88,2 cent	86,3 cent

Return on Equity	-3 p.p.*	25%	28%
Cost/Income	+1 p.p.*	45%	44%
Non performing loan ratio	-0,1 p.p.*	3,7%	3,8%

Total Loans (€ bn)	+29%	25,1	19,5
Total Deposits (€ bn)	+11%	27,9	25,2

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

The Group maintained high levels of profitability despite the negative international environment. The conservative credit policy followed by the Group, the selective growth of the Group's operations in the new markets, the fact that it has no exposure to high risk derivative products and minimal reliance on the wholesale market for funding have spearheaded the effective protection of the Group from the financial crisis prevailing in the world's economy.

Summary of Group Preliminary Results

Group Profit after tax for 2008 reached €506 mn compared to €485 mn for 2007, recording an increase of 4% and achieving a very satisfactory **return on equity** (25%) in a particularly demanding and negative environment.

Profit after tax for the year includes gains of about €90 mn which primarily represent profit from transactions for hedging foreign exchange risk.

The Group's total **loans** for 2008 reached €25,1 bn, recording an increase of 29% compared to 2007. The Group's total loans in Cyprus and Greece recorded annual increases of 25% and 22% respectively.

The Group's total **deposits** reached €27,9 bn compared to €25,2 bn in 2007, recording an increase of 11%. The Group's total deposits in Cyprus and Greece recorded annual increases of 1% and 19% respectively.

The strong liquidity of the Group, with a **loans to deposits ratio** of 90%, and its minimal reliance on wholesale funding (13%) provide a strong competitive advantage for the Group, particularly under the current adverse conditions prevailing in global money markets.

Despite the dynamic expansion of the Group's operations the **quality of the loan portfolio** continued to improve, with the non performing loans ratio decreasing to 3,7% compared to 3,8% at 31 December 2007.

The provision charge was contained at 0,4% (2007: 0,3%) of total loans, reflecting both the good quality of the loan portfolio of the Group and the very satisfactory level of accumulated provisions which include an accumulated collective provision amounting to 1% of total loans.

The Group's **capital adequacy ratio** as per Basel II requirements is estimated at 11,3% and the tier 1 ratio at 7,3%.

Positive Contribution to profit from Uniastrum Bank and disciplined growth of operations

On 31 October 2008 Bank of Cyprus completed the acquisition of an 80% interest in Uniastrum Bank in Russia. Uniastrum Bank is accounted for as a subsidiary from the date of acquisition.

Uniastrum's **net profit** for the year 2008 reached €16 mn (RUB602 mn) and its contribution to the total profits of the Group for 2008 amounted to €5 mn, as only the last two months of its 2008 profits were consolidated.

The positive development in Uniastrum's profitability reflects the dynamic growth of its business, which was mainly driven by retail and SME banking. At the end of the year Uniastrum's **loans** reached €875 mn (RUB 36,1 bn), recording an annual increase of 2%. Over the last three months the Group has transferred its conservative credit policy to Uniastrum and the cautious growth of operations will commence within the first quarter of 2009. At the end of 2008, Uniastrum's capital adequacy ratio stood at high levels (17% in accordance with the rules of the Central Bank of Russia), which can support the immediate expansion of the loan portfolio.

Particularly encouraging is the development of Uniastrum's liquidity, with its deposits reaching €890 mn (RUB 36,8bn), at 31 December 2008, recording a decrease of 4% from 31 December 2007. Compared to 31 October 2008, deposits recorded an increase of 9%, highlighting the increasing confidence of Uniastrum's customers since its acquisition by Bank of Cyprus. Uniastrum's loan to deposits ratio stands at 98%.

It should be noted that the extensive young distribution network of Uniastrum is expected to contribute positively in forthcoming years, both in terms of business volumes and profitability.

Indication for 2009 profitability

The Bank of Cyprus Group sets its strategic priorities for the year 2009 which aim to create shareholder value on a sustainable basis. The Group's performance for 2008 reaffirms its successful planning processes and the emphasis placed by the Group in addressing the economic crisis. The Group monitors very closely the developments in the international credit markets and the macroeconomic environment in Cyprus, Greece and in the wider region and takes measures to mitigate and shield itself from any consequences.

The strategic priorities of the Group for the year 2009 focus on maintaining the Group's strong liquidity position, improving capital adequacy, improving efficiency and cost containment, the disciplined growth of operations in Russia, Ukraine and Romania and effective risk management.

Regarding the profit target for the year 2009, the precise determination of a profit target is rendered extremely difficult given the continuous revisions to economic growth forecasts, the changes in interest rates and their level in Cyprus and Greece as well as the instability in international markets. Regarding the level of provision charges, we have assumed a further increase in the annual charge in light of the possible deterioration of the economic environment in which the Group operates. Based on the above, the Group estimates that its expected profit after tax for 2009 will be between €300 mn - €400 mn.

Specifically, regarding the Group's profitability in the new markets, the Group expects a positive contribution from all the new markets with Uniastrum Bank being the main contributor. The profit of Uniastrum Bank for the year 2009 is expected to reach about €25 mn.

The final audited financial results of the Group for 2008, as well as any new guidance for the year 2009, will be announced on Wednesday 25 February 2009 and will be posted on the Group's website www.bankofcyprus.com (Investor Relations / Press Releases).

Notes:

1. The audit of the Group Consolidated Financial Statements for the year ended 31 December 2008 by the Group's external auditors will be completed on 25 February 2009. Therefore, the final audited financial results and the audited Consolidated Financial Statements for the year ended 31 December 2008 will be announced on 25 February 2009 and will be available on the same date at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
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