



Announcement

Group Financial Results for the year ended 31 December 2008

- Profit after tax €502 mn
 - Strong liquidity with loans to deposits ratio at 90%
 - High quality of loan portfolio
 - Non performing loans ratio at 3,8%
 - Strong foundations for penetration of the Russian market
 - €0,12 proposed final dividend per share
(€0,27 *total dividend for the year*)
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Nicosia, 25 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 31 December 2008, the Group's Total Assets reached €36,11 bn and the Shareholders' Funds were €2,04 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 despite the negative environment in the global financial and banking system. The prudent credit policy followed by the Group, the fact that it has no exposure to high risk derivative products and minimal reliance on the wholesale market for funding ensure that the Group is effectively shielded from the financial crisis prevailing in the world's economy. At the same time, the disciplined and selective growth of the Group's operations in the new markets is the springboard which enables the Group to benefit from opportunities available today and sets the foundations for benefiting from opportunities that will arise when the economic environment stabilises.

Profit after tax for 2008 reached €502 mn compared to €485 mn for 2007, recording an increase of 4% and achieving a very satisfactory return on equity of 25,1%. The Group maintained its efficiency in 2008 with the cost to income ratio remaining at low levels (44,9%) despite the significant investment for the further expansion of the network in Greece, and also the cost of the development of operations in Russia, Romania and Ukraine. Specifically, the Group has almost doubled its branch network, from 301 branches in 2007 to 574 at the end of 2008. The high quality of the loan portfolio has also been maintained with the ratio of non-performing loans to total loans standing at 3,8% (2007: 3,8%) at 31 December 2008 despite the negative economic environment.

It is noted that 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.

The Board of Directors of the Bank, taking into consideration the results to date, decided to propose at the Annual General Meeting of its shareholders a dividend of €0,12 per share. The total of the proposed dividend and the interim dividend of €0,15 per share which was paid in December 2008 amounts to €0,27 per share. Also the Board of Directors decided that the discount offered under the Dividend Reinvestment Plan is 10%.

The main financial highlights of the Group for 2008 are set out in the table below:

Table 1

€ mn	Change	2008	2007
Profit before provisions	+9%	677	624
Profit before tax	-	575	577
Profit after tax	+4%	502	485
Earnings per share	+1,3 p.p.*	87,6 cent	86,3 cent
Return on Equity	-2,5 p.p.*	25,1%	27,6%
Cost/ Income	+1,1p.p.*	44,9%	43,8%
Non performing loan ratio	-	3,8%	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%

- Profit after tax for 2008 reached €502 mn compared to €485 mn for 2007, recording an increase of 4%.
- Group return on equity was maintained at a satisfactory level (25,1%) in a particularly demanding and negative environment.
- The Group maintained its efficiency with the cost to income ratio for 2008 remaining at low levels (44,9%).

- Despite the negative economic environment the high quality of the Group's loan portfolio was maintained and at 31 December 2008 the relevant ratio stood at 3,8% (2007: 3,8%). The provision charge was contained at 0,4% (2007: 0,3%) of total loans.
- The strong liquidity of the Group allowed the unhindered growth of operations in Cyprus, Greece and the new markets resulting in a significant annual increase of total Group loans by 29%.
- There was a successful increase of the customer base and an annual increase of deposits by 11%.
- Cost growth was contained (14%) at rates lower than the rate of growth of business volumes (29%).
- The Group maintained its strong liquidity with a loan to deposit ratio of 90%.
- The above results include:
 - the positive results of actions taken by the Group for hedging foreign exchange risk. The foreign exchange income for 2008 reached €159mn from €47mn in 2007 mainly as result of gains from transactions for hedging foreign exchange risk.
 - losses of €36 mn from the sale and change in the fair value of financial instruments compared to €24 mn gains for 2007 as a result of the significant drop in the capital markets.
- The contribution to profitability of the Group's operations in its two main geographic markets, Cyprus and Greece, has been significant. Profit after tax in Cyprus reached €401 mn, including the significant gains from transactions for hedging foreign exchange risk. In Greece, profit after tax for 2008 reached €74 mn in parallel with the very satisfactory growth rates of loans and deposits.
- The Group results in the new markets are remarkable, with positive results in all the countries of operation. Profit after tax for 2008 reached €3 mn each for Russia (excluding Uniastrum) and Romania and €1 mn for Ukraine. The net profit of Uniastrum Bank for 2008 reached €16 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 Group monitors the developments in the international credit markets as well as the macroeconomic environment in Cyprus, Greece and in the surrounding regions and takes measures to shield itself and mitigate any consequences. The strategic priorities of the Group focus on maintaining the Group's strong liquidity position, strengthening capital adequacy and managing risk effectively.

B. Financial Footings

Table 2

Analysis of Loans and Deposits by Geographic Sector										
€ mn	Group		Cyprus		Greece		Russia		Other countries	
	annual ±%	31.12.08	annual ±%	31.12.08	annual ±%	31.12.08	annual ±%	31.12.08	annual ±%	31.12.08
Loans	+29%	25.137	+25%	11.969	+22%	9.661	*	1.199	+17%	2.308
Contribution				48%		38%		5%		9%
Deposits	+11%	27.936	+1%	15.030	+19%	10.508	*	901	-3%	1.497
Contribution				54%		38%		3%		5%

* At 31 December 2007 loans and deposits in Russia amounted to €44 mn and €2 mn respectively.

B.1 Group Loans

The Group's loans reached €25,14 bn at 31 December 2008, recording an annual increase of 29%.

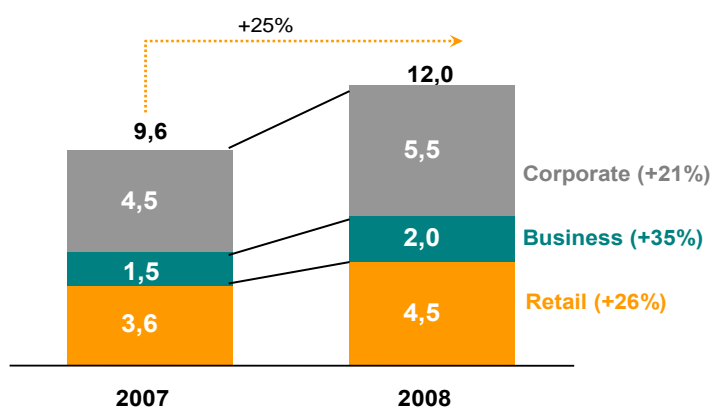
B.1.1 Loans in Cyprus

The Group's total loans in Cyprus at 31 December 2008 amounted to €11,97 bn, recording an annual increase of 25% and represented 48% 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 29,2% in November 2008 (latest available data), compared to 28,6% in December 2007. 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 and mortgage sectors.

Graph 1

Cypriot loan book (€ bn)



B.1.2 Loans in Greece

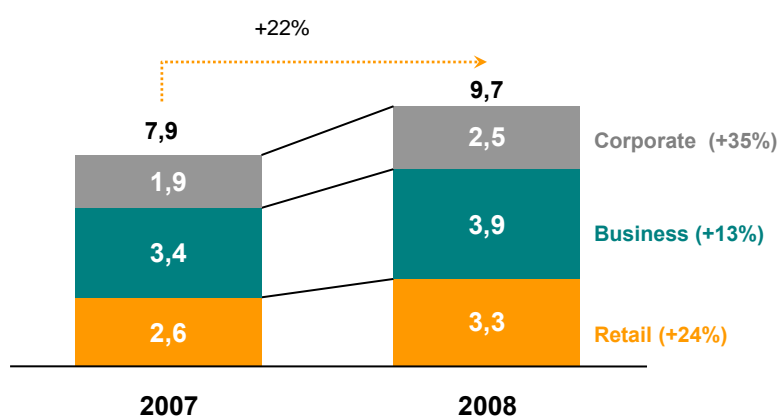
In Greece the annual rate of increase in the Group's loans reached 22%, exceeding the growth rate of the market. Total loans reached €9,66 bn at 31 December 2008 representing 38% of the total Group's loan portfolio.

The Group's market share in loans in Greece increased to 3,80% in December 2008 from 3,65% in December 2007.

The growth of the loan portfolio of the Group in Greece in commercial and housing loans reaffirms the growth potential of the network. The balances of commercial and housing loans at 31 December 2008 recorded increases of 35% and 28% respectively compared to 31 December 2007.

Graph 2

Greek loan book (€ bn)



B.1.3 Loans in Russia

At 31 December 2008, Group loans in Russia reached €1,2 bn representing 5% of the total loan portfolio.

Specifically, at the end of the year Uniastrum's loans reached €875 mn, recording an annual increase of 2%. Over the last four months the Group has strengthened Uniastrum on credit policy issues 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% based on Central Bank of Russia rules), which along with the healthy loans to deposits ratio (98%) can support the immediate expansion of the loan portfolio.

B.1.4 Loans in Other Countries

At 31 December 2008, Group loans in other countries reached €2,3 bn, recording an annual increase of 17% and representing 9% of the loan portfolio of the Group.

At 31 December 2008, loans in Romania (€578 mn) and Ukraine (€208 mn) reached €786 mn in total, representing 3% of the Group's total loan portfolio.

Group loans in the United Kingdom and Australia amounted to €1,11 bn and €411 mn respectively.

B.1.5 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	5.519	46%	2.529	26%
Small and Medium-sized Enterprises (SMEs)	2.045	17%	3.880	40%
Retail				
▪ Housing	2.712	23%	1.731	18%
▪ Other	1.693	14%	1.521	16%
Total	11.969	100%	9.661	100%

B.1.6 Non-Performing Loans ("NPLs")

Despite the negative economic environment, the quality of the Group's loan portfolio was maintained at high levels. The ratio of loans in arrear for longer than three months which are not fully covered by collateral ("non performing loans") at 31 December 2008 stood at 3,8% (2007: 3,8%).

In parallel, the coverage ratio (provisions/NPLs) stood at 71% as at 31 December 2008. The remaining balance of NPLs is fully covered by tangible collateral.

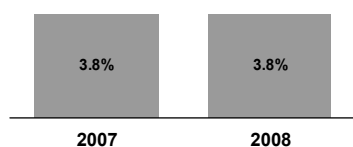
The quality of the loan portfolio in Cyprus registered a significant improvement with the relevant indicator improving to 4,2% at 31 December 2008 compared to 5,1% last year.

The quality of the loan portfolio in Greece remains very good. The NPL ratio in Greece (using the NPL definition mentioned above) stood at 3,4% at 31 December 2008 (31 December 2007: 3,2%).

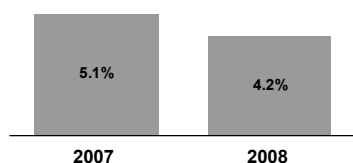
Graph 3

Evolution of non performing loans (NPLs)

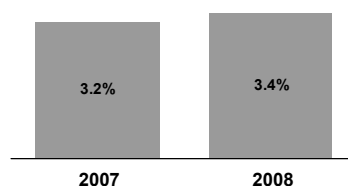
Group (NPL's/Total loans)



Cyprus (NPLs/Total loans)



Greece (NPLs/Total loans)



B.2 Group Deposits

The Group's total deposits noted an annual increase of 11% reaching €27,94 bn at 31 December 2008.

The strong liquidity of the Group, with a loans to deposits ratio of 90%, and its minimal reliance on wholesale funding (14%) provide a strong competitive advantage for the Group, particularly under the current adverse conditions prevailing in global money markets.

B.2.1 Deposits in Cyprus

In Cyprus, the annual rate of increase in Group deposits was 1% with total deposits reaching €15,03 bn at 31 December 2008. The Group limits the negative consequences of the intense competition in deposits through the effective management of its liquidity and the conscious decision to avoid high cost deposits.

The Group has the leading market share (30,5%) of total deposits of commercial banks and credit cooperatives as well as foreign currency deposits (43,9%).

B.2.2 Deposits in Greece

Group deposits in Greece recorded an outstanding increase of (19%) and reached €10,51 bn at 31 December 2008.

At the end of November 2008 (latest available data) the Group's market share of deposits in Greece stood at 3,80% compared to 3,63% in December 2007.

B.2.3 Deposits in Russia

The Group's deposits in Russia reached €901mn. Particularly encouraging is the development of Uniastrum's liquidity, with its deposits reaching €890mn at 31 December 2008. 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%.

B.2.4 Deposits in Other Countries

At 31 December 2008, the Group's deposits in other countries reached €1,50 bn, recording an annual decrease of 3% mainly due to exchange rate differences between the sterling and the Euro.

At 31 December 2008, the Group's deposits in the United Kingdom and Australia reached €1,07 bn and €267 mn respectively. In Romania and Ukraine, deposits reached €86 mn and €73 mn respectively.

B.3 Shareholders' Funds

At 31 December 2008, the Group shareholders' funds amounted to €2,04 bn. The Group capital adequacy ratio as per Basel II requirements stood at 11,2% and the tier 1 ratio at 7,2%. The core tier 1 ratio stood at 6,5%.

C. Analysis of Results for 2008

C.1 Net Interest Income and Net Interest Margin

Net interest income reached €792 mn, recording an annual increase of 5%. The relevant income was affected by the adoption of the Euro as Cyprus' national currency as well as the decreases of the Euro and other currencies' base rates. The Group has already taken measures for offsetting these negative consequences as well as the consequences from the squeeze of deposits spreads. The net interest margin of the Group for 2008 amounted to 2,52% compared to 2,81% for 2007.

The net interest margin of the Group's operations in Cyprus stood at 2,19% in 2008 compared to 2,53% in 2007 and in Greece the net interest margin stood at 2,35% compared to 2,87% for 2007. The decrease of the net interest margin in Cyprus and in Greece is due to the increased competition especially in deposits.

The Group's net interest margin in the new markets (Russia, Romania and Ukraine) for the 4th quarter 2008 was around 7% and as a result the net interest margin in other countries increased from 1,89% for the 3rd quarter to 4,71% for the 4th quarter. The Group's objective of disciplined growth of the loan portfolio in new markets with significantly higher interest margins is expected to lead to an increase of the Group's net interest margin.

C.2 Income from fees and commissions and foreign exchange

Net fee and commission income recorded a satisfactory annual increase (+10%) and reached €218 mn for 2008 compared to €198 mn for 2007 despite the loss of income for the exchange between the Cyprus Pound and the Euro which existed in 2007.

The foreign exchange income for the year reached €159mn from €47mn in 2007 mainly as a result of gains from transactions for hedging foreign exchange risk.

C.3 Income from Insurance Business

Total income from insurance business recorded an annual increase of 8%, reaching €61 mn. Profit before tax from insurance business amounted to €42 mn contributing 8% to Group profit before tax.

C.4 Expenses

Total expenses for 2008 amounted to €552 mn, recording an annual increase of 14%, a rate significantly lower than the rate of increase in loans (29%). The cost to income ratio stood at 44,9% compared to 43,8% for 2007 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. Specifically the Group has almost doubled its branch network, from 301 branches in 2007 to 574 at the end of 2008 with staff reaching 12.127 from 6.909 in the respective years.

The extensive and young network in both Greece and Russia is expected to add significant value in forthcoming years, in terms of both business volumes and profitability and efficiency.

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

Table 4

Analysis of Branches and Human Resources			
	2008	2007	Μεταβολή
Branches	574	301	+273
Cyprus	143	143	-
Greece	159	135	+24
Russia	214	1	+213
Other countries	58	22	+36
Human Resource	12.127	6.909	+5.218
Cyprus	3.608	3.424	+184
Greece	3.183	3.001	+182
Russia	4.354	63	+4.291
Other countries	982	421	+561

Staff costs amounted to €331mn, recording an annual increase of 12%, 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 14% year on year, in response to the increased business volumes (22% increase in loans) and to staff the 24 new branches which opened since 31 December 2007.

The other (non-staff) operating expenses of the Group, including the operating expenses for the start up of operations in all the new markets, recorded an annual increase of 16% and amounted to €221mn.

The cost to income ratio of the Group's operations in Cyprus improved to 36,6% for 2008 from 37,9% in 2007. In Greece the ratio stands at the very satisfactory level of 56,3% (2007: 50,9%), especially considering the low maturity of the branch network and the cost of the operation of new branches.

C.5 Provisions for Impairment of Loans

The Group has significantly increased the provision charge for the 4th quarter having taken into consideration the deterioration of the economic environment. Despite the aforementioned increase, the provision charge for the year (€92 mn) was contained at 0,4% (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							
In € mn	±%	2008	2007	±%	4Q08	3Q08	2H08
Net interest income	+5%	792	752	+10%	215	195	383
Net fee and commission income	+10%	218	198	+21%	63	52	102
Foreign exchange income	+240%	159	47	+203%	107	35	16
Net (losses) / gains on sale and change in fair value of financial instruments attributable to shareholders**	-252%	(36)	24	-341%	(37)	(8)	9
Income from insurance business	+8%	61	56	-28%	13	18	30
Other income	+8%	35	33	+285%	10	2	23
Total income	+11%	1.229	1.110	+26%	371	294	563
Staff costs	+12%	(331)	(296)	+18%	(97)	(81)	(153)
Other operating expenses	+16%	(221)	(190)	+59%	(78)	(49)	(93)
Total expenses	+14%	(552)	(486)	+34%	(175)	(130)	(246)
Profit before provisions	+9%	677	624	+20%	196	164	317
Provisions for impairment of loans and advances	+64%	(92)	(56)	+265%	(51)	(14)	(26)
Share of (loss) / profit of associates	-214%	(10)	9	+70%	(3)	(2)	(6)
Profit before tax	0%	575	577	-4%	142	148	285
Tax	-21%	(73)	(92)	-15%	(14)	(17)	(41)
Minority Interest	-	-	-	-	-	-	-
Profit after tax	+4%	502	485	-3%	128	131	244
Number of staff	+75%	12.127	6.909	+56%	12.127	7.792	7.600
Net interest margin (NIM)	-29 b.p.*	2,52%	2,81%	+5 b.p.*	2,52%	2,47%	2,57%
Cost/Income ratio	+1,1 p.p.*	44,9%	43,8%	+2,7 p.p.*	47,1%	44,4%	43,6%
Return on equity (ROE)	-2,5 p.p.*	25,1%	27,6%	+0,1 p.p.*	24,5%	24,4%	24,4%

* 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		
	±%	2008	2007	±%	2008	2007	±%	2008	2007
Net interest income	-2%	425	435	-1%	272	276	+130%	95	41
Net fee and commission income	-2%	132	135	+14%	58	51	+126%	27	12
Foreign exchange income	+231%	142	43	-13%	3	4	-	14	0
Net (losses)/ gains on sale and change in fair value of financial instruments attributable to shareholders**	-158%	(13)	23	-	(17)	0	-840%	(5)	1
Net income from insurance business	+9%	51	47	+6%	10	9	-	-	-
Other income	+3%	32	32	+73%	1	0	+441%	1	0
Total income	+8%	769	715	-4%	327	340	+143%	132	54
Staff costs	+2%	(185)	(181)	+14%	(105)	(92)	+82%	(41)	(22)
Other operating expenses	+8%	(97)	(89)	-2%	(79)	(81)	+126%	(45)	(20)
Total expenses	+4%	(282)	(270)	+6%	(184)	(173)	+103%	(86)	(42)
Profit before provisions	+10%	487	445	-14%	143	167	+281%	46	12
<i>Contribution</i>		72%	71%		21%	27%		7%	2%
Provisions for impairment of loans and advances	-51%	(12)	(25)	+117%	(65)	(30)	-	(14)	(1)
Share of (loss) / profit of associates	-214%	(10)	9	-	0	0	-	0	0
Profit before tax	+9%	465	429	-43%	78	137	+178%	32	11
<i>Contribution</i>		81%	74%		14%	24%		5%	2%
Tax	+25%	(64)	(52)	-89%	(4)	(37)	+37%	(5)	(3)
Minority Interest **	-	-	-	-	(0)	0	-	(0)	0
Profit after tax	+6%	401	377	-26%	74	100	+247%	27	8
<i>Contribution</i>		80%	78%		15%	21%		5%	1%
Number of staff	+5%	3.608	3.424	+6%	3.183	3.001	+1002%	5.336	484
Net interest margin (NIM)	-34 b.p.*	2,19%	2,53%	-52 b.p.*	2,35%	2,87%	+96 b.p.*	2,81%	1,85%
Cost/Income ratio	-1,3 p.p.*	36,6%	37,9%	+5,4 p.p.*	56,3%	50,9%	-12,8p.p.*	64,7%	77,5%
Return on equity (ROE)	-4,6 p.p.*	42,6%	47,2%	-6,8 p.p.*	12,5%	19,3%	+7,8 p.p.*	14,7%	6,9%

* 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	±%	31.12.2008	31.12.2007
Cash and balances with central banks	-23%	1.017	1.325
Placements with banks and reverse repurchase agreements	-24%	4.702	6.158
Debt securities, Treasury bills and equity investments	+3%	4.241	4.131
Net loans and advances to customers	+29%	24.449	18.921
Other assets	+38%	1.698	1.228
Total assets	+14%	36.107	31.763
Amounts due to banks and repurchase agreements	+88%	3.137	1.668
Customer deposits	+11%	27.936	25.179
Debt securities in issue	-23%	959	1.254
Other liabilities	+10%	1.085	988
Subordinated loan stock	+40%	934	669
Minority Interest	-61%	15	39
Shareholders' equity	+4%	2.041	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 Group's Consolidated Financial Statements and the Annual Financial Report for the year ended 31 December 2008, are available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
 - Registered Office: 51 Stassinou 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)
(Inv. Relations/Annual Reports)
3. The detailed presentation of the financial results for results for 2008 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)