

FINANCIAL RESULTS FOR THE 1st QUARTER 2005

Significant increase in profitability

A. SUMMARY OF RESULTS

- **Group profit after tax for the 1st quarter 2005 increased by 49%, reaching C£16mn (€27mn)** against C£11mn (€18mn) for the corresponding 2004 period.
- **Group core profit** (profit before provisions for bad and doubtful debts and before tax) **reached C£39mn (€67mn), up by 36%** against C£29mn (€50mn) for the 1st quarter 2004.
- **Net interest income increased significantly (20%) to C£66mn (€113mn)** compared to C£55mn (€94mn) for the 1st quarter 2004.
The increase was due to the improved net interest margin, which resulted from the actions taken to further improve pricing, as well as the significant increase in the Group's Greek loans and advances portfolio.
- **The cost to income ratio recorded a significant improvement to 60%** compared to 62% for 2004.
Total costs recorded an 8% annual increase compared to the corresponding prior year period, mainly due to the increase in staff costs and despite the containment of other operating expenses to prior year levels.
The containment of costs and the resultant reduction of the cost to income ratio remains a major challenge for the Group. Even though the number of staff employed by the Group in Cyprus is gradually decreasing (106 persons since 31 December 2003), staff costs still remain high, mainly due to the wage increases that are part of the collective agreement with the labour union.
- **In Cyprus, core profit recorded a 74% increase to reach C£23mn (€39mn)** against C£13mn (€22mn) for the corresponding 2004 period. The increase was due to the **positive impact of the programmes for containing operating costs and enhancing total revenue, especially in respect of banking activities, as well as the positive results of the Group's insurance subsidiaries.**
Despite the satisfactory increase in core profit generated by the Group's Cyprus operations, the return on assets and equity remain at a relatively low level and the cost to income ratio is still high.
- **In Greece, core profit remained stable at C£14mn (€24mn)** despite the significant expenses of the branch network expansion and the higher increase in deposits in relation to the increase in loans and advances. The core profit generated by the Greek operations **contributes 35% to the Group total core profit.**
Since the beginning of 2005, the Bank's branch network in Greece was enhanced by the opening of four new branches. **The Group now operates 100 branches in Greece**, with a target to reach 120 branches by early 2006.
- **The provision charge for bad and doubtful debts for the 1st quarter 2004 reached C£20mn (€34mn)** representing 1,2% of total loans and advances on an annualised basis.



Condensed Income Statement of the Bank of Cyprus Group

	1 st Quarter 2005 C£mn	1 st Quarter 2004 ¹ C£mn	±%	Year 2004 ¹ C£mn
Net interest income	65,8	55,0	+19,7%	245,9
Net fees and commissions, income from insurance operations and other income	29,2	24,7	+18,2%	108,8
Foreign exchange income	3,1	3,5	-10,7%	15,4
Net gains/(losses) on sale and revaluation of financial instruments	0,2	0,2	+35,7%	(4,6)
Total income	98,3	83,4	+17,8%	365,5
Staff costs and other operating expenses	(58,9)	(54,3)	+8,4%	(227,8)
Core profit (profit before provisions)	39,4	29,1	+35,5%	137,7
Provisions for bad and doubtful debts	(19,9)	(16,0)	+24,4%	(83,7)
Provision for impairment of available-for-sale investments	-	0,8		(3,1)
Profit before tax	19,5	13,9	+40,7%	50,9
Tax	(3,5)	(3,1)	+12,2%	(12,4)
Profit after tax	16,0	10,8	+48,9%	38,5
Earnings per share (in cent)	3,5	2,3		8,3
Cost/income ratio	59,9%	65,1%		62,3%

Core profit by geographic sector²

	1 st Quarter 2005 C£mn	1 st Quarter 2004 ¹ C£mn	±%
Cyprus	22,7	13,1	+74%
Greece	14,0	13,9	+1%
United Kingdom and Australia	2,7	2,1	+27%
Total core profit	39,4	29,1	+36%

B. FINANCIAL FOOTINGS

B.1 Total assets

Group total assets at 31 March 2005 reached C£10,60bn (€18,13bn), recording a 10% annual increase. The total assets of the Group's Greek operations reached C£4,54bn (€7,76bn), registering a 29% annual increase.

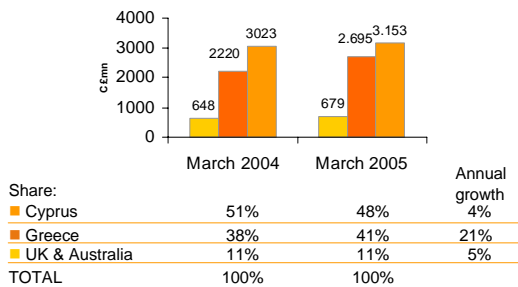
¹ The comparative amounts for the 1st quarter 2004 and the year 2004 have been restated in accordance with the revised International Accounting Standard 39, which has been adopted by the Group. As a result of the restatement, the profit after tax for the 1st quarter 2004 and for the year 2004 has been increased by C£0,2mn (€0,3mn) and C£1,0mn (€1,7mn), respectively.

² In the context of its policy of continuously improving the reporting to the investing public, the Group adopted a revised method of reporting results by geographic sector, so that results are shown after adjustments for the capital required by the operations of each sector in order to bring sectoral capital in line with the capital adequacy rules and regulations. The information reported in the present document for 2005 and 2004 has been adjusted accordingly.



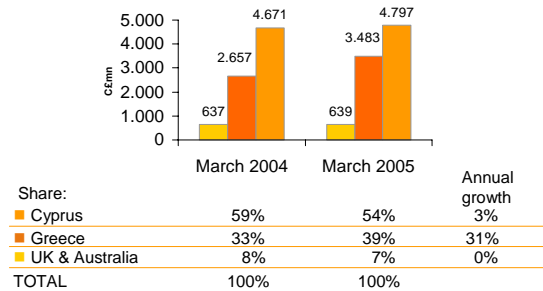
Group Loans and Advances

Total = C€6,53bn (€11,17bn)
Annual growth = 11%



Group Customer Deposits

Total = C€8,92bn. (€15,26bn)
Annual growth = 12%



B.2 Loans and advances

The Group's total loans and advances recorded an 11% annual increase and reached C€6,53bn (€11,17bn) at 31 March 2005. This increase is mainly attributable to the significant annual growth (21%) in the loans and advances portfolio of the Group's Greek operations to C€2,70bn (€4,61bn). This rate of expansion is higher than that of the Greek banking market (15%). According to the January 2005 figures published by the Bank of Greece, the market share of Bank of Cyprus Greece in respect of loans and advances was 3,69%. Operations in Greece accounted for 41% of the Group's total portfolio at the end of March 2005.

At 31 March 2005, the Group non-performing loans and advances (after suspension of interest income) stood at 9,0% of total Group loans and advances, compared to 10,8% at 31 December 2004. The reduction in non-performing loans derived mainly from the write-off of loans which were fully provided for.

B.3 Customer deposits

At 31 March 2005, total customer deposits reached C€8,92bn (€15,26bn) recording a 12% annual increase. The customer deposits of the Group's Greek operations recorded an impressive increase (31%) and reached C€3,48bn (€5,96bn). This rate of expansion is much higher than the one for the Greek banking market (14%). According to the January 2005 figures published by the Bank of Greece, the market share of Bank of Cyprus Greece in respect of deposits was 3,77%.

B.4 Group capital base

The Group maintains a strong capital base, which amounted to C€942mn (€1,61bn) at 31 March 2005, marking a 4% annual increase compared to 31 March 2004.

C. ANALYSIS OF RESULTS

C.1 Net interest income and net interest margin

Net interest income for 1st quarter 2005 reached C€66mn (€113mn), recording an increase of 20% against the corresponding 2004 period. According to the regulations in force issued by the Central Bank of Cyprus, banks cannot recognise interest income on loans and advances which are not fully secured and are more than six months in arrears.

The Group net interest margin (NIM) for the 1st quarter 2005 improved to 2,71% compared to 2,53% for the corresponding prior year period, as a result mainly of the improvement in the net interest margin of the Cyprus operations.



C.2 Net fees and commissions, income from insurance operations and other income

Total net fees and commissions, income from insurance operations and other income for the 1st quarter 2005 reached C£29mn (€50mn), recording an increase of 18% against the 1st quarter 2004. The Group results for the 1st quarter 2005 include profits of C£2mn (€3mn) from the disposal of property in Cyprus and the United Kingdom.

The Group's insurance operations continued their expansion with satisfactory increase in their net income.

C.3 Operating expenses by geographic sector

	1 st Quarter 2005 C£mn	1 st Quarter 2004 C£mn	+%
Cyprus	36,5	35,1	+4%
Greece	18,6	15,1	+23%
United Kingdom and Australia	3,8	4,1	-8%
Total operating expenses	58,9	54,3	+8%

The rate of increase in Group operating expenses amounted to 8%. Group staff costs increased by 14% and other operating expenses remained stable at prior year levels.

In Cyprus, the rate of increase in operating expenses amounted to 4%. The increase in staff costs was mainly driven by the wage increases agreed with the labour union per the collective agreement which expired in December 2004 and by the cost of the Group's Early Retirement Plan, which for the 1st quarter 2005 reached C£2,4mn (€4,1mn). The recruitment freeze, combined with the Early Retirement Plan, led to a reduction in the number of staff employed by the Group in Cyprus (reduction of 25 people since 31 December 2004 and 81 people for the year 2004). The other expenses recorded a reduction in relation to the 1st quarter 2004 as a result of the successful cost containment program in force.

The Group's operating expenses in Greece increased by 23%. This rate of increase is significantly lower than the rate of increase of the Group's Greek operations (29% according to the growth in total assets). The Group's Greek operations are inevitably affected by economies of scale, which are expected to generate more benefits as the footings of the Group's Greek operations increase further and the branch network gradually matures. Since the beginning of 2005, the branch network was enhanced by the opening of four new branches. The Group now operates 100 branches in Greece, with a target to reach 120 branches by early 2006.

The operating costs attributable to the other countries in which the Group operates recorded a decrease (8%) compared to the corresponding 2004 period.

C.4 Core profit and profit before tax by line of business

The most significant part of Group profit is generated by banking operations, which contributed 88% towards Group core profit and 75% towards profit before tax for the 1st quarter 2005. The profit before tax generated by insurance operations increased by 49% to C£3,4mn (€5,8mn) against the corresponding prior year period and contributed 17% towards Group profit before tax.



D. PROSPECTS

The Group financial results to date are considered very satisfactory and are in line with the targets which have been set in the Group three-year (2005-2007) strategic plan. Based on the plan, the Group targets that by 2007:

- its Return on Equity (ROE) will increase to a level higher than 13,0% up from 6,9% for the year 2004, and
- its cost to income ratio will be contained below 58% compared to 62% for the year 2004.

Based on the three-year strategic plan, the Group has adopted actions for:

- productivity increase, resulting from changes in the organisational structure of the customer service network and the introduction of more developed and flexible systems and procedures,
- improvement in customer service, introduction of new products and entry into new markets,
- loan portfolio quality improvement, and
- continuation of the Group's dynamic expansion of profitable operations overseas.

Nicosia, 12 May 2005

Notes:

1. The conversion from Cyprus Pounds (C£) to Euro (€) was made using the exchange rate at 31 March 2005 of €1=C£0,5846.
2. The Group's Condensed Interim Consolidated Financial Statements for the three months ended 31 March 2005 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 378112
 - Website www.bankofcyprus.com (Investor Relations/Financial Information)

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. Internationally, the Bank of Cyprus Group seeks to serve the expatriate Greek and Cypriot communities. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, custody, life and general insurance. The Group currently operates through a total of 288 banking outlets, of which 172 operate in Cyprus, 100 in Greece, six in the United Kingdom, nine in Australia and one in the Channel Islands. Bank of Cyprus also has representation in the United States of America, Canada, South Africa, Russia and Romania.

At 31 March 2005, the Group's Total Assets reached C£10,60bn (€18,13bn) and the Group's Shareholders' Funds were C£577mn (€988mn). The Bank of Cyprus Group employs 5.925 staff worldwide. 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.