Bank of Cyprus Group

Announcement

Substantial improvement of the Group's strategic targets for 2008

- ➢ Return on equity: 16%
- ➢ Cost to income ratio: 51%

Nicosia, 1 February 2006

The Board of Directors of the Bank of Cyprus Public Company Ltd ("the Bank") reviews the Group's three-year strategic plan on an annual basis. At its meeting held today, the Board of Directors of the Bank reviewed and approved the Group's strategic plan for the three-year period 2006-2008.

A. Strategic actions

The Group's prior three-year plan 2005-2007 adopted a series of actions primarily aiming at profitability improvement, such as:

- 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.

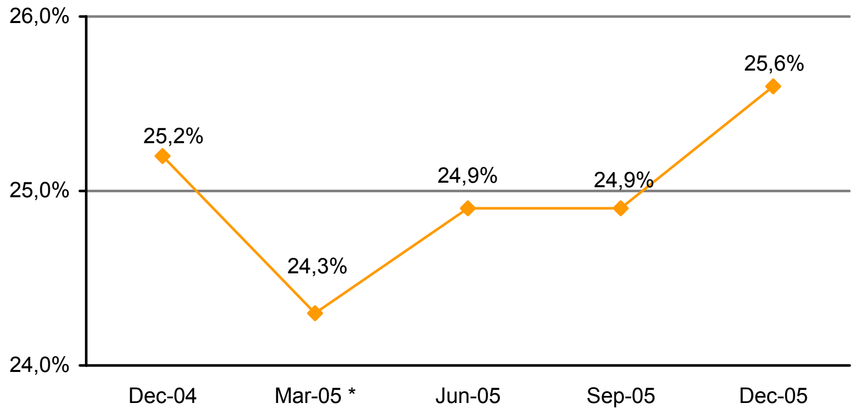
At today's Board meeting, the Group Executive Management reported on the actions taken during 2005 within the above context and suggested to the Board the continuation and intensification of these actions, which are focused on five pillars:

1. Strengthening of the Group's presence in Cyprus with improvement in both market share and profitability.
2. Further expansion in Greece through branch network expansion, increase in size and profitability improvement.
3. Consolidation of the Group's presence in the United Kingdom and further expansion in Australia.
4. Further exploitation of synergies between the Group's Cyprus and Greek operations, where available, so that costs are further reduced and the foundations for cost-efficient expansion in new markets are further strengthened.
5. Entry into new markets, such as Russia and the Balkans.

A.1 Strengthening of the Group's presence in Cyprus

The Group has significantly strengthened its presence in the consumer lending sector in Cyprus. As such, the market share of the Bank of Cyprus of the total advances of the banking system, including credit cooperatives, increased from 24,3% in March 2005 to 25,6% in December 2005.

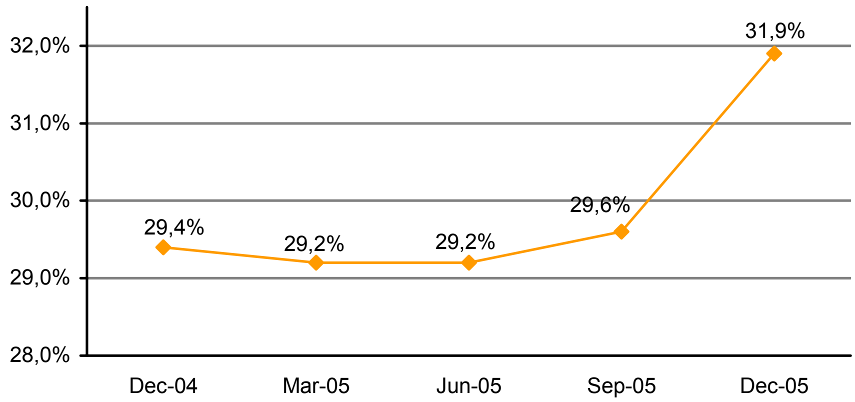
Graph 1
Bank of Cyprus market share of total advances in Cyprus



** afterwrite-offs of non-performing loans*

The attraction of new deposits, especially in foreign currency, was also significant. The Bank's market share in total banking system deposits in Cyprus, including credit cooperatives, increased from 29,4% In December 2004 to 31,9% in December 2005.

Graph 2
Bank of Cyprus market share of total deposits in Cyprus

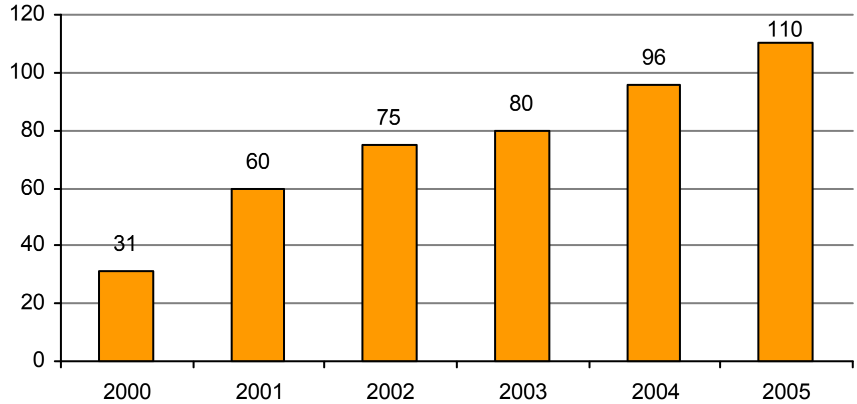


In addition, the Group's Cyprus operations continued to record significant profitability improvement, denoted by various indicators, such as the cost to income ratio (30.09.2005: 59,4%) and return on equity (30.09.2005: 10,8%). The good performance of the Group's insurance subsidiaries, EuroLife and General Insurance of Cyprus, contributed to the above improvement. Details of these ratios for the whole year 2005 will be provided once the preparation and audit of the financial statements are completed and will be announced together with the Group financial results for 2005 on 27 February 2006.

A.2 Further expansion in Greece

The branch network expansion of the Bank in Greece continues. The Bank operates 110 branches in Greece with another ten expected to become operational by mid-2006. The Group will continue its successful expansion in the Greek market, in both the banking and the insurance sectors, with parallel increase in profitability expected to arise primarily from the maturity of the existing branch network and the increase of its financial footings. The Group already operates in Greece with a satisfactory cost to income ratio (30.9.2005: 53,7%), which is expected to further improve. The return on equity of the Group's Greek operations (30.9.2005: 10,6%) is also expected to improve so that it compares favourably compares with the mature European banks.

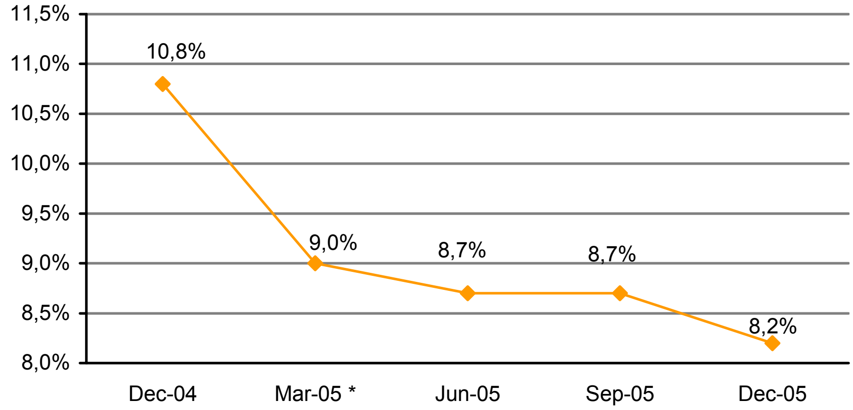
Graph 3
Number of branches of the Bank in Greece



A.3 Improvement in loan portfolio quality

The Group's loan portfolio quality improved further as noted by the reduction in non-performing loans as a percentage of total loans to approximately 8,2% at 31 Δεκεμβρίου 2005 against 10,8% in December 2004 and 8,7% in September 2005. The improvement was mainly attributable to the Cyprus loan portfolio. The ratio remained at a satisfactory level (31/12/2005: 4,5%) with regard to the Group's operations in Greece.

Graph 4
Group non-performing loans as a percentage of total loans



** after non-performing loan write-offs*

A.4 Consolidation of the Group's presence in the United Kingdom and further expansion in Australia

In the United Kingdom, where the Group operates through six branches, the expansion of the Group will continue with emphasis on small and medium-sized enterprises and improvement in the network's efficiency, aiming at further profitability increase. In Australia, where the Group operates through nine branches, the target continues to be the further penetration in the Greek and Cypriot communities of this country and profitability improvement through the maturity of the branch network.

A.5 Further exploitation of the synergies between the Group's Cyprus and Greek operations

As far as the exploitation of the synergies between the Group's Cyprus and Greek operations is concerned, the Group has already managed to achieve a homogeneous banking *modus operandi* in the two main markets in which it operates, whereas the task of further bringing closer together the Cyprus and Greek operations, where applicable, is both a challenge and a target. Such a development will result in substantial benefits and cost savings for the Group. At the same time, the foundations are laid for a calculated and manageable expansion into new markets.

A.6 Entry into new markets

The Group's intention to expand into new markets has already been announced, with priority given to the Russian and Romanian markets. The applications to be submitted to the relevant monetary authorities of these two countries are being prepared.

In the case of Russia, the Bank aims at upgrading its representative office in Moscow aiming at the creation of a fully-fledged banking unit, in order to maximise the benefits arising from the already-established customer relationships in this country.

As far as Romania is concerned, other than the application for a banking license, the Group is taking actions to commence leasing operations, as the procedures for setting up a leasing company require less time. The Group's expertise in leasing in Greece can be utilised. Kyprou Leasing has managed to dynamically penetrate the Greek market and is ranked second in terms of market share.

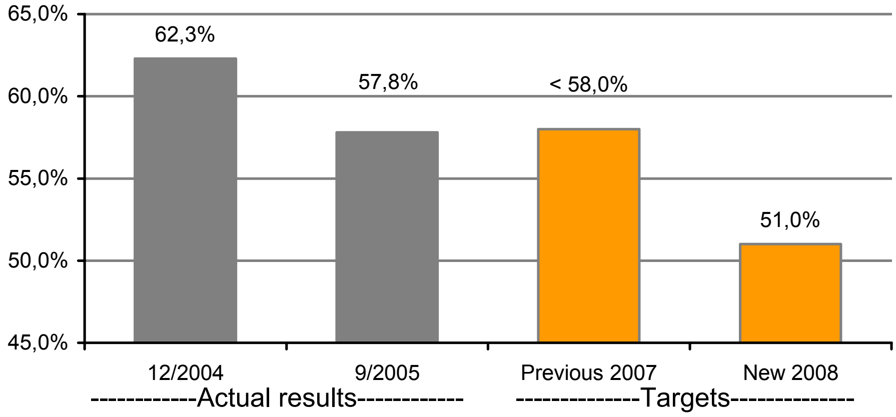
B. Strategic targets for 2006-2008

The progress to date in the successful implementation of the targets set for 2007 which were announced in February 2005 and the analysis of the further actions planned for the continuation of the improvement in the Group's profitability indicators, led the Board of Directors of the Bank to the adoption of revised Group targets up to 2008, as follows:

B.1 Reduction of the cost to income ratio

Reduction of the cost to income ratio to 51% by 2008, compared to the previous target of below 58% by 2007. The cost to income ratio for the nine months to 30 September 2005 was 57,8% compared to 62,3% for 2004.

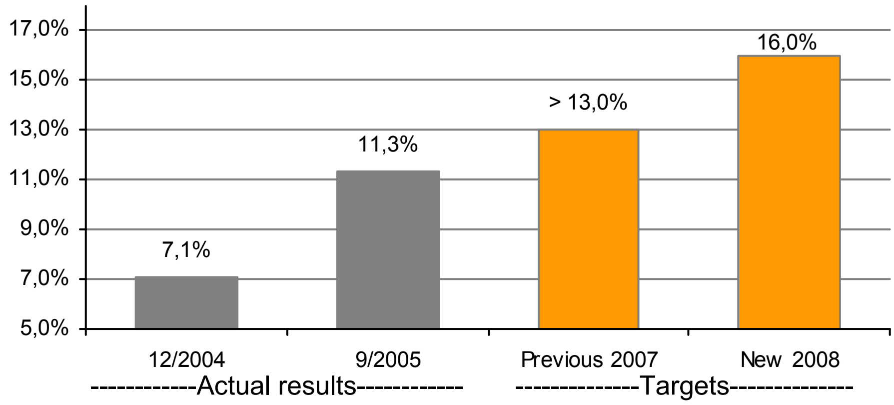
Graph 5
Cost to income ratio



B.2 Increase of return on equity

Increase of return on equity (ROE) to 16%, compared to the previous target for 2007 of above 13%. It is noted that the return on equity for the nine months to 30 September 2005 was 11,3%, against 7,1% for 2004.

Graph 6
Return on equity



Note:
The Group will release its audited financial statements for the year 2005 on 27 February 2006, and will provide a detailed analysis of the profitability ratios.