Announcement

- Group Financial Results for the quarter ended 31 March 2006
  - **132% increase in profit after tax**
  - **58% increase in profit before provisions**

Nicosia, 11 May 2006

A. Summary of 1st Quarter 2006 Results

Group profit after tax for the first quarter 2006 (1Q06) recorded an increase of 132% compared to the corresponding 2005 quarter. The improvement in all of the Group's profitability indicators was also significant. The reorganisation of the Group's activities in Cyprus, combined with the cost containment and income enhancement plans, the positive course of the Group's insurance operations, the continuation of its dynamic expansion in Greece and the positive results from the sale and change in fair value of financial instruments contributed to the profitability improvement.

Table 1

Group Financial Highlights				
in C£ mn	**Change**	**1Q06**	**1Q05**	Year 2005
Profit before provisions	+58%	62	39	182
Profit before tax	+127%	44	20	91
Profit after tax	+132%	37	16	72
Earnings per Share	**+113%**	**6,8 cent**	**3,2 cent**	**14,4 cent**
Cost/Income	**-10,9 p.p.***	**49,0%**	**59,9%**	**56,7%**
Return on Equity	**+7,8 p.p.***	**19,1%**	**11,3%**	**11,9%**

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

- Group profit after tax for 1Q06 reached C£37 mn (€65 mn) compared to C£16 mn (€28 mn) for the corresponding 2005 quarter, recording an increase of 132%.

- As a result of the significant increase in the Group's profitability, the Group return on equity increased by 7,8 percentage points compared to 1Q05, reaching 19,1%.

- Profit before provisions reached C£62 mn (€108 mn), recording an annual increase of 58%.

- The cost to income ratio improved to 49,0% compared to 59,9% for 1Q05.

- The above results reflect:
  - ➢ The positive effect of the steps taken for:
    - ▪ Improvement of income (19% increase in net interest income and 20% increase in income from insurance operations).
    - ▪ Containment of the rate of increase of expenses to 2% compared to the rate of increase of deposits and loans of 16% and 18%, respectively.
  - ➢ The increase by C£8 mn (€14 mn) in the profit from sale and change in fair value of financial instruments.

- The profitability improvement in the Group's Cyprus operations is remarkable:
  - ▪ 78% increase in profit before provisions to C£41 mn (€70 mn).
  - ▪ 207% increase in profit before tax to C£32 mn (€55 mn).
  - ▪ 207% increase in profit after tax to C£28 mn (€48 mn).

- The contribution of the Greek operations to Group profitability continues to be noteworthy:
  - ▪ 43% increase in profit before provisions to C£20 mn (€35 mn).
  - ▪ 63% increase in profit before tax to C£11 mn (€20 mn).
  - ▪ 58% increase in profit after tax to C£8 mn (€14 mn).

B. Prospects for 2006

Based on the Group financial results to date, the indications for their further development, as well as the current conditions in the markets in which the Group operates, it is expected that the Group profit after tax for the full year of 2006 will exceed the target of C£120 mn (€208 mn) which was set and announced on 27 February 2006.

C. Financial Footings

Table 2

Analysis of Financial Footings by Geographic Sector								
in C£ mn	**Group**		**Cyprus**		**Greece**		**Other countries**	
	annual ±%	**31.3.06**	**annual ±%**	**31.3.06**	**annual ±%**	**31.3.06**	**annual ±%**	**31.3.06**
Deposits *Contribution*	+16%	10.364	+23%	5.883 *57%*	+9%	3.807 *37%*	+6%	674 *6%*
Loans *Contribution*	+18%	7.684	+16%	3.670 *48%*	+22%	3.298 *43%*	+6%	716 *9%*

C.1 Group Loans

The Group's loans reached C£7,68 bn (€13,34 bn) at 31 March 2006, recording an increase of 18%.

C.1.1 Loans in Cyprus

The Group has significantly strengthened its presence in the retail lending sector in Cyprus. As such, the market share of the Bank in total banking system advances, including credit cooperatives, increased from 24,3% at the end of March 2005 to 25,7% in March 2006 (Dec. 2005: 25,6%).

In Cyprus, the Group's total loans at 31 March 2006 amounted to C£3,67 bn (€6,37 bn), recording an annual increase of 16%.

C.1.2 Loans in Greece

In Greece, the annual rate of increase in the Group's loans reached 22% and continues to be higher than that of the total market (18%). The Group's loan portfolio in Greece increased to C£3,30 bn (€5,73 bn) at 31 March 2006.

As of end-January 2006, the Group's market share in loans in Greece increased to 3,86%, up from 3,69% a year ago and 3,83% at end-December 2005.

The Group's dynamic expansion in lending in Greece focused mainly on housing and consumer loans. The balance of housing and consumer loans at 31 March 2006 increased by 65% and 45%, respectively, compared to 31 March 2005.

C.1.3 Loans in Other Countries

At 31 March 2006, Group loans in the United Kingdom and Australia increased by 3% and 20%, reaching C£573 mn (€995 mn) and C£143 mn (€249 mn), respectively.

C.1.4 Loans by Customer Sector

The Group's loan portfolio in Cyprus and Greece is split into three customer sectors as follows:

Table 3

Analysis of Loans by Customer Sector				
% of total loans	Cyprus		Greece	
	31.3.06	31.12.05	**31.3.06**	31.12.05
Corporate	48,2%	48,7%	25,9%	26,1%
Small and Medium-sized Enterprises (SMEs)	16,4%	16,4%	44,8%	45,5%
Retail	35,4%	34,9%	29,3%	28,4%
Total	100,0%	100,0%	100,0%	100,0%

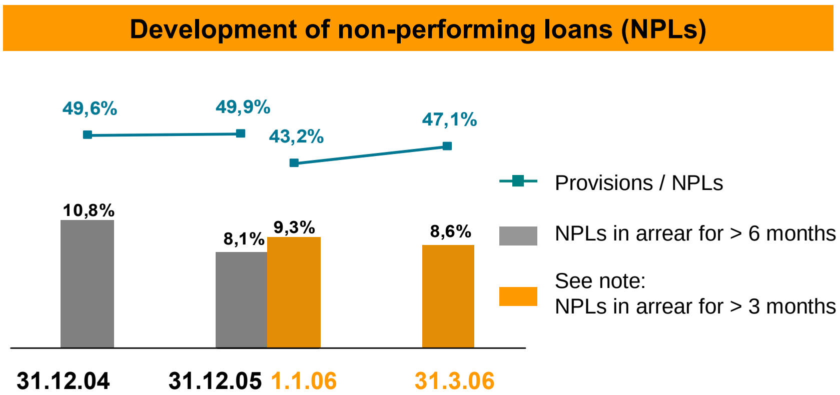
C.1.5 Non-Performing Loans ("NPLs")

During 1Q06 the Group has managed to improve the quality of its loan portfolio, due to:

- Collections of overdue amounts, and
- Lower inflow of new NPLs as a result of improved credit risk control systems implemented by the Group in the past two years.

Group NPLs declined, despite the introduction as of 1 January 2006 of new stricter rules issued by the Central Bank of Cyprus regarding the definition of non-performing loans. Specifically, the definition has been revised to include all loans in arrear for longer than 3 months (instead of six months as per the superseded rules). In addition, the NPL classification is applied to all other loans of the customers who have a specific facility classified as non-performing. Using the revised definition, Group NPLs declined from C£676 mn (€1,17 bn) at 1 January 2006 to C£651 mn (€1,13 bn) at 31 March 2006. The ratio of NPLs to total loans at 31 March 2006 was 8,6% compared to 9,3% at 1 January 2006.

Graph 1



Note:
As of 1/1/2006, the criteria for classifying loans as NPLs have changed to include include all loans in arrear for longer than 3 months. In addition the NPL classification is applied to all other loans of the customers who have a specific facility classified as non-performing.

The vast majority of non-performing loans relate to the Group's Cyprus operations, where the time required to foreclose collateral, especially property, is lengthy, and acts as a deterring factor in the repayment of overdue amounts.

Using the stricter definition mentioned earlier, the Group's NPLs in Greece at 31 March 2006 accounted for 5,2% of total loans, compared to 5,9% at 1 January 2006.

The ratio of coverage of NPLs by provisions increased to 47% at 31 March 2006, compared to 43% at 1 January 2006. The remaining balance of NPLs is covered by tangible collateral.

C.2 Deposits

The Group's total deposits at 31 March 2006 reached C£10,36 bn (€17,99 bn), recording a 16% annual increase.

C.2.1 Deposits in Cyprus

The attraction of new deposits by the Group in Cyprus in the past year, especially deposits in foreign currency, was significant (23%). Total Group deposits in Cyprus at 31 March 2006 amounted to C£5,88 bn (€10,21 bn). At 31 March 2006, the Bank's market share in total banking system deposits in Cyprus, including credit cooperatives, amounted to 29,7%.

C.2.2 Deposits in Greece

The annual rate of increase in Group deposits in Greece reached 9%, with total deposits amounting to C£3,81 bn (€6,61 bn) at 31 March 2006 and market share to 3,73% based on the latest published figures (January 2006). In accordance with the Group three year (2006-2008) strategic plan, the Group targets the increase of its loans to deposits ratio. This ratio for the Group's operations in Greece increased to 87% at 31 March 2006 from 77% a year ago.

C.2.3 Deposits in Other Countries

At 31 March 2006, the Group's deposits in the United Kingdom and Australia reached C£560 mn (€973 mn) and C£114 mn (€198 mn), increasing by 4% and 14%, respectively.

C.3 Capital Base and Capital Adequacy

Table 4

Capital Adequacy Composition		
in C£ mn	**31.3.06**	31.12.05
Tier 1 Capital	744	727
- Core Tier 1 Capital	*651*	*636*
Tier 2 Capital	313	321
Total Capital	1.057	1.048
Risk-weighted Assets	7.653	7.457
Capital Adequacy Ratio	13,8%	14,1%
- Core Tier 1 Ratio	*8,5%*	*8,5%*
- Tier 1 Ratio	*9,7%*	*9,8%*
- Tier 2 Ratio	*4,1%*	*4,3%*

At the end of 1Q06, the Group shareholders funds amounted to C£800 mn (€1,39 bn).

At 31 March 2006, the group capital adequacy ratio stood at 13,8%.

D. Analysis of 1st Quarter 2006 Results

D.1 Net Interest Income and Net Interest Margin

Net interest income reached C£78 mn (€136 mn), recording an annual increase of 19%. The increase is primarily attributable to the significant increase in the Group's footings in Greece and Cyprus. The Group net interest margin (NIM) for 1Q06 was 2,64%, compared to 2,60% for the year 2005 and 2,71% for 1Q05.

The net interest margin in Cyprus was contained at 2,12% for 1Q06 compared to 2,27% for the year 2005 and 2,43% for 1Q05. The reduction was the result of the reduction in the Cyprus pound base rate and the increase in foreign currency deposits.

The net interest margin of the Group's Greek operations for 1Q06 stood at 3,10%, increasing from 2,82% for the year 2005 and 2,72% for 1Q05. This development is mainly due to the improved cost of deposits of the Group's Greek operations, as well as the increase in the loans to deposits ratio to 87% from 77% a year ago.

D.2 Net Fee and Commission Income

Total net fee and commission income for 1Q06 reached C£24 mn (€41 mn), recording an annual increase of 16%, primarily as a result of increased income from the Group's operations in Cyprus and Greece.

D.3 Income from Insurance Business

The good performance of the Group's insurance operations continued in 1Q06. Income from insurance business recorded a 20% annual increase, reaching C£7 mn (€12 mn), generating 7% of Group profit before provisions and 11% of Group profit before tax (C£5 mn, €8 mn).

The profit after tax of the Cyprus operations of EuroLife, the Group's life insurance subsidiary, recorded an annual increase of 16%. This was the result of the increased volume of business (increase in new business premiums of 27%) and the very good performance of its investment portfolio. EuroLife's operations in Greece continue to expand with high rates, with profit after tax for 1Q06 increasing by 24%.

The performance of General Insurance of Cyprus, the Group's general insurance subsidiary, was also good. The company's gross premiums recorded an annual increase of 18%.

D.4 Net Gains on Sale and Change in Fair Value of Financial Instruments

During 1Q06, the Group recorded C£8 mn (€15 mn) net gains on sale and change in fair value of financial instruments. This profit includes C£5,5 mn (€9,5 mn) profit from the change in fair value of derivatives.

D.5 Expenses

The Group's cost containment programme had a positive impact on the Group results. Total expenses for 1Q06 amounted to C£60 mn (€104 mn), with the annual rate of increase being contained to 2% compared to the rate of increase in deposits and loans which was 16% and 18%, respectively. As a result of the cost containment, as well as the increased level of income (including the profit on sale and change in fair value of financial instruments), the cost to income ratio of the Group improved to 49,0% for 1Q06, compared to 59,9% for 1Q05.

Staff costs amounted to C£38 mn (€66 mn), recoding an annual increase of 1%, mainly due to the 5% reduction of the cost relating to the Group's Cyprus operations. The decrease was attributed to the reduction in staff numbers in Cyprus by 42 employees since 31 March 2005 and the relatively lower contributions to the staff pension plan, as a result of the notable reduction in the deficit of the plan. Staff costs relating to the Group's Greek operations increased by 16%, as a result of the increase in staff numbers by 7% (from 2.283 employees at 31 March 2005 to 2.451) to respond to the increased volume of business and to support the twelve new branches opened in the intervening period.

The other (non-staff) operating expenses of the Group recorded an annual increase of 4% and amounted to C£22 mn (€38 mn).

The cost to income ratio of the Group's Cyprus operations improved to 47,0% for 1Q06 compared to 61,6% for 1Q05. The ratio for the Group's Greek operations stands at the satisfactory level of 50% (1Q05: 57,1%), especially considering the relatively low level of branch network maturity.

The Group's expenses in the other countries it operates increased by 7%.

D.6 Provisions for Bad and Doubtful Debts

The provision charge for 1Q06 was C£18 mn (€31 mn). The provision charge represents 0,9% (2005:1,2%) of total Group loans, a percentage that is in line with the target set for its reduction to below 0,8% for 2008.

The efforts to reduce this ratio will be strengthened if the enactment and implementation of improved procedures, which would expedite the foreclosure of property collateral, takes place in Cyprus.

Table 5

Income and Expense Analysis

in C£ mn	±%	1Q06	1Q05	Year 2005
Net interest income	+19%	78	66	280
Net fee and commission income	+16%	24	20	90
Foreign exchange income	+23%	4	3	14
Net gains on sale and change in fair value of financial instruments		8	0	6
Income from insurance business	+20%	7	6	23
Other income	-63%	1	3	6
Total income	**+25%**	**122**	**98**	**419**
Staff costs	+1%	(38)	(38)	(151)
Other operating expenses	+4%	(22)	(21)	(86)
Total expenses	**+2%**	**(60)**	**(59)**	**(237)**
Profit before provisions	**+58%**	**62**	**39**	**182**
Provisions for bad and doubtful debts	-9%	(18)	(20)	(91)
Profit before tax	**+127%**	**44**	**19**	**91**
Tax	+105%	(7)	(3)	(19)
Profit after tax	**+132%**	**37**	**16**	**72**
Net interest margin (NIM)	**-7 b.p.**	**2,64%**	**2,71%**	**2,60%**

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

Table 6

Analysis of Results and Other Financial Information by Geographic Sector									
in C£ mn	Cyprus			Greece			Other countries		
	±%	1Q06	1Q05	±%	1Q06	1Q05	±%	1Q06	1Q05
Net interest income	+21%	42	35	+21%	31	26	-6%	5	5
Net fee and commission income	+17%	17	14	+12%	6	5	+21%	1	1
Foreign exchange income	+31%	3	2	-11%	1	1	+6%	0	0
Net gains on sale and change in fair value of financial instruments		7	0		1	0		0	0
Income from insurance business	+16%	6	6	+71%	1	0	-	-	-
Other income	-55%	1	2	-71%	0	1		0	0
Total income	**+29%**	**76**	**59**	**+23%**	**40**	**33**	**-7%**	**6**	**6**
Staff costs	-5%	(25)	(26)	+16%	(10)	(9)	+6%	(3)	(3)
Other operating expenses	+7%	(10)	(10)	+1%	(10)	(10)	+9%	(2)	(1)
Total expenses	**-2%**	**(35)**	**(36)**	**+8%**	**(20)**	**(19)**	**+7%**	**(5)**	**(4)**
Profit before provisions	**+78%**	**41**	**23**	**+43%**	**20**	**14**	**-28%**	**1**	**2**
Contribution		***65%***	***58%***		***32%***	***35%***		***3%***	***7%***
Provisions for bad and doubtful debts	-28%	(9)	(13)	+24%	(9)	(7)	-2%	0	0
Profit before tax	**+207%**	**32**	**10**	**+63%**	**11**	**7**	**-32%**	**1**	**2**
Contribution		***71%***	***53%***		***25%***	***35%***		***4%***	***12%***
Tax	+206%	(4)	(1)	+80%	(3)	(2)	-60%	0	0
Profit after tax	**+207%**	**28**	**9**	**+58%**	**8**	**5**	**-24%**	**1**	**2**
Contribution		***74%***	***56%***		***22%***	***33%***		***4%***	***11%***
Number of staff	**-1%**	**3.301**	**3.343**	**+7%**	**2.451**	**2.283**	**+4%**	**310**	**299**
Net interest margin (NIM)	**-31 b.p.**	**2,12%**	**2,43%**	**+38 b.p.**	**3,10%**	**2,72%**	**-21 b.p.**	**2,06%**	**2,27%**
Cost/Income ratio	**-14,6 p.p.**	**47,0%**	**61,6%**	**-7,1 p.p.**	**50,0%**	**57,1%**	**+9,3 p.p.**	**67,8%**	**58,5%**
Return on equity (ROE)	**+17,7p.p.**	**28,8%**	**11,1%**	**+3,7 p.p.**	**13,4%**	**9,7%**	**-5,0 p.p.**	**11,3%**	**16,3%**

Notes:

1. All analyses by geographic sector are shown following restatements in the capital of each sector to bring it in line with the capital required by the capital adequacy regulations.

2. The conversion from Cyprus Pounds (C£) to Euro (€) was made using the exchange rate at 31 March 2006 of €1=C£0,5760.

3. The Group's Condensed Consolidated Financial Statements for the quarter ended 31 March 2006 are available at the Bank of Cyprus Public Company Ltd Registered Office and on the Group's website, as follows:
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