



Announcement

Group Financial Results for the Nine months ended 30 September 2011

- Recurring profitability
 - Profit before provisions €597 mn, an increase of 17% compared to 9M2010
 - Profit after tax excluding the special tax on banks €259 mn, an increase of 5% compared to 9M2010
- After tax and including Greek Government Bonds impairment of 50%, losses of €801 mn
- Capital Strengthening Plan
 - Rights offering to raise up to €396 mn and voluntary conversion of Convertible Enhanced Capital Securities to ordinary shares of up to €600 mn
- Liquidity
 - Loans to deposits ratio of 89% and deposits to assets ratio of 80%

Nicosia, 29 November 2011

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 609 branches, of which 209 operate in Russia, 185 in Greece, 141 in Cyprus, 44 in Ukraine, 12 in Romania, 13 in Australia, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 9 representative offices in Russia, Romania, Ukraine, Serbia, Canada and South Africa. The Bank of Cyprus Group employs 11.551 staff worldwide.

At 30 September 2011, the Group's Total Assets amounted to €39,57 bn and the Shareholders' Funds were €2,99 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website www.bankofcyprus.com.



A. Summary of Results

The Group remains in a position to face the challenges of the ongoing negative environment in the main European markets in which it operates, focusing on maintaining increasing recurring profitability and healthy liquidity.

For the nine months of 2011, the Group's total income excluding the impairment of Greek Government Bonds (GGBs) reached €1.127 mn, recording an annual increase of 8% and demonstrating the Group's ability to achieve increasing recurring income even in adverse economic conditions. Excluding the impairment of GGBs, the Group's profit before provisions for the nine months of 2011 reached €597 mn, recording an annual increase of 17%. Profit after tax excluding the impairment of GGBs reached €245 mn compared to €248 mn for the nine months of 2010. It is noted that profit after tax was affected by the higher loan impairment charge and the higher tax charge due to the levy of a special tax (€14 mn for the nine months of 2011) in Cyprus on financial institutions based on their deposits. Profit after tax excluding the impairment of GGBs and the special tax on banks, totalled €259 mn compared to €248 mn for the nine months of 2010 noting an increase of 5%.

The Group has impaired GGBs by 50% of face value, based on the decisions of the Eurozone summit on 26 October 2011 relating to the revised support plan for Greece. The total GGBs impairment, including the related hedging adjustments, amounted of €1.048 mn for the nine months of 2011. The impairment recognised on the second and third quarter of 2011 amounted to €281 mn and €767 mn respectively. At 30 September 2011 the nominal value of the GGBs held by the Group totalled €2.092 mn. The post impairment book value of the GGBs totalled €1.157 mn at 30 September 2011.

Taking into consideration the impairment of GGBs, the loss before provisions for the nine months of 2011 amounted to €451 mn, while the loss after tax amounted to €801 mn.

On 3 November 2011 the Group announced a Capital Strengthening Plan (Plan) to further strengthen its balance sheet. The Plan includes a Rights Offering to raise up to €396 mn and a voluntary exchange of Convertible Enhanced Capital Securities to ordinary shares of up to €600 mn. Upon the completion of the Plan in its entirety, the pro-forma Core Tier 1 capital ratio and Tier 1 capital ratio as at 30 September 2011 will reach 9,6% and 11,0% respectively. With the completion of the Plan, as well as other actions including the effective management of risk weighted assets and internal capital generation from profits, the Group expects to comply with the regulatory capital adequacy ratios.

The main financial highlights for the nine months of 2011 are set out in the tables below:

Table 1

Main financial highlights for the nine months of 2011				
€ mn	Change	9M2011	9M2010	FY2010
Total Income	+8%	1.127	1.043	1.450
Profit before provisions	+17%	597	512	725
Profit before tax	+7%	301	281	348
Profit after tax excluding the special tax on banks	+5%	259	248	306
Profit after tax	-1%	245	248	306
Impairment of Greek Government Bonds (GGBs)	-	(1.046)	-	-
(Loss)/Profit after tax and GGBs impairment	-423%	(801)	248	306
Earnings per share**	-7,7 cent	27,4 cent	35,1 cent	40,4 cent

Return on Equity**	-2,0 p.p.*	11,7%	13,7%	11,9%
Cost / Income**	-4,0 p.p.*	47,0%	51,0%	50,0%
Net Interest Margin	+27 b.p.*	2,90%	2,63%	2,66%

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

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

** Excluding the impairment of GGBs

Table 2

Main financial highlights for the nine months of 2011				
	Change	30 Sept 2011	30 Sept 2010	31 Dec. 2010
Total Loans (€ bn)	+5%	29,8	28,3	28,9
Total Deposits (€ bn)	+1%	31,9	31,4	33,0
Loans to Deposits ¹	+2,2 p.p.*	89,0%	86,8%	84,1%
Non-performing loans ratio	+1,9 p.p.*	8,6%	6,7%	7,3%

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

- **Significant increase in total income excluding the impairment of GGBs:** Total income for the nine months of 2011 noted an increase of 8% reaching €1.127 mn, demonstrating the Group's ability to achieve increasing recurring income even in adverse economic conditions.
- **Significant increase in profit before provisions excluding the impairment of GGBs:** Profit before provisions for the nine months of 2011 reached €597 mn recording an increase of 17% compared to the nine months of 2010 (€512 mn).
- **Improvement of interest margin:** The Group's net interest margin reached 2,90% for the nine months of 2011, an increase of 27 basis points compared to 2,63% for the nine months of 2010.
- **Improved efficiency:** The cost to income ratio excluding the impairment of GGBs has improved to 47,0% for the nine months of 2011 from 51,0% for the nine months of 2010.
- **Healthy liquidity position:** The Group has a healthy liquidity position with a ratio of loans to deposits of 89%, minimal repayments of debt obligations in the next two years and minimal reliance on wholesale funding (deposits to total assets ratio of 80% at 30 September 2011).
- **Satisfactory return on equity:** The return on equity excluding the impairment of GGBs (11,7% for the nine months of 2011) was maintained at satisfactory levels in a particularly demanding and negative environment.
- **Volume growth:** At 30 September 2011 Group loans and deposits recorded annual increases of 5% and 1% respectively.
- **Effective credit risk management:** The non-performing loans ratio reached 8,6% at 30 September 2011 compared to 8,2% at 30 June 2011. The provisions coverage ratio (provisions as % of non-performing loans) was maintained at 54% at 30 September 2011. The coverage ratio including tangible collateral amounted to 120%.

B. Prospects

Not taking into account the impairment of GGBs, the Group has achieved the profitability target for the nine months of 2011, and remains in a position to face the challenges of the uncertain economic

¹ Net loans to deposits

environment. The Group continues to focus on maintaining recurring profitability, healthy liquidity, high capital adequacy and effective risk management.

Regarding its profitability for the year 2011, the Group, based on its performance to date and the current conditions, maintains the targets set at the beginning of the year. In particular, the Group expects that, excluding the impairment of GGBs, it will achieve satisfactory recurring profitability with higher profit before provisions for 2011 compared to 2010, while profit after tax for 2011 is estimated to be at around similar levels to 2010 (€306 mn).

C. Analysis of Results for the nine months 2011

C.1 Geographical analysis of profitability excluding impairment of GGBs

The **Group** achieved satisfactory profitability excluding the impairment of GGBs, having increased recurring income for the nine months 2011. **Profit before provisions** for the nine months 2011 excluding the impairment of GGBs reached €597 mn, recording an annual increase of 17% compared to the nine months 2010. Profit after tax, excluding the impairment of GGBs and the special tax on banks totalled €259 mn compared to €248 mn for the nine months of 2010, an increase of 5%.

In **Cyprus**, profit before provisions for the nine months 2011 excluding the impairment of GGBs, reached €369 mn recording an annual increase of 21% compared to the nine months 2010. Profit after tax excluding the impairment of GGBs for the nine months of 2011 reached €227 mn noting an increase of 23% compared to the nine months of 2010.

In **Greece**, profit before provisions for the nine months of 2011 excluding the impairment of GGBs reached €146 mn, compared to €142 mn for the nine months 2010. Loss after tax excluding the impairment of GGBs for the nine months of 2011 was €12 mn versus a profit of €34 mn for the nine months 2010 as a result of higher provisions and tax charge.

In **Russia**, profit before provisions for the nine months of 2011 reached €45 mn recording an annual increase of 53% compared to €30 mn for the nine months 2010. Profit after tax for the nine months 2011 reached €15 mn noting an increase of 95% compared to €8 mn for the nine months of 2010.

Profit after tax for **other countries** (Australia, United Kingdom, Ukraine and Romania) reached €15 mn.

C.2 Net Interest Income and Net Interest Margin

By adjusting its pricing policy for the new economic environment, the Group increased its net interest income for the nine months of 2011. **Net interest income** for the nine months of 2011 reached €854 mn, recording a significant annual increase of 11% compared to the nine months of 2010, demonstrating the Group's ability to achieve increased recurring income despite the continuing competition and the adverse economic environment.

Net interest income recorded an increase compared to the nine months of 2010 in the main countries where the Group operates. In Cyprus net interest income reached €443 mn for the nine months of 2011, increasing by 15% compared to the nine months of 2010, while in Greece net interest income reached to €243 mn recording an increase of 6% compared to the nine months of 2010. In Russia net interest income reached €97 mn versus €86 mn for the nine months of 2010 noting an increase of 13% and in the other countries net interest income reached €71 mn for the nine months of 2011 noting an increase of 10% compared to the nine months of 2010.

The **net interest margin** of the Group in the third quarter of 2011 reached 3,11% compared to 2,65% for the third quarter of 2010, 2,78% for the second quarter of 2011 and 2,77% for the first quarter of 2011. As a result, the net interest margin for the nine months of 2011 reached 2,90% recording a significant increase of 27 basis points compared to the nine months of 2010 (2,63%).

The net interest margin in Cyprus reached 2,56% for the third quarter of 2011, compared to 2,21% for the first half of 2011. As a result, the net interest margin for the nine months of 2011 reached 2,34% compared to 2,10% for the nine months of 2010.

The net interest margin in Greece improved to 2,75% for the third quarter of 2011 versus 2,57% for the first half of 2011. As a result, the net interest margin for the nine months of 2011 reached 2,62% recording an increase of 44 basis points compared to the nine months of 2010 (2,18%).

The net interest margin in Russia reached 5,70% in the third quarter of 2011 compared to 5,88% for the first half of 2011. The net interest margin for the nine months of 2011 reached 5,81% recording an increase of 9 basis points compared to the nine months of 2010 (5,72%).

The net interest margin for other countries reached 2,57% for the nine months of 2011, compared to 2,59% for the nine months of 2010.

C.3 Income from fees and commissions, foreign exchange income and gains from financial instruments excluding the impairment of Greek Government Bonds

Net fee and commission income amounted to €171 mn for the nine months of 2011 compared to €171 mn for the nine months of 2010.

Foreign exchange income and gains from financial instruments excluding the impairment of GGBs for the nine months of 2011 amounted to €33 mn versus €54 mn for the nine months of 2010.

C.4 Greek Government Bonds

On 21 July 2011 the political leaders of the Eurozone member states announced a support plan for Greece. On 26 October 2011, the Eurozone summit announced a revised support plan for Greece, which includes a decision for the restructuring of Greek public debt with the voluntary exchange of existing GGBs held by private investors with a parallel discount on nominal value of the bonds of 50%. The specific terms of the restructuring and GGB exchange plan have not as yet been determined.

The Group has impaired GGBs by 50% of face value, based on the decisions of the Eurozone summit on 26 October 2011 relating to the revised support plan for Greece. The total GGBs impairment, including the related hedging adjustments, amounted of €1.048 mn for the nine months of 2011. The impairment recognised on the second and third quarter of 2011 amounted to €281 mn and €767 mn respectively. At 30 September 2011 the nominal value of the GGBs held by the Group totalled €2.092 mn. The post impairment book value of the GGBs totalled €1.157 mn at 30 September 2011.

The impairment of GGBs classified as Available For Sale was based on market values at 30 September 2011. The impairment of GGBs classified as Held to Maturity and as Loans and Receivables was based on a discount on nominal value of the bonds of 50%.

The table below sets out information regarding the impaired GGBs as at 30 September 2011.

Table 3

	Nominal value	Book value pre-impairment	Impairment recognised in Profit and Loss	Book value post-impairment
	€ mn	€mn	€mn	€mn
Available for Sale	391	167	250	167
Loans and Receivables	1.450	1.484	675	865
Held to maturity	247	247	123	124
Total bonds which have been impaired	2.088	1.898	1.048	1.156
Fair Value through profit and loss	4	1	-	1
Total bonds	2.092	1.899	1.048	1.157

The pre-impairment book value of the GGBs of €1.899 mn, included an amount of €250 mn relating to hedging adjustments on these bonds.

C.5 Expenses

Total expenses for the nine months 2011 amounted to €530 mn, compared to €531 mn for the nine months of 2010 and the **cost to income ratio** excluding the impact from the impairment GGBs was 47,0% (51,0% for the nine months of 2010).

Employee costs amounted to €330 mn recording an increase of 2% compared to the nine months of 2010 while **other operating expenses** (excluding employee costs) amounted to €200 mn recording a reduction of 4% compared to the nine months of 2010.

D. Credit Risk Management

The quality of the Group's loan portfolio remains at satisfactory levels taking into consideration the continuing economic crisis. At 30 September 2011, the ratio of loans in arrears for longer than three months which are not fully covered by tangible collateral ("non-performing loans") over the total loans of the Group (non-performing loans ratio) was 8,6%, compared to 8,2% at 30 June 2011 noting an increase of 40 basis points. At 31 December 2011 the relevant ratio was 7,3%.

At 30 September 2011, the relevant ratio was 8,3% in Cyprus (30 June 2011: 8,0%) and 10,0% in Greece (30 June 2011: 9,3%).

The Group, taking into consideration the macro-economic environment and the deterioration of the loan portfolio, increased the charge for impairment of loans, which reached 1,34% of total loans on an annual basis (nine months of 2010: 1,11%).

As a result of the relatively high provisions, the provision coverage ratio (provisions/NPLs) was maintained at 54% at 30 September 2011. The remaining balance of NPLs is fully covered by tangible collateral. The coverage ratio including tangible collateral amounted to 120%.

E. Balance Sheet Analysis

E.1 Group Loans

At 30 September 2011 Group loans amounted to €29,78 bn recording an annual increase of 5% as well as an increase of 3% from 31 December 2010.

Table 4

Analysis of Loans by Geographic Sector at 30.09.2011

	€ mn	annual ±%	Contribution
Cyprus	14.719	8%	49%
Greece	10.158	0%	34%
Russia	1.978	10%	7%
Other countries	2.924	4%	10%
Group	29.779	5%	100%

E.2 Group Deposits

The Group's total deposits at 30 September 2011 reached €31,85 bn recording an annual increase of 1% and a decrease of 3% from 31 December 2010.

The Group's healthy liquidity position, with a loans to deposits ratio of 89% and its minimal reliance on wholesale funding (deposits to total assets ratio of 80% at 30 September 2011) provide the Group with

a competitive advantage particularly in the adverse conditions prevailing in international money markets and the intense competition on deposits evident in the main markets in which the Group operates.

On 19th July 2011, the Group completed the issue of €700 mn Covered Bonds which further strengthened the Group's liquidity position.

Table 5

Analysis of Deposits by Geographic Sector at 30.09.2011			
	€ mn	annual ±%	Contribution
Cyprus	19.613	+7%	61%
Greece	8.510	-13%	27%
Russia	1.289	+21%	4%
Other countries	2.440	+11%	8%
Group	31.852	+1%	100%

E.3 Capital Base

At 30 September 2011, the Group's shareholder funds amounted to €2,90 bn increasing by 22% on an annual basis. The Group's total capital adequacy ratio, including the impairment of GGBs, reached 9,6% with the core tier 1 ratio at 5,8% and the tier 1 ratio at 9,5%, respectively.

The Group estimates that with the completion of the Capital Strengthening Plan, the pro-forma core tier 1 ratio, tier 1 ratio and total capital adequacy ratio at 30 September 2011 will amount to 9,6%, 11,0% and 11,1% respectively.

It is noted that the regulatory authorities have significantly raised the minimum capital adequacy ratios with minimum ratios of 8,0% for Core Tier 1, 9,5% for Tier 1 (previously 4%) and 11,5% for total capital adequacy ratio (previously 8%). The Group's capital adequacy ratios are lower than those required by the Central Bank of Cyprus. The Group expects that with the completion of the Capital Strengthening Plan, internally generated capital through profits and effective management of risk weighted assets it will be in a position to cover the minimum required ratios within a reasonable period of time.

Table 6

Analysis of Group Results and Other Financial Information						
€ mn	9M11	9M10	Annual change ±%	3Q11	2Q11	Quarterly change ±%
Net interest income	854	768	+11%	302	277	+9%
Net fee and commission income	171	171	+0%	58	57	+3%
Foreign exchange income and gains from financial instruments	33	54	-40%	7	21	-67%
Insurance income net of insurance claims	47	45	+3%	15	15	-1%
Other income	22	5	+350%	8	11	-26%
Total income	1.127	1.043	+8%	390	381	+3%
Personnel expenses	(330)	(323)	+2%	(110)	(104)	+6%
Other operating expenses	(200)	(208)	-4%	(59)	(72)	-18%
Total expenses	(530)	(531)	0%	(169)	(176)	-4%
Profit before provisions	597	512	+17%	221	205	+8%
Provisions for impairment of loans and advances	(295)	(229)	+29%	(112)	(104)	+7%
Share of (loss)/ profit of associate	(1)	(2)	-33%	-	(1)	+36%
Profit before tax	301	281	+7%	109	100	+9%
Taxation	(58)	(37)	+58%	(20)	(17)	+23%
Non - controlling interests (loss/(profit))	2	4	-55%	1	1	+35%
Profit after tax	245	248	-1%	90	84	+6%
Impairment of Greek Government Bonds	(1.046)	-	-	(778)	(268)	-
(Loss)/Profit after tax and impairment of Greek Government Bonds	(801)	248	-423%	(688)	(184)	-275%
Net Interest Margin (NIM)	2,90%	2,63%	+27 b.p.*	3,11%	2,78%	+33 b.p.*
Cost to Income**	47,0%	51,0%	-4,0 p.p.	43,4%	46,2%	-2,8 p.p.
Return on equity**	11,7%	13,7%	-2,0 p.p.	12,7%	11,9%	+0,8 p.p.

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

** Excluding the impairment of GGBs

Table 7

Geographical Sector Analysis of Results and Other Financial Information												
Analysis does not include the impairment of Greek Government Bonds												
€ mn	Cyprus			Greece			Russia			Other countries		
	±%	9M11	9M10	±%	9M11	9M10	±%	9M11	9M10	±%	9M11	9M10
Net interest income	+15%	443	387	+6%	243	230	+13%	97	86	+10%	71	65
Net fee and commission income	+4%	98	94	+4%	38	37	-16%	26	31	+0%	9	9
Foreign exchange income and gains from financial instruments	-22%	25	32	-89%	2	16	+18%	6	5	-90%	-	2
Insurance income net of insurance claims	+3%	39	37	+1%	8	8	--	--	--	--	--	--
Other income	+118%	7	3	+270%	5	1	+467%	6	1	-	4	(1)
Total income	+10%	612	553	+1%	296	292	+10%	135	123	+12%	84	75
Personnel expenses	+1%	(169)	(168)	+3%	(89)	(86)	-2%	(47)	(48)	+18%	(25)	(21)
Other operating expenses	-10%	(74)	(81)	-3%	(61)	(64)	-5%	(43)	(45)	+20%	(22)	(19)
Total expenses	-3%	(243)	(249)	+1%	(150)	(150)	-3%	(90)	(93)	+19%	(47)	(40)
Profit before provisions	+21%	369	304	+2%	146	142	+53%	45	30	+5%	37	35
<i>Contribution</i>		62%	60%		24%	28%		8%	6%		6%	6%
Provisions for impairment of loans and advances	+3%	(104)	(100)	+47%	(149)	(101)	+50%	(25)	(17)	+67%	(17)	(10)
Share of loss of associate	-33%	(1)	(2)	--	--	--	--	--	--	--	--	--
Profit before tax	+31%	264	202	-109%	(3)	41	+57%	20	13	-20%	20	25
<i>Contribution</i>		88%	72%		-1%	15%		7%	5%		6%	8%
Taxation	+89%	(41)	(21)	+28%	(9)	(7)	-26%	(3)	(4)	+39%	(5)	(4)
Non - controlling interests (loss/(profit))	-19%	4	4	--	--	--	-	(2)	(1)	--	0	0
Profit/(loss) after tax	+23%	227	185	-135%	(12)	34	+95%	15	8	-30%	15	21
<i>Contribution</i>		93%	74%		-5%	14%		6%	3%		6%	9%
Net interest margin (NIM)	+24 b.p.	2,34%	2,10%	+44 b.p.	2,62%	2,18%	+9 b.p.	5,81%	5,72%	-2 b.p.	2,57%	2,59%
Cost/Income Ratio	-5,4 p.p.	39,6%	45,0%	-0,4 p.p.	50,8%	51,2%	-9,4 b.p.	66,5%	75,9%	+3,0 p.p.	56,0%	53,0%
Return on equity (ROE)	+3,4 p.p.	25,5%	22,1%	-8,9 p.p.	-2,3%	6,6%	+5,6 p.p.	11,6%	6,0%	-5,2 p.p.	10,8%	16,0%

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

Table 8

Balance Sheet Overview				
In € mn	±%	30.09.2011	30.09.2010	31.12.2010
Cash and balances with central banks	+48%	1.674	1.132	2.242
Placements with banks and reverse repurchase agreements	-45%	3.224	5.904	5.385
Debt securities, Treasury bills and equity investments	-26%	4.220	5.727	5.346
Net loans and advances to customers	+4%	28.386	27.312	27.725
Other assets	+10%	2.067	1.884	1.940
Total assets	-6%	39.571	41.959	42.638
Amounts due to banks and repurchase agreements	-43%	3.211	5.617	4.620
Customer deposits	+1%	31.853	31.448	32.953
Debt securities in issue	-24%	65	85	84
Other liabilities	-4%	1.325	1.378	1.222
Subordinated loan stock	-87%	129	955	931
Non-controlling interests	-3%	87	90	91
Equity attributable to the owners of the Company	+22%	2.901	2.386	2.737

Notes:

- 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.
- The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2011, 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)
- The detailed presentation of the financial results for the nine months 2011 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)