

Announcement

Group Financial Results for the quarter ended 31 March 2011

First quarter 2011

- Adequate profitability
 - Profit before provisions €172 mn
 - Profit after tax €71 mn

 - Healthy liquidity with a loans to deposits ratio at 87%

 - Strong capital position
 - Issue of Convertible Enhanced Capital Securities raise pro forma total capital adequacy ratio and Tier 1 ratio as at 31 March 2011 to 12,3% and 11,9% respectively
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Nicosia, 23 May 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 608 branches, of which 220 operate in Russia, 185 in Greece, 143 in Cyprus, 31 in Ukraine, 12 in Romania, 12 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, Canada and South Africa. The Bank of Cyprus Group employs 12.892 staff worldwide.

At 31 March 2011, the Group's Total Assets amounted to €41,72 bn and the Shareholders' Funds were €2,93 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 by focusing on the targets set for the year 2011, is in a strong position to face the particularly negative environment in the main European markets in which it operates. In the first quarter of 2011 the Group achieved increasing recurring profitability and proceeded in further shielding the organisation with the issue of Convertible Enhanced Capital Securities (CECS) thereby proactively strengthening its capital base with capital eligible under Basel III requirements.

The Group's **total income** recorded an increase of 6% reaching €356 mn for the first quarter of 2011, demonstrating the Group's ability to achieve increasing recurring income even in adverse economic conditions. The Group's **profit before provisions** for the first quarter of 2011 reached €172 mn recording an annual increase of 4%. Despite the increase in profit before provisions, the higher charges for provisions and the higher tax charge due to the levy of a special tax in Cyprus on financial institutions based on their deposits, resulted in profit after tax of €71 mn compared to €81 mn in the first quarter of 2010.

At the same time, the Group enjoys strong capital adequacy (**Tier 1 ratio** 11,1%) and healthy liquidity (**loans to deposits ratio** 87%). The Group's capital adequacy was further strengthened with the issue of CECS. According to the Group's announcement dated 20 May 2011 the Bank proceeded with the issue of €890 mn CECS. As a result, the pro-forma capital ratio and tier 1 ratio as at 31 March 2011 reached 12,3% and 11,9% respectively. The issue of CECS is considered satisfactory given the adverse economic conditions in the money markets and shields the Group in a difficult economic environment.

Loan quality remains at adequate levels (**non-performing loans ratio** of 7,6%) despite its deterioration given the adverse economic conditions.

The performance in the first quarter of 2011 and the solid balance sheet footings reaffirm the effectiveness of the Group's chosen business model which enables the Group to continue its business expansion and face the challenges of the negative economic environment.

The main financial highlights for the first quarter of 2011 are set out in the table below:

Table 1

€ mn	Change	1Q2011	1Q2010	Year 2010
Profit before provisions	+4%	172	165	725
Profit before tax	+2%	93	91	348
Profit after tax	-13%	71	81	306
Earnings per share	-3,6 cent	8,0 cent	11,6 cent	40,5 cent

Return on Equity	-3,1 p.p.*	10,2%	13,3%	11,9%
Cost / Income	+0,8 p.p.*	51,8%	51,0%	50,0%
Non - performing loans ratio	+1,6 p.p *	7,6%	6,0%	7,3%

Total Loans (€ bn)	+7%	29,1	27,2	28,9
Total Deposits (€ bn)	+10%	32,2	29,2	33,0
Loans to Deposits ratio ¹	-3,2 p.p.*	86,7%	89,9%	84,1%

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

¹ Net loans to deposits

- **Significant increase in total income:** The Group's total income for the first quarter of 2011 recorded an annual increase of 6% reaching €356 mn, demonstrating the Group's ability to achieve increased recurring income even in adverse economic conditions.
- **Significant increase in profit before provisions:** Profit before provisions for the first quarter of 2011 reached €172 mn recording an increase of 4% compared to the first quarter of 2010 (€165 mn).
- **Improvement of interest margin:** The Group's net interest margin reached 2,77% for the first quarter of 2011 noting an increase of 17 basis points compared to 2,60% for the first quarter of 2010 and 2,72% (+5 basis points) for the fourth quarter of 2010.
- **Profit after tax reached €71 mn** for the first quarter of 2011, with positive contribution to profit from all the markets in which the Group operates. The profit after tax was affected by the higher charges for provisions and the higher tax due to the levy of a special tax in Cyprus on financial institutions based on their deposits. It is noted that the first quarter of 2010 included higher profits from the sale of bonds of €18 mn.
- **Healthy liquidity position:** Loans to deposits ratio of 86,7%.
- **High return on equity:** The return on equity (10,2%) was maintained at relatively high levels in a particularly challenging macro environment.
- **Solid capital position:** The capital adequacy ratio reached 11,6% at 31 March 2011 with the tier 1 ratio and the core tier 1 ratio reaching 11,1% and 8,2% respectively. The pro-forma capital adequacy ratio and tier 1 ratio at 31 March 2011 including the issue of CECS amount to 12,3% and 11,9% respectively.
- **Significant volume growth:** At 31 March 2011 Group loans and deposits recorded annual increases of 7% and 10% respectively.
- **Effective credit risk management:** The non-performing loans ratio reached 7,6% at 31 March 2011 compared to 7,3% at 31 December 2010 with the provisions coverage ratio (provisions as % of non-performing loans) remaining at 55%. The coverage ratio including tangible collateral amounted to 116%.

B. Prospects

The Group continues its business expansion and remains strong despite the continued negative environment in the main European markets in which it operates. The consistency, flexibility, prudent risk management, healthy liquidity and strong capital position ensure that the Group will be able to achieve future targets and take advantage of future challenges.

The **strategic priorities of the Group for the year 2011** focus on maintaining its healthy liquidity position and strong capital adequacy, on achieving satisfactory profitability with improved efficiency and cost containment, and on effectively managing risks. In addition, the Group aims to further enhance its presence in the new markets in which it operates, which have strong growth potential, thereby creating long term diversification of income, profitability and risks.

Based on the results of the first quarter of 2011 and the performance to date, the Group expects that for the financial year 2011 it will achieve satisfactory profitability in line with its stated targets which have already been communicated. In particular, the Group expects that the profit before provisions and the profit before tax for 2011 will be higher relative to 2010, while the profit after tax for 2011 is estimated to be at around similar levels as 2010, with a positive contribution from all the markets in which the Group operates. Regarding the operations in Russia, the Group expects the consistent business expansion and improvement in profitability to continue, resulting in a higher contribution to Group profitability.

C. Analysis of Results for the first quarter of 2011

C.1 Geographical analysis of profitability

The **Group** achieved satisfactory profitability for the first quarter of 2011, with increased recurring income and positive contribution to profit from all the markets in which it operates. **Profit before provisions** for the first quarter of 2011 reached €172 mn, recording a year on year increase of 4% compared to the first quarter of 2010.

Despite the satisfactory increase in pre-provision profitability, the Group's conservative policy concerning provisions and the higher tax due to the levy of a special tax in Cyprus on financial institutions based on their deposits, which reached approximately €5 mn, resulted in profit after tax of €71 mn compared to €81 mn in the first quarter of 2010. We note that the first quarter of 2010 had higher profits from the sale of bonds of €18 mn (Cyprus €11 mn and Greece €7 mn).

In **Cyprus**, profit before provisions for the first quarter of 2011 reached €102 mn which is an increase of 7% compared to the first quarter of 2010, while the profit after tax reached €60 mn. In **Greece**, profit before provisions for the first quarter of 2011 reached €45 mn compared to the first quarter of 2010 of €52 mn. Profit after tax reached €1 mn compared to €10 mn in the first quarter of 2010.

In **Russia**, profit before provisions for the first quarter of 2011 reached €12 mn compared to €5 mn in the first quarter of 2010 while profit after tax for the first quarter of 2011 reached €4 mn compared to €1 mn in the first quarter of 2010.

Profit after tax for **other countries** (Australia, United Kingdom, Ukraine and Romania) reached €6 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 first quarter of 2011. **Net interest income** for the first quarter of 2011 reached €276 mn, recording a significant annual increase of 14% compared to the first quarter of 2010 and an increase of 1% compared to the fourth quarter of 2010, demonstrating the Group's ability to achieve increased recurring income despite continuing competition and the adverse economic environment.

Net interest income recorded an increase compared to the first quarter of 2010 in all the countries where the Group operates. In Cyprus net interest income reached €139 mn the first quarter 2011, increasing by 16% compared to the first quarter 2010, while in Greece net interest income improved to €79 mn recording an increase of 3% compared to the first quarter of 2010. In Russia net interest income reached €34 mn versus €24 mn for the first quarter of 2011 noting an increase of 43% and in the other countries net interest income reached €24 mn for the first quarter of 2011 noting an increase of 14% compared to the first quarter of 2010.

The **net interest margin** of the Group continued to rise in the first quarter of 2011 and reached 2,77% compared to 2,60% for the first quarter of 2010 and 2,72% for the fourth quarter of 2010.

The net interest margin in Cyprus improved further and reached 2,19% for the first quarter 2011, compared to 2,10% for the first quarter 2010 and 2,13% for the fourth quarter 2010.

The net interest margin in Greece improved significantly to 2,56% for the first quarter 2011 versus 2,14% for the first quarter 2010 and 2,39% for the fourth quarter 2010.

The net interest margin in Russia reached 6,19% in the first quarter 2011 (compared to 5,05% for the first quarter 2010 and 6,31% for the fourth quarter 2010), while the net interest margin for other countries for the first quarter 2011 reached 2,63%, compared to 2,64% in the first quarter 2010 and 2,53% for the fourth quarter 2010.

C.3 Income from fees and commissions, foreign exchange income and net gains from financial instruments

Net fee and commission income amounted to €56 mn for first quarter of 2011 compared to €52 mn for the first quarter of 2010 which is an increase of 7%.

Foreign exchange income and net gains from financial instruments for the first quarter of 2011 amounted to €5 mn versus €27 mn for the first quarter of 2010. We note that the first quarter of 2010 included €18mn higher gains from the sale of bonds.

C.4 Expenses

Total expenses for the first quarter of 2011 amounted to €184 mn, recording a year on year increase of 7% compared to €173 mn for the first quarter of 2010 with the **cost to income ratio** at 51,8% (51,0% for the first quarter of 2010). The increase in the expenses is mainly due to the expansion of the retail network in Greece, Ukraine and the other countries and the upgrade of the Group's IT systems.

Employee costs amounted to €115 mn recording an increase of 7% compared to the first quarter of 2010 while other operating expenses (excluding employee costs) amounted to €69 mn recording an increase of 7% compared to the first quarter of 2010.

Despite the higher expenses, the **cost to income ratio** for the first quarter of 2011 in Cyprus and in Greece remained at adequate levels at 45,6% and 53,4% respectively (45,7% and 48,9% for the first quarter of 2010).

D. Credit Risk Management

The quality of the Group's loan portfolio remains at adequate levels taking into consideration the continuing economic crisis. At 31 March 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 7,6%, compared to 7,3% at 31 December 2010 recording an increase of 30 basis points.

At 31 March 2011, the relevant ratio for Cyprus was 7,2% (31 December 2010: 7,0%) and for Greece was 8,8% (31 December 2010: 8,3%).

The Group, taking into consideration the macro-economic environment and the deterioration of its loan portfolio, maintained the high charge for impairment of loans, which reached 1,09% of total loans on an annual basis (first quarter 2010: 1,09%).

Due to increased provisions, the provision coverage ratio (provisions/NPLs) was 55% at 31 March 2011. The remaining balance of NPLs is fully covered by tangible collateral. The coverage ratio including tangible collateral amounted to 116%.

E. Balance Sheet Analysis

E.1 Group Loans

At 31 March 2011 Group loans amounted to €29,14 bn recording an annual increase of 7% compared to the first quarter of 2010 and 1% compared to 31 December 2010.

Table 2

Analysis of Loans by Geographic Sector at 31.03.2011			
	€ mn	annual +%	Contribution
Cyprus	14.151	8%	49%
Greece	10.167	3%	35%
Russia	1.915	18%	7%
Other countries	2.910	10%	9%
Group	29.143	7%	100%

E.1.1 Loans by Customer Sector

The breakdown of the loan portfolio by customer sector for the Group and for the two main markets in which the Group operates, Cyprus and Greece, is shown in the table below:

Table 3

Analysis of Loans by Customer Sector						
	Group		Cyprus		Greece	
	€ mn	% Portfolio	€ mn	% portfolio	€ mn	% portfolio
Corporate ²	12.134	42%	6.567	46%	3.298	32%
Small and Medium-sized Enterprises (SMEs) ²	7.733	27%	2.408	17%	3.701	36%
Retail						
o Housing	5.571	19%	3.467	25%	1.747	17%
o Other	3.705	12%	1.709	12%	1.421	15%
Total	29.143	100%	14.151	100%	10.167	100%

E.2 Group Deposits

The Group's total deposits at 31 March 2011 reached €32,19 bn recording an annual increase of 10% compared to the first quarter of 2010 (a decline of 2% compared to 31 December 2010).

The Group's healthy liquidity position, with a loans to deposits ratio of 87% and its minimal reliance on wholesale funding (deposits to total assets ratio of 77% at 31 March 2011) provide a strong competitive advantage given the adverse conditions prevailing in the international money markets and the intense competition on deposits in the main markets in which the Group operates.

² Corporate clients are enterprises that have total loans above €4 mn and turnover of above €2 mn for Cyprus and turnover of above €30 mn for Greece

SMEs are enterprises that have total loans less than €4 mn and turnover less than €2 mn for Cyprus and turnover less than €30 mn or total loans less than €10 mn for Greece

Table 4

Analysis of Deposits by Geographic Sector at 31.03.2011				
	€ mn	annual +/-%	Contribution	Loans to Deposits ratio ³
Cyprus	19.096	+24%	59%	71%
Greece	9.538	-10%	30%	102%
Russia	1.224	+8%	4%	148%
Other countries	2.336	+15%	7%	122%
Group	32.194	+10%	100%	87%

E.3 Capital Base

At 31 March 2011, the Group's shareholder funds amounted to €2,93 bn. The Group's total capital adequacy ratio based on Basel II requirements reached 11,6% with the core tier 1 ratio at 8,2% and the tier 1 ratio at 11,1%.

The Group's capital adequacy was further strengthened with the issue of Convertible Enhanced Capital Securities (CECS). According to the Group's announcement dated 20 May 2011 the Bank proceeded with the issue of €890 mn CECS. As a result, the pro-forma capital ratio and tier 1 ratio as at 31 March 2011 reached 12,3% and 11,9% respectively. The issue of CECS is considered satisfactory given the adverse economic conditions strengthening the Group in difficult economic conditions in the money markets and shields the Group in a difficult economic environment.

³ Net loans to deposits

Table 5
Analysis of Group Results and Other Financial Information

€ mn	1Q11	1Q10	Annual Change ±%	4Q10	Quarterly change ±%	Year 2010
Net interest income	276	242	+14%	273	+1%	1.041
Net fee and commission income	56	52	+7%	61	-8%	231
Foreign exchange income and net gains from financial instruments	5	27	-80%	55	-90%	110
Insurance income net of insurance claims	17	15	+12%	14	+23%	59
Other income	2	2	+43%	4	-37%	9
Total income	356	338	+6%	407	-12%	1.450
Personnel expenses	115	108	+7%	107	+7%	430
Other operating expenses	69	65	+7%	87	-25%	295
Total expenses	184	173	+7%	194	-5%	725
Profit before provisions	172	165	+4%	213	-19%	725
Provisions for impairment of loans and advances	79	73	+7%	145	-46%	375
Share of (loss)/profit of associates	0	(1)	-92%	0	-	(2)
Profit before tax	93	91	+2%	68	+38%	348
Taxation	21	12	+79%	9	+135%	46
Non - controlling interests (loss/(profit))	(1)	2	-123%	(1)	+66%	4
Profit after tax	71	81	-13%	58	+22%	306
Number of staff	11.892	12.127	-235	12.009	-117	12.009
Number of branches	608	566	+42	595	+13	595
Net interest margin (NIM)	2,77%	2,60%	+17 b.p.*	2,72%	+5 b.p.*	2,66%
Cost/Income ratio	51,8%	51,0%	+0,8 p.p.*	47,5%	+4,3 p.p.*	50,0%
Return on equity (ROE)	10,2%	13,3%	-3,1 p.p.*	9,1%	+1,1 p.p.*	11,9%

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

Table 6

Geographical Sector Analysis of Results and Other Financial Information												
€ mn	Cyprus			Greece			Russia			Other countries		
	±%	1Q11	1Q10	±%	1Q11	1Q10	±%	1Q11	1Q10	±%	1Q11	1Q10
Net interest income	+16%	139	120	+3%	79	77	+43%	34	24	+14%	24	21
Net fee and commission income	+8%	33	31	-	12	11	+8%	8	7	+29%	3	2
Foreign exchange income and net gains from financial instruments	-90%	1	14	-73%	2	11	-26%	1	2	-6%	1	1
Insurance income net of insurance claims	+14%	14	12	+4%	3	3	-	-	-	-	-	-
Other income	-	1	0	+272%	1	0	-60%	0	1	-	-	-
Total income	+7%	188	177	-5%	97	102	+28%	43	34	+12%	28	24
Personnel expenses	+7%	60	56	+0%	30	30	+10%	17	16	+26%	8	6
Other operating expenses	+4%	26	25	+8%	22	20	+6%	14	13	+19%	7	6
Total expenses	+6%	86	81	+4%	52	50	+8%	31	29	+23%	15	12
Profit before provisions	+7%	102	96	-14%	45	52	+141%	12	5	+20%	13	12
<i>Contribution</i>		60%	58%		26%	32%		7%	3%		7%	7%
Provisions for impairment of loans and advances	-1%	29	29	+2%	38	38	+94%	6	3	+49%	6	3
Share of (loss)/profit of associates	-92%	0	(1)	-	-	-	-	-	-	-	-	-
Profit before tax	+11%	73	66	-54%	7	14	+231%	6	2	-17%	7	9
<i>Contribution</i>		79%	72%		7%	16%		6%	2%		8%	10%
Taxation	+150%	13	5	+25%	6	4	-34%	1	1	+103%	1	1
Non - controlling interests (loss/(profit))	-102%	0	1	-	(0)	(0)	-	(1)	(0)	-67%	(0)	(0)
Profit after tax	-3%	60	62	-89%	1	10	+360%	4	1	-29%	6	8
<i>Contribution</i>		84%	77%		2%	12%		6%	1%		8%	10%
Number of staff	+6	3.538	3.532	-7	3.127	3.134	-279	4.238	4.517	+45	989	944
Number of branches	-	143	143	+18	185	167	+9	220	211	+15	60	45
Net interest margin (NIM)	+9 b.p.*	2,19%	2,10%	+42 b.p.*	2,56%	2,14%	+1,14 p.p.*	6,19%	5,05%	-1 b.p.*	2,63%	2,64%
Cost/Income Ratio	-0,1 p.p.*	45,6%	45,7%	+4,5 p.p.*	53,4%	48,9%	-12,9 p.p.*	72,5%	85,4%	+4,8 p.p.*	55,2%	50,4%
Return on equity (ROE)	-1,6 p.p.*	20,5%	22,1%	-5,1 p.p.*	0,6%	5,7%	-1,9 p.p.*	9,7%	11,6%	-7,4 p.p.*	12,0%	19,5%

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

Table 7

Balance Sheet Overview				
In € mn	±%	31.03.2011	31.03.2010	31.12.2010
Cash and balances with central banks	+6%	971	913	2.242
Placements with banks and reverse repurchase agreements	+9%	5.340	4.919	5.385
Debt securities, Treasury bills and equity investments	-3%	5.542	5.719	5.346
Net loans and advances to customers	+6%	27.926	26.266	27.725
Other assets	+1%	1.937	1.912	1.940
Total assets	+5%	41.716	39.729	42.638
Amounts due to banks and repurchase agreements	-19%	4.281	5.300	4.620
Customer deposits	+10%	32.194	29.203	32.953
Debt securities in issue	-86%	70	524	84
Other liabilities	+9%	1.298	1.193	1.222
Subordinated loan stock	-2%	940	956	931
Non-controlling interests	+43%	92	64	91
Equity attributable to the owners of the Company	+14%	2.841	2.489	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 Group's Interim Condensed Financial Statements for the quarter ended 31 March 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 quarter ended 31 March 2011 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)