

# Bank of Cyprus Group

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Financial Results 1Q 2011 – Highlights

Income Statement and Balance Sheet Review

Performance by Geographic Market

Strategic Priorities and 2011 Target

Appendices

## Financial Results 1Q 2011

23 May 2011

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**Financial Results 1Q 2011 – Highlights**

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# **Financial Results 1Q 2011 - Highlights**

# 1Q11 Financial Highlights

1Q11 results reaffirm the resilience of the Group's business model, which with solid execution allows the Group to achieve increasing recurring profitability, maintain a healthy balance sheet and a strong capital base

## Increasing recurring profitability

- 1Q11 Net Interest Income €276m (+14% yoy)
- 1Q11 Profit before provisions €172m (+4% yoy)
- 1Q11 Profit after tax €71m (-13% yoy)
- Profitable in all markets

## Healthy liquidity

- Group loans to deposits ratio at 87% (peers\*\* at 117%)
- Primarily deposit funded (77% of assets funded by customer deposits versus 55% for peers\*\*)
- Liquid assets of €11,7bn\* (28% of total assets)

## Solid capital position

- Tier 1 ratio at 11,1% and Core Tier 1 ratio at 8,2%
- Pro-forma total capital adequacy ratio and Tier 1 ratio at 12,3% and 11,9% at 31 March 2011 taking into account the issue of Convertible Enhanced Capital Securities

\*€1,3bn are pledged as collateral for repo transactions

\*\* Weighted average of major Greek and Cypriot banks using 31 December 2010 data

# 1Q11 Financial Highlights

## Asset quality

- NPLs ratio at 7,6%
- NPLs provisioning coverage at 55%
- NPLs coverage at 116% taking into account tangible collateral

## Business expansion

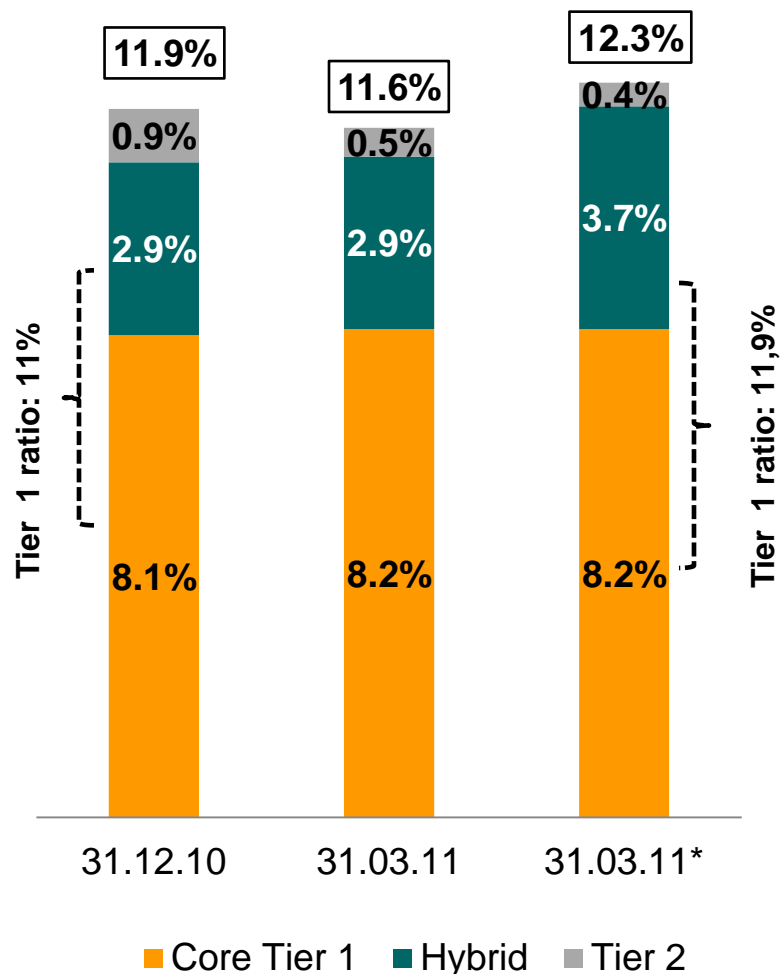
- Deposit growth at 10% yoy benefiting from higher credit ratings than peers and leading position in the IBU market in Cyprus
- Lending growth at +7% yoy, with high liquidity allowing selective expansion at attractive pricing

## Key performance indicators

- Return on equity at 10,2%
- Cost to income ratio at 51,8%
- 1Q11 Net Interest Margin at 2,77%; 17bps higher than 1Q10 and 5bps higher than 4Q10

# Strengthening of capital position

## Capital adequacy ratios



- **Convertible Enhanced Capital Securities (CECS)**
  - Applications of €90 mn
  - €96mn exchanged from eligible securities
  - Issue date May 18
- **Capital position strengthened with CECS issue**
  - 11,9%\* pro-forma Tier 1 ratio
  - 12,3%\* pro-forma Total capital ratio

(€mn)	31.12.10	31.3.11	31.3.11*
Shareholder's equity	2.737	2.841	2.841
Core Tier I capital	2.134	2.160	2.160
Hybrid capital (Tier I)	752	765	983
Tier I capital	2.886	2.925	3.143
Tier II capital**	243	126	102
Total regulatory capital	3.129	3.051	3.245
Risk weighted assets	26.277	26.388	26.388

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# **Income Statement and Balance Sheet Review**

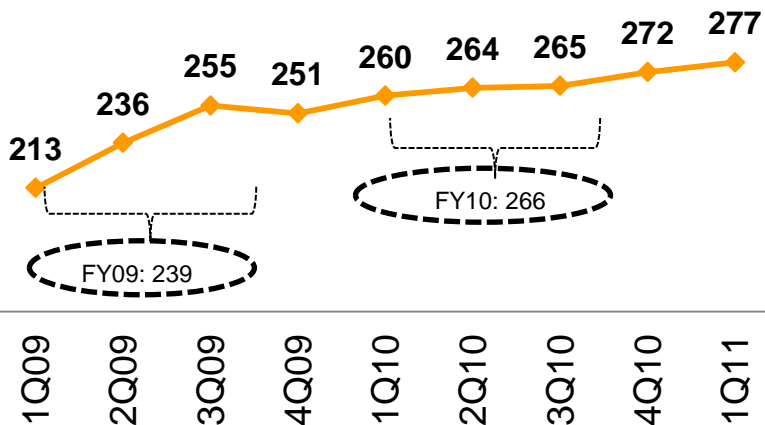


# Profit and Loss Highlights

(€mn)	1Q11	1Q10	1Q11 versus 1Q10 %	4Q10	1Q11 versus 4Q10 %
Net interest income	276	242	+14%	273	+1%
Net fee & commission income	56	52	+7%	61	-8%
Foreign exchange income and net gains from financial instruments	5	27	-80%	55	-90%
Insurance income net of insurance claims	17	15	+12%	14	+23%
Other income	2	2	+43%	4	-37%
<b>Total income</b>	<b>356</b>	<b>338</b>	<b>+6%</b>	<b>407</b>	<b>-12%</b>
<b>Total expenses</b>	<b>184</b>	<b>173</b>	<b>+7%</b>	<b>194</b>	<b>-5%</b>
Profit before provisions	172	165	+4%	213	-19%
Provisions	79	73	+7%	145	-46%
Share of (loss)/profit of associates	0	(1)		0	
<b>Profit before tax</b>	<b>93</b>	<b>91</b>	<b>+2%</b>	<b>68</b>	<b>+38%</b>
Taxation	21	12	+79%	9	+135%
Non-controlling interest loss/(profit)	(1)	(2)		(1)	
<b>Profit after tax</b>	<b>71</b>	<b>81</b>	<b>-13%</b>	<b>58</b>	<b>+22%</b>
Cost to Income Ratio	51,8%	51,0%	+0,8 p.p.	47,5%	+4,3 p.p.
Return on Equity	10,2%	13,3%	-3,1 p.p.	9,1%	+1,1 p.p.

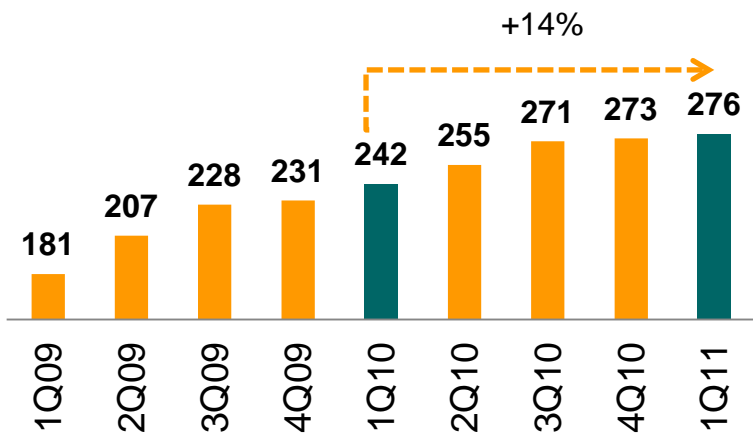
# Higher Interest Margins and Increasing Net Interest Income

Group Net Interest Margin (bp)

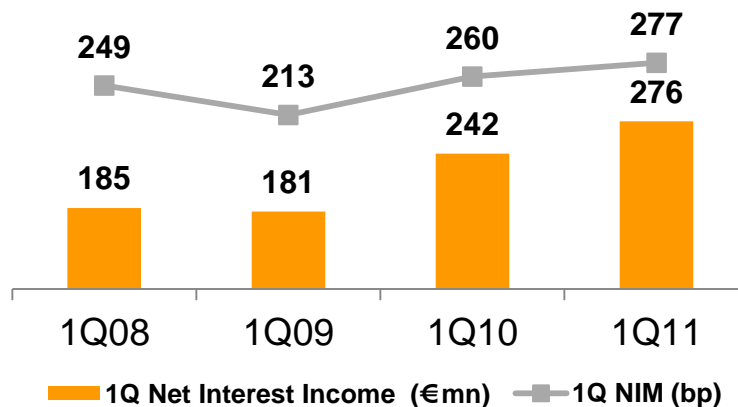


- 1Q11 Group NIM at 2,77%, an increase of 17 basis points compared to 1Q10 (2,60%)
- 1Q11 Net Interest Income at €276 mn (+14% yoy and +1% qoq)

Quarterly Net Interest Income (€mn)

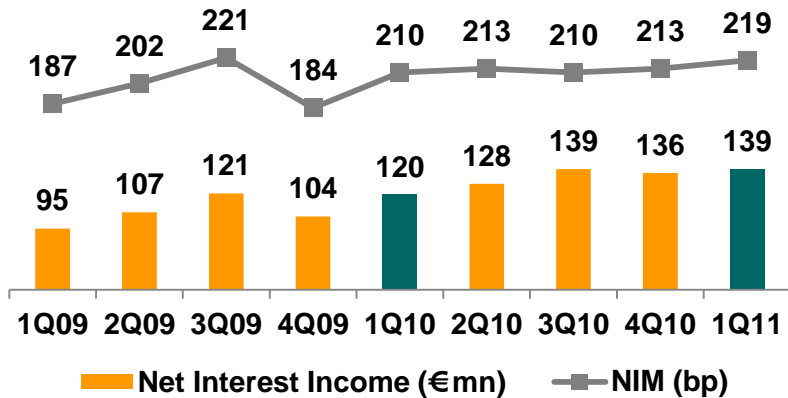


1Q Net Interest Income and NIM



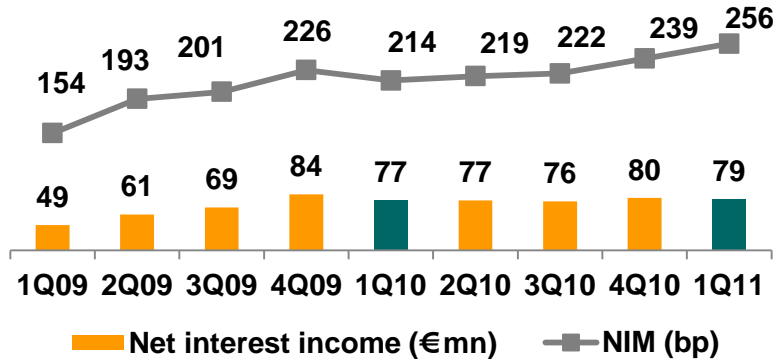
# Solid Net Interest Income and Net Interest Margin trends in main markets

**Net Interest Income and NIM - Cyprus**

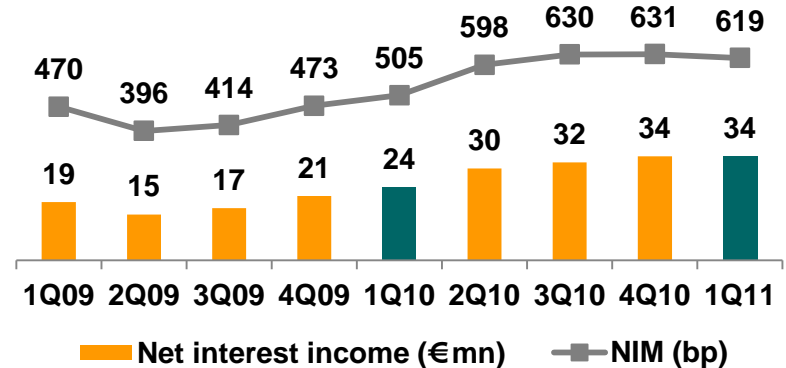


- High exposure to resilient Cyprus operations – 1Q11 Net Interest Income +16% yoy
- Liquid operations in Greece allow selective expansion – 1Q11 Net Interest Income +3% yoy
- High margin Russian operations – 1Q11 Net Interest Income +43%

**Net Interest Income and NIM - Greece**

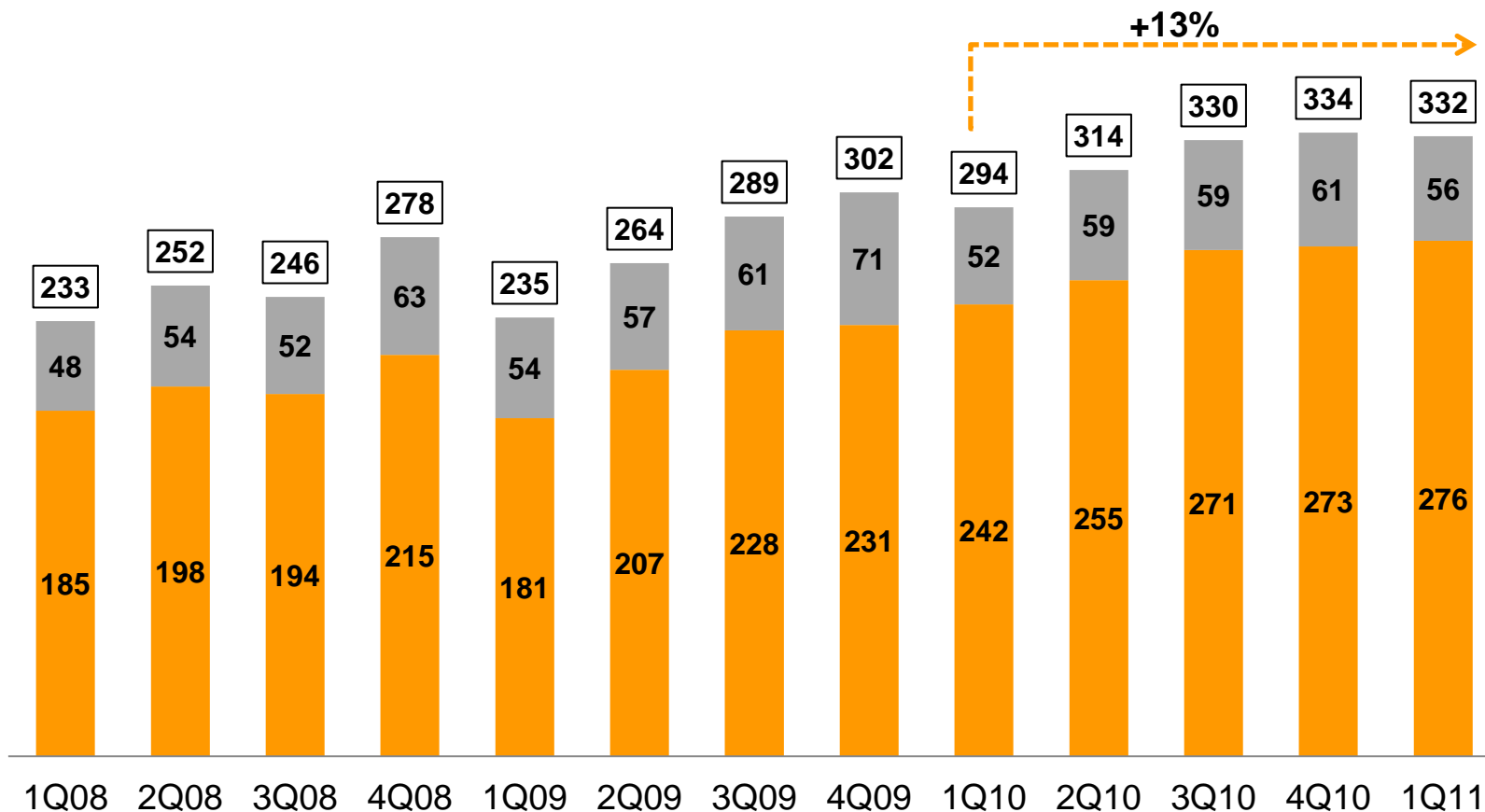


**Net Interest Income and NIM - Russia**



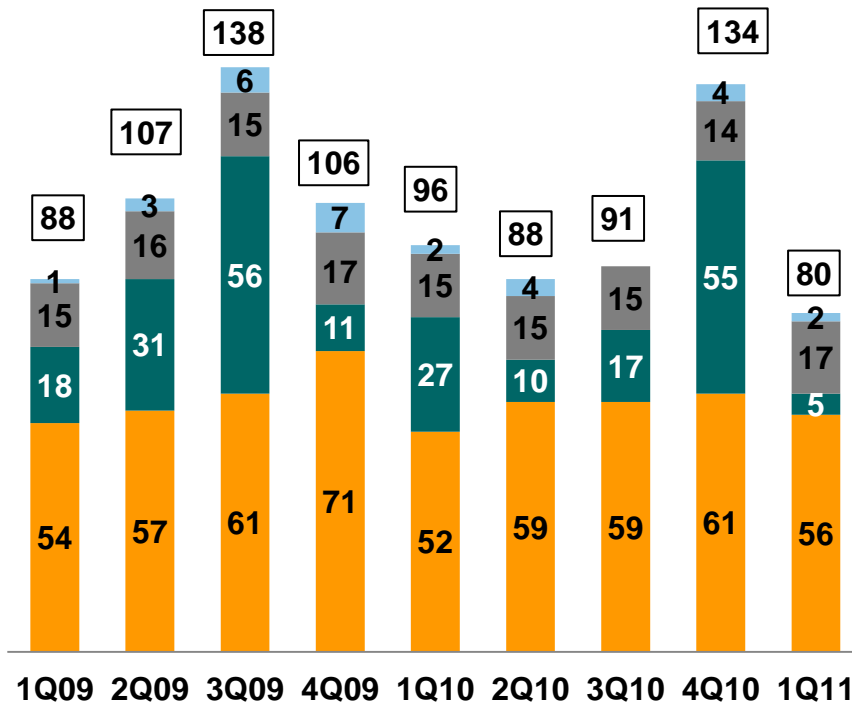
# Increasing recurring income

■ Net interest income (€mn)    ■ Fee and commission income (€mn)

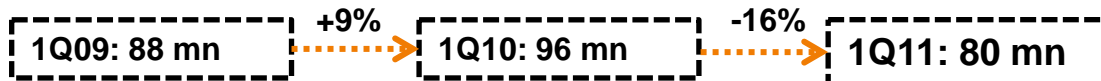


# Analysis of Non interest income

- Other income
- Insurance income
- FX income and Net gains from financial instruments
- Fee and commission income

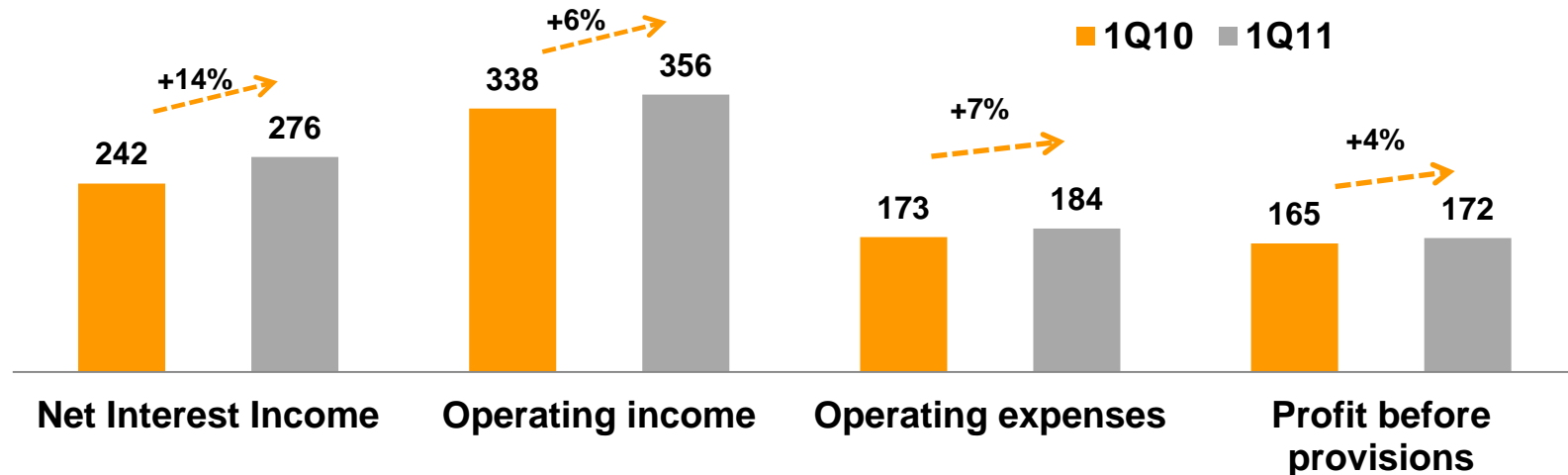


- Fee and commission income
  - Gradually picking up during 2011 in line with increased business growth and activity
- FX income lower in 1Q11 (-€4 mn in 1Q11, compared to €8 mn in 1Q10)
- Gains from financial instruments lower in 1Q11 (€9 mn in 1Q11, compared to €19 mn in 1Q10)



# Increased Pre-provision Profitability and High Efficiency

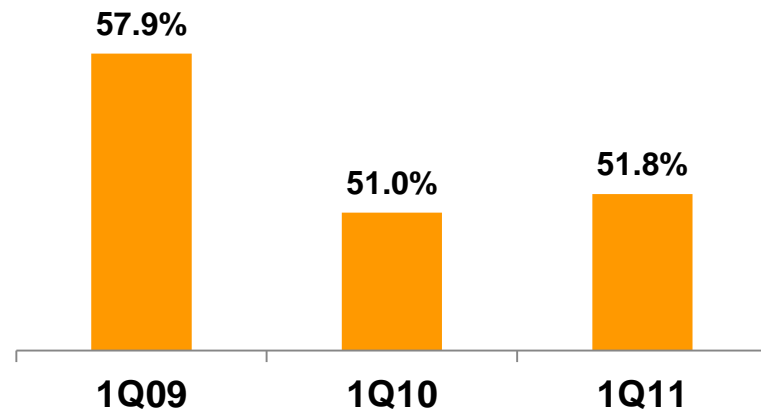
## Profit & Loss highlights (€ mn)



- Higher recurring income and contained cost growth lead to increased pre-provision profitability

- 1Q11 Pre-provision income at €172 mn (+4% yoy)
- 1Q11 Cost-to-income ratio at 51,8% compared to 57,9% in 1Q09

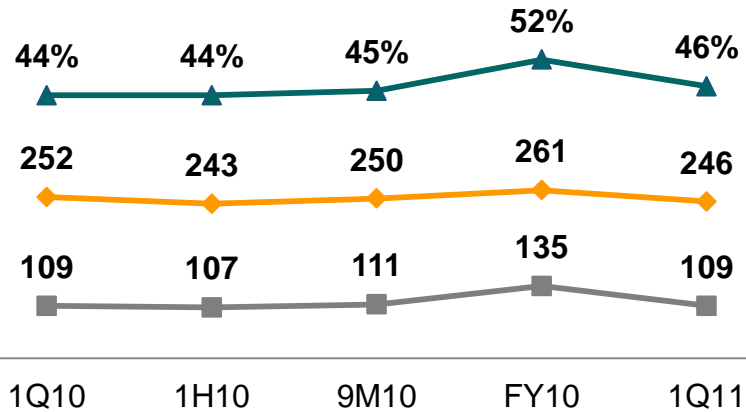
## Cost to Income ratio (%)



# High Ability to Manage Through Credit Cycle Due to Increased Pre-provision Profit Margin

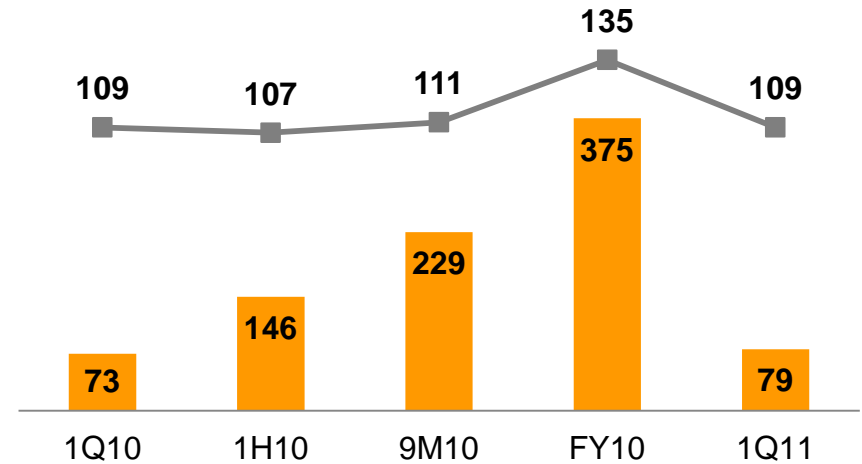
Group

Pre-provision profit margin



- Provision charge/Avg Gross Loans (bp)
- ◆ Profit before provisions/Net Loans (bp)
- ▲ Provisions % Pre-provision profit

Provision charge



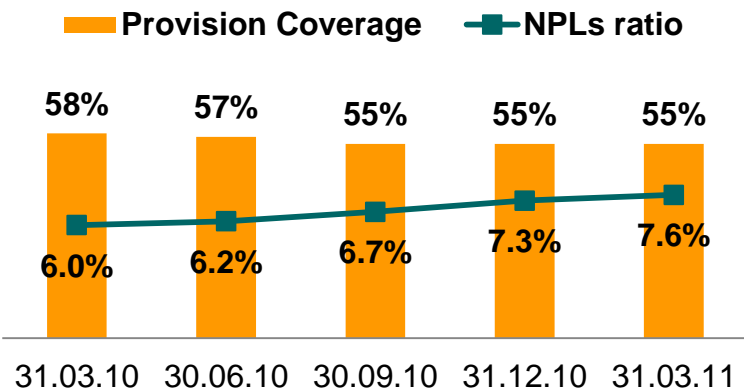
- Provision charge (€ mn)
- Charge/Avg Gross Loans (bp)

- Capacity to absorb provisions remains high
- Pre-provision profit margin at 246 basis points or 2,3 times higher than provision charge for 1Q11

- Credit costs remain high due to challenging credit conditions
  - 1Q11 provision charge of €79 mn (+7% yoy)
  - 1Q11 credit costs 109 basis points, similar to 1Q10

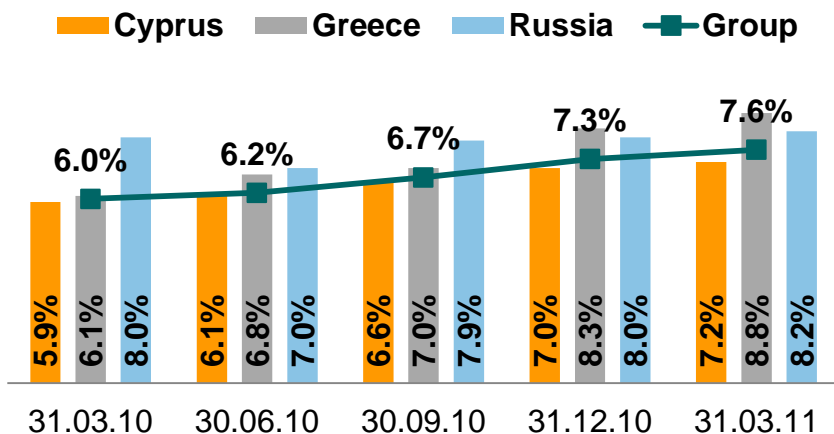
# Adequate loan quality

## Group NPLs ratio and Provision coverage

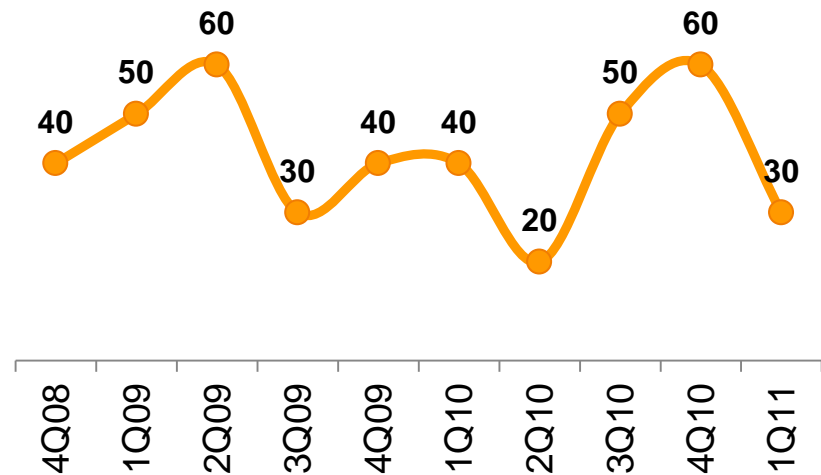


- Adequate loan quality
  - Group NPLs ratio at 7,6%, up by 30 basis points in 1Q11
- Adequate provision coverage at 55%
- NPLs coverage increases to 116% taking into account tangible collateral

## NPLs ratio in main markets



## Quarterly increase of NPLs ratio (bps)



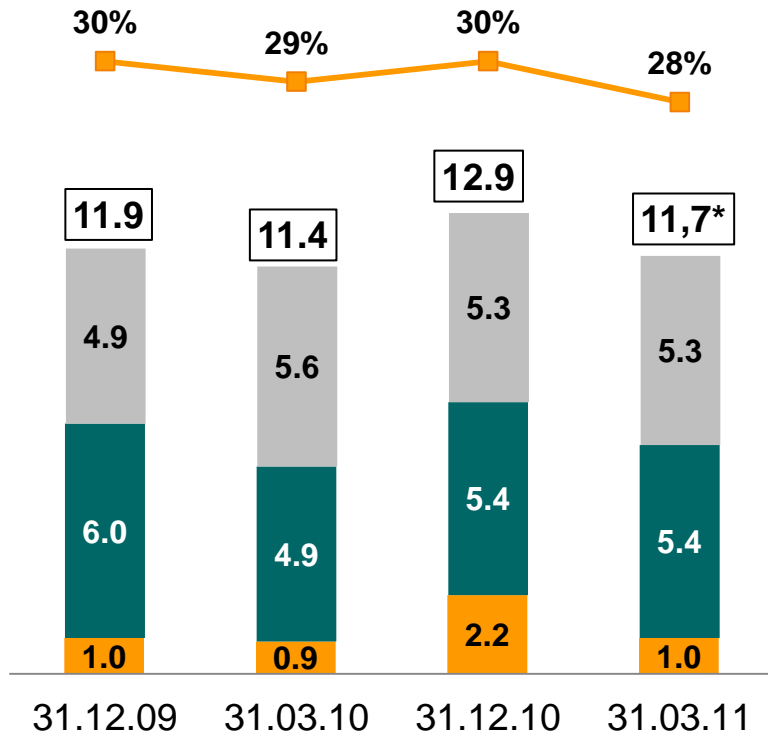


# Balance Sheet Overview

€mn	% yoy	31.03.11	31.03.10
Cash and balances with central banks	+6%	971	913
Placements with banks and reverse repurchase agreements	+9%	5.340	4.919
Debt securities, Treasury bills and equity investments	-3%	5.542	5.719
Net loans and advances to customers	+6%	27.926	26.266
Other assets	+1%	1.937	1.912
<b>Total assets</b>	<b>+5%</b>	<b>41.716</b>	<b>39.729</b>
Amounts due to banks and repurchase agreements	-19%	4.281	5.300
Customer deposits	+10%	32.194	29.203
Debt securities in issue	-86%	70	524
Other liabilities	+9%	1.298	1.193
Subordinated loan stock	-2%	940	956
Non-controlling interests	+43%	92	64
<b>Shareholders' equity</b>	<b>+14%</b>	<b>2.841</b>	<b>2.489</b>

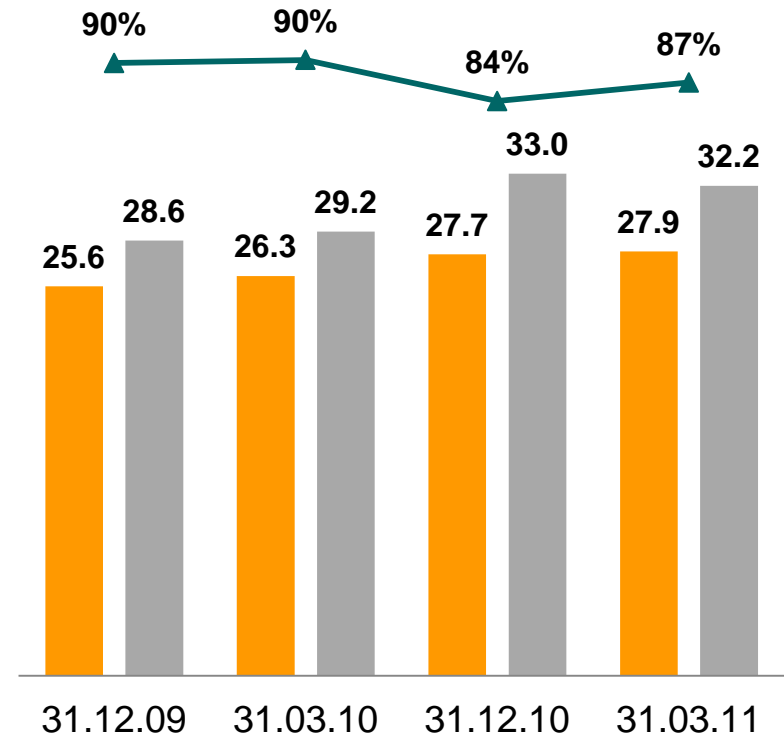
# Solid Balance Sheet Structure: Healthy Liquidity and Balanced Business Expansion

Liquid Assets \* (€bn)



- Debt Securities, T-Bills
- Bank Placements
- Cash/Central Bank
- Liquid Assets % Total Assets

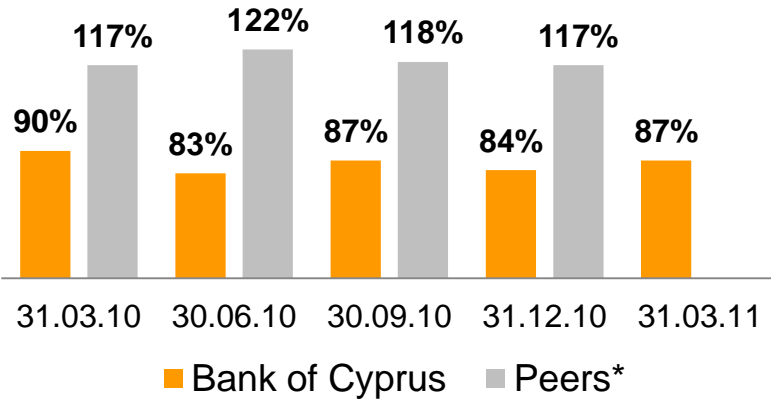
Balanced business expansion



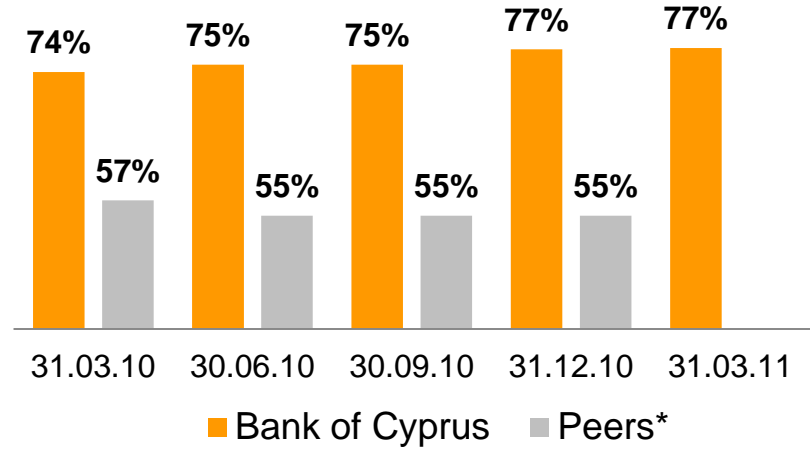
- Net Loans (€bn)
- Customer Deposits (€bn)
- ▲ Net Loans % Customer Deposits

# Solid Funding Structure: Strong Deposit Franchise and Limited Dependence on Wholesale Funding

Net Loans % Customer deposits

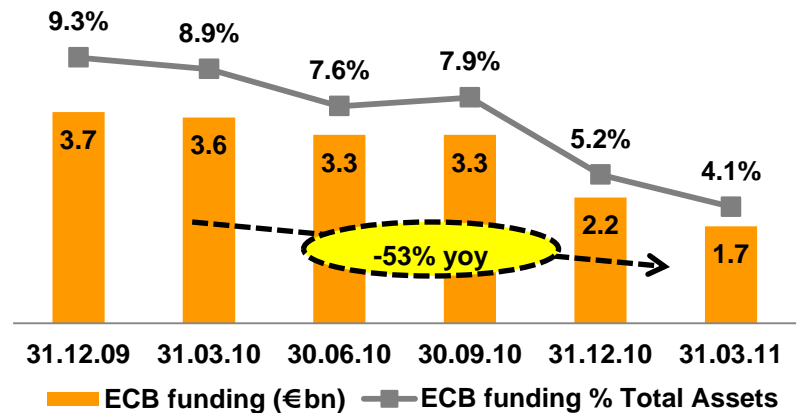


Customer deposits % Total Assets



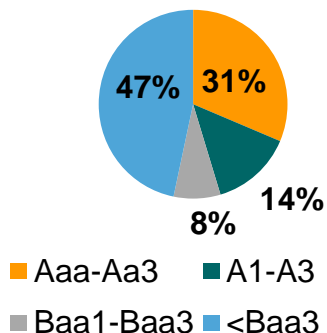
- **Healthy liquidity; one of the best loans/deposits ratios in Europe at 87%**
  - **Cyprus L/D ratio 71%, Greece L/D ratio 102%**
- **Primarily deposit funded: 77% of assets funded by customer deposits**
- **Limited reliance on wholesale funding and minimal refinancing maturities: €200 mn repaid in May 2011 and only €24 mn due in 2012 (Capital Securities)**
- **ECB funding reduced by 53% yoy**

ECB Funding

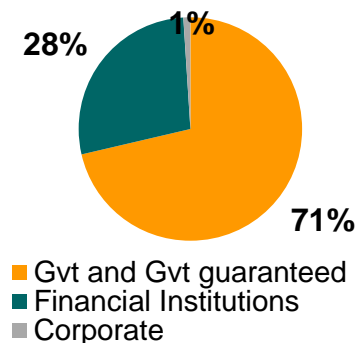


# Securities Portfolio

Portfolio by rating



Portfolio by issuer

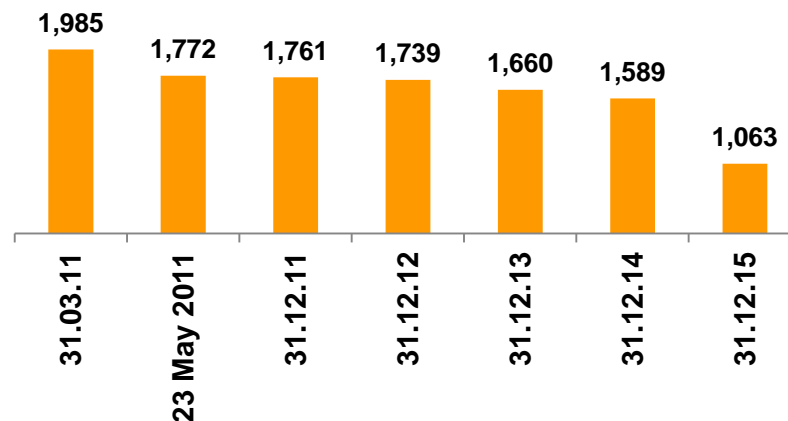


- Average life of securities portfolio is 6,3 years
- Average rating of securities portfolio is Baa2; excluding GGBs, the average rating is A1
- Average life of GGBs is 10 years with about 45% maturing by end-2015
- GGBs book value to nominal at 87% at 31 March

GGBs portfolio – 31 March 2011

	Classification €mn	Classification (%)
AFS	298	15%
HTM	308	15%
L&R	1.380	70%
Total	1.985	100%

GGBs remaining balances (€mn)



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**Financial Results 1Q 2011 – Highlights**

**Income Statement and Balance Sheet Review**

**Performance by Geographic Market**

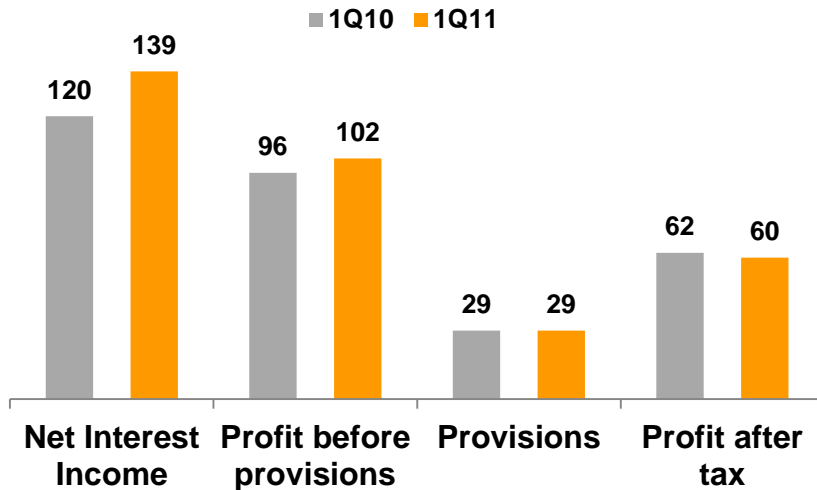
**Strategic Priorities and 2011 Target**

**Appendices**

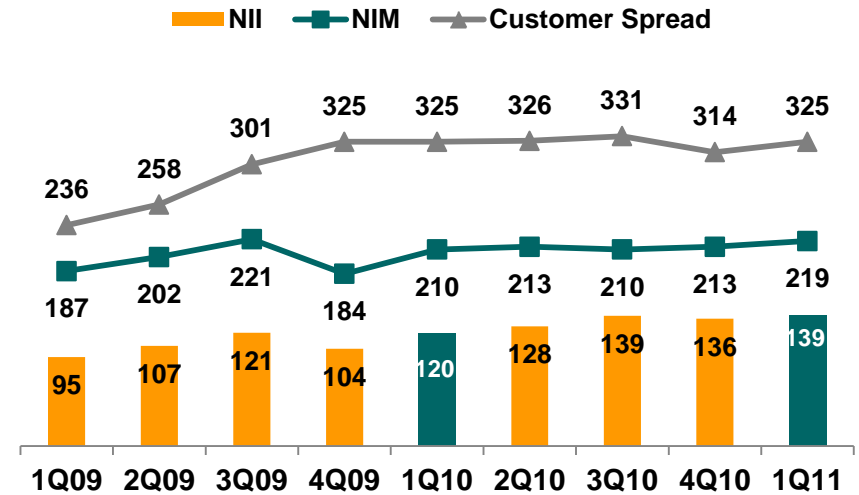
# Performance by Geographic Market

# Resilient Cypriot operations

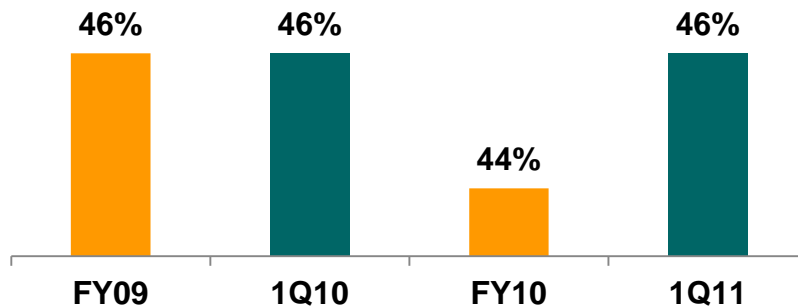
## Profit & Loss Highlights (€mn)



## Cyprus NII (€mn), NIM and Spread (bp)



## Cost to Income ratio (%)



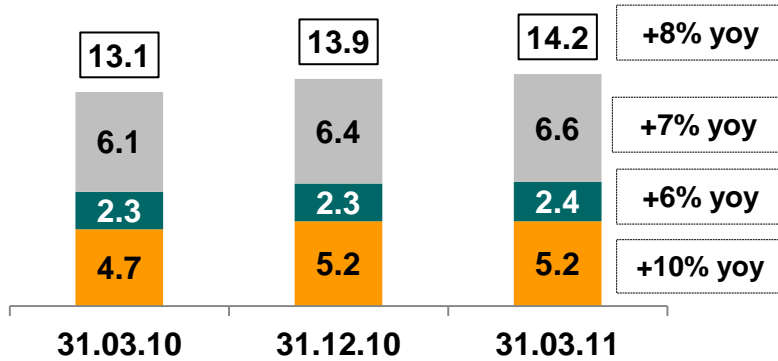
### 1Q11 Cyprus profitability affected by:

- Strong increase of net interest income (+16% yoy)
- Higher NIM (1Q11: 2,19% vs 1Q10: 2,10%)
- Higher taxes (+150% yoy) due to tax levy

# Leading financial institution in Cyprus with an unrivalled deposit franchise

## Gross Loans (€bn)

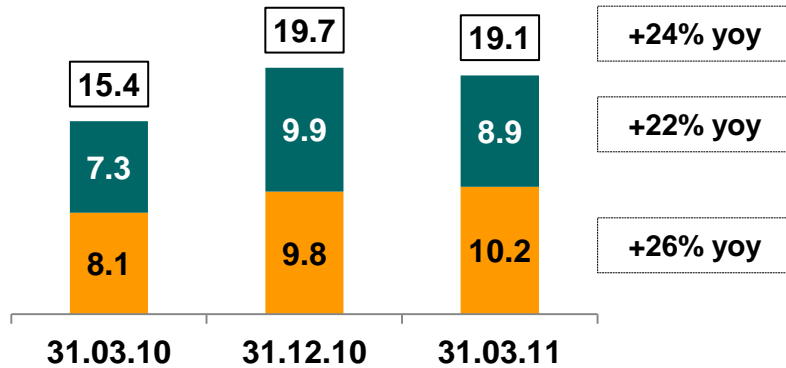
■ Retail ■ SMEs ■ Corporate



- A strong deposit franchise benefiting from a flight to quality
- A leading deposit market share of 31% (larger than the combined share of 2<sup>nd</sup> and 3<sup>rd</sup> largest banks); a 3,3% percentage points expansion of market share since March 2010
- Loan increase of 8% yoy

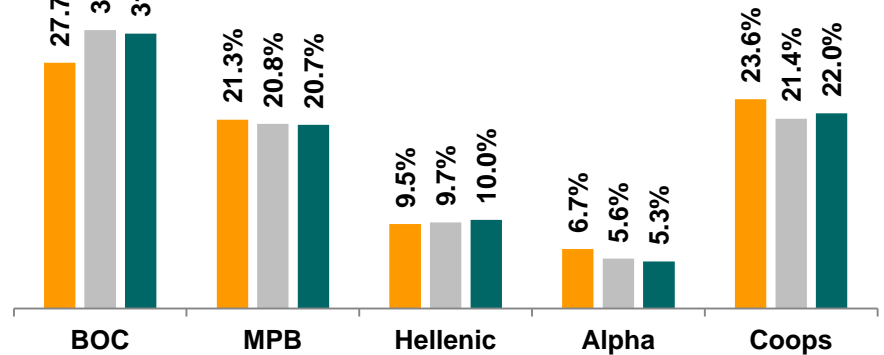
## Deposits (€bn)

■ Non-IBUs ■ IBUs



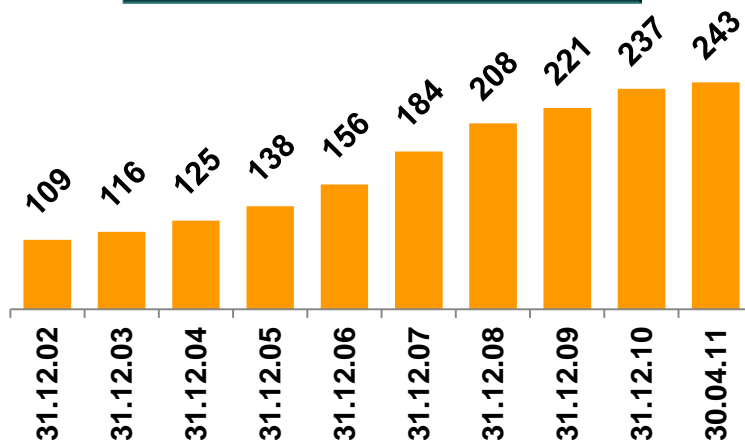
## Deposit market share (%)

■ 31.03.10 ■ 31.12.10 ■ 31.03.11



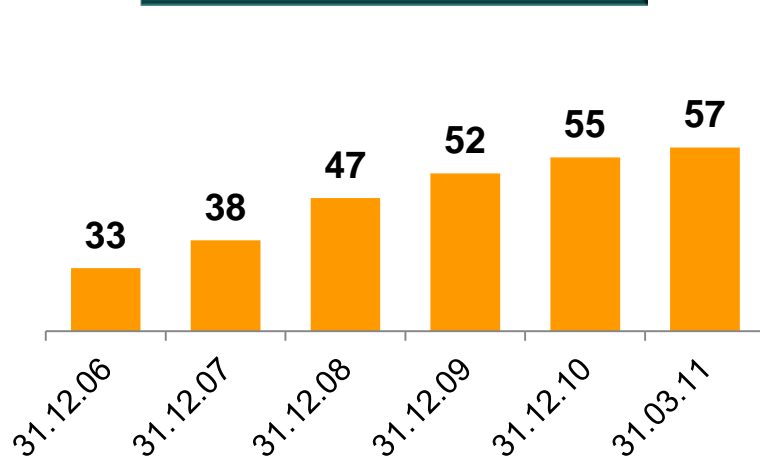
# Market leader in International Business Sector

### Companies Registered (000)



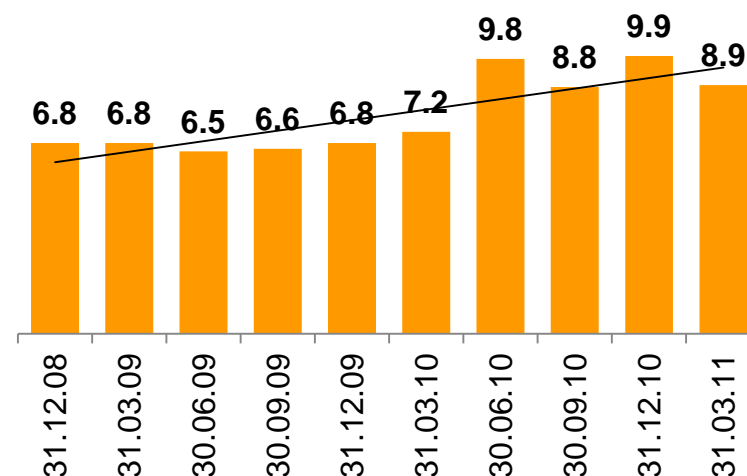
Source: Cyprus Registrar of Companies

### Active IBU Customers (000)



- Leading IBU position provides a growing clientele and an expanding deposit base
- 42% leading market share in foreign currency deposits
- Presence in Eastern Europe to boost further the IBU sector
- Sector continues to expand; Registered companies in Cyprus increase by 3% during first four months of 2011

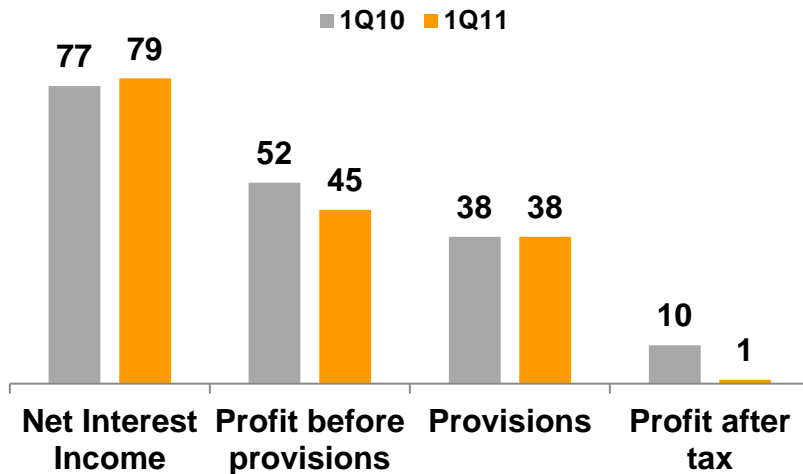
### IBU Deposits (€bn)



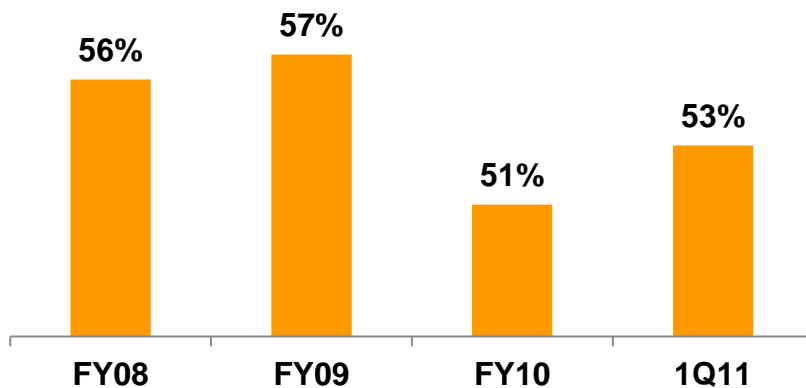


# Profitable in a very challenging market

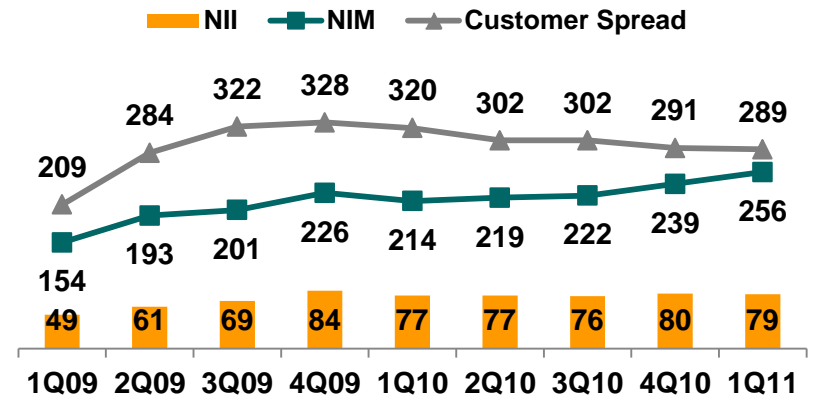
## Profit & Loss Highlights (€mn)



## Cost to Income ratio (%)



## Greece NII (€mn), NIM and Spread (bp)



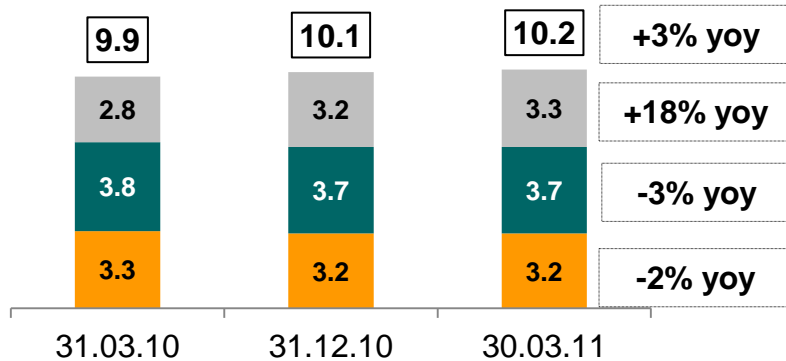
1Q11 Greece profitability affected by:

- Increase in net interest income (+3% yoy)
- Higher NIM (1Q11: 2,56% vs 1Q10: 2,14%)
- Lower income from financial instruments of about €7 mn

# Selective business expansion

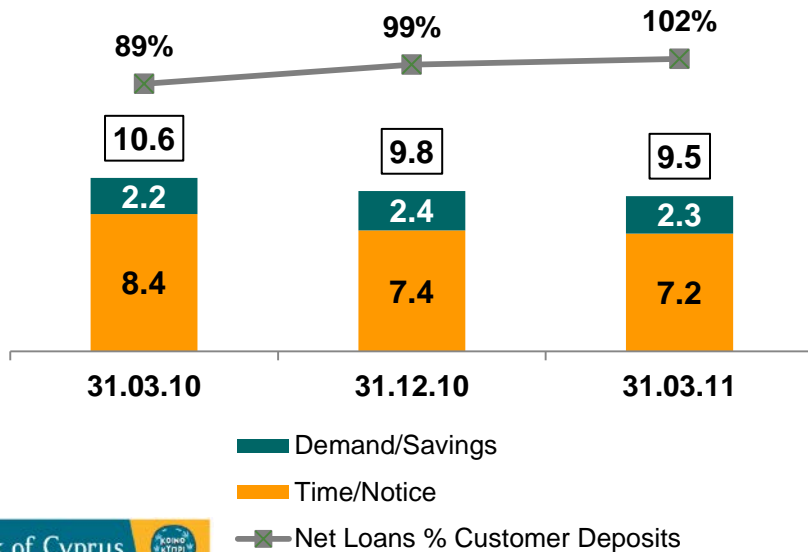
## Gross Loans (€bn)

■ Retail ■ SMEs ■ Corporate

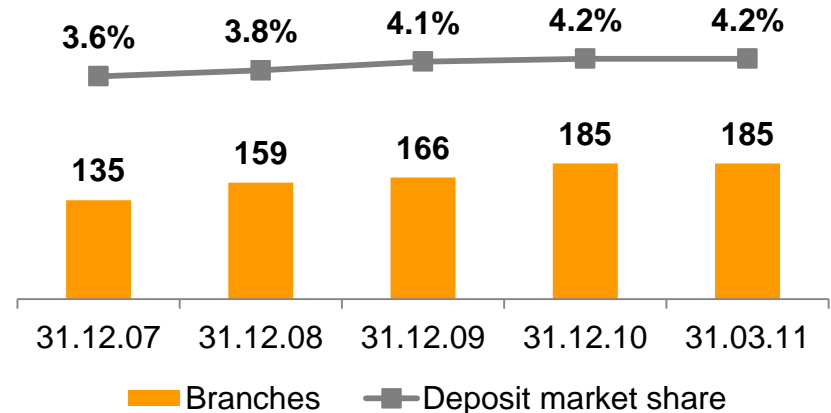


- Loans to deposits ratio 102%
- Increasing branch network
  - 185 branches in 1Q11 versus 167 in 1Q10
- Market share at 4,2% at end 1Q11

## Deposits (€bn) and L/D ratio (%)

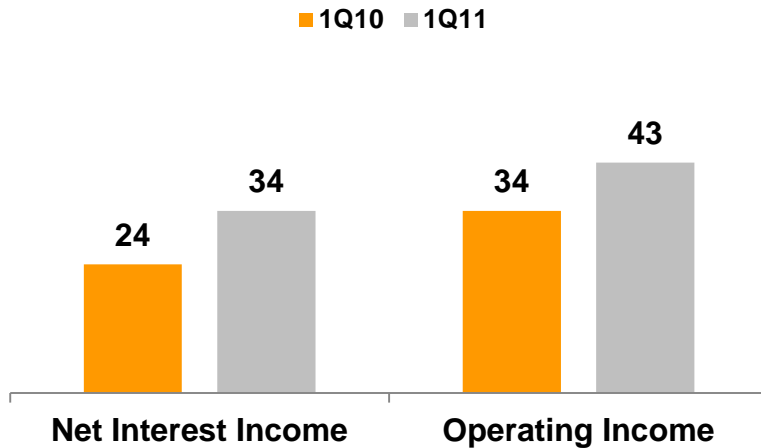


## Deposit Market share (%) - Number of branches

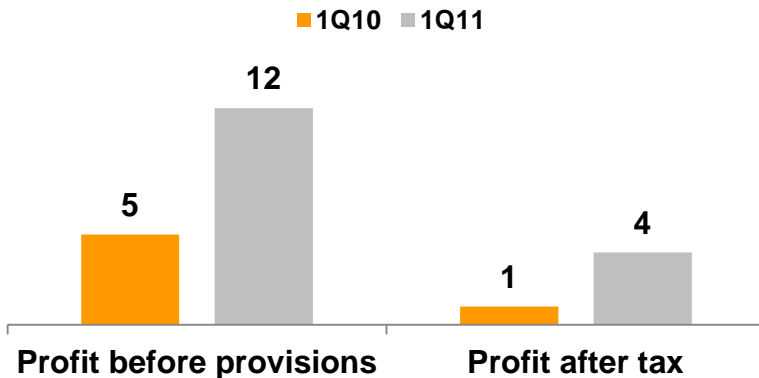


# Performance to benefit from business expansion

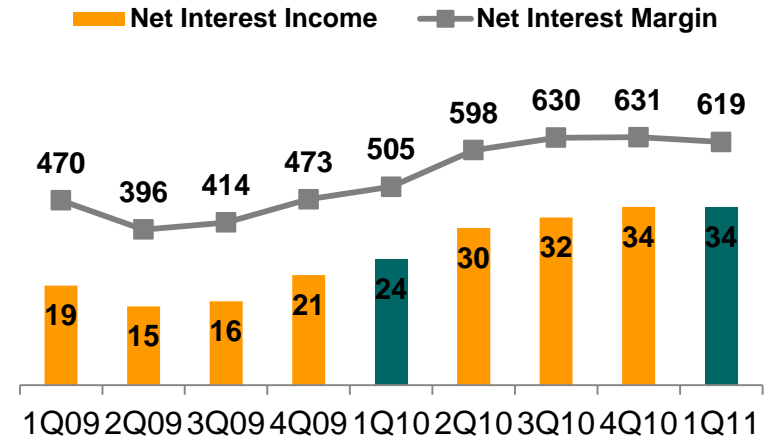
## Profit and Loss Highlights (€mn)



## Improved bottom-line profitability (€mn)



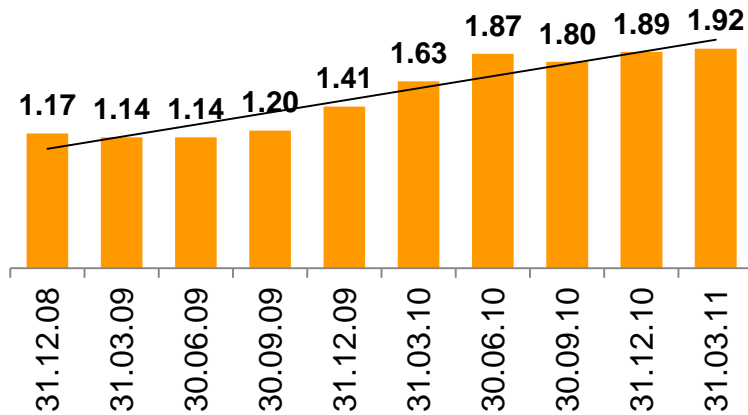
## Russia NII (€mn) & NIM (bp)



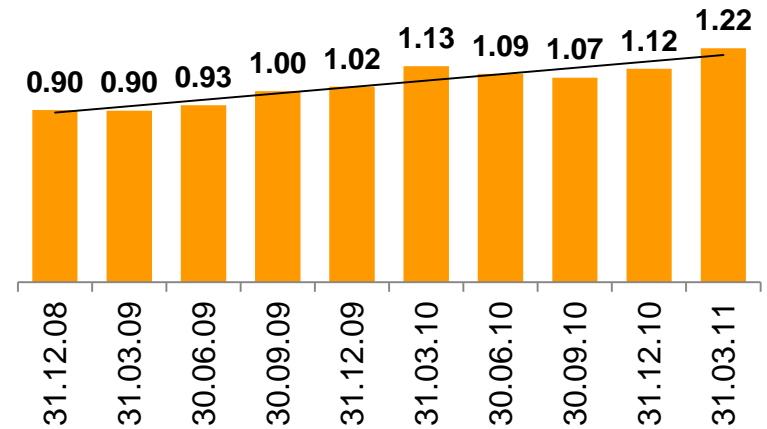
- Continuous improvement in Net Interest Income – 1Q11 NII +43% yoy
- NIM 1Q11 at 619 basis points an increase of 114 basis points versus 1Q10
- Leading to higher bottom-line profitability
  - Profit before provisions +141% to €12 mn
  - Profit after tax €4 mn compared to €1 mn in 1Q10

# Continuing business expansion

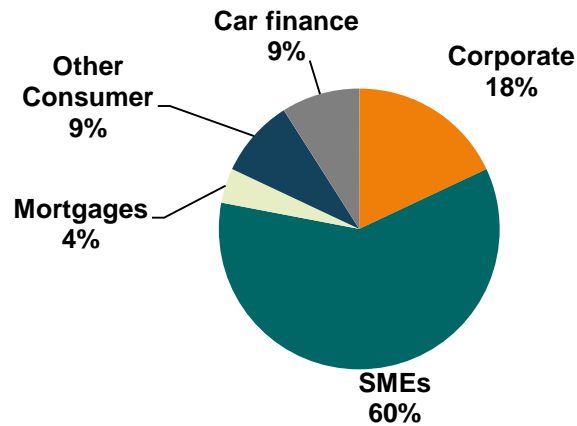
Gross Loans (€bn)



Customer Deposits (€bn)



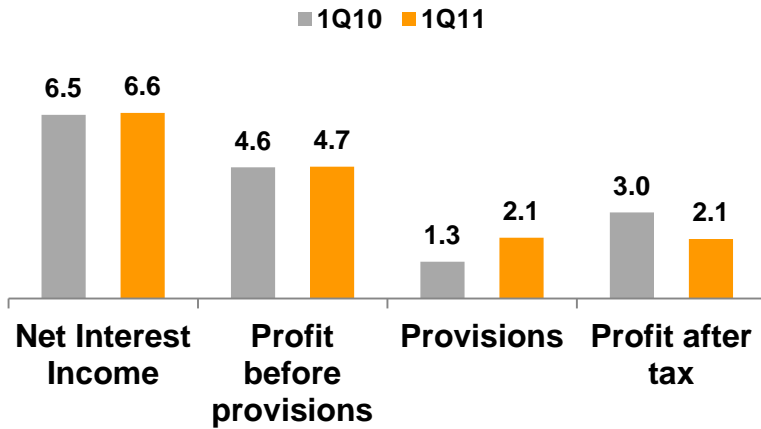
Loan diversification



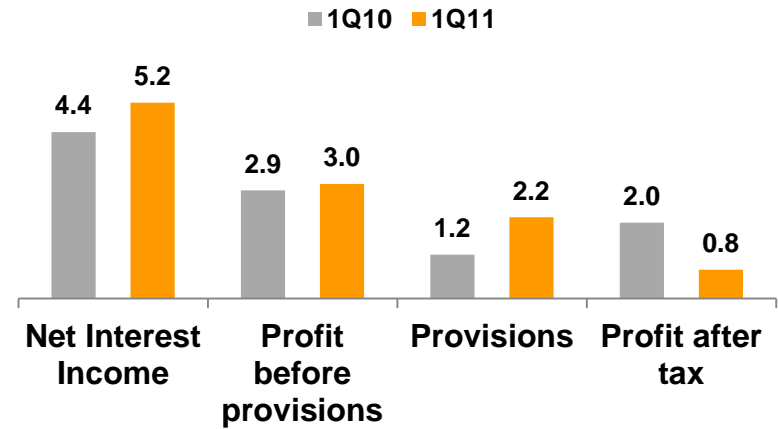
- Business expansion continued in 1Q11
- Increase in deposits (+8% yoy)
- Strong increase in loans (+18% yoy)

# Resilient EE operations

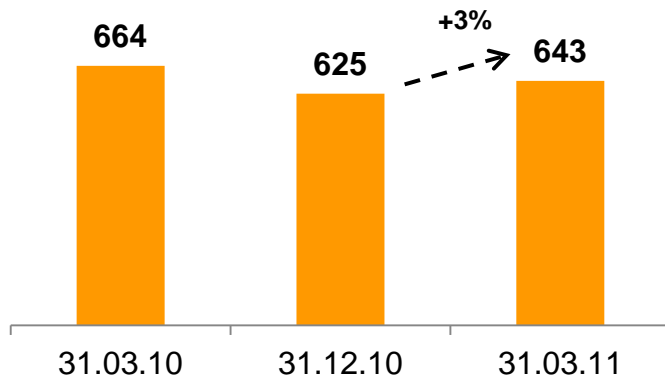
**Profit and Loss Highlights Romania (€mn)**



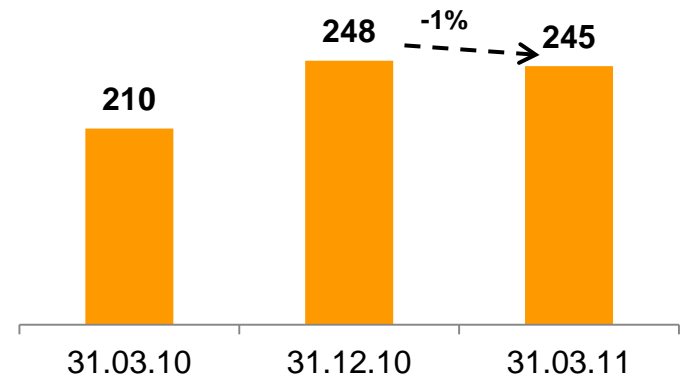
**Profit and Loss Highlights Ukraine (€mn)**



**Romania Loans (€mn)**



**Ukraine loans (€mn)**



**Financial Results 1Q 2011 – Highlights**

**Income Statement and Balance Sheet Review**

**Performance by Geographic Market**

**Strategic Priorities and 2011 Target**

**Appendices**

# **Strategic priorities and 2011 Target**

# Strategic priorities for 2011

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## Balance sheet strength

**Safeguard healthy liquidity**

**Maintain strong capital adequacy**

**Achieve satisfactory profitability**

**Manage risks effectively**

## Business expansion

**Selective lending expansion at appropriate pricing**

**Enhance presence in new markets with growth potential**

### 2011: A challenging year ahead

- **Continue conservative policy and maintain provisions at high levels**
- **Robust increase in pre-provision and pre-tax profitability**
- **2011 Profit after tax expected to remain at similar levels as 2010**
- **Profitable in all markets**



# Key information and contact details

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## **Credit Ratings:**

Moody's : Baa2 / P-2

Fitch: BBB+ / F2

## **Listing:**

ATHEX – BOC

CSE – BOCY

ISIN CY0000100111

## **Participation in indices:**

CSE General Index , FTSE/CySE 20

FTSE/ATHEX Top 20

FTSE Med 100, MSCI Greece Index,

FTSE New EU

DJ STOXX EU Enlarged TMI

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## Contacts

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**Financial Results 1Q 2011 – Highlights**

**Income Statement and Balance Sheet Review**

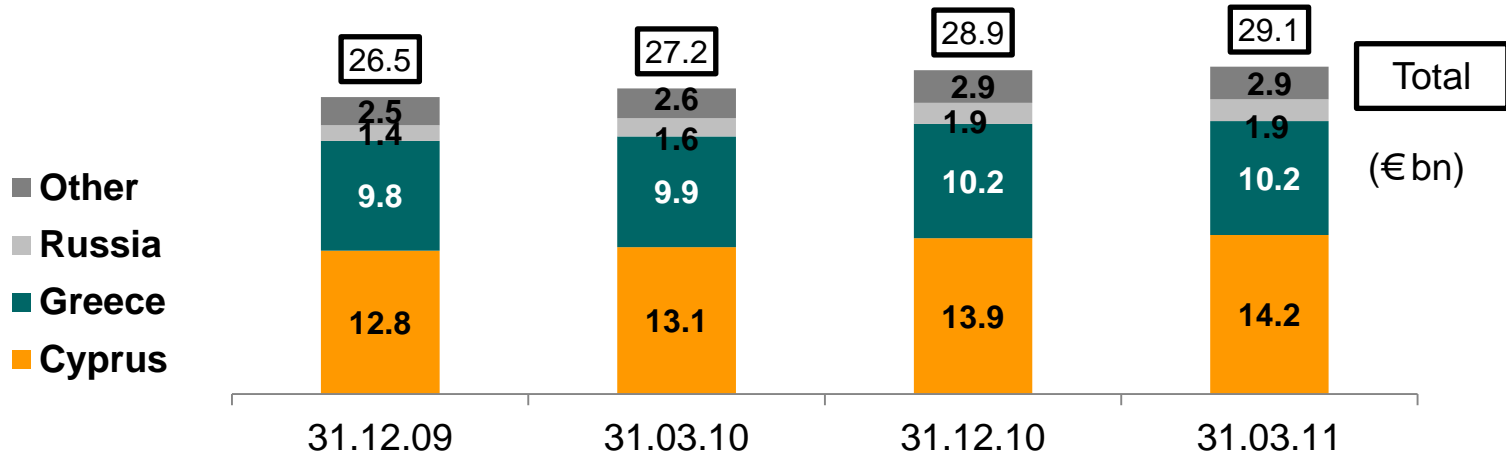
**Performance by Geographic Market**

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**Appendices**

# Appendices

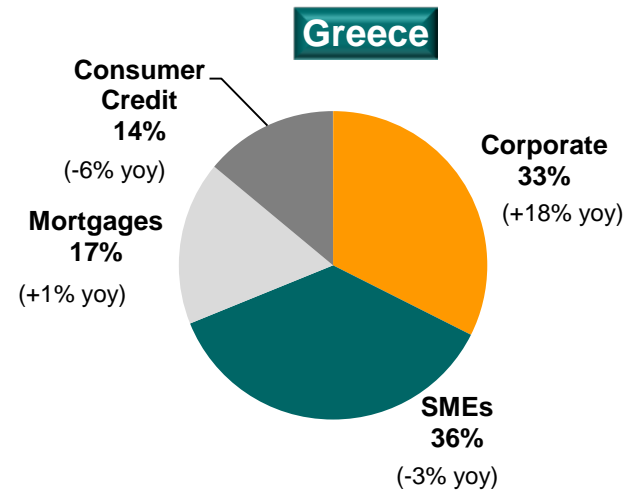
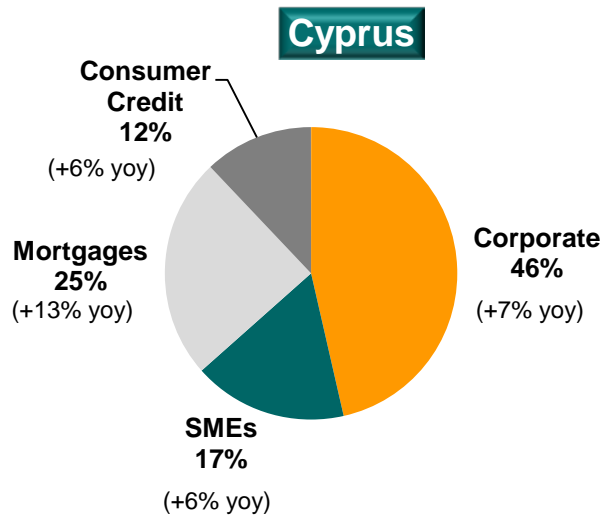
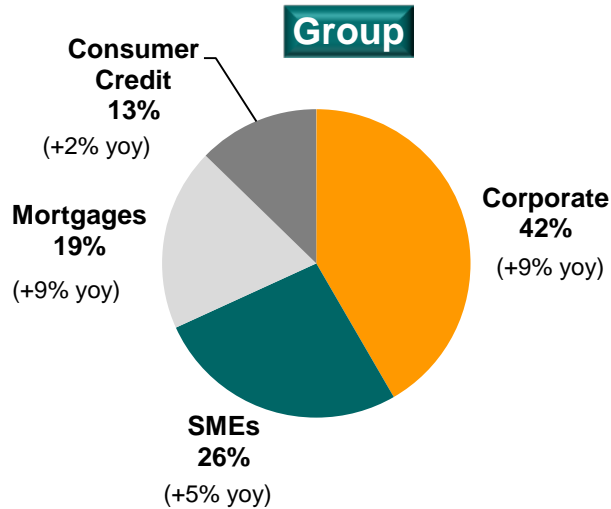
# Gross Loans by Geography



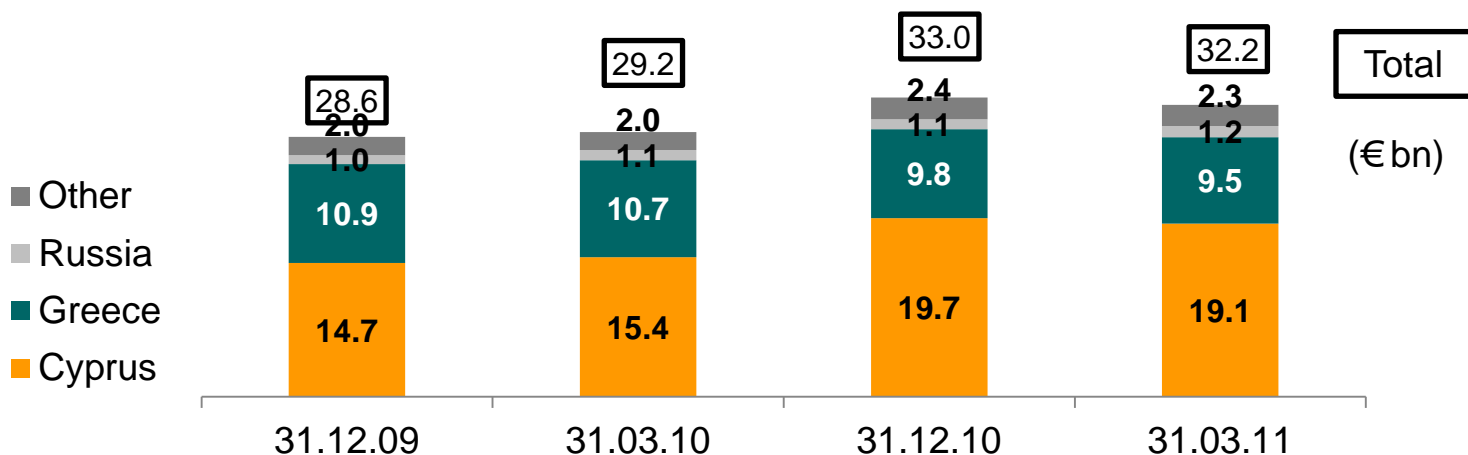
	31.03.10 (Eur mn)	As % of total	31.03.11 (Eur mn)	As % of total	YoY (%)	Market Share (%)
<b>Cyprus</b>	<b>13.075</b>	<b>48%</b>	<b>14.151</b>	<b>49%</b>	<b>+8%</b>	<b>27,5%</b>
<b>Greece</b>	<b>9.856</b>	<b>36%</b>	<b>10.167</b>	<b>35%</b>	<b>+3%</b>	<b>4,2*</b>
<b>Russia</b>	<b>1.626</b>	<b>6%</b>	<b>1.915</b>	<b>7%</b>	<b>+18%</b>	
<b>Other Countries</b>	<b>2.648</b>	<b>10%</b>	<b>2.910</b>	<b>9%</b>	<b>+10%</b>	
<b>TOTAL</b>	<b>27.206</b>		<b>29.143</b>		<b>+7%</b>	
- United Kingdom	1.060		1.041		-2%	
-Australia	714		981		+37%	
-Romania	664		643		-3%	
-Ukraine	210		245		+18%	

Other countries: Australia, Romania, Ukraine and United Kingdom

# Gross Loans Segmental Diversification



# Customer Deposits by Geography



	31.03.10 (Eur mn)	As % of total	31.03.11 (Eur mn)	As % of total	1Q11 versus 1Q10 (%)	Market Share (%)
<b>Cyprus</b>	<b>15.396</b>	<b>53%</b>	<b>19.096</b>	<b>59%</b>	<b>+24%</b>	<b>31,0%</b>
<b>Greece</b>	<b>10.650</b>	<b>37%</b>	<b>9.538</b>	<b>30%</b>	<b>-10%</b>	<b>4,2%</b>
<b>Russia</b>	<b>1.134</b>	<b>4%</b>	<b>1.224</b>	<b>4%</b>	<b>+8%</b>	
<b>Other Countries</b>	<b>2.023</b>	<b>6%</b>	<b>2.336</b>	<b>7%</b>	<b>+16%</b>	
<b>TOTAL</b>	<b>29.203</b>		<b>32.194</b>		<b>+10%</b>	
- United Kingdom	1.271		1.186		-8%	
-Australia	579		926		+60%	
-Romania	136		186		+37%	
-Ukraine	39		39		+0%	

Other countries: Australia, Romania, Ukraine and United Kingdom

# Cyprus: Summary profit & loss and key indicators

(€ mn)	1Q11	1Q10	1Q11 versus 1Q10 (%)
Net interest income	139	120	+16%
Net fee & commission income	33	31	+8%
FX income & net gains from financial instruments	1	14	-90%
Insurance income	14	12	+14%
Other income	1	0	-
<b>Total income</b>	<b>188</b>	<b>177</b>	<b>+7%</b>
Personnel expenses	60	56	+7%
Other operating expenses	26	25	+4%
<b>Total expenses</b>	<b>86</b>	<b>81</b>	<b>+6%</b>
Profit before provisions	102	96	+7%
Provisions	29	29	-1%
Share of (loss)/profit of associates	0	1	
<b>Profit before tax</b>	<b>73</b>	<b>66</b>	<b>+11%</b>
Taxation	13	5	+150%
Non-controlling interest loss/(profit)	0	1	
<b>Profit after tax</b>	<b>60</b>	<b>62</b>	<b>-3%</b>
Net Interest Margin (NIM)	2,19%	2,10%	+9 b.p.
Cost to Income Ratio	45,6%	45,7%	-0,1 p.p.
Return on Equity (ROE)	20,5%	22,1%	-1,6%

b.p. = basis points, p.p. = percentage points ; 100 b.p. = 1 p.p.

# Greece: Summary profit & loss and key indicators

(€mn)	1Q11	1Q10	1Q11 versus 1Q10 (%)
Net interest income	79	77	+3%
Net fee & commission income	12	11	--
FX income & net gains from financial instruments	2	11	-73%
Insurance income	3	3	+4%
Other income	1	0	+272%
<b>Total income</b>	<b>97</b>	<b>102</b>	<b>-5%</b>
Personnel expenses	30	30	--
Other operating expenses	22	20	+8%
<b>Total expenses</b>	<b>52</b>	<b>50</b>	<b>+4%</b>
Profit before provisions	45	52	-14%
Provisions	38	38	+2%
Share of (loss)/profit of associates	--	--	
<b>Profit before tax</b>	<b>7</b>	<b>14</b>	<b>--54%</b>
Taxation	6	4	+25%
Non-controlling interest loss/(profit)	--	--	
<b>Profit after tax</b>	<b>1</b>	<b>10</b>	<b>-89%</b>
Net Interest Margin (NIM)	2,56%	2,14%	+42 b.p.
Cost to Income Ratio	53,4%	48,9%	+4,5 p.p.
Return on Equity (ROE)	0,6%	5,7%	-5,1 p.p.

b.p. = basis points, p.p. = percentage points ; 100 b.p. = 1 p.p.

# Russia: Summary profit & loss and key indicators

(€mn)	1Q11	1Q10	1Q11 versus 1Q10 (%)
Net interest income	34	24	+43%
Net fee & commission income	8	7	+8%
FX income & net gains from financial instruments	1	2	-26%
Insurance income	--	--	--
Other income	0	1	-60%
<b>Total income</b>	<b>43</b>	<b>34</b>	<b>+28%</b>
Personnel expenses	17	16	+10%
Other operating expenses	14	13	+6%
<b>Total expenses</b>	<b>31</b>	<b>29</b>	<b>+8%</b>
Profit before provisions	12	5	+141%
Provisions	6	3	+94%
Share of (loss)/profit of associates	--	--	--
<b>Profit before tax</b>	<b>6</b>	<b>2</b>	<b>+231%</b>
Taxation	1	1	-34%
Non-controlling interest loss/(profit)	(0)	(0)	--
<b>Profit after tax</b>	<b>4</b>	<b>1</b>	<b>+360%</b>
Net Interest Margin (NIM)	6,19%	5,05%	+1,14 p.p.
Cost to Income Ratio	72,5%	85,4%	-12,9 p.p.
Return on Equity (ROE)	9,7%	11,6%	-1,9 p.p.

b.p. = basis points, p.p. = percentage points ; 100 b.p. = 1 p.p.

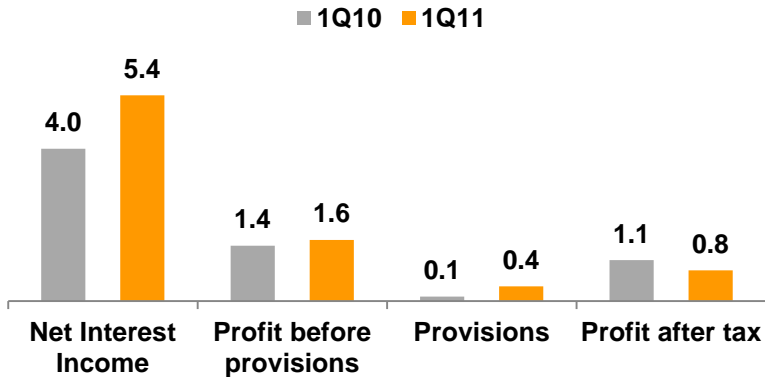


# Other countries: Summary profit & loss and key indicators

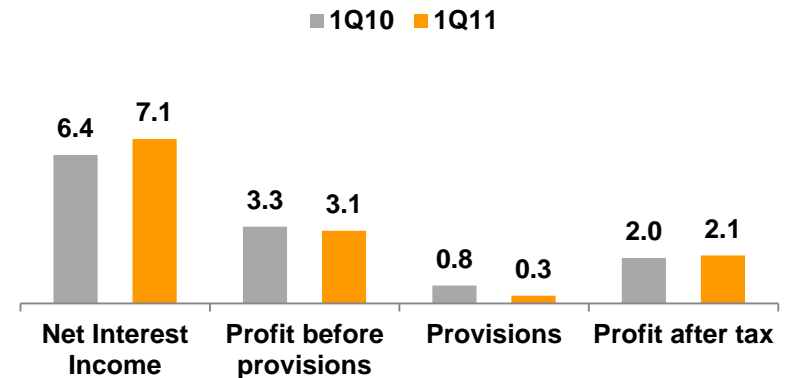
(€mn)	1Q11	1Q10	1Q11 versus 1Q10 (%)
Net interest income	24	21	+14%
Net fee & commission income	3	2	+29%
FX income & net gains from financial instruments	1	1	-6%
Insurance income	--	--	--
Other income	--	--	-
<b>Total income</b>	<b>28</b>	<b>24</b>	<b>+12%</b>
Personnel expenses	8	6	+26%
Other operating expenses	7	6	+19%
<b>Total expenses</b>	<b>15</b>	<b>12</b>	<b>+23%</b>
Profit before provisions	13	12	+20%
Provisions	6	3	+49%
Share of (loss)/profit of associates	--	--	--
<b>Profit before tax</b>	<b>7</b>	<b>9</b>	<b>-17%</b>
Taxation	1	1	--
Non-controlling interest loss/(profit)	--	--	--
<b>Profit after tax</b>	<b>6</b>	<b>8</b>	<b>-29%</b>
Net Interest Margin (NIM)	2,63%	2,64%	-1 b.p.
Cost to Income Ratio	55,2%	50,4%	+4,8 p.p.
Return on Equity (ROE)	12,0%	19,5%	-7,5 p.p.

# Operations in Australia and United Kingdom

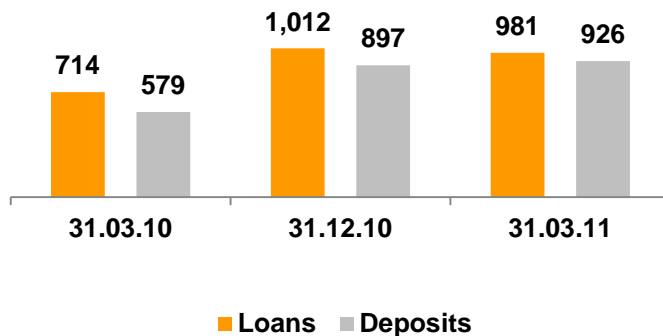
## Profit and Loss Highlights Australia (€mn)



## Profit and Loss Highlights UK (€mn)



## Australia Loans and Deposits (€mn)



## UK Loans and Deposits (€mn)

