



Announcement

Final Audited Group Financial Results for the year ended 31 December 2011

- **Final Audited Financial Results which differ from the preliminary results due to the finalisation of the impact of the Greek Government Bonds (GGBs) exchange programme**
 - Impairment of GGBs by 74% (compared to 60% in the preliminary results)
 - After tax and the impairment of GGBs, losses of €1.371 mn for 2011
- **Excluding GGBs impairment, increase in organic profitability**
 - Profit before provisions €805 mn, an annual increase of 11%
 - Profit after tax €312 mn, an annual increase of 2%
- **Significant capital strengthening**
 - Increase of Core Tier 1 capital by €592 mn
 - Completion of Capital Strengthening Plan by 18 June 2012

Nicosia, 24 April 2012

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, private banking, life and general insurance. The Group currently operates through a total of 583 branches, of which 199 operate in Russia, 188 in Greece, 137 in Cyprus, 42 in Ukraine, 12 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 6 representative offices in Russia, Romania, Ukraine, Serbia and South Africa. The Bank of Cyprus Group employs 11.326 staff worldwide.

At 31 December 2011, the Group's Total Assets amounted to €37,48bn and the Shareholders' Funds were €2,4 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 Final Financial Results

The Final Audited Financial Results of the Group for the year ended 31 December 2011 differ from the preliminary results announced on 21 February 2012 as a result of the finalization of the effect of the Greek Government Bonds (GGBs) exchange programme. The Group has reduced the book value of its GGBs by 74% of their nominal value (compared to 60% for the preliminary results). The pre-tax impairment of GGBs, including related hedging costs, amounted to €1.729 mn for 2011 which represents 83% of their nominal value. At 31 December 2011 the book value of GGBs post impairment amounted to €616 mn.

The Group achieved the profitability targets set for 2011, excluding the impairment of GGBs, despite the continuing negative economic developments in the main markets in which it operates, achieving increased profit before provisions and increased profit before tax and impairment of GGBs for 2011. Profit before provisions and the impairment of GGBs reached €805 mn, noting a significant increase of 11% compared to €725 mn for 2010 and profit after tax excluding the impairment of GGBs reached €312 mn compared to €306 mn for 2010, noting an increase of 2%. Including the impairment of GGBs, losses after tax amounted to €1.371 mn.

The Group is strengthening its capital base via the **Capital Strengthening Plan**. With the completion of the period for the Rights subscription and the conversion of Convertible Enhanced Capital Securities (CECS) into shares on 19 March 2012, the Group's Core Tier 1 capital increased by €592 mn, of which €160 mn relate to the exercise of Rights and €432 mn relate to the conversion of CECS into shares. Taking into account the above amounts, the pro-forma Core Tier 1 capital ratio, pro-forma Tier 1 capital ratio and the pro-forma total capital ratio as at 31 December 2011 would have been 6,0%, 8,1% and 8,4% respectively.

Furthermore, the Bank is proceeding with the completion of the Capital Strengthening Plan. According to the Prospectus, the Bank has the right until 18 June 2012 to place up to €237 mn of capital relating to Rights that have not been exercised by their Holders by 19 March 2012. Any placement of unsubscribed shares will be at the discretion of the Board of Directors and can take place at the same or at a higher price than the subscription price of the new shares as defined in the Prospectus. Assuming the full placement of the unsubscribed shares by 18 June 2012, the pro-forma Core Tier 1 capital ratio, the pro-forma Tier 1 capital ratio and the pro-forma total capital ratio as at 31 December 2011 would have been 6,9%, 9,1% and 9,4% respectively.

In addition, the Group is strengthening its capital position in order to meet the minimum regulatory capital requirements, through its profitability and through other targeted actions, including the effective management of risk weighted assets and the completion of the sale of Bank of Cyprus Australia Ltd, which has contributed approximately €80 mn to the Bank's regulatory capital.

The main financial highlights for 2011 are set out below:

Table 1

Main financial highlights for 2011			
€ mn	Change	FY11	FY10
Total Income	+6%	1.541	1.450
Profit before provisions and impairment of Greek Government Bonds (GGBs)	+11%	805	725
Profit before tax excluding GGBs impairment	+8%	378	348
Profit after tax excluding GGBs impairment	+2%**	312**	306
Impairment of GGBs and change in fair value of related hedging instruments (after tax)	-	(1.682)	-
(Loss)/Profit after tax and GGBs impairment	-	(1.371)	306
Earnings per share excluding GGBs impairment	-9,5 cent	30,9 cent	40,4 cent

Return on Equity (ROE) excluding GGBs impairment	-1,3 p.p.*	10,6%	11,9%
Cost / Income ratio (C/I)	-2,2 p.p.*	47,8%	50,0%
Net Interest Margin	+32 b.p.*	2,98%	2,66%

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

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

**Excluding the special tax levy on Credit Institutions in Cyprus of €19 mn, profit reached €331 mn noting an 8% increase.

Table 2

Main financial highlights for 2011			
	Change	FY11	FY10
Total Loans (€ bn)	+4%	28,9	27,9 ¹
Total Deposits (€ bn)	-7%	29,7	32,1 ¹
Loans to Deposits ratio ²	+8,2 p.p.*	92,3%	84,1%
Non-performing loans ratio	+2,9 p.p.*	10,2%	7,3%

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

- **Significant increase in total income:** Total income for 2011 noted a significant annual increase of 6% reaching €1.541 mn, demonstrating the Group's ability to achieve increasing income even in adverse economic conditions.
- **Improved efficiency:** The cost to income ratio has improved to 47,8% for 2011 from 50,0% for 2010 due to the increase in total income and the contained increase of expenses.
- **Significant increase in profit before provisions:** The improved efficiency led to a significant increase in profit before provisions and impairment of GGBs for 2011. Profit before provisions and impairment of GGBs reached €805 mn for 2011, noting an increase of 11% compared to 2010 (€725 mn).
- **Improvement of interest margin:** The Group's net interest margin reached 2,98% for 2011 which is a significant increase of 32 basis points compared to 2,66% for 2010.

¹Loans and deposits for the financial year 2010 have been adjusted to exclude the Australian operations

²Net loans to deposits

- **Healthy liquidity:** The Group has a healthy liquidity position with a loans to deposits ratio of 92%, minimal repayments of debt obligations in the next two years and minimal reliance on wholesale funding. The ratio of deposits to total assets was 79% at 31 December 2011.
- **Adequate return on equity:** The return on equity excluding the impairment of GGBs (10,6% for 2011) remained at satisfactory levels in a particularly challenging environment.
- **Loans and deposits:** At 31 December 2011 Group loans and deposits were €28,9bn and €29,7 bn respectively.
- **Effective credit risk management:** The non-performing loans ratio reached 10,2% at 31 December 2011 compared to 8,6% at 30 September 2011 and 7,3% at 31 December 2010. The provisions coverage ratio (provisions as % of non-performing loans) amounted to 51% at 31 December 2011. The coverage ratio including tangible collateral amounted to 118%.

B. Prospects for the 2012

Excluding the impairment of GGBs, the Group has achieved the profitability targets for 2011, and takes all the necessary measures to be in a position to face the challenges of the uncertain economic environment. In the current environment, the Group continues to focus on maintaining its organic profitability, healthy liquidity, satisfactory capital adequacy and effective risk management.

As already announced, the Group's financial results for the 1st quarter 2012 will be announced on 10 May 2012.

C. Analysis of Results for 2011

C.1 Geographical analysis of profitability

The **Group** has achieved satisfactory profitability excluding the impairment of GGBs, having increased its recurring income for 2011. **Profit before provisions** and the impairment of GGBs reached €805 mn for 2011, recording an annual increase of 11%. Profit after tax, excluding the impairment of GGBs reached €312 mn which is an annual increase of 2%. Excluding the special tax levy on Credit Institutions in Cyprus of €19 mn, profit reached €331 mn noting an increase of 8%.

In **Cyprus**, profit before provisions for 2011 reached €501 mn, which is an annual increase of 15% compared to 2010. Profit after tax excluding the impairment of GGBs for 2011 reached €315 mn which is an increase of 23% compared to 2010.

In **Greece**, profit before provisions for 2011 reached €197 mn, compared to €194 mn for 2010. Loss after tax excluding the impairment of GGBs for 2011 was €26 mn versus a profit of €11 mn for 2010 as a result of higher provisions and tax.

In **Russia**, profit before provisions for 2011 reached €58 mn recording an annual increase of 29% compared to €46 mn for 2010. Profit after tax for 2011 reached €3 mn compared to €16 mn for 2010 as a result of higher provisions.

Profit after tax for **other countries** (Australia, United Kingdom, Ukraine and Romania) reached €20 mn. Profit after tax for the financial year 2011 include profits of €6 mn from the operations of BOC Australia.

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 2011. **Net interest income** for 2011 reached €1.168 mn, recording an annual increase of 12%.

The **net interest margin** of the Group continued to increase and in the fourth quarter of 2011 reached 3,34% compared to 3,11% for the third quarter of 2011 and 2,72% for the fourth quarter of 2010. The net interest margin for 2011 reached 2,98% recording a significant increase of 32 basis points compared to 2010 (2,66%).

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

Net fee and commission income amounted to €232 mn for 2011 compared to €231 mn for 2010.

Foreign exchange income and gains from financial instruments for 2011 amounted to €49 mn versus €110 mn for 2010.

C.4 Impairment of Greek Government Bonds

On 21 July 2011 the leaders of the Eurozone member-states announced a support plan for Greece and on 26 October 2011, a new agreement by the Eurozone member-states leaders was announced, which was finalised on 21 February 2012. In accordance with the final terms of the agreement, private investors could participate in a voluntary exchange of GGBs held by waiving 53,5% of their nominal value.

The Group decided to accept the exchange offer by the Hellenic Republic and to participate in the voluntary exchange of GGBs based on the terms of the offer addressed to private investors.

Based on the final terms of the agreement, the Group has estimated the loss on GGBs as 74% of their nominal value.

Key information regarding the GGBs as at 31 December 2011 is as follows:

- Nominal value of GGBs of €2.088 mn
- Impairment of GGBs recognised in profit and loss of €1.729 mn
- Book value post-impairment of €616 mn.

The impairment recognised in the profit and loss includes a loss of €311 mn which was transferred to profit and loss from the revaluation reserve of available for sale investments. The pre-impairment book value of the GGBs of €2.034 mn and the pre-tax impairment recognised in profit and loss of €1.729 mn (which represents 83% of their nominal value) include an amount of €364 mn relating to the cost of hedging the GGBs as well as changes in the fair value of derivatives used to hedge their interest rate risk.

C.5 Expenses

Total expenses for 2011 amounted to €736 mn which is an increase of 2% compared to €725 mn for 2010. Despite the increase, the significant increase in Group income led to a noteworthy improvement in the **cost to income ratio** which reached 47,8% noting a decrease of 2,2% compared to 2010 (50,0%).

Employee costs amounted to €443 mn recording an increase of 3% compared to 2010 while **other operating expenses** (excluding employee costs) amounted to €293 mn, recording a reduction of 1% compared to 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 December 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 10,2%, compared to 8,6% at 30 September 2011 and 7,3% at 31 December 2010.

At 31 December 2011, the relevant ratio was 9,5% in Cyprus (30 September 2011: 8,3%) and 11,6% in Greece (30 September 2011: 10,0%).

The Group, taking into consideration the macro-economic environment and the deterioration of the loan portfolio, increased the charge for the impairment of loans, which reached 1,48% of total loans for 2011, compared to 1,35% for 2010.

The coverage ratio of non-performing loans (provisions/NPLs) amounted to 51% at 31 December 2011. The remaining balance of NPLs is fully covered by tangible collateral, with the coverage ratio including tangible collateral amounting to 118%.

E. Balance Sheet Analysis

E.1 Group Loans

At 31 December 2011 Group loans amounted to €28,9 bn recording an annual increase of 4%³.

Table 3

Analysis of Loans by Geographic Sector at 31.12.2011			
	€ mn	annual ±%	Contribution
Cyprus	14.931	8%	52%
Greece	9.983	-2%	35%
Russia	2.004	6%	7%
Other countries	1.954	0%	6%
Group	28.872	4%	100%

E.2 Group Deposits

The Group's total deposits at 31 December 2011 reached €29,7 bn recording an annual decrease of 7%³.

The Group's healthy liquidity position, with a loans to deposits ratio of 92% and its minimal reliance on wholesale funding (deposits to total assets ratio of 79% at 31 December 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.

During 2011, the Group completed two issues of Covered Bonds of €700 mn and €1 bn which further strengthened its liquidity.

Table 4

Analysis of Deposits by Geographic Sector at 31.12.2011			
	€ mn	annual ±%	Contribution
Cyprus	19.166	-3%	65%
Greece	7.699	-21%	26%
Russia	1.294	+16%	4%
Other countries	1.495	+3%	5%
Group	29.654	-7%	100%

³ The annual change has been calculated excluding BOC Australia

E.3 Capital Base

At 31 December 2011, the Group's shareholder funds amounted to €2,4 bn. At 31 December 2011 the Group's total capital ratio, including the impairment of GGBs, reached 7,8% with the Core Tier 1 ratio at 3,6% and the Tier 1 ratio at 7,5%.

The Group is proceeding with the strengthening of its capital position. The Group has increased its Core Tier 1 capital by €592 mn with its Capital Strengthening Plan and by approximately €80 mn with the completion of the sale of Bank of Cyprus Australia Ltd. In addition, the Group's capital position is strengthened by its profitability and by other targeted actions, including the effective management of risk weighted assets.

Regarding the Capital Strengthening Plan, with the completion of the period for the Rights subscription and the conversion of CECS into shares on 19 March 2012, the Group's Core Tier 1 capital increased by €592 mn, of which €160 mn relate to the exercise of Rights and €432 mn relate to the conversion of CECS into shares. Taking the account the above amounts, the pro-forma Core Tier 1 capital ratio, the pro-forma Tier 1 capital ratio and the pro-forma total capital ratio as at 31 December 2011 would have been 6,0%, 8,1% and 8,4% respectively.

Furthermore, the Bank is proceeding with the completion of the Capital Strengthening Plan. According to the Prospectus, the Bank has the right until 18 June 2012 to place up to €237 mn of capital relating to Rights that were not exercised by their Holders by 19 March 2012. Any placement of unsubscribed shares will be at the discretion of the Board of Directors and can take place at the same or at a higher price than the subscription price of the new shares as defined in the Prospectus.

Assuming the full placement of the unsubscribed shares by 18 June 2012, the pro-forma Core Tier 1 capital ratio, the pro-forma Tier 1 capital ratio and the pro-forma total capital ratio as at 31 December 2011 would have been 6,9%, 9,1% and 9,4% respectively.

It is noted that the regulatory authorities have significantly raised the minimum capital adequacy ratios with the minimum ratios set by the Central Bank of Cyprus at 8,0% for Core Tier 1, 9,5% for Tier 1 (previously 4%) and 11,5% for the 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 through the placing of all or part of the unsubscribed shares, its profitability, the effective management of risk weighted assets and the CECS that have not been converted into shares in March 2012, it will be in a position to cover the minimum required Core tier 1 and Tier 1 ratios within a reasonable period of time.

Table 5

Analysis of Group Results and Other Financial Information						
€ mn	FY11	FY10	Annual change $\pm\%$	4Q11	3Q11	Quarterly change $\pm\%$
Net interest income	1.168	1.041	+12%	313	302	+4%
Net fee and commission income	232	231	+1%	61	58	+5%
Foreign exchange income and gains from financial instruments and sale of subsidiary	49	110	-56%	16	7	+133%
Insurance income net of insurance claims	61	59	+3%	14	15	-4%
Other income	31	9	+251%	10	8	+15%
Total income	1.541	1.450	+6%	414	390	+6%
Personnel expenses	443	430	+3%	(113)	(110)	+3%
Other operating expenses	293	295	-1%	(93)	(59)	+58%
Total expenses	736	725	+2%	(206)	(169)	+22%
Profit before provisions	805	725	+11%	208	221	-6%
Provisions for impairment of loans and advances	(426)	(375)	+14%	(132)	(112)	+18%
Share of loss of associate	(1)	(2)	+26%	-	-	-
Profit before tax	378	348	+8%	76	109	-30%
Taxation	(73)	(46)	+59%	(15)	(20)	-27%
Non - controlling interests (loss)	7	4	+93%	5	1	+334%
Profit after tax	312	306	+2%	66	90	-26%
Impairment of Greek Government Bonds and change in fair value of related hedging instruments (post-tax)	(1.682)	-	-	(636)	(778)	-
(Loss)/Profit after tax and impairment of Greek Government Bonds	(1.371)	306	-	(570)	(688)	+17%
Net Interest Margin (NIM)	2,98%	2,66%	+32 b.p.*	3,34%	3,11%	+23 b.p.*
Cost to Income Ratio	47,8%	50,0%	-2,2 p.p.*	49,9%	43,4%	+6,5 p.p.*
Return on equity (ROE)**	10,6%	11,9%	-1,3 p.p.*	8,8%	12,7%	-3,9 p.p.*

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

** Excluding the impairment of GGBs

Table 6

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		
	±%	FY11	FY10	±%	FY11	FY10	±%	FY11	FY10	±%	FY11	FY10
Net interest income	+16%	609	523	+7%	332	310	+9%	130	119	+10%	97	89
Net fee and commission income	+6%	135	127	+2%	52	51	-16%	34	41	-8%	11	12
Foreign exchange income and gains from financial instruments and sale of subsidiary	-49%	39	76	-96%	1	22	-14%	8	9	-56%	1	3
Insurance income net of insurance claims	+6%	51	48	-9%	10	11	-	-	-	-	-	-
Other income	+190%	15	5	+500%	6	1	+376%	7	2	+151%	3	1
Total income	+9%	849	779	+2%	401	395	+5%	179	171	+8%	112	105
Personnel expenses	+1%	227	225	+6%	121	113	-1%	62	63	+15%	33	29
Other operating expenses	+3%	121	117	-5%	83	88	-7%	59	62	+12%	30	28
Total expenses	+2%	348	342	+2%	204	201	-4%	121	125	+14%	63	57
Profit before provisions	+15%	501	437	+2%	197	194	+29%	58	46	+1%	49	48
<i>Contribution</i>		62%	60%		25%	27%		7%	6%		6%	7%
Provisions for impairment of loans and advances	-9%	(132)	(145)	+18%	(217)	(184)	+123%	(54)	(25)	+13%	(23)	(21)
Share of loss of associate	+26%	(1)	(2)	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	+27%	368	290	-305%	(20)	10	-79%	4	21	-8%	26	27
<i>Contribution</i>		97%	83%		-5%	3%		1%	6%		7%	8%
Taxation	+45%	(57)	(39)	-487%	(6)	1	+11%	(4)	(4)	+31%	(6)	(4)
Non - controlling interests (loss/(profit))	-22%	4	5	-	-	-	-	3	(1)	-	0	0
Profit/(loss) after tax	+23%	315	256	-329%	(26)	11	-81%	3	16	-16%	20	23
<i>Contribution</i>		101%	84%		-8%	4%		1%	5%		6%	7%
Net interest margin (NIM)	+28 b.p.	2,40%	2,12%	+51 b.p.	2,74%	2,23%	-1 b.p.	5,84%	5,85%	+6 b.p.	2,62%	2,56%
Cost/Income Ratio	-3,0 p.p.	41,0%	44,0%	-	50,8%	50,8%	-6,1 p.p.	67,2%	73,3%	-3,1 p.p.	56,8%	53,7%
Return on equity (ROE)	+3,8 p.p.	26,6%	22,8%	-5,4 p.p.	-3,8%	1,6%	-7,7 p.p.	1,7%	9,4%	-2,8 p.p.	10,1%	12,9%

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

Table 7

Condensed Balance Sheet			
€ mn	±%	31.12.2011*	31.12.2010
Cash and balances with central banks	-39%	1.375	2.242
Placements with banks and reverse repurchase agreements	-47%	2.844	5.385
Debt securities, Treasury bills and equity investments	-33%	3.567	5.346
Net loans and advances to customers	-1%	27.367	27.725
Other assets	+20%	2.322	1.940
Total assets	-12%	37.475	42.638
Amounts due to banks and repurchase agreements	-17%	3.852	4.620
Customer deposits	-10%	29.654	32.953
Debt securities in issue	-41%	50	84
Other liabilities	+11%	1.362	1.222
Subordinated loan stock	-86%	128	931
Total liabilities	-12%	35.046	39.810
Share capital	+1%	900	895
Share premium reserve	0%	1.165	1.160
Convertible Enhanced Capital Securities	-	862	-
Revaluation and other reserves	-	3	(186)
(Accumulated losses)/retained earnings	-167%	(585)	868
Shareholders' equity	-14%	2.345	2.737
Non controlling interest	-8%	84	91
Total equity	-14%	2.429	2.828
Total liabilities and equity	-12%	37.475	42.638

*Does not include Australia

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 as well as to reflect the excess/shortfall liquidity.
- The final audited Consolidated Financial Statements for the year 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 final audited financial results for 2011 has been posted on the Group's website www.bankofcyprus.com (Inv. Relations/Presentations)