Bank of Cyprus Group

Announcement

Preliminary results of European Banking Authority Capital Exercise for addressing concerns over sovereign exposure

Nicosia, 27 October 2011

Bank of Cyprus Public Company Ltd (the Bank) was subject to a Capital Exercise for addressing concerns over sovereign exposure (Capital Exercise) on its portfolio of sovereign bonds conducted by the European Banking Authority (EBA) in cooperation with the Central Bank of Cyprus.

The Capital Exercise, carried out on 70 European banks, seeks to assess the banks' required capital buffers to reach a level of 9% Core Tier 1 ratio by the end of June 2012 assuming a severe and immediate impairment of sovereign debt holdings. The Capital Exercise has been carried out using the balance sheet as at June 2011 and market prices as at 30 September 2011 of sovereign bonds held by banks.

The required total capital buffer identified for Bank of Cyprus is €1.472 mn. This is a preliminary and indicative figure which is subject to change on the basis of end September data and will be reviewed by banks and supervisory authorities. It is the revised, latter figure that will form the basis for any plans required to increase levels of capitalisation in the period to June 2012.

EBA intends to consider contingent convertibles, which are intended to absorb potential contingent losses, as eligible for the capital buffer. The Bank of Cyprus has in issue €887 mn Convertible Enhanced Capital Securities (CECS) which are currently part of Tier 1 capital, are Basel III compliant and which have truly loss absorbing characteristics. Taking into account the already issued €887 mn CECS, the additional amount of capital buffer required based on the preliminary estimate by EBA is €585 mn. **Bank of Cyprus is in a position to cover the required additional capital buffer of €585 mn through internal profit generation for the 12 month period ending June 2012 and other actions among which is the efficient management of risk weighted assets**.

In the challenging environment of the last few years, the Bank has proved it can improve its recurring profitability and liquidity. The Bank maintains a loans to deposits ratio of 86% at 30 June 2011, has minimal reliance on wholesale funding (deposits to total assets ratio of 78% at 30 June 2011) and limited refinancing needs over the next couple of years. The high level of liquidity and conservative funding structure of the Bank are a strong competitive advantage particularly in the prevailing adverse conditions.

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 610 branches, of which 219 operate in Russia, 185 in Greece, 141 in Cyprus, 35 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, Canada, Serbia and South Africa. The Bank of Cyprus Group employs 11.841 staff worldwide.

At 30 June 2011, the Group's Total Assets amounted to €41,80bn and the Shareholders' Funds were €3,70 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.