

## Bank of Cyprus Group

### Bank of America Merrill Lynch Financial Conference

September 2017



**Bank of Cyprus**  
*The Best Bank in Cyprus 2016*

The financial information included in this presentation is neither reviewed nor audited by the Group's external auditors.  
The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review of the interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. They are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

(1) The Group Financial Results referred to in this Presentation relate to the consolidated financial results of Bank of Cyprus Holdings Public Limited Company (BOC Holdings), together with its subsidiary the Bank of Cyprus Public Company Limited, the "Bank", and the Bank's subsidiaries. On 18 January 2017, BOC Holdings was introduced in the Group structure as the new holding company. On 19 January 2017, the total issued share capital of BOC Holdings was admitted to listing and trading on the London Stock Exchange and the Cyprus Stock Exchange.

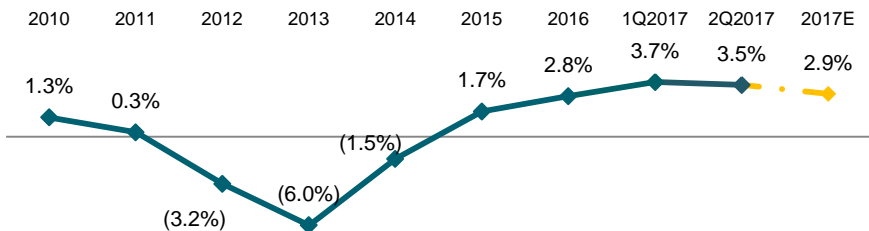
# Investment highlights

- 1 • **Leading position in a strengthening Cypriot economy**
- 2 • **Proven track record of delivery against strategic objectives**
- 3 • **Steady improvement in financial indicators**
- 4 • **Clear strategy with focus on Cypriot bank and managing legacy portfolio**
- 5 • **EPS guidance of c.€0.40 provided for 2018; on course to deliver medium terms targets**

# Cypriot economy on a sustainable growth path

## GDP growth of 3.5% in 2Q2017

### Real GDP growth (%)

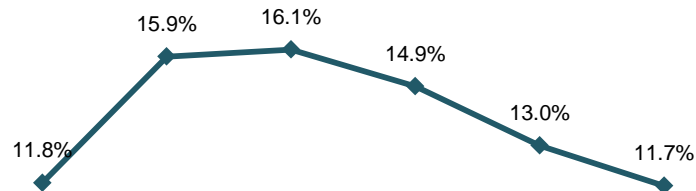


— Real GDP growth – Actual CySTAT

— Real GDP growth – forecast (MOF)

## Falling unemployment rate

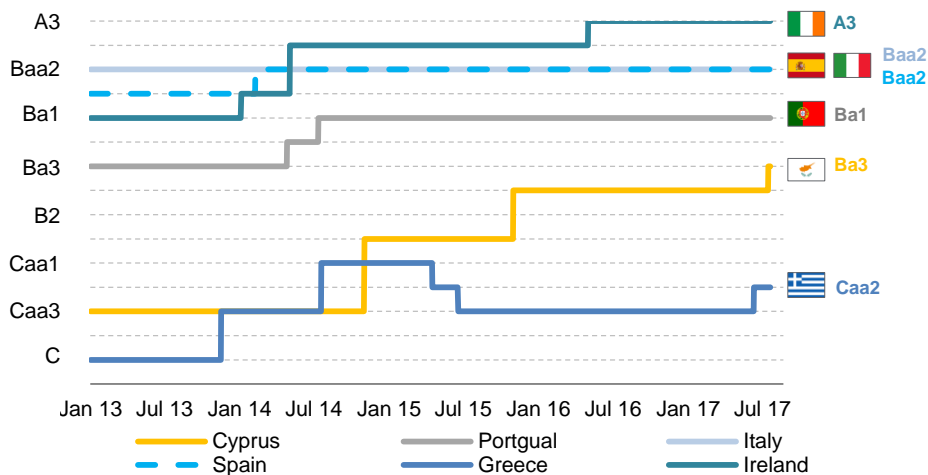
### Unemployment rate



— Unemployment rate (% of labour force)

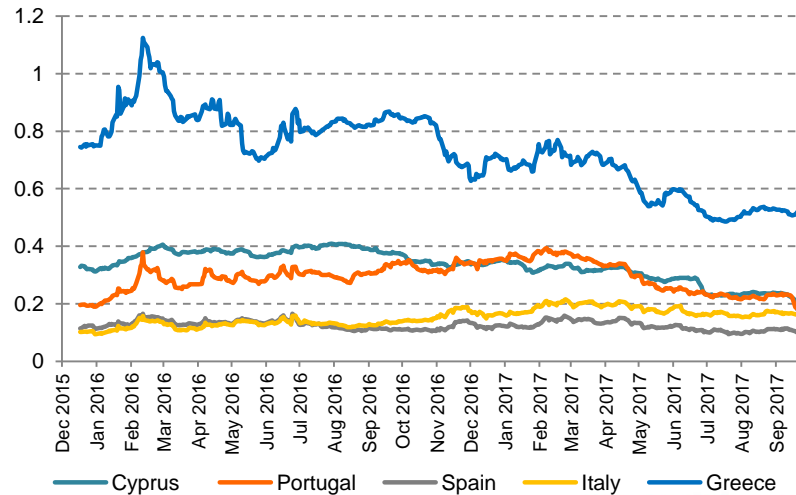
## Credit ratings improving faster than peers...

### Moody's credit ratings

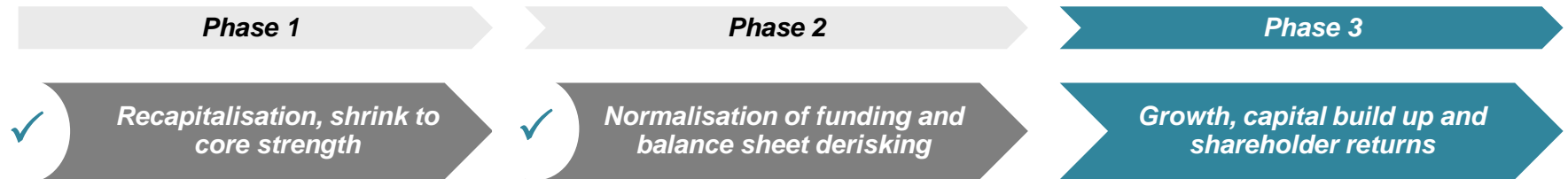


## ...reflected in reduced government bond yields

### Spreads (%)



# Strong delivery against objectives...



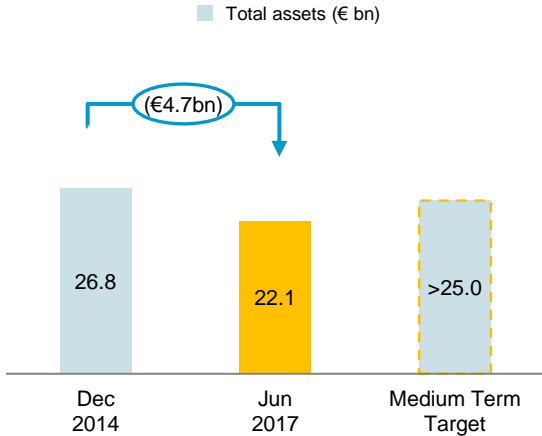
- Bail-in and acquisition of certain assets and liabilities of Laiki
- ✓ €1bn share capital increase
- ✓ Sale of non-core assets
- ✓ Integration of Laiki
- ✓ Relisting in Cyprus and Greece
- ✓ Restructuring and Recoveries Division (RRD) set up

- ✓ Real Estate Management Unit (REMU) set up in 2016
- ✓ Full ELA repayment
- ✓ Moved listing from ATHEX to LSE
- ✓ T2 issuance in Jan-17 – return to capital markets
- ✓ €5.2 bn NPE reduction since Dec 14, accounting for 29% of Cyprus' GDP

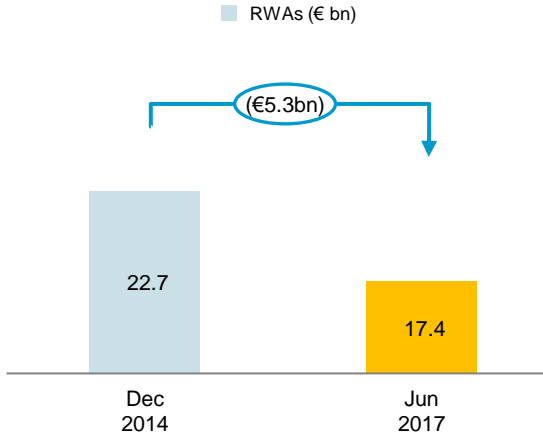
- Well positioned to capitalise on Cyprus growth
- Continued proactive management of NPE reduction
- New lending focused on core sectors of economy
- Provision coverage in line with EU peer
- Normalised CoR in 2018 to drive shareholders return
- Step-up to Premium LSE listing

# ...resulting in steady improvement on KPIs

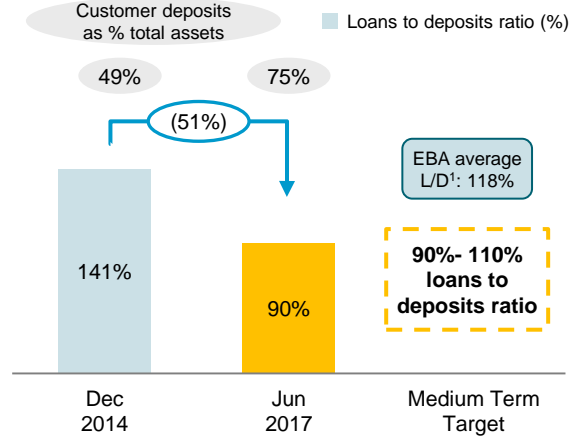
## c.€5 bn balance sheet deleveraging



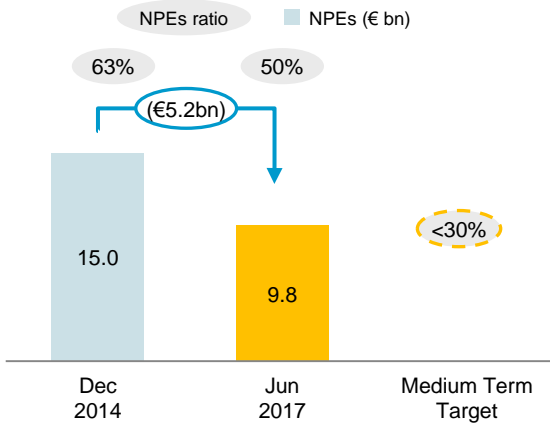
## > €5 bn reduction in RWAs



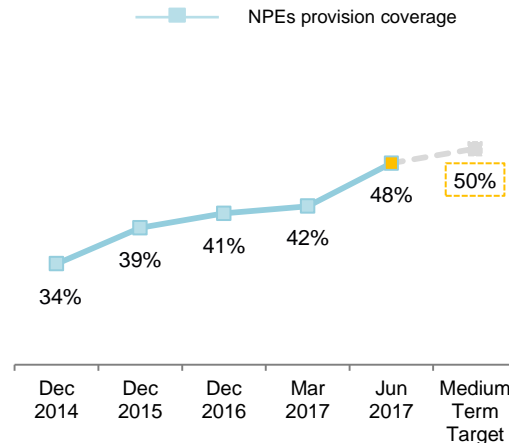
## Improving funding structure



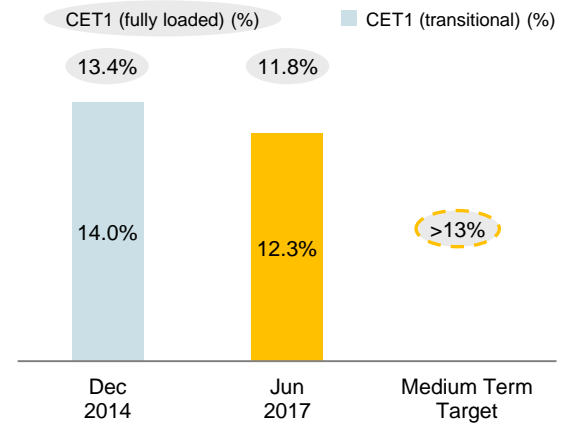
## €5.2 bn reduction in NPEs



## NPEs coverage approaching 50%



## Adequate capital post additional provisions



(1) Based on EBA Risk Dashboard Report, data as at 31 March 2017.

# Clear strategy with focus on core Cypriot bank and managing legacy portfolio

## Core bank

- Redeployment of B/S to core sectors of Cypriot economy and targeted lending in the UK

- Revenue diversification via increasing focus on IBS<sup>1</sup> and WM<sup>2</sup> fee income and insurance

- Tangible cost savings initiatives through a targeted cost reduction program

- Roll out of digital strategy

### New lending 1H2017

	€mn
Cyprus	845
UK	298

### Fee income / Total income

15%	17%	19%
2015	2016 <sup>4</sup>	1H17

- Distribution channel cost optimisation
- HR policies aimed at productivity enhancement

- Comprehensive digital transformation programme in collaboration with IBM

## Legacy NPE portfolio

- Further refining NPE management framework to maintain momentum in deleveraging plan

- Focus shifting towards SME and Retail portfolio workouts – DFAs<sup>3</sup>, write offs & foreclosures

- Specialist real estate unit - REMU

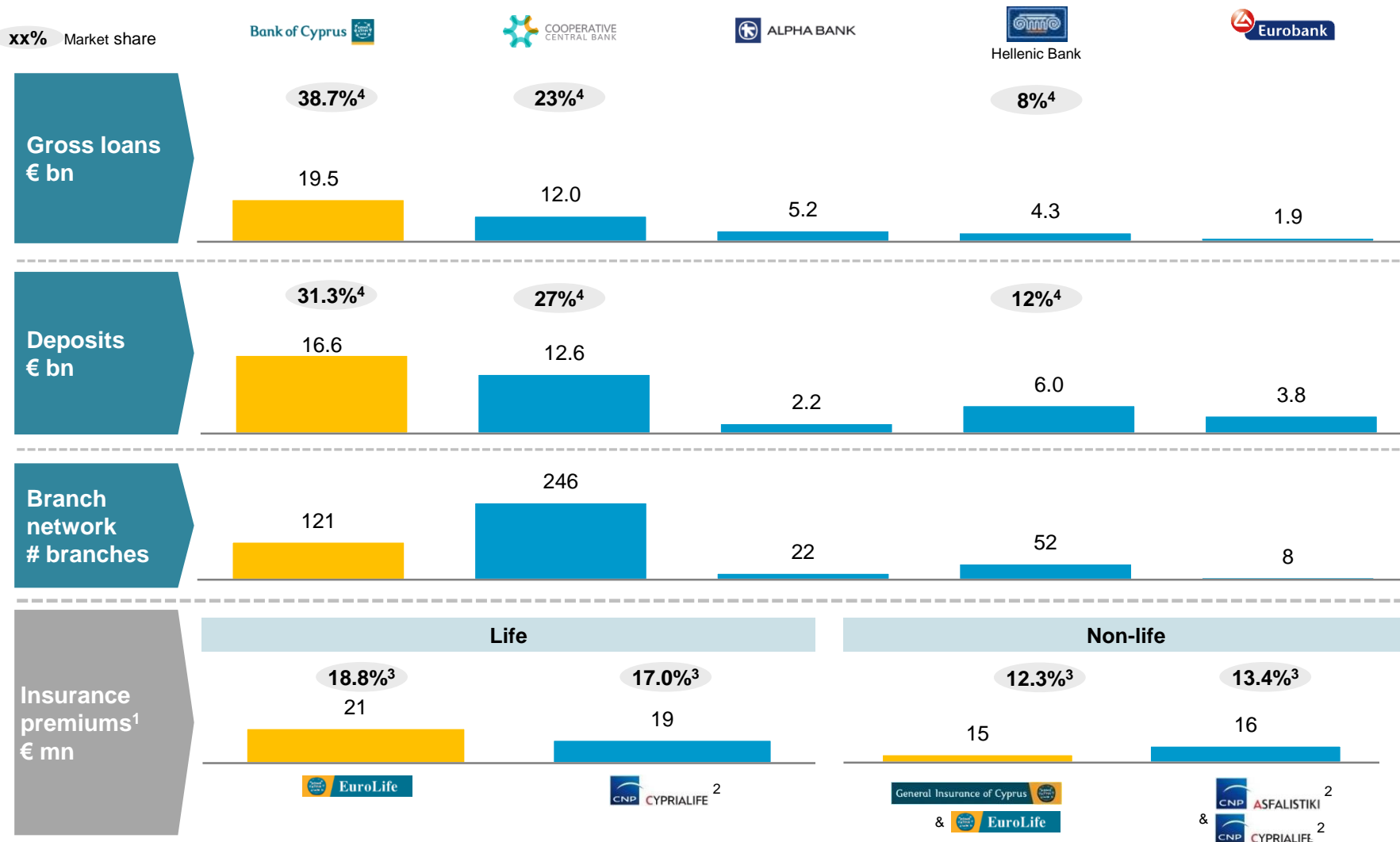
- 76% of restructured loans have no arrears

- Pre-approved restructuring solutions
- Low value high volume tickets

- Manages c.€1.5bn of property stock
- >€300mn sales at above book value

(1) International business service.  
 (2) Wealth management.  
 (3) Debt for Asset swaps.  
 (4) Excluding non recurring fees of approximately €7 mn

# Leading position in the Cypriot market...



Source: CBC, company disclosure as of 1H2017 for BOC, Alpha Bank and Eurobank, 1Q2017 for Hellenic Bank and FY2016 for Cooperative Central Bank

(1) 1Q2017 (provisional results).

(2) 49.9% owned by BOC.

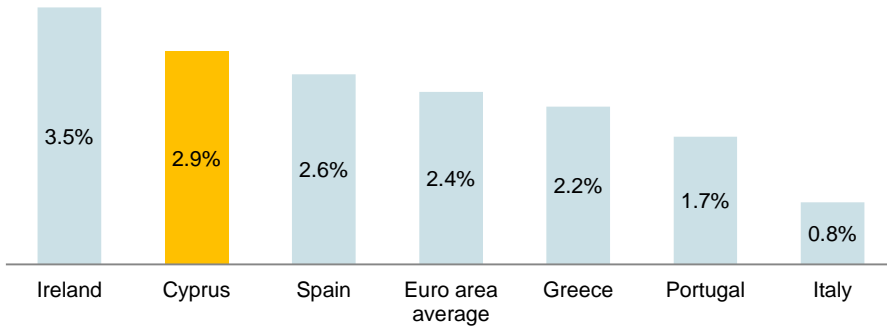
(3) Market shares for insurance premiums as at 31 March 2017 (on provisional results).

(4) As of June 2017 for BOC, March 2017 for Hellenic Bank and June 2016 for Cooperative Central Bank.

# ... with robust new lending supporting the Cypriot economy

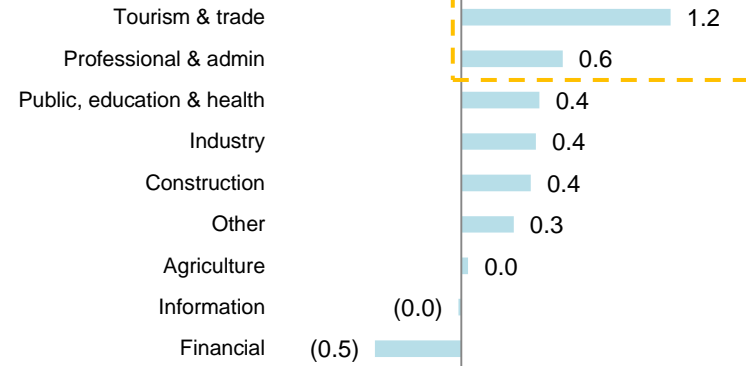
## Cyprus projected to grow faster than most countries in the region

Real GDP growth (%) – 2017E



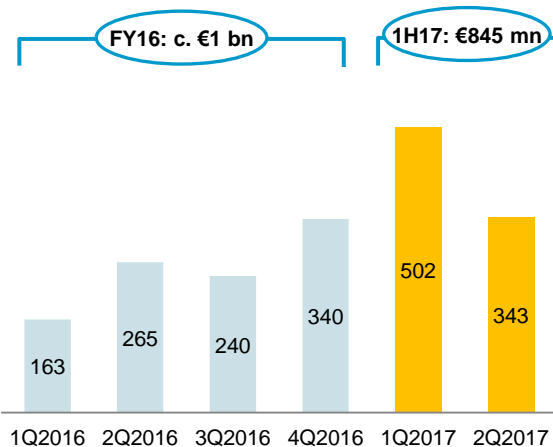
## Tourism & professional services core sectors

Contribution to 2016 Real GDP growth in p.p. (total 2,8%)

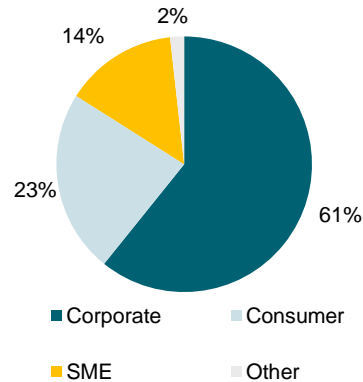


## New lending largely to corporates

New lending Cyprus (€ mn)

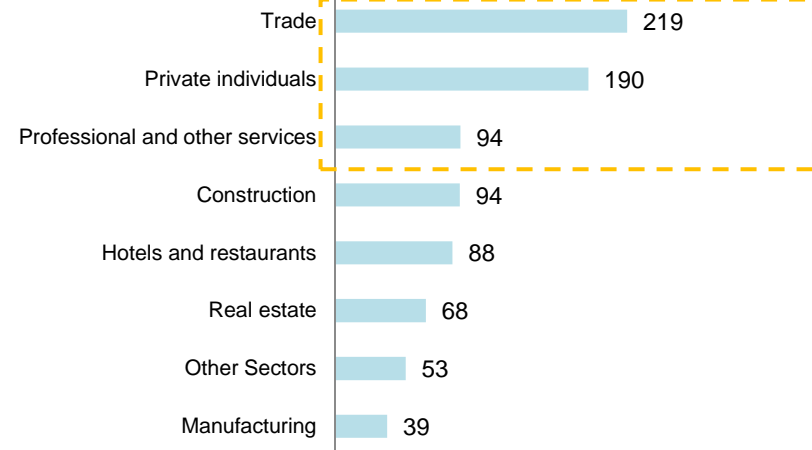


Composition of 1H2017 lending: €845 mn



## New lending maps core sectors driving GDP growth

New lending Cyprus (€ mn) – 1H2017





# Focus remains on asset quality improvement

€5.2bn NPE reduction

- 9 consecutive quarters of NPE reduction
- €5.2 bn or 35% reduction in NPEs since Dec 14; 29% of Cyprus GDP
- Multi-pronged strategy through curing, collections, write-offs and consensual foreclosures

€500mn Additional provisions in 1H2017

- Brings provisioning assumptions in line with regulatory expectations
- Concludes regulatory dialogue on coverage
- Helps Bank to return to a normal impairment path
- No recourse to shareholders

48% Improved coverage ratio

- To exceed 50% by year end
- Coverage now above EU average<sup>1</sup>
- Paves way for a potential 3<sup>rd</sup> party solution to address NPE stock

4.2% Cost of Risk (CoR)

- Elevated CoR of 4.2%<sup>2</sup> in 1H2017 driven by modifications to provisioning assumptions
- CoR expected to normalise going forward to ~100 bps
- Accelerates pathway to delivering returns to shareholders

IFRS 9 Effective from Jan 2018

- Post implementation coverage expected to improve to mid 50%
- Currently assessing and calibrating detailed impact
- Capital impact expected to be phased in over a 5 year period<sup>3</sup>

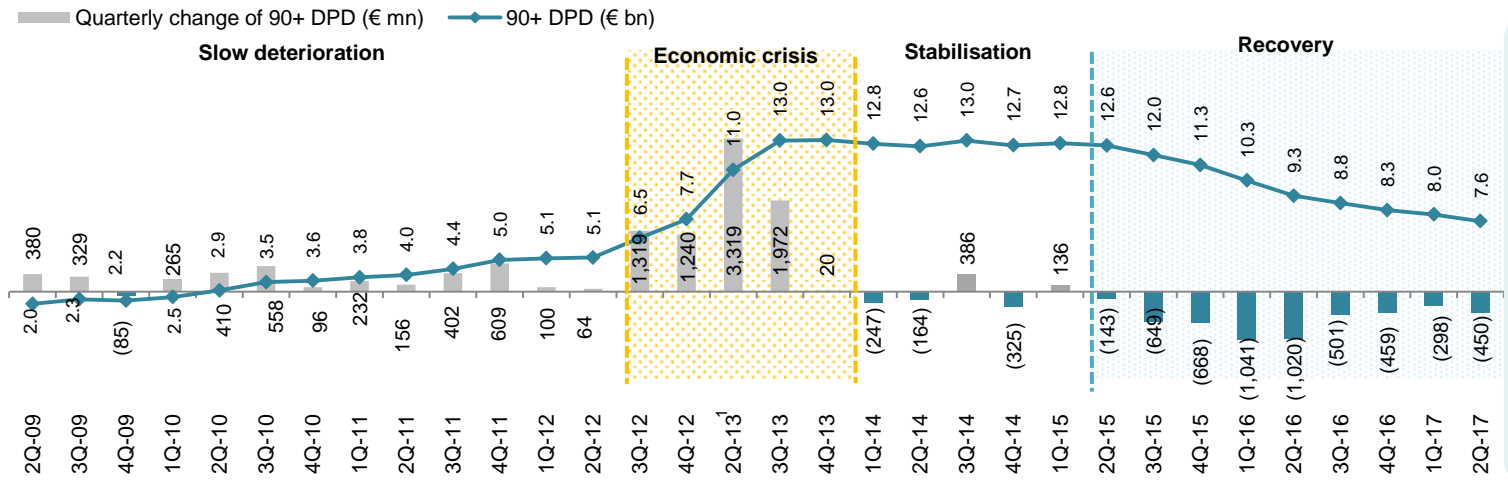
(1) Based on EBA Risk Dashboard as at 31 March 2017.

(2) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans. Additional provisions of c.€500 mn are included in the calculation of Cost of Risk but are not annualised. Including impairments of other financial instruments, the provisioning charge for 1H2017 was 4.3%.

(3) Expected to occur in line with the proposal of the Council of the European Union.

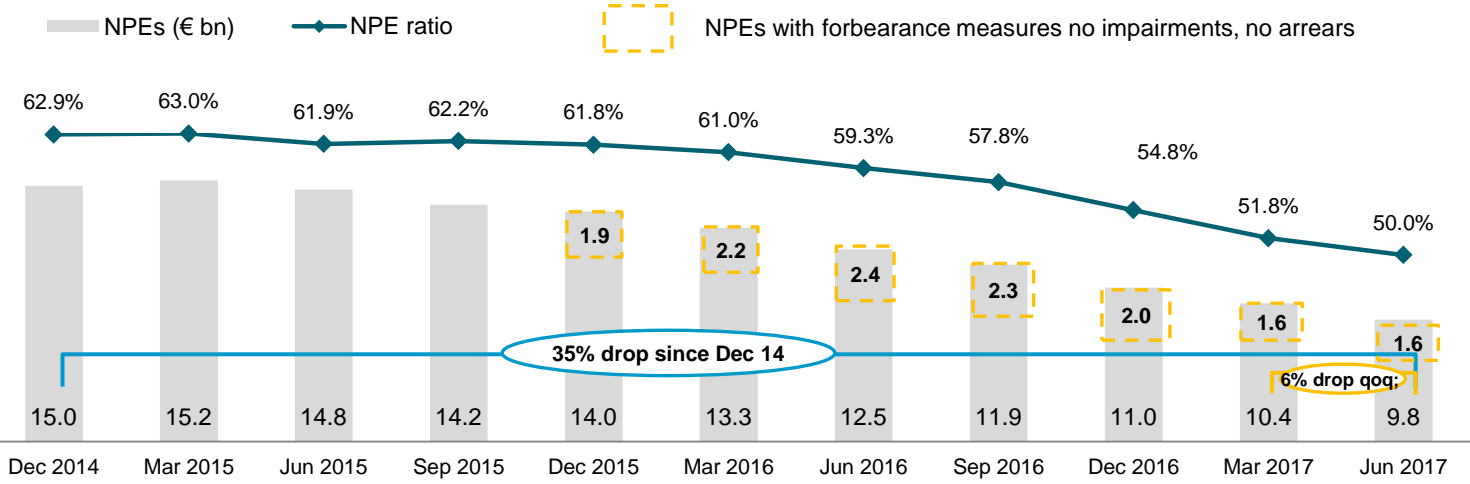
# Nine consecutive quarters of improving asset quality trends

## High correlation between formation of problem loans & economic cycle



- €748 mn (9%) drop in 90+DPD in 1H2017
- 90+ DPD reduced by €5.1 bn (40%) since Dec 2014

## NPEs down by €1.3 bn (12%) in 1H2017; down by €620 mn (6%) qoq;



- NPEs reduced by €5.2 bn (35%) since Dec 2014
- NPEs ratio reduced by 12.9 p.p<sup>2</sup> since Dec 2014

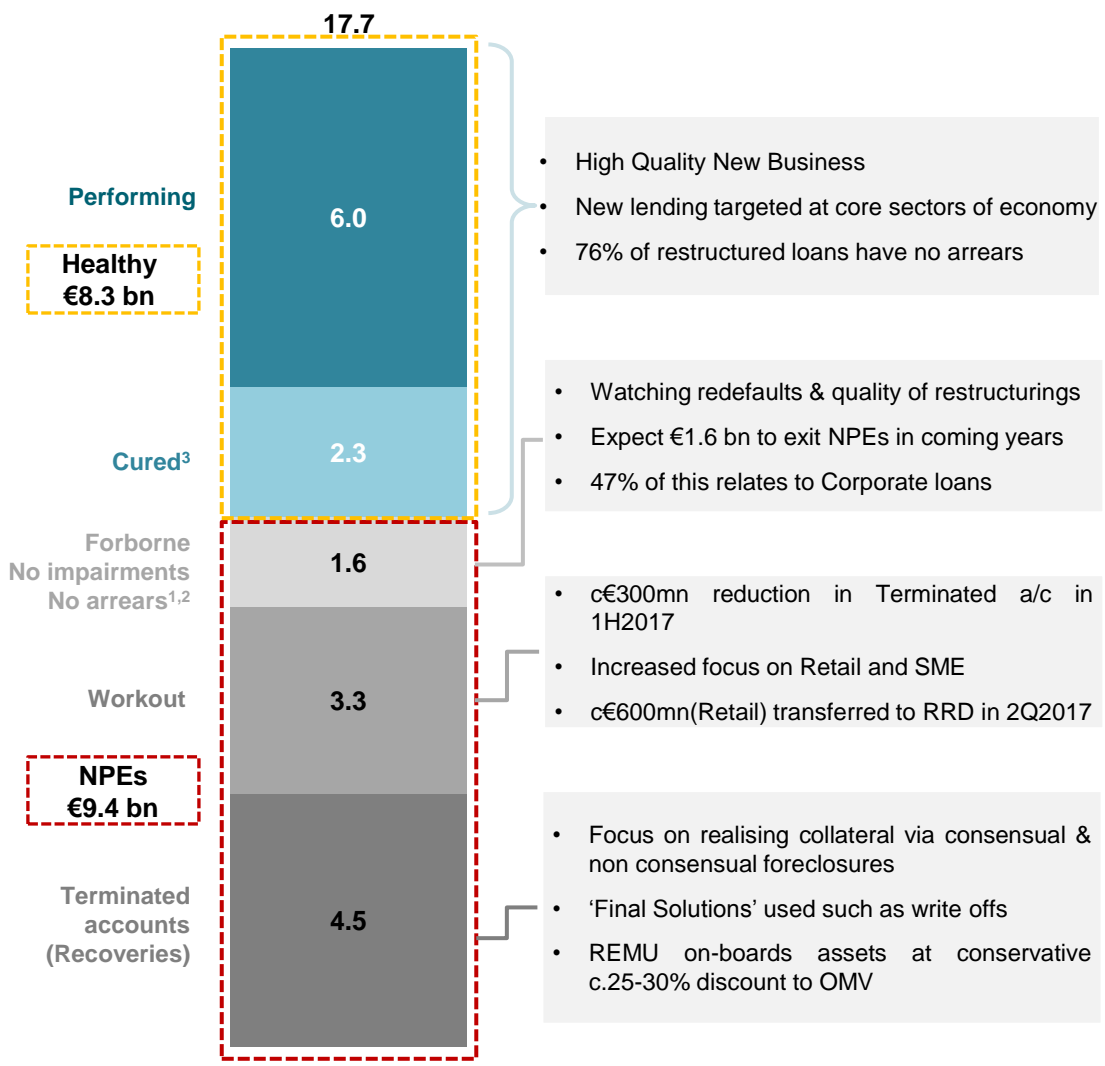
(1) Information for 1Q2013 and 2Q2013 is not available as it was not possible to publish the financial results for the three months ended 31 March 2013.  
 (2) Percentage points.

# Understanding loan portfolio

## Focus on quality new lending and Retail & SME NPEs

## Key strategic initiatives for further NPE reduction

Cy operations- Gross loans (€ bn)



- **Further refining NPE management framework** to maintain momentum in deleveraging plan
- **Close monitoring to ensure loans exit NPE status**

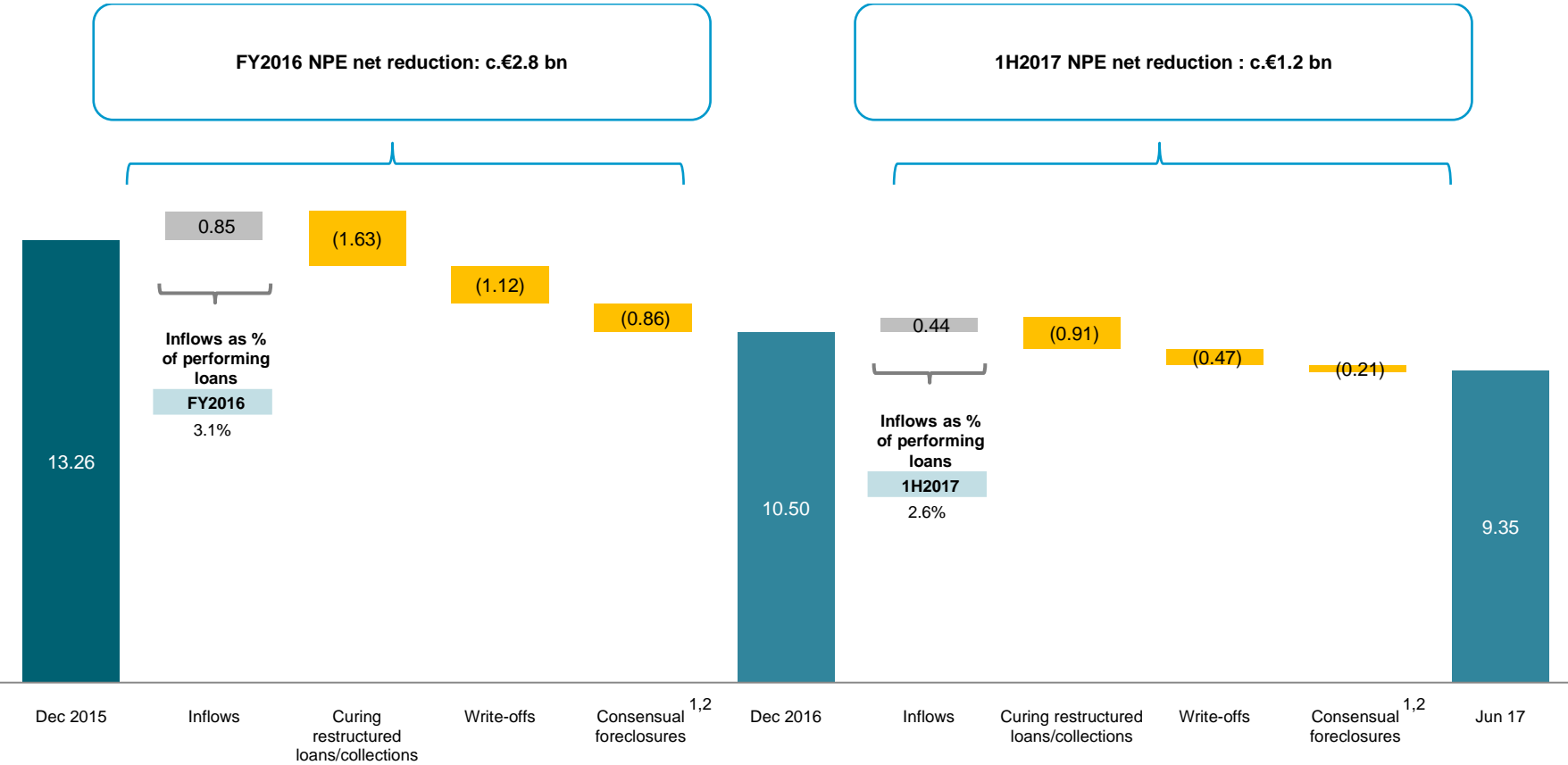
- Retail:**
- Moving NPEs to RRD, to deliver viable restructuring or termination
  - Execute longer term sustainable solutions
  - Flexible approach to manage specific segments including DFAs and write offs
  - Supportive underlying economic macro improvements

- Enhance Retail/SME:**
- Introduce pre-approved restructuring solutions
  - Address low value high volume tickets

- Foreclosures:**
- Focus on selling and realising foreclosed assets
  - Dedicated REMU division managing on boarded properties

(1) In pipeline to exit NPEs subject to meeting all exit criteria.  
 (2) Analysis based on account basis.  
 (3) Includes €0.7 bn of restructurings of performing loans.

# NPE reduction aided by curing of restructured loans; NPE inflows stabilise

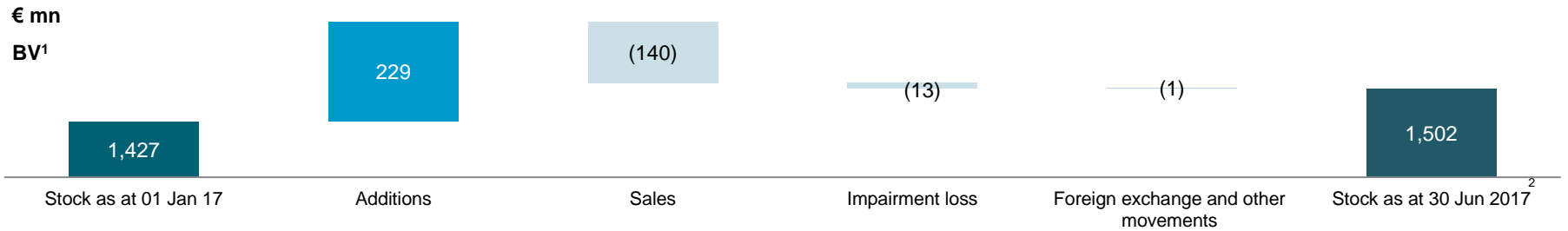


(1) Value of on-boarded assets is set at a conservative 25%-30% discount from open market valuations, by two independent sources.

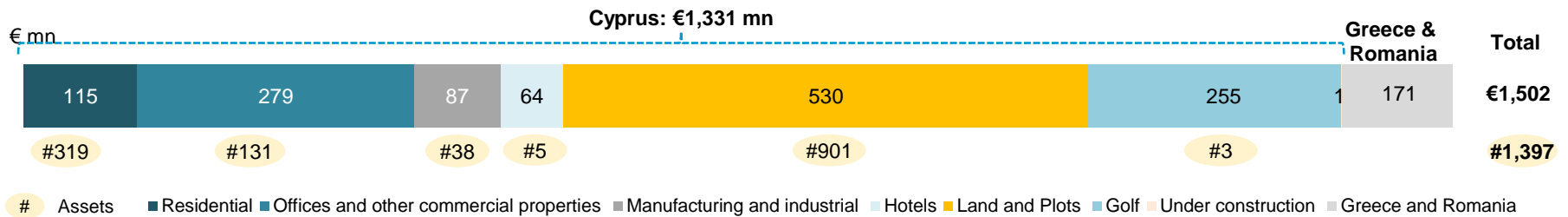
(2) Includes debt for asset swaps and debt for equity swap.

# REMU – the engine for dealing with foreclosed assets (1/2)

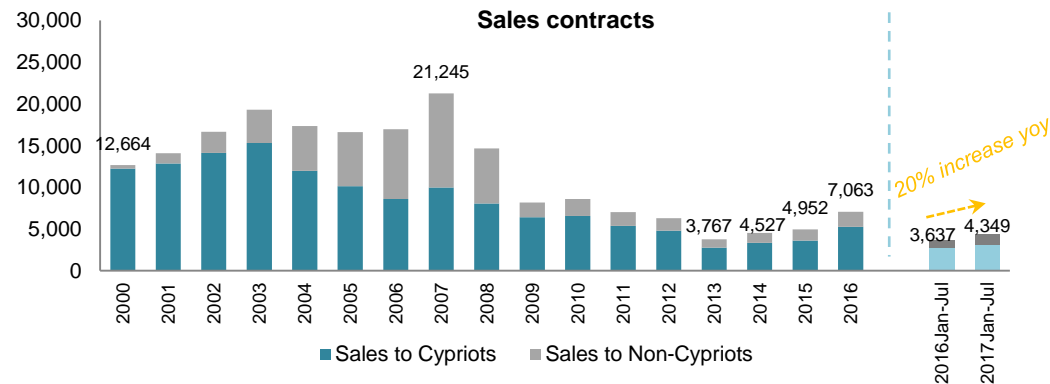
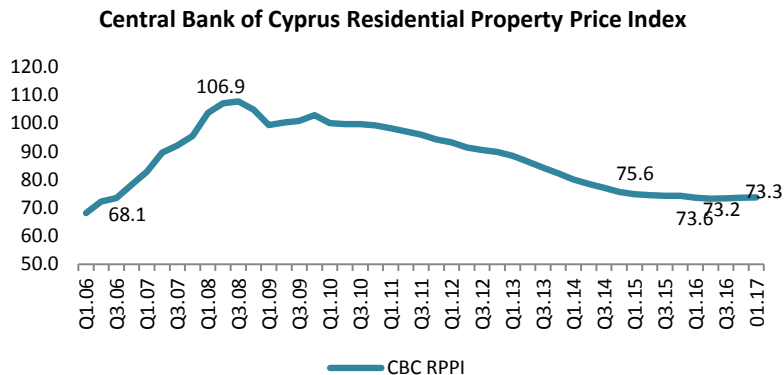
## 1 Property stock – not substantially growing (Group)



## 2 Property stock split – on boarded at conservative carrying value<sup>3</sup>



## 3 Encouraging trends in Real Estate Market



SOURCE: Central Bank of Cyprus, Cyprus Land Registry

(1) BV= book value = Carrying value prior to the sale of property.

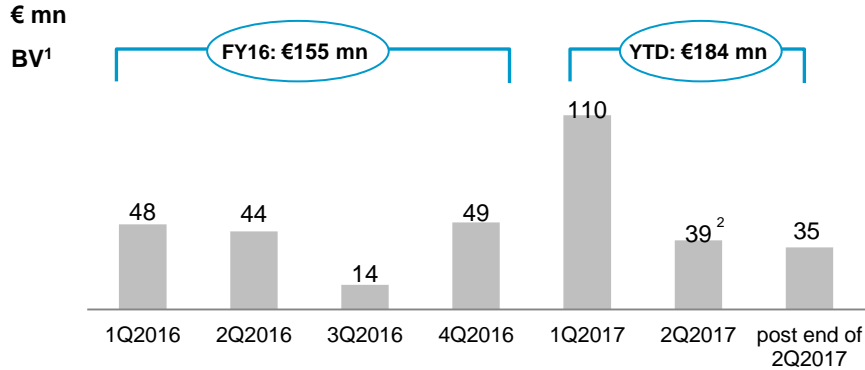
(2) Total stock as at 30 June 2017 excludes investment properties and investment properties held for sale.

(3) As of 1H2017.

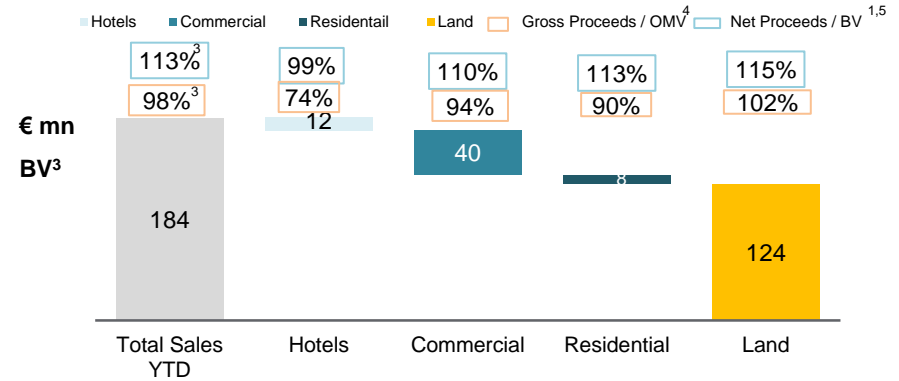
# REMU – the engine for dealing with foreclosed assets (2/2)

€248 mn sales agreed YTD; REMU profit of €12 mn in 1H2017

## 4 Sales > €300 mn achieved since REMU established (Cy)

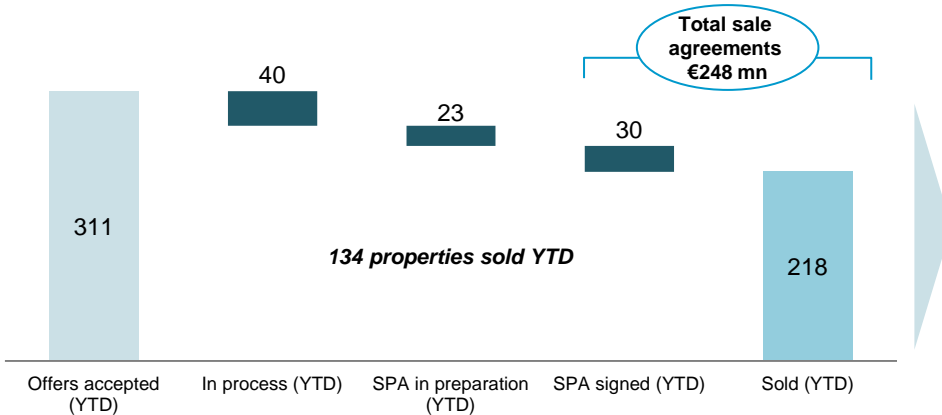


## 5 Prices achieved on average above Book Value (Cy)

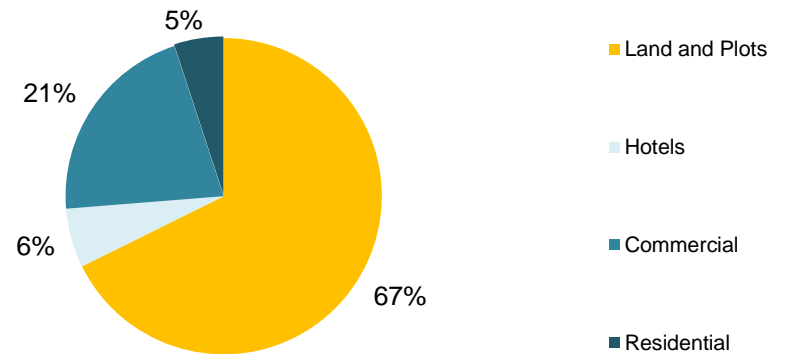


## 6 Year to date sale agreements of €248 mn<sup>3,5</sup> (Cy)

### Sales contract prices<sup>6</sup> (€ mn)



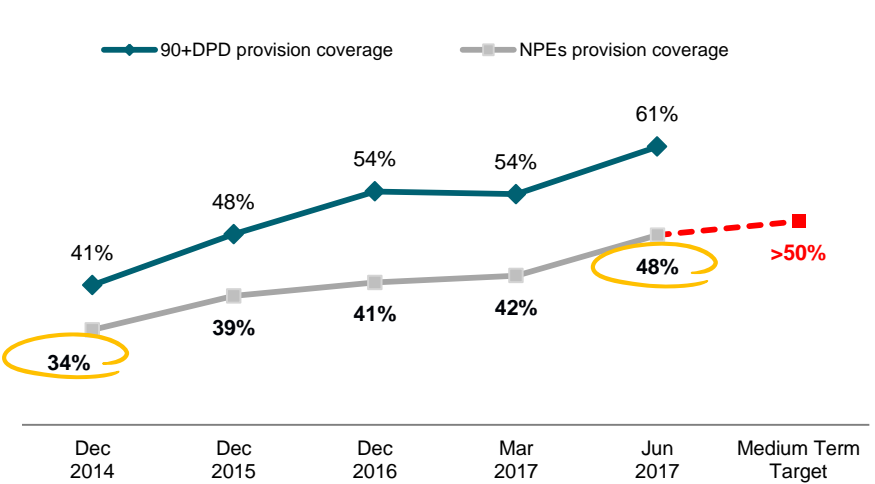
### Sale of properties by type YTD (%)



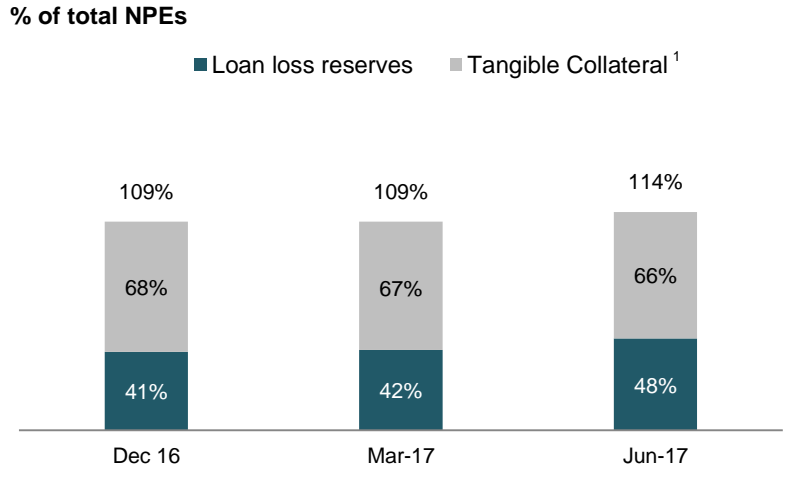
(1) BV= book value = Carrying value prior to the sale of property.  
 (2) 2Q2017 sales include a disposal of a property (€10 mn) which was classified in investment properties held for disposal.  
 (3) Positively affected by 2 major sales. Adjusting for these two sales Gross Proceeds/OMV at 95% and Net Proceeds/BV at 98%.  
 (4) Proceeds before selling charge and other leakages.  
 (5) Proceeds after selling charges and other leakages.  
 (6) Amounts as per SPAs.

# Coverage ratio improvement facilitating significant B/S derisking

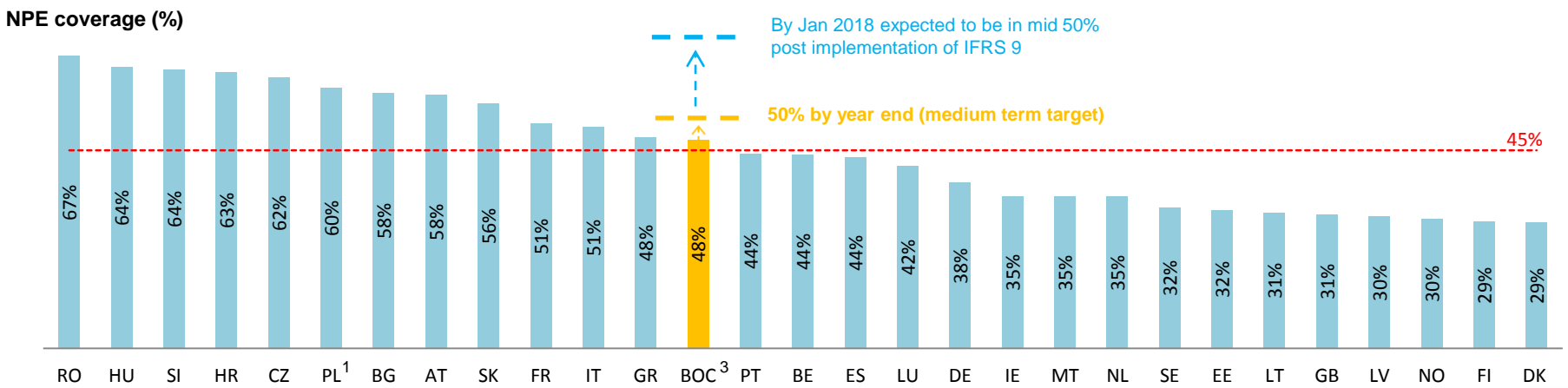
## On course to achieving medium term target of 50%



## Comfortably covered (over 100%) including collateral



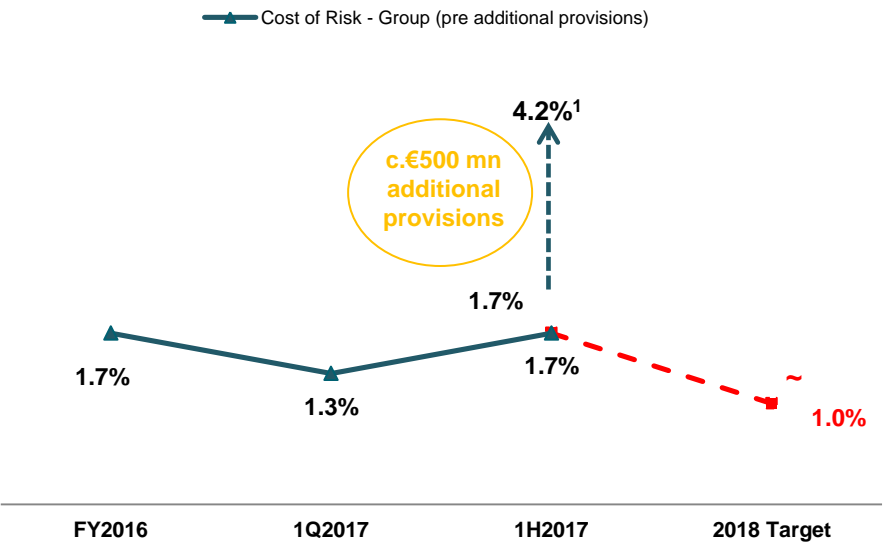
## BOC coverage in line with EU peer<sup>2</sup>



(1) Restricted to Gross IFRS balance.  
 (2) Based on EBA Risk Dashboard as at 31 March 2017.  
 (3) Provision Coverage for BOC relates to NPEs provision coverage as at 30 June 2017.

# Normalisation of CoR to help deliver shareholder returns

## CoR at 4.2% following modifications to provisioning assumptions



## Back-testing of provisions supports past provision adequacy

Quarter	Gross Contractual Balance € mn	Surplus/(Gap) in provisions € mn	No. of Customers
1Q2015	6.0	1.4	148
2Q2015	79.2	16.0	242
3Q2015	20.2	0.0	441
4Q2015	65.7	-2.1	551
1Q2016	158.3	0.5	1,276
2Q2016	266.9	12.1	2,298
3Q2016	124.5	13.9	115
4Q2016	71.9	-1.1	2,343
1Q2017	119.2	1.1	2,194
2Q2017	200.9	7.5	2,369
<b>Total</b>	<b>1,112.8</b>	<b>49.4</b>	<b>11,977</b>

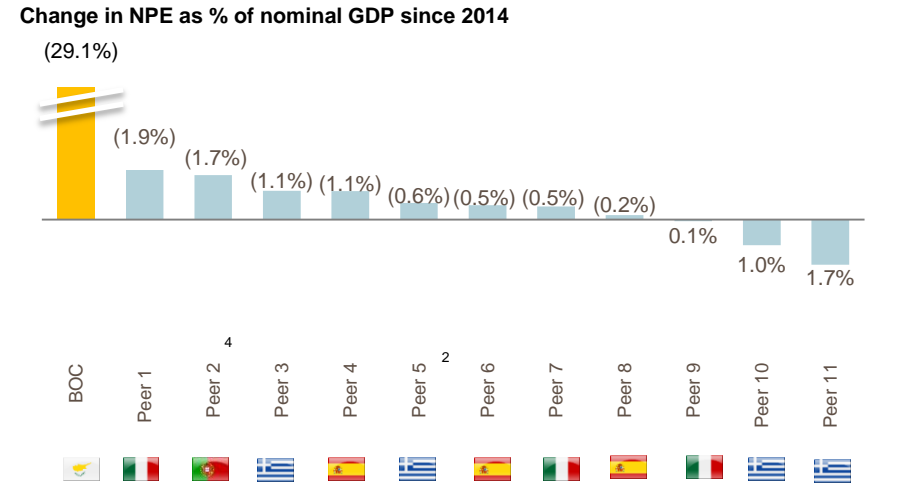
- Changes in collective provisioning assumptions:
  - Recovery period increased for non-recoveries to 6 years (from average 3 years)
  - Average Haircut increased to 32% (from average 9%)
- Comfort around adequacy of existing provisioning levels; CoR expected at 100 bps going forward
- Back-testing of 12k fully settled customer exposures since 1Q2015 indicates resolution of cases within existing provisions
- Visibility around delivery of shareholder returns with normalisation of CoR

(1) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans. Additional provisions of c.€500 mn are included in the calculation of Cost of Risk but are not annualised. Including impairments of other financial instruments, the provisioning charge for 1H2017 was 4.3%.

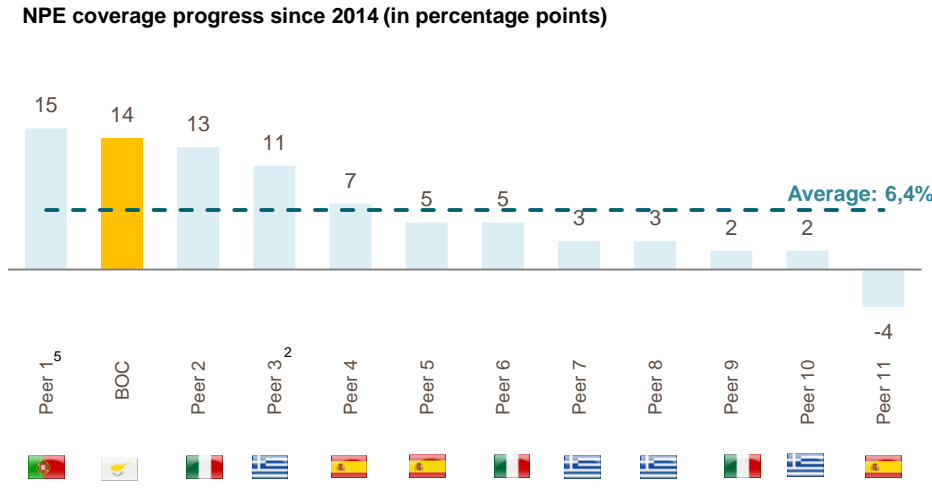


# Asset quality improvement compares favourably vs peer<sup>1</sup>

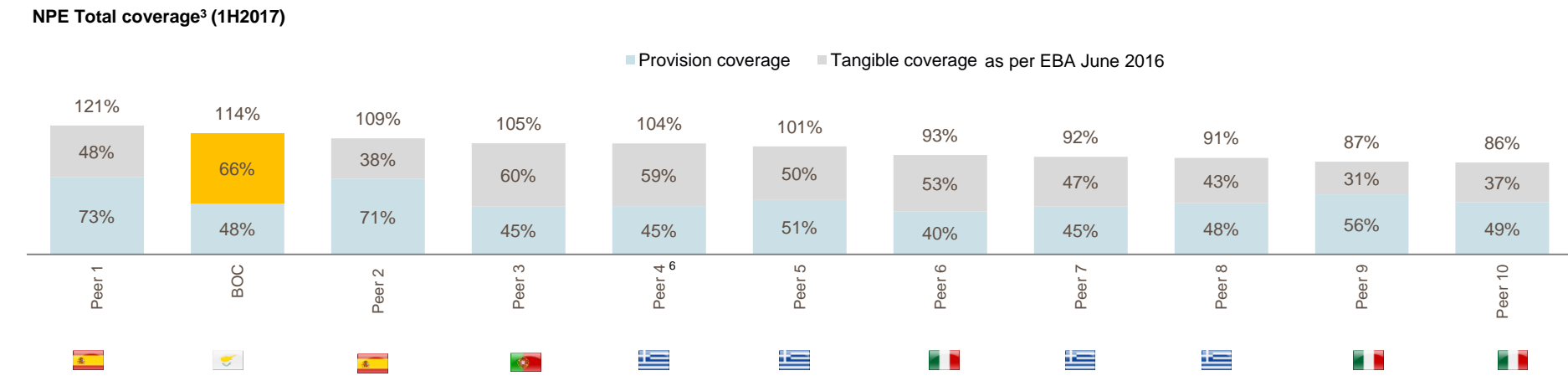
## Highest reduction of NPEs as % of 2017 GDP vs peer



## Strong progress on NPE coverage



## Highly secured NPE book when considering tangible collateral relative to peers



Source: Company reports, IMF and EBA

(1) The charts are not adjusted for market share.

(2) Greece only.

(3) Calculated using NPE provisions coverage - latest available – 2Q2017 and collateral coverage as of June 2016 as per EBA transparency exercise except BOC which is as disclosed in 1H2017 results.

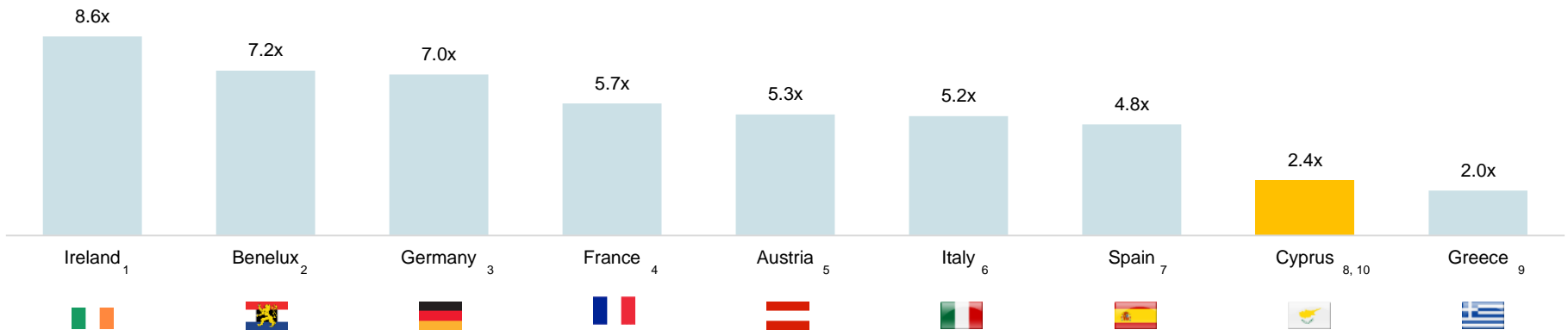
(4) Portugal only.

(5) Total coverage ratio progress.

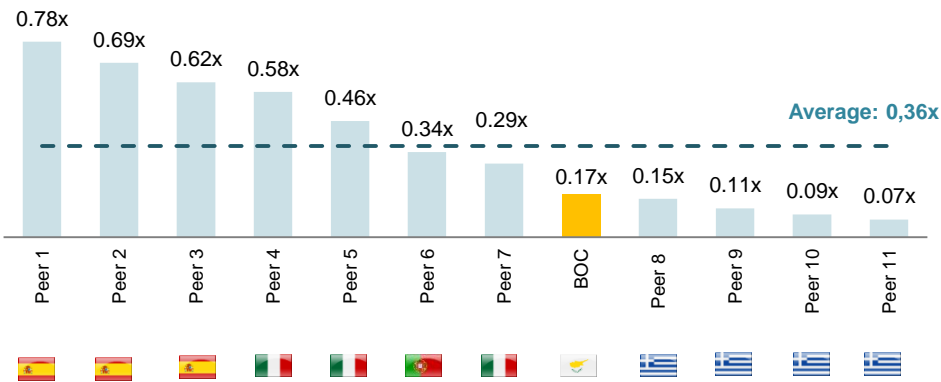
(6) Indicative as total coverage available as of 2Q2017, back solved using EBA tangible coverage as at June 2016 of 60%.

# Undervalued relative to peer and fall in Texas ratio adjusted collaterals

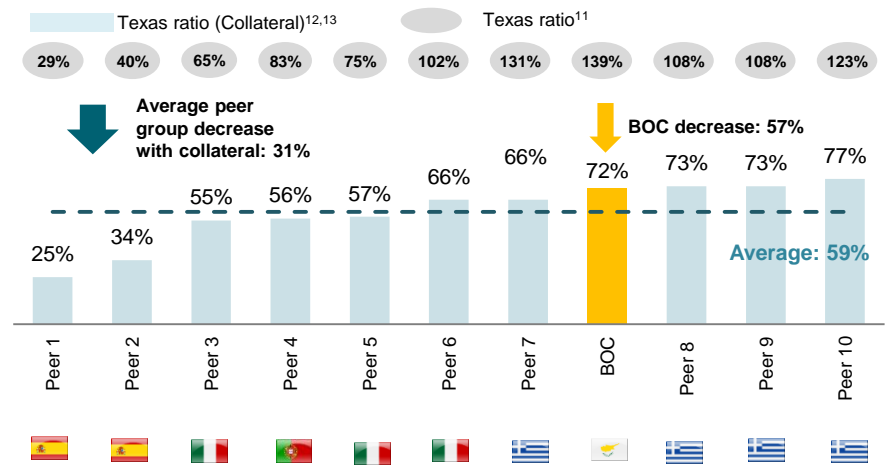
## Price/Pre Provision Operating Profitability (2017E) valuation relative to European peers



## Valuation benchmark on a P/(Equity + Acc. Provisions) basis;



## Significant fall in Texas ratio including collaterals



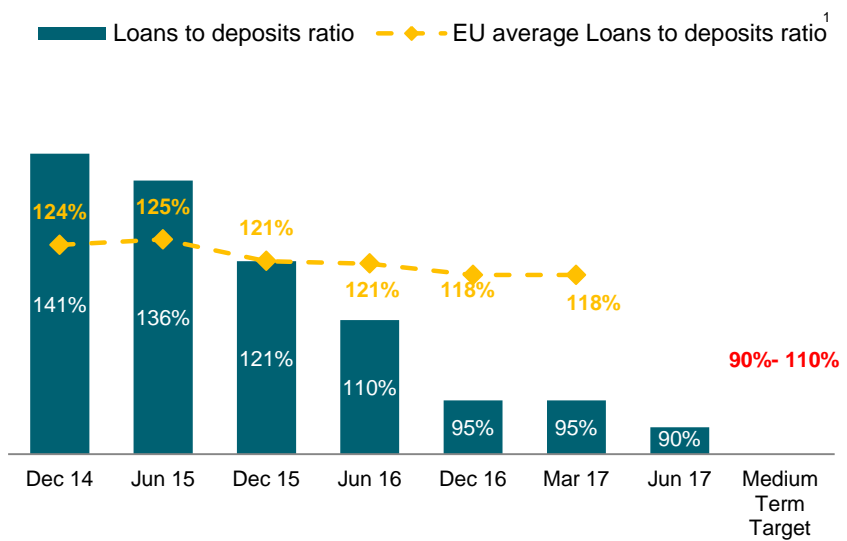
Source: Company reports as of 1H2017, Factset as at 15 September 2017

- (1) Representative Irish banks include: AIB and Bol.
- (2) Representative Benelux banks include: ING, ABN Amro and KBC.
- (3) Representative German banks include: DB and Commerzbank.
- (4) Representative French banks include: SocGen, BNPP and Credit Agricole.
- (5) Representative Austrian banks include: Erste and Raiffeisen.
- (6) Representative Italian banks include: UniCredit, ISP and UBI.
- (7) Representative Spanish banks include: Santander, Caixa Bank and BBVA.
- (8) Representative Cypriot banks include: BOC.
- (9) Representative Greek banks include: Eurobank, Alpha Bank, Piraeus Bank and NBG.

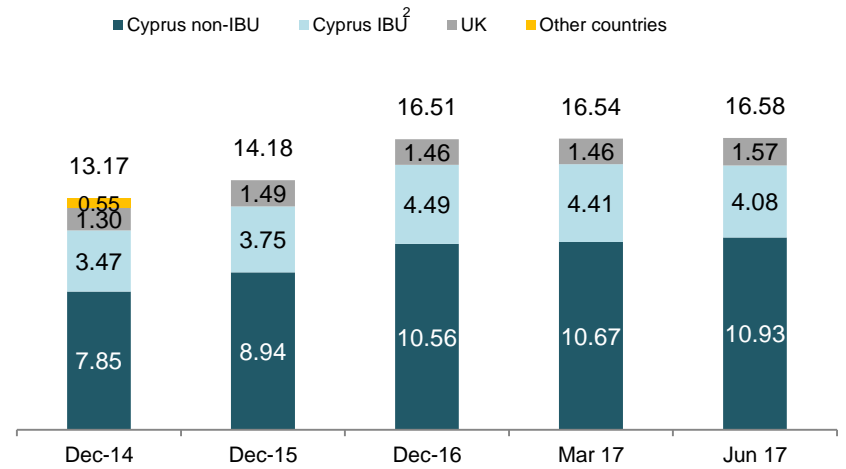
- (10) Pre-provisions profit for 2017E based on annualisation of 1H2017 number.
- (11) Texas ratio is calculated as NPEs / (Tangible book value + Loan loss reserves).
- (12) Texas ratio (Collateral) is calculated as NPEs / (Tangible book value + Loan loss reserves including collateral). Bankia does not report total collateral. Bankia excluded as collateral not reported.
- (13) Calculated using NPE provisions coverage - latest available – Q2 2017 and collateral coverage as of June 2016 as per EBA transparency exercise except BOC which is as disclosed in 1H2017 results.

# Strong and stable funding position

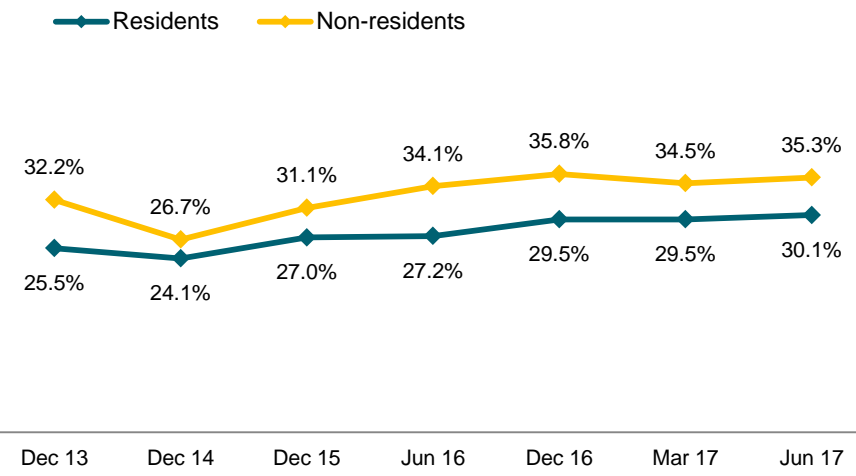
## Maintaining stable deposit balances and loan to deposit ratio



## Group Deposits € bn



## Strong market shares in resident and non-resident deposits

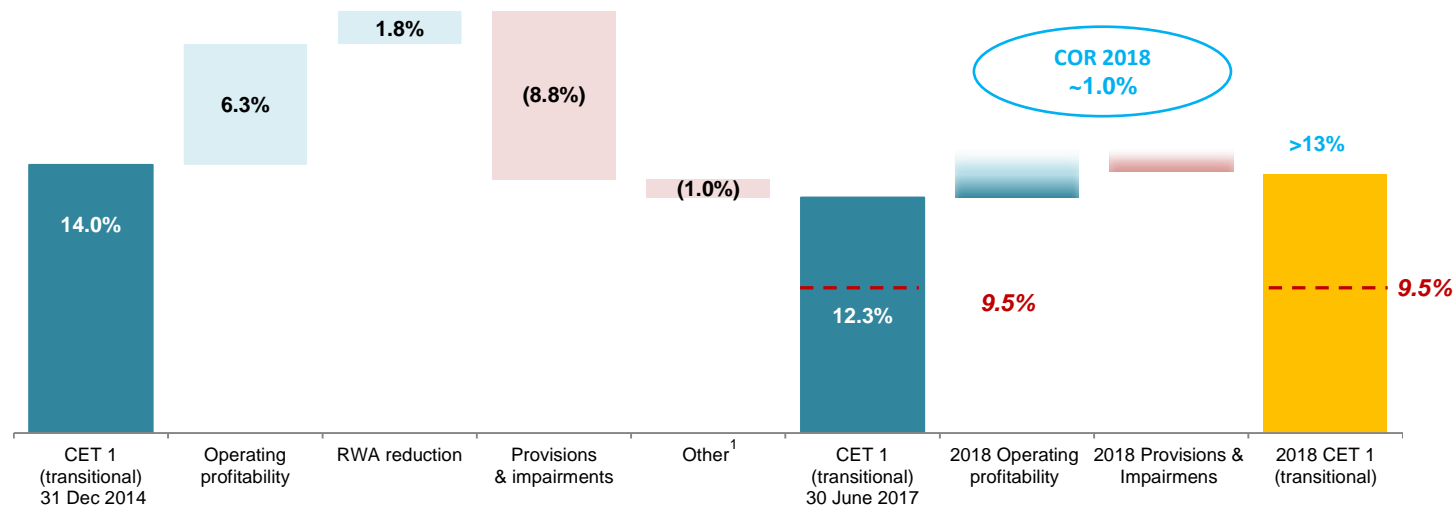


- Focus on deposit mix/cost optimisation
- LCR (Liquidity Coverage Ratio) compliance
- NSFR (Net stable Funding Ratio) compliance at 102%, ahead of introduction in Jan 2018 (min. 100%)
- Not compliance with local CBC liquidity ratios that are expected to be phased out

(1) Based on EBA Risk Dashboard Report, Data as at 31 March 2017.  
 (2) International Business Unit.

# Capital ratios remain adequate

## Organic capital rebuild through operating profitability and b/s management

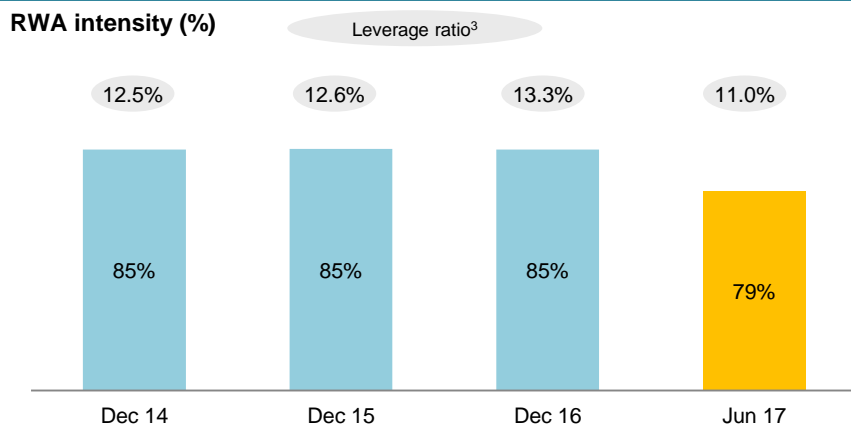


### Drivers of future capital strengthening

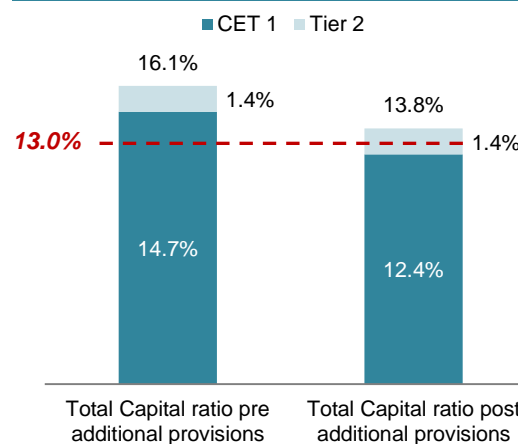
- Contain CoR
- Reduction of RWA intensity as asset quality improves
- Stable operating profitability

--- Min SREP requirement

## RWA intensity<sup>2</sup> reducing as asset quality improves



## Rebuild capital position through regained market access



- Potential issuance of up to 1.5% of AT1 and/or additional Tier 2 in the next 12 months, subject to market conditions

--- Min SREP requirement

(1) Capital deductions, phase-in adjustments & reserve movements.  
 (2) Risk Weighted Assets over Total Assets.  
 (3) Tangible equity / total assets.

# Good Progress made on Group KPIs

Type	Key performance indicators	Dec-2016	Jun-2017	Medium Term Targets	Preliminary 2018 Guidance <sup>6</sup>
Asset quality	90+ DPD ratio	41%	39%	<20%	<30%
	NPEs ratio	55%	50%	<30%	<40%
	NPEs coverage	41%	48%	>50%	Substantially delivered. Expected to increase to mid-50% by Jan 2018
	Provisioning charge <sup>1</sup>	1.7%	4.2% <sup>2</sup>	<1.0%	~1.0%
Funding	Net Loans % Deposits	95%	90%	90%-110%	<100%
Capital	CET1	14.5%	12.3%	>13% <sup>5</sup>	>13% <sup>5</sup>
	Total capital ratio	14.6%	13.8%	>15% <sup>5</sup>	>15% <sup>5</sup>
Margins and efficiency	Net interest margin	3.5%	3.4%	~3.00%	Downward pressure due to low interest rate environment and L/D dynamics
	Fee and commission income/total income	17% <sup>3</sup>	19%	>20%	Delivered but efforts for further improvement continuing
	Cost to income ratio	41% <sup>4</sup>	46% <sup>4</sup>	40%-45%	Falling revenue puts pressure on C/I
Balance Sheet	Total assets	€22.2 bn	€22.1 bn	>€25 bn	Total assets to reach c.€24 bn by Dec 2018
EPS	EPS (€ cent)	0.71	(124.19)		~€0.40 <sup>6</sup>

(1) Provisions for impairment of customer loans and gains /(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans.

(2) Including impairments of other financial instruments, the provisioning charge for 1H2017 was 4.3%. Additional provisions of c.€500 mn are included in Cost of Risk but are not annualised.

(3) Excluding non-recurring fees of approximately €7 mn.

(4) Adjusted for the special levy, the cost to income ratio for 1H2017 was 42% compared to 39% for FY2016.

(5) On an IFRS 9 phased-in basis (pre the Proposal of the Council of the European Union).

(6) Excluding the impact of any unplanned or unforeseen risk reduction trades or macro events.

# Key Takeaways

## NPEs

- Good progress on NPE reduction
- Coverage at 48%; to exceed 50% by year end
- The Bank no longer an outlier in terms of coverage vs. EU average<sup>1</sup>
- Additional provisions of c.€500 mn concludes the dialogue with the ECB on coverage

## Capital

- CET1 at 12.3% and 11.8% on a fully loaded basis
- Total Capital ratio at 13.8%
- Additional provisions of c.€500 mn taken without recourse to shareholders

## Funding

- Loan book is now fully funded, currently at 90% loans to deposit ratio
- Compliance with LCR & NSFR liquidity requirements<sup>2</sup>

## Profitability

- Robust new lending, supporting the Cypriot economy
- NIM of 3.37%; Cost/Income ratio of 42%<sup>3</sup>

## 2018 outlook

- EPS of c.€0.40
- More normal credit cost (~100 bps in 2018)
- CET 1 >13% and Total capital ratio >15%
- No equity dividend foreseen in 2018
- Potential AT1 issuance

(1) Based on EBA Risk Dashboard as at 31 March 2017.  
(2) Compliance with ECB requirements. Not compliant with Central Bank of Cyprus requirements.  
(3) Adjusted for the special levy and SRF contribution.

# Key Information and Contact Details

## **Credit Ratings:**

### **Fitch Ratings:**

Long-term Issuer Default Rating: Affirmed to “B-” on 13 April 2017 (stable outlook)

Short-term Issuer Default Rating: Affirmed to “B” on 13 April 2017

Viability Rating: Affirmed to “b-” on 13 April 2017

### **Moody’s Investors Service:**

Baseline Credit Assessment: Upgraded to caa1 on 29 June 2017

Short-term deposit rating: Affirmed at "Not Prime" on 29 June 2017

Long-term deposit rating: Upgraded to Caa1 on 29 June 2017(positive outlook)

Counterparty Risk Assessment: Assigned at B1(cr) / Not-Prime (cr) on 29 June 2017

## **Listing:**

LSE – BOCH, CSE – BOCH/TPKH, ISIN IE00BD5B1Y92

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## **Contacts**

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Styliani Nicolaou ([styliani.nicolaou@bankofcyprus.com](mailto:styliani.nicolaou@bankofcyprus.com)) Andri Rousou ([andri.rousou@bankofcyprus.com](mailto:andri.rousou@bankofcyprus.com))

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**Visit our website at: [www.bankofcyprus.com](http://www.bankofcyprus.com)**

# Supporting materials

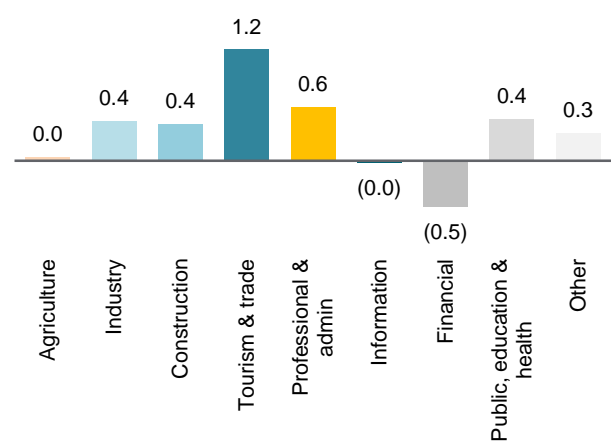
## Macroeconomic overview



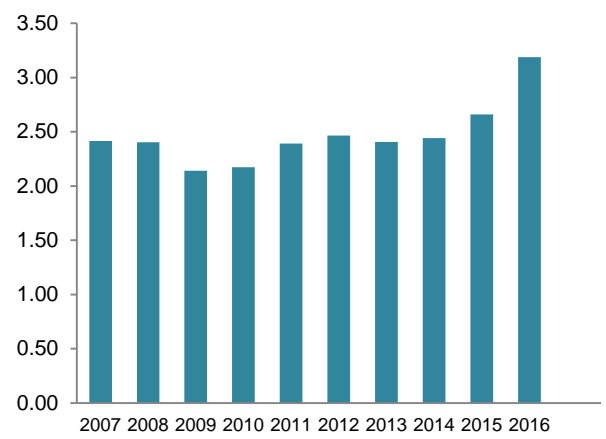
# Improving macro fundamentals

## Tourism and professional services are the leading contributors

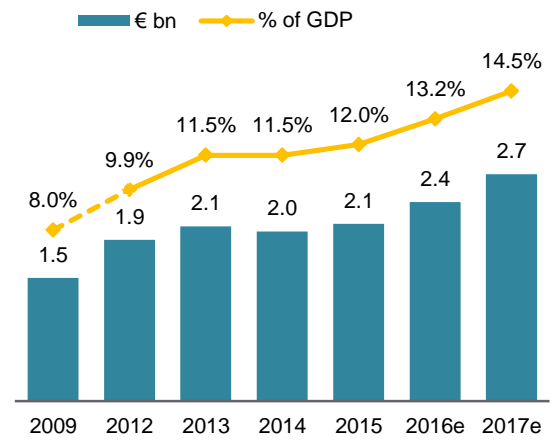
Contribution to 2016 Real GDP growth in percentage points (total 2,8%)



## Tourism arrivals (mn)

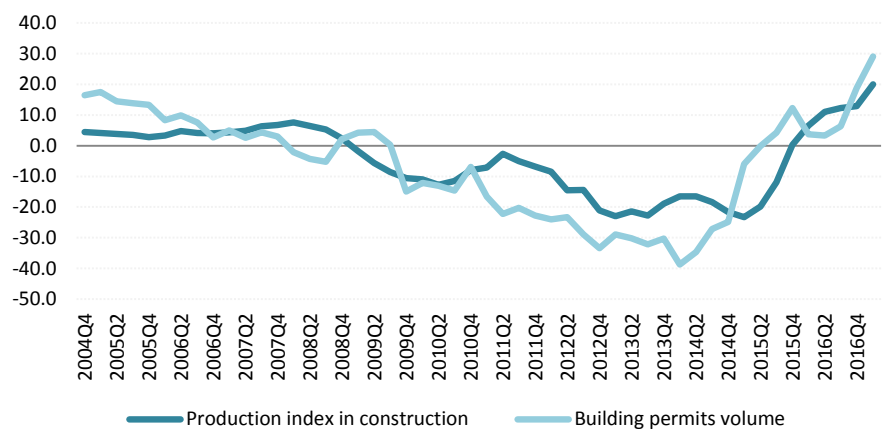


## Tourism Revenues



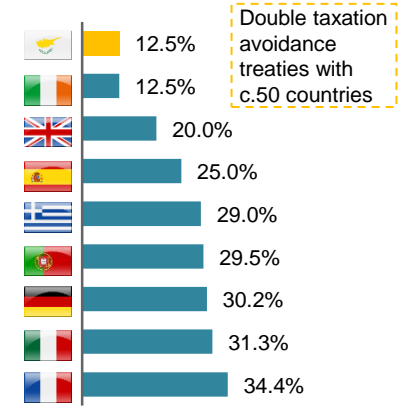
## Construction activity - signs of recovery

% changes year-on-year of yearly moving averages

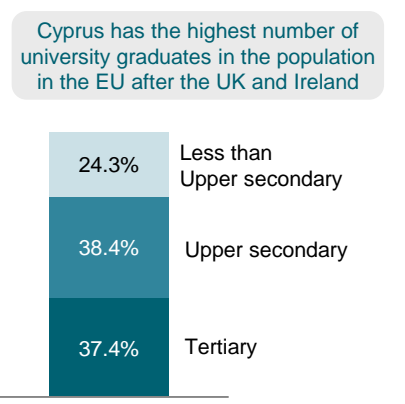


## Support from key business enablers

Corporate tax rate (2016)



Level of education 2016, age 15-64<sup>1</sup>



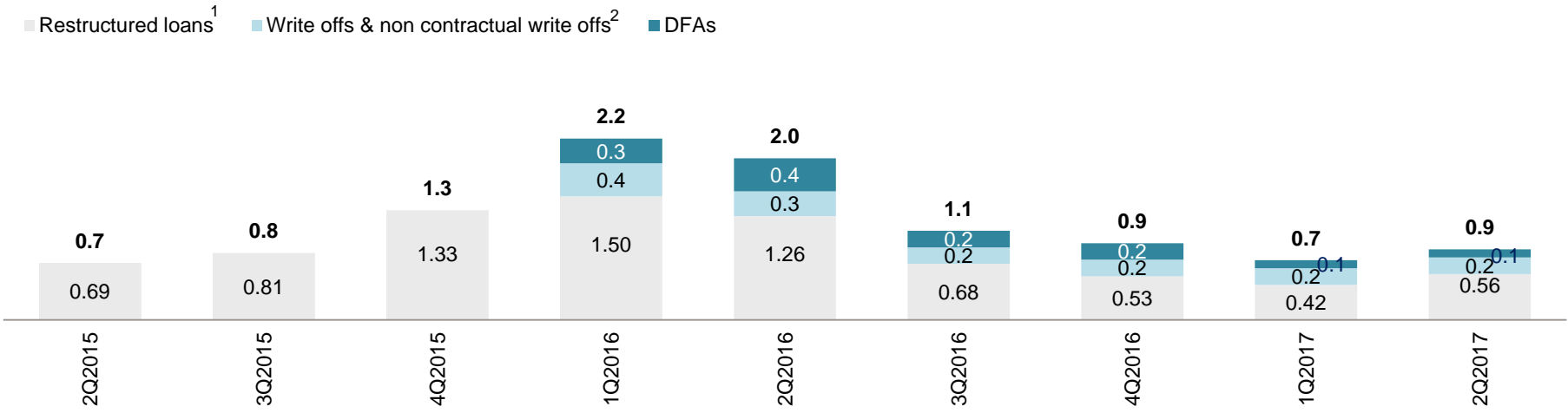
SOURCES: Statistical Service of Republic of Cyprus, Eurostat; Calculations by BOC Economic Research

# Supporting materials

## Asset quality

# Intense restructuring efforts continue; re-default level stable

## Quarterly evolution of restructuring activity (€ bn) (Cy operations)



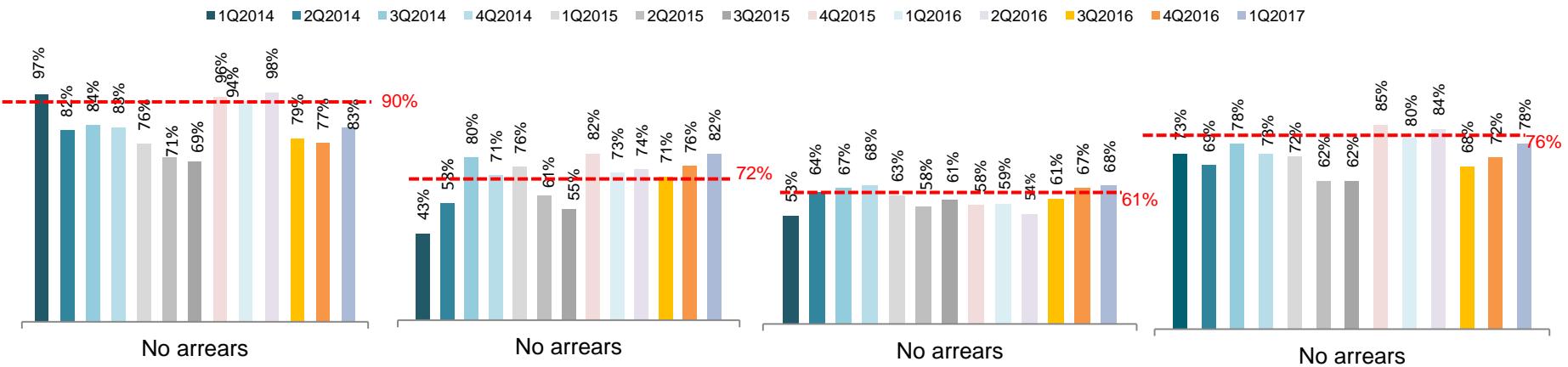
## Cohort analysis of restructured<sup>3,4</sup> loans; 76% of restructured loans present no arrears

### Corporate

### SMEs

### Retail

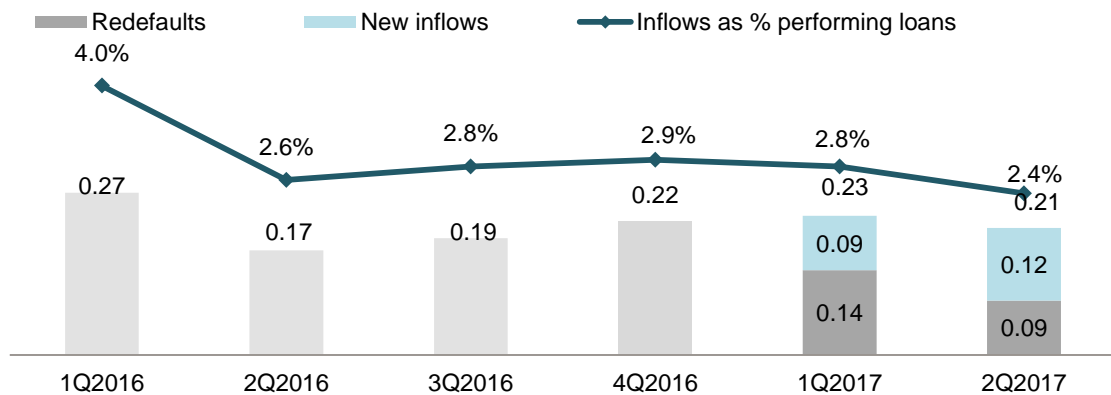
### Total Bank – Cyprus



(1) Restructuring activity within quarter as recorded at each quarter end and includes restructurings of 90+ DPD, NPEs, performing loans and re-restructurings.  
 (2) Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.  
 (3) Restructured loans post 31 December 2013 excluding write offs & non contractual write offs and DFAs.  
 (4) The performance of loans restructured during 2Q2017 is not presented in this graph as it is too early to assess.

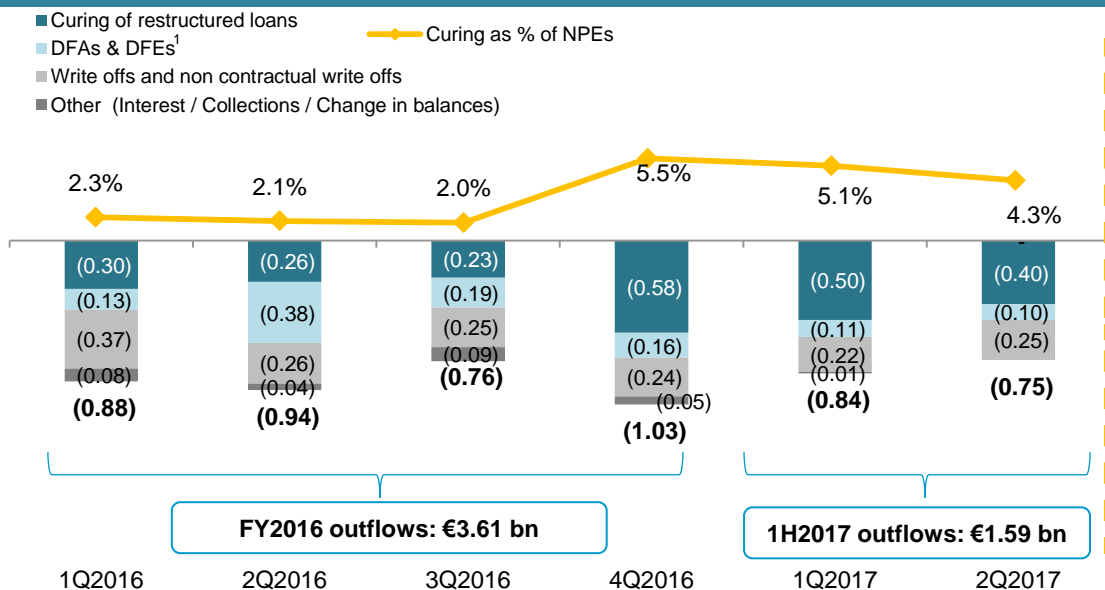
# NPE inflows stabilise; NPEs exits as expected (Cy)

## NPEs inflows (€ bn)

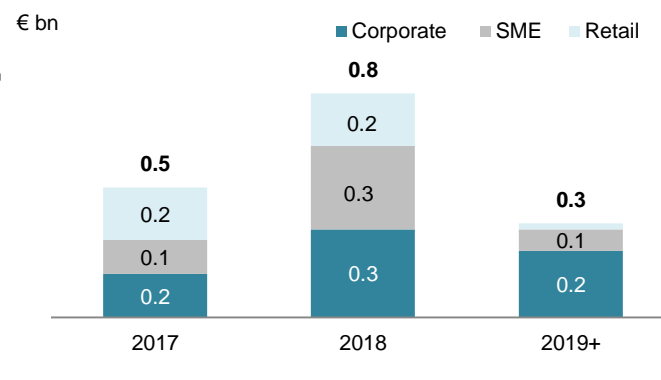


- **Slowing of new inflows confirm:**
  - ✓ quality of new lending
  - ✓ success of prior restructurings
  - ✓ Support by improvement of underlying economic macro

## Outflows of NPEs on curing and exits (€ bn)



€1.6 bn forborne NPEs with no impairments or arrears<sup>2,3</sup>



(1) Comprises of debt for asset swaps and debt for equity swap.

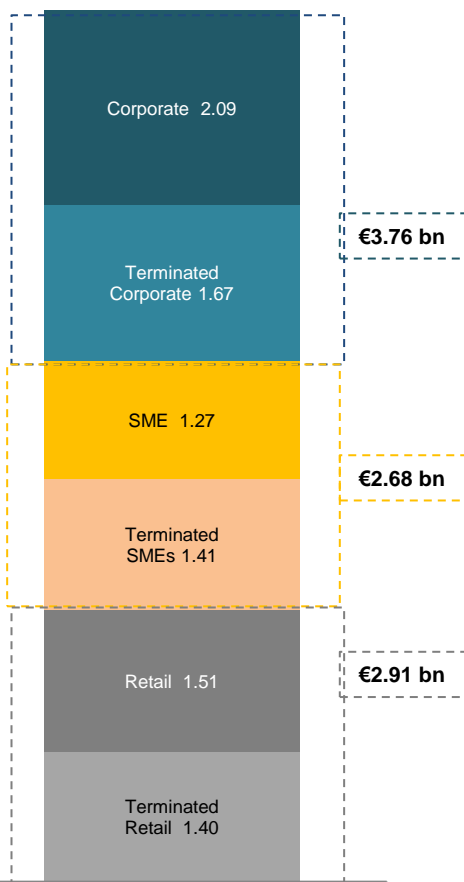
(2) In pipeline to exit NPEs subject to meeting all exit criteria .

(3) Analysis based on account basis.

# Continuous progress across all segments

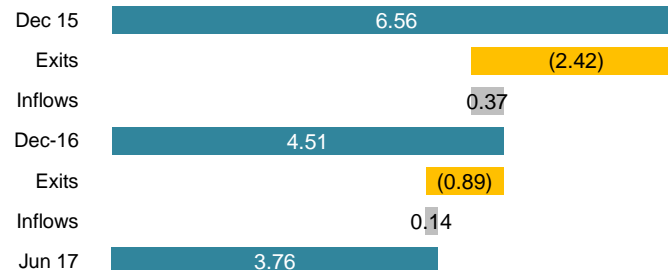
Focus shifts to Retail and SME after intense Corporate attention

NPEs (Cy) €9.35 bn



30 June 2017

## Corporate

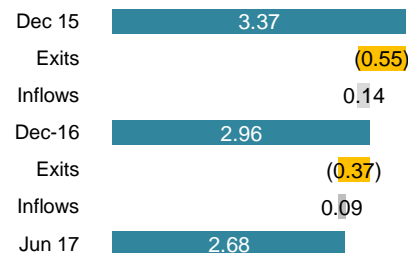


NPE ratio 49.4%

NPE provision coverage 51.2%

NPE total coverage 114.2%

## SME

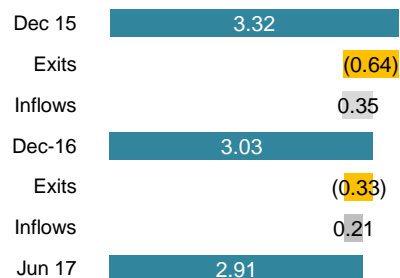


NPE ratio 68.7%

NPE provision coverage 46.5%

NPE total coverage 118.3%

## Retail



NPE ratio 47.1%

NPE provision coverage

Retail Housing 29.1%

Retail Other 53.5%

NPE total coverage 109.7%



# Cyprus NPL framework proving effective

## Robust foreclosure legal framework adopted in Cyprus in April 2015

- Enables the enforcement of mortgages as security rights against debtors through foreclosure
- Minimises the involvement of the Land Registry Office and procedure is driven by the secured creditors in order to expedite property foreclosures
- Ability to initiate foreclosure proceedings once the loan is terminated / repayments & instalments are overdue for over 120 days
- Access to purchase the mortgaged property after 12 months since the for-sale process begins

Cross country comparison of NPL supervisory framework	Cyprus	Italy	Spain	Greece	Ireland	Portugal
<b>NPL governance / workout</b>						
Guidance on NPL workout practices / arrears management	√	×	×	√	√	×
Guidance requiring banks to have NPL strategies / action plans	√	×	×	√	√	×
Guidance requiring a dedicated arrears / NPL unit	√	×	×	√	√	×
Guidance requiring banks to have NPL operational targets	√	×	×	√	√	×
<b>Debt enforcement / foreclosures</b>						
Legal techniques to enable out-of-court enforcement of collateral	√	×	√	×	√	×
Bilateral sales of repossessed assets permitted	√	×	√	×	√	√
Blanket bans (moratoria) on sales/auctions/foreclosures	×	√	√	√	×	√
<b>Household insolvency and restructuring framework</b>						
Out-of-court mechanism	√	×	√	×	√	√
Bankruptcy regime for consumers/households	√	√	√	√	√	√
Insolvency/bankruptcy discharge period (years)	3	1	5	3	1	5
<b>Collateral valuation</b>						
Guidance of specific rules on valuation methods	√	×	√	×	√	√
Guidance on valuation frequency for NPL collateral	√	×	√	×	√	√
Requirements for appraisers	√	×	√	×	√	√
Requirements for data collection on collateral	√	√	√	√	√	√

Source: European Central Bank – “Stocktake of national supervisory practices and legal framework related to NPLs”, September 2016

# Supporting materials

## Financial performance

# BOC - Main performance indicators

	Ratios	Group 1H2017
<b>Performance</b>	Net Interest Margin	3.37%
	Cost to income ratio	42% <sup>1</sup>
	Loans to deposits	90%
<b>Asset Quality</b>	90+ DPD / 90+ DPD ratio	€7,561 mn (39%)
	90+ DPD coverage	61%
	Cost of risk (annualised)	4.2% <sup>2</sup>
	Provisions / Gross Loans	23.8%
<b>Capital</b>	Transitional Common Equity Tier 1 capital	€2,142 mn
	CET1 ratio (transitional basis)	13.8%
	Total Shareholders' Equity / Total Assets	11.5%

(1) Adjusted for the special levy and the SRF contribution.

(2) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans. Additional provisions of c.€500 mn are included in the calculation of Cost of Risk but are not annualised. Including impairments of other financial instruments, the provisioning charge for 1H2017 was 4.3%.



# Operating profitability stabilised; 2Q2017 impacted by additional provisions

€ mn	1H2017	1H2016	2Q2017	1Q2017	qoq %	(1H) yoy%
<b>Net Interest Income</b>	<b>316</b>	<b>360</b>	<b>160</b>	<b>156</b>	<b>2%</b>	<b>-12%</b>
Non interest income	154	122	77	77	0%	27%
<b>Total income</b>	<b>470</b>	<b>482</b>	<b>237</b>	<b>233</b>	<b>2%</b>	<b>-2%</b>
<b>Total expenses</b>	<b>(214)</b>	<b>(202)</b>	<b>(107)</b>	<b>(107)</b>	<b>0%</b>	<b>6%</b>
<b>Profit before provisions and impairments<sup>1</sup></b>	<b>256</b>	<b>280</b>	<b>130</b>	<b>126</b>	<b>3%</b>	<b>-9%</b>
Loan loss provisions <sup>2</sup>	(656)	(158)	(592)	(64)	829%	316%
Impairments of other financial and non financial instruments	(36)	(22)	(4)	(32)	-86%	67%
Provision for litigation and regulatory matters	(35)	0	(18)	(17)	11%	-
<b>Total Provisions and impairments</b>	<b>(727)</b>	<b>(180)</b>	<b>(614)</b>	<b>(113)</b>	<b>450%</b>	<b>306%</b>
Share of profit from associates and joint ventures	4	2	2	2	5%	146%
<b>(Loss)/profit before tax and restructuring costs</b>	<b>(467)</b>	<b>102</b>	<b>(482)</b>	<b>15</b>	<b>-</b>	<b>-</b>
Tax	(72)	(12)	(66)	(6)	939%	490%
Profit/(loss) attributable to NCIs	(1)	(6)	(1)	0	45%	-90%
<b>(Loss)/profit after tax and before restr. costs</b>	<b>(540)</b>	<b>84</b>	<b>(549)</b>	<b>9</b>	<b>-</b>	<b>-</b>
Advisory, VEP and other restr. costs <sup>3</sup>	(14)	(87)	(7)	(7)	-10%	-84%
Net gain on disposal of non-core assets	-	59	-	-	-	-100%
<b>(Loss)/profit after tax</b>	<b>(554)</b>	<b>56</b>	<b>(556)</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Net interest margin</b>	<b>3.37%</b>	<b>3.59%</b>	<b>3.38%</b>	<b>3.33%</b>	<b>+5 bps</b>	<b>-22 bps</b>
<b>Cost-to-Income ratio</b>	<b>46%</b>	<b>42%</b>	<b>45%</b>	<b>46%</b>	<b>-1 p.p.</b>	<b>+4 p.p.</b>
<b>Cost-to-Income ratio adjusted for the special levy and SRF contribution</b>	<b>42%</b>	<b>40%</b>	<b>43%</b>	<b>41%</b>	<b>+2 p.p.</b>	<b>+2 p.p.</b>

## Key Highlights

- Stable qoq NII at €160 mn
- Non-interest income maintained at €77 mn
- NIM at 3.37% for 1H2017
- Staff cost pressures offset, by no SRF contribution in 2Q2017
- Additional provisions of c.€500 mn in 2Q2017 to accelerate derisking
- Provisions for litigation and regulatory matters of €35 mn include €18 mn relating to litigations for securities issued by the Bank between 2007 and 2011 and to redress provisions for the UK operations in 2Q2017 €17 mn in 1Q2017 mainly due to a fine imposed by the Cyprus Competition Commission in 1Q2017
- Increased tax charge in 2Q2017 of €66 mn mainly due to reduction in DTA
- Loss after tax of €554 mn for 1H2017

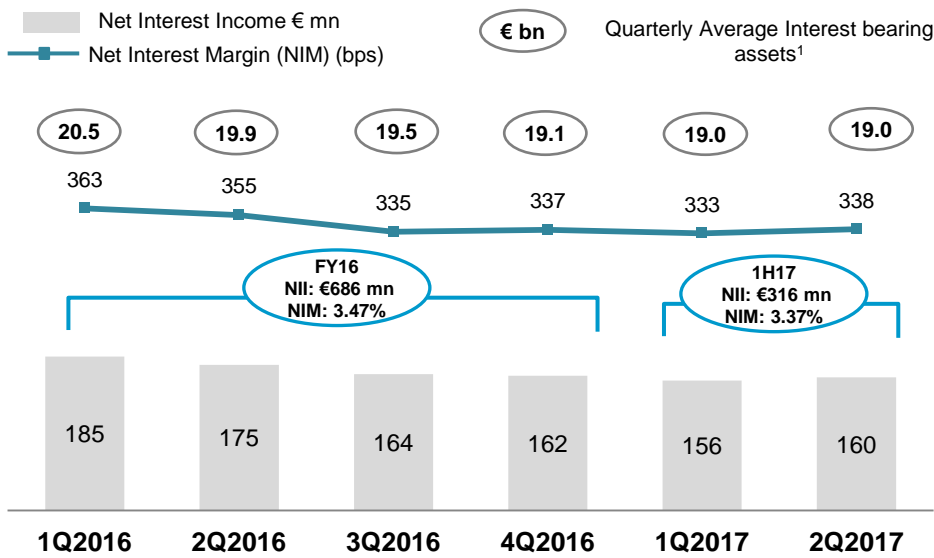
(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows, restructuring costs and discontinued operations.

(2) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans.

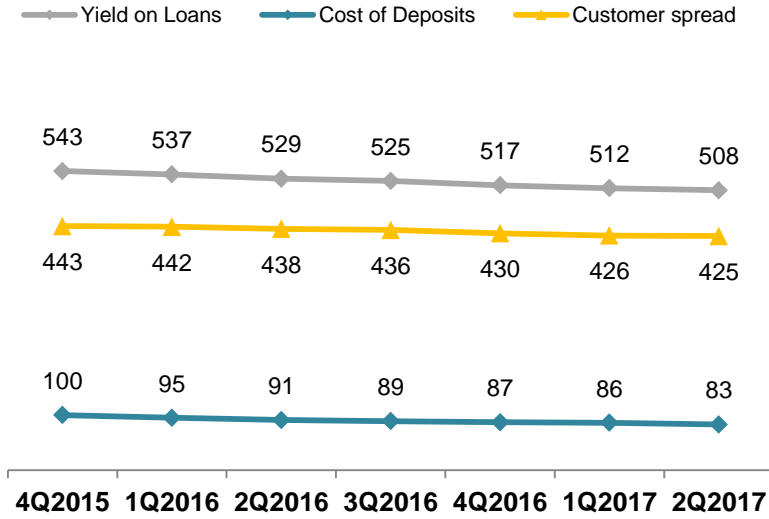
(3) Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations and non-core assets (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on the London Stock Exchange and 2) voluntary exit plan cost.

# Stable NIM despite negative interest rate environment

## Net Interest Income and Net Interest Margin



## Average contractual interest rates<sup>2</sup> (bps) (Cy)



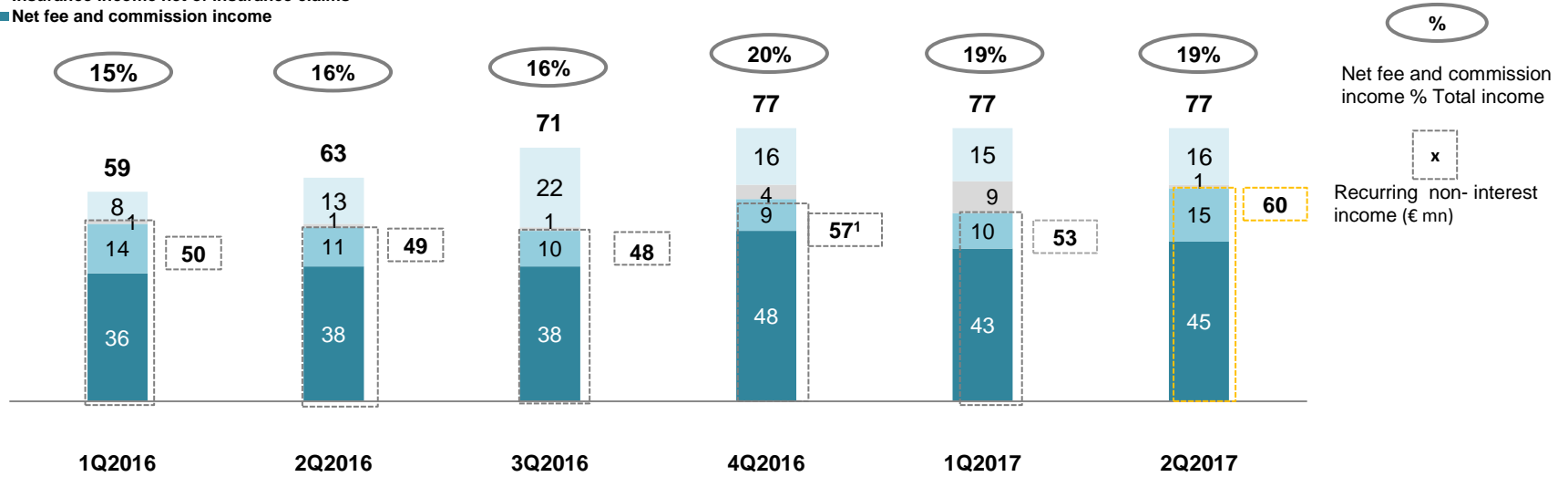
- **Net interest income (NII) and net interest margin (NIM) for 1H2017 amounted to €316 mn and 3.37% respectively.** NII down by 12% yoy, reflecting the low interest rate environment and the lower volume of loans primarily as a result of the DFAs
- The NII and NIM for 2Q2017 amounted to €160 mn and 3.38% respectively, at similar levels as for 1Q2017
- **Average interest earning assets for 1H2017 amounted to €19.0 bn, down by 5% yoy,** largely due to DFAs and the elevated provisions charges for 2Q2017. Quarterly average interest earning assets for 2Q2017 amounted to €19.0 bn, at similar levels to the previous quarter
- **Customer spread** stable at 425 bps in 2Q2017

(1) Interest earning assets include placements with banks and central bank, reverse repurchase agreements, net loans and advances to customers and investments excluding equity and mutual funds.  
 (2) Based on average loan contractual interest rates, before IFRS adjustments.

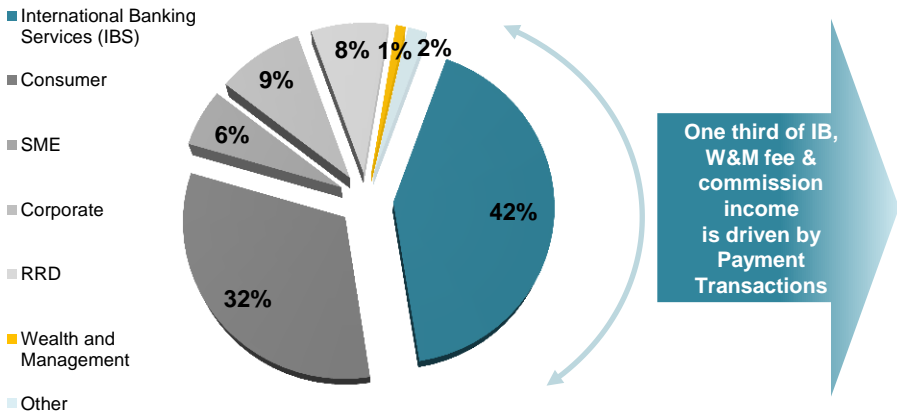
# Fee and Commission Income at 19% of total Income

## Analysis of Non Interest Income (€ mn) – Quarterly

- Net FX gains / (losses) & Net gains/(losses) on other financial instruments, and other income.
- Gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties
- Insurance income net of insurance claims
- Net fee and commission income

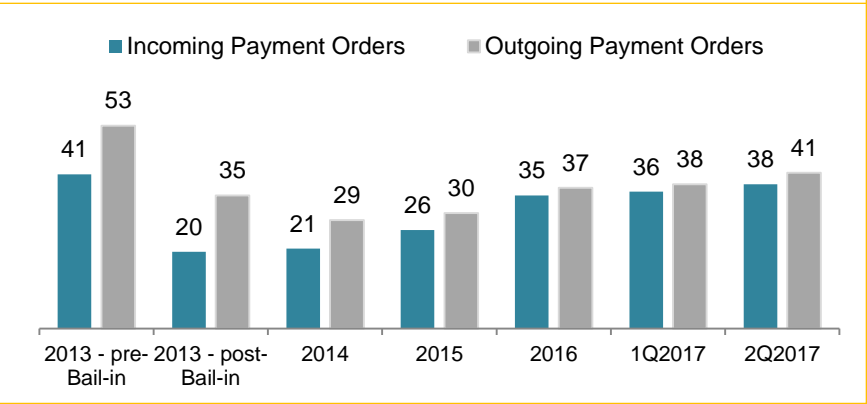


## Fee & commission income in Cyprus by business line



## Payment Transactions are increasing

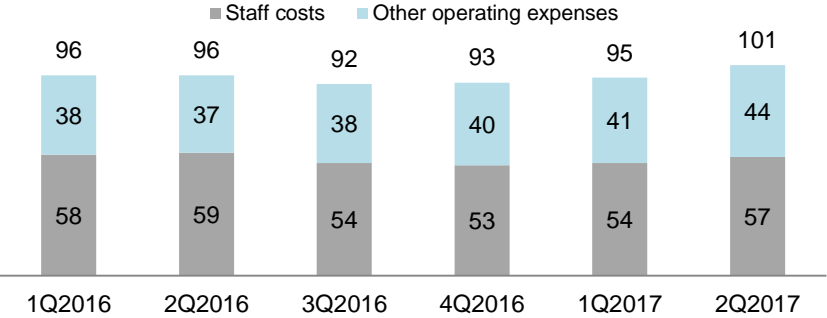
Average Number of Payment Transactions per month (thousands)



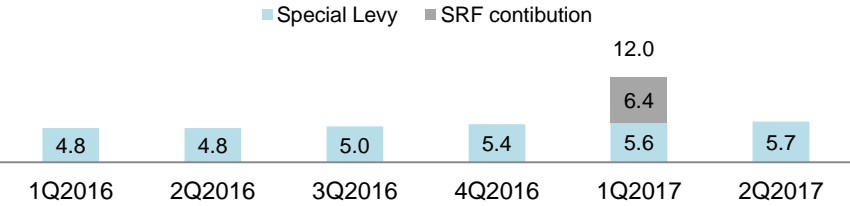
(1) Excluding non-recurring fees of approximately €7 mn.

# Total expenses

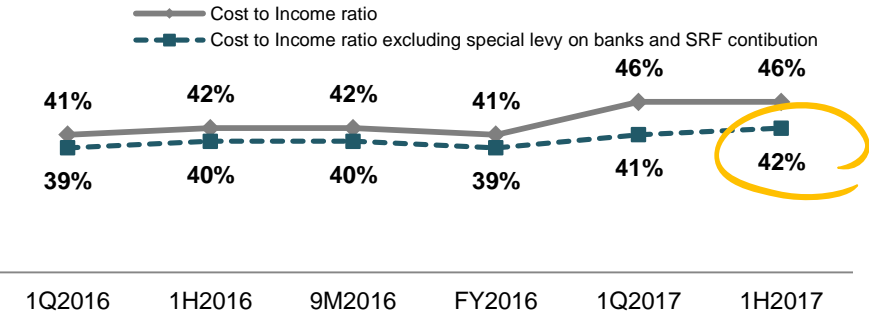
## Total operating expenses (€ mn)



## Special Levy and SRF contribution (€ mn)



## Cost to Income Ratio (C/I ratio)



- **Staff costs at €57 mn for 2Q2017, up by 6% qoq**, following the renewal of collective agreement with the Union
- **Other operating expenses at €44 mn for 2Q2017, up by 7% qoq**, primarily due to the increase in advertising and marketing, advisory and other professional fees during 2Q2017
- Special levy and contribution to the SRF for 2Q2017 totalled €6 mn, compared to €12 mn a quarter earlier. The annual contribution to the SRF, was fully booked in 1Q2017, in line with IFRS
- C/I ratio at 46% for 1H2017. **Excluding the special levy and contribution to the SRF, C/I ratio at 42%**, compared to 41% for 1Q2017
- **Actions for focused, targeted cost containment:**
  - Tangible savings through a targeted cost reduction program for operating expenses
  - Introduction of appropriate technology/ processes to enhance product distribution channels and reduce operating costs
  - Introduction of HR policies aimed at enhancing productivity

# Income Statement Review

€ mn	1H2017	1H2016	2Q2017	1Q2017	qoq %	(1H) yoy%
Net Interest Income	316	360	160	156	2%	-12%
Net fee and commission income	88	74	45	43	4%	19%
Insurance income net of insurance claims	25	25	15	10	34%	-1%
<i>Core income</i>	<i>429</i>	<i>459</i>	<i>220</i>	<i>209</i>	<i>4%</i>	<i>-7%</i>
Other income	41	23	17	24	-23%	78%
<b>Total income</b>	<b>470</b>	<b>482</b>	<b>237</b>	<b>233</b>	<b>2%</b>	<b>-2%</b>
<b>Total expenses</b>	<b>(214)</b>	<b>(202)</b>	<b>(107)</b>	<b>(107)</b>	<b>0%</b>	<b>6%</b>
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Advisory, VEP and other restr. costs <sup>3</sup>	(14)	(87)	(7)	(7)	-10%	-84%
Net gain on disposal of non-core assets	-	59	-	-	-	-100%
<b>(Loss)/profit after tax</b>	<b>(554)</b>	<b>56</b>	<b>(556)</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Net interest margin</b>	<b>3.37%</b>	<b>3.59%</b>	<b>3.38%</b>	<b>3.33%</b>	<b>+5 bps</b>	<b>-22 bps</b>
<b>Cost-to-Income ratio</b>	<b>46%</b>	<b>42%</b>	<b>45%</b>	<b>46%</b>	<b>-1 p.p.</b>	<b>+4 p.p.</b>
<b>Cost-to-Income ratio adjusted for special levy and SRF contribution</b>	<b>42%</b>	<b>40%</b>	<b>43%</b>	<b>41%</b>	<b>+2 p.p.</b>	<b>+2 p.p.</b>

(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows, restructuring costs and discontinued operations.

(2) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans.

(3) Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations and non-core assets (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on the London Stock Exchange and 2) voluntary exit plan cost.

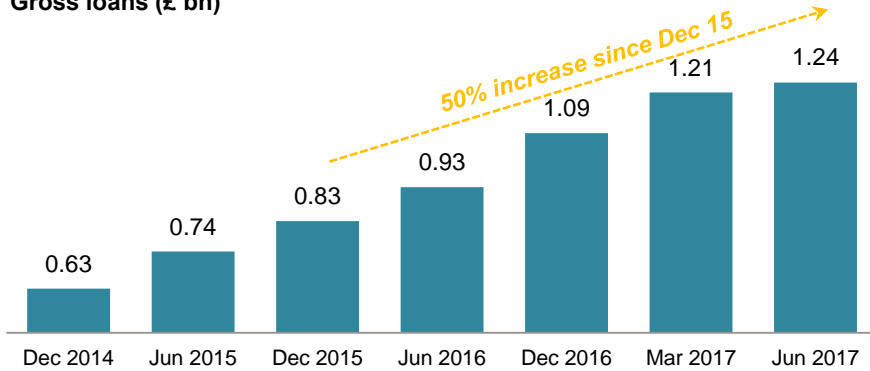
# Cyprus: Income Statement by business line for 1H2017

€ mn	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	REMU	Insurance	Other	Total Cyprus
Net interest income	114	26	50	36	5	74	(9)	0	1	297
Net fee & commission income	25	5	7	33	1	6	-	(2)	10	85
Other income	2	1	0	4	2	0	12	24	19	64
<b>Total income</b>	141	32	57	73	8	80	3	22	30	446
<b>Total expenses</b>	(57)	(6)	(6)	(13)	(2)	(15)	(4)	(8)	(80)	(191)
<b>Profit/(loss) before provisions and impairments</b>	84	26	51	60	6	65	(1)	14	(50)	255
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	(30)	(29)	0	(7)	0	(574)	-	-	2	(638)
Impairment of other financial and non financial instruments	-	-	-	-	-	-	-	-	(25)	(25)
Provision for litigation and regulatory matters	-	-	-	-	-	-	-	-	(31)	(31)
Share of profits from associates	-	-	-	-	-	-	-	-	4	4
<b>Profit/(loss) before tax</b>	54	(3)	51	53	6	(509)	(1)	14	(100)	(435)
Tax	(7)	0	(6)	(7)	(1)	65	0	(2)	(112)	(70)
Profit attributable to non controlling interest	-	-	-	-	-	-	-	-	(1)	(1)
<b>Profit/(loss) after tax and before one off items</b>	47	(3)	45	46	5	(444)	(1)	12	(213)	(506)

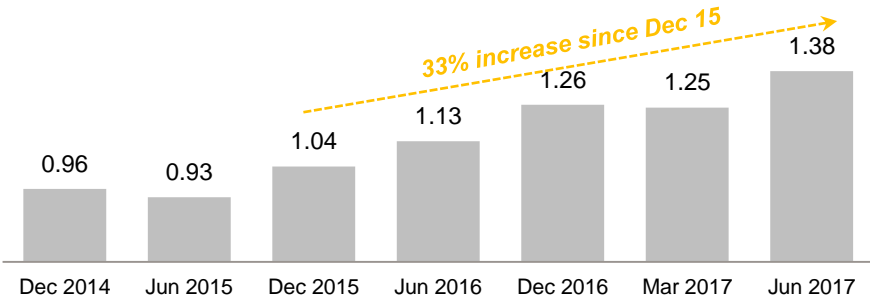
# Careful Expansion of BOC UK operations

## Gross loans and customer deposits

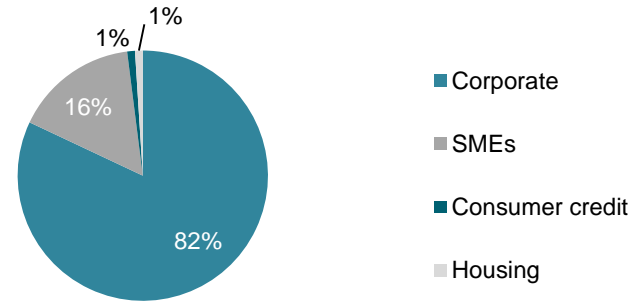
Gross loans (£ bn)



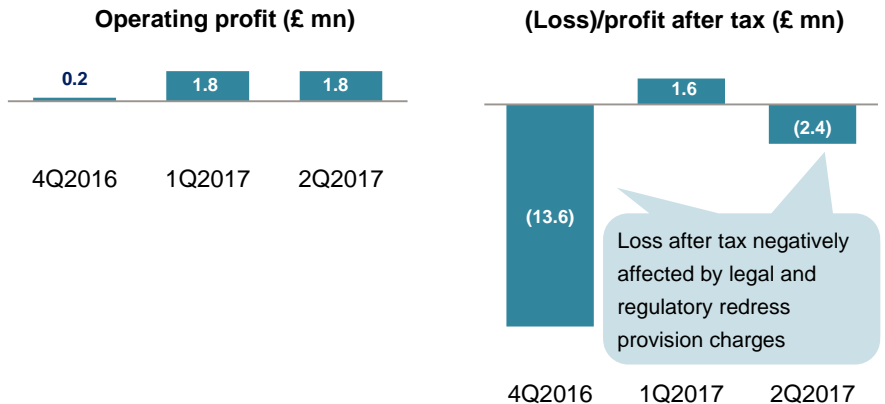
Customer deposits (£ bn)



## Loans by sector at 30 June 2017



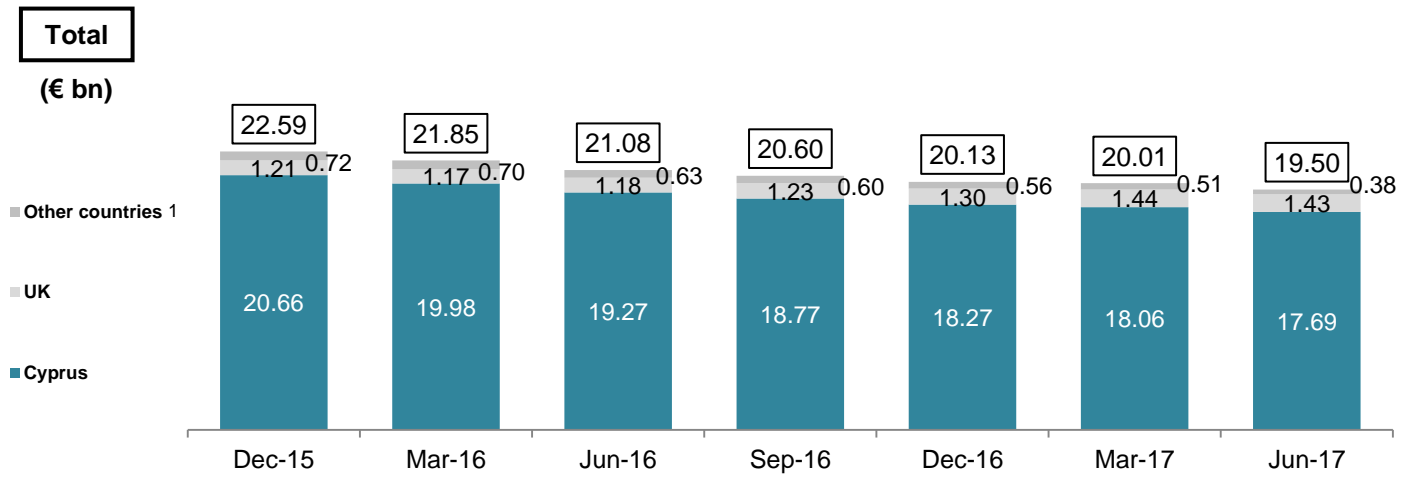
## Core operating profitability is rising



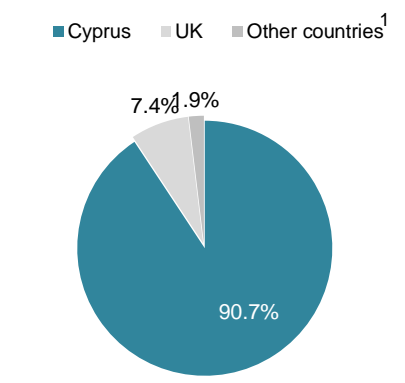
- Gross loans and customer deposits in the UK increased by 50% and 33% since Dec 15 to £1.24 bn and to £1.38 bn, respectively
- New lending of £257 mn during 1H2017
- Loss after tax of £2.4 mn for the 2Q2017, negatively affected by legal and regulatory redress provision charges
- Expansion of UK operations that remains consistent with Group's overall credit appetite and regulatory environment

# Gross loans by Geography and by Customer Type

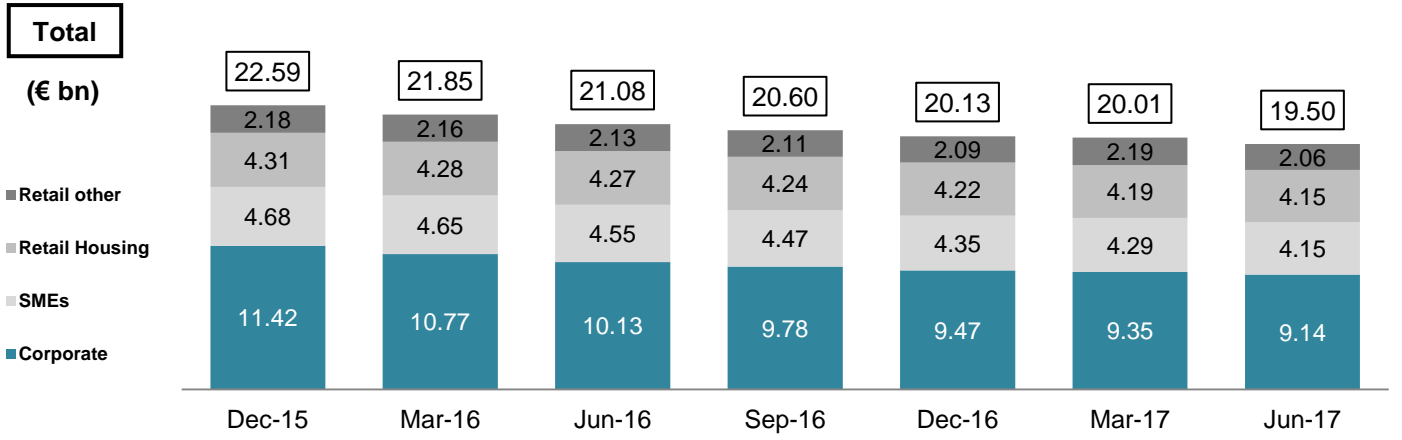
## Gross loans by geography



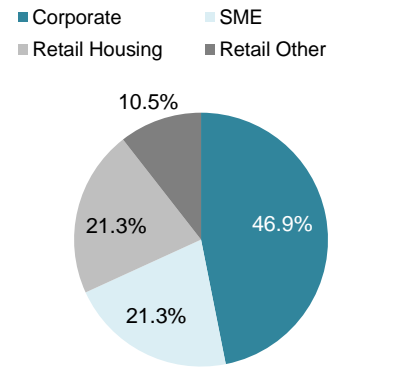
## 30 June 2017 (%)



## Gross loans by customer type



## 30 June 2017 (%)



(1) Other countries: Greece, Russia and Romania.

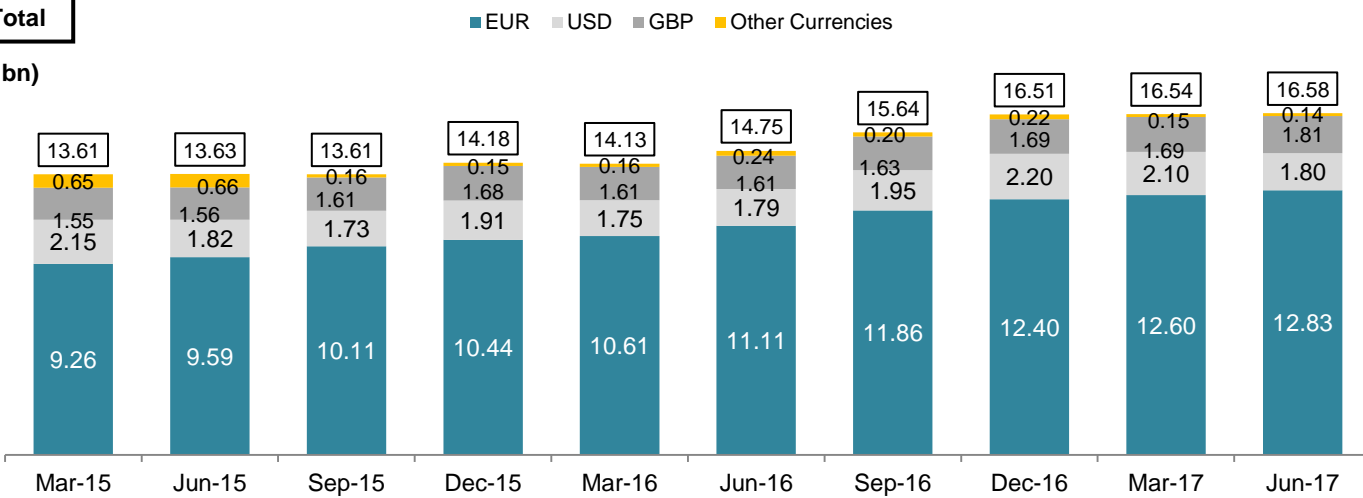


# Analysis of Deposits by Currency and by Type

## Deposits by Currency

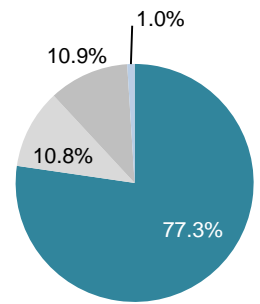
Total

(€ bn)



## 30 June 2017 (%)

EUR USD GBP Other currencies

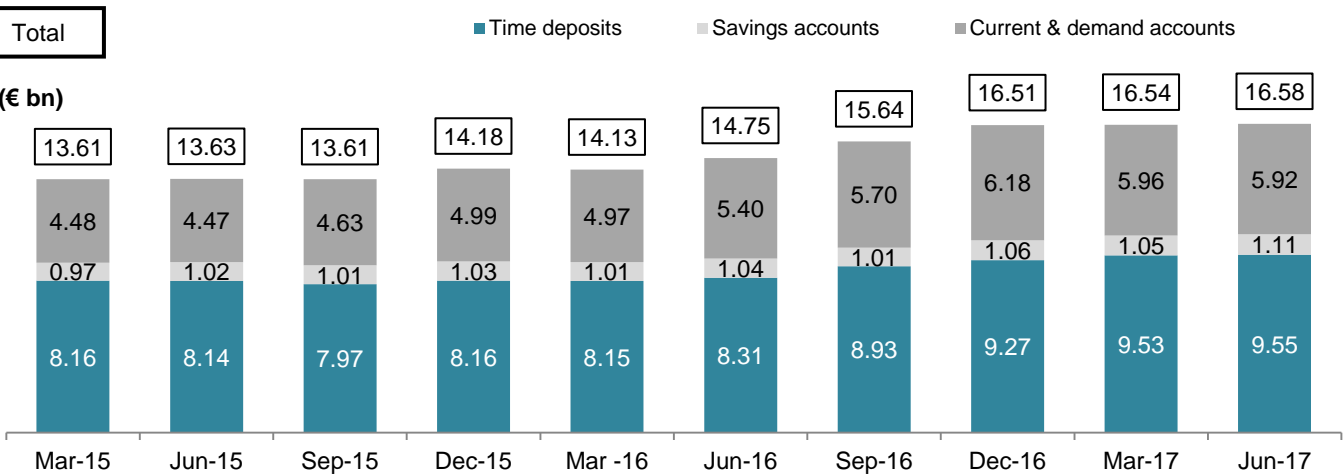


Total Cyprus 90.5%

## Deposits by type of deposits

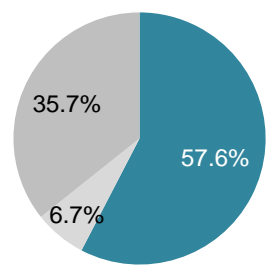
Total

(€ bn)



## 30 June 2017 (%)

Time deposits Savings account Current and demand account



# Consolidated Balance Sheet

€ mn	% change	30.06.17	31.12.16
Cash and balances with Central Banks	54%	2,317	1,506
Loans and advances to banks	-35%	708	1,088
Debt securities, treasury bills and equity investments	36%	918	674
Net loans and advances to customers	-5%	14,913	15,649
Stock of property	5%	1,502	1,427
Other assets	-5%	1,729	1,828
<b>Total assets</b>	<b>0%</b>	<b>22,087</b>	<b>22,172</b>

€ mn	% change	30.06.17	31.12.16
Deposits by banks	-5%	415	435
Funding from central banks	6%	900	850
Repurchase agreements	0%	256	257
Customer deposits	0%	16,584	16,510
Subordinated loan stock	-	257	-
Other liabilities	8%	1,097	1,014
<b>Total liabilities</b>	<b>2%</b>	<b>19,509</b>	<b>19,066</b>
<b>Shareholders' equity</b>	<b>-17%</b>	<b>2,543</b>	<b>3,071</b>
Non controlling interests	2%	35	35
<b>Total equity</b>	<b>-17%</b>	<b>2,578</b>	<b>3,106</b>
<b>Total liabilities and equity</b>	<b>0%</b>	<b>22,087</b>	<b>22,172</b>

# Risk Weighted Assets – Regulatory Capital

## Risk weighted assets by Geography (€ mn)

	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
Cyprus	17,845	17,675	17,554	17,336	16,128
Russia	16	15	145 <sup>1</sup>	33	32
United Kingdom	695	725	784	896	869
Romania	195	205	182	178	129
Greece	176	140	190	223	193
Other <sup>2</sup>	41	43	10	15	17
<b>Total RWA</b>	<b>18,968</b>	<b>18,803</b>	<b>18,865</b>	<b>18,681</b>	<b>17,368</b>
<b>RWA intensity(%)</b>	<b>84%</b>	<b>84%</b>	<b>85%</b>	<b>83%</b>	<b>79%</b>

## Risk weighted assets by type of risk (€ mn)

	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
Credit risk	16,921	16,747	16,862	16,785	15,474
Market risk	7	6	6	7	5
Operational risk	2,040	2,050	1,997	1,889	1,889
<b>Total</b>	<b>18,968</b>	<b>18,803</b>	<b>18,865</b>	<b>18,681</b>	<b>17,368</b>

## Equity and Regulatory Capital (€ mn)

	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
Shareholders' equity	3,054	3,063	3,071	3,079	2,543
CET1 capital	2,735	2,736	2,728	2,694	2,142
Tier I capital	2,735	2,736	2,728	2,694	2,142
Tier II capital	21	21	21	225	248
<b>Total regulatory capital (Tier I + Tier II)</b>	<b>2,756</b>	<b>2,757</b>	<b>2,749</b>	<b>2,919</b>	<b>2,390</b>

## Reconciliation of Group Equity to CET 1

€ mn	30.06.17
Group Equity per financial statements	2,578
Less: Intangibles and other deductions	(24)
Less: Deconsolidation of insurance and other entities	(216)
Less: Regulatory adjustments (DTA and other items)	(147)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(49)
<b>CET 1 (transitional)</b>	<b>2,142</b>
<b>Less: Adjustments to fully loaded (mainly DTA)</b>	<b>(99)</b>
<b>CET 1 (fully loaded)</b>	<b>2,043</b>
<b>Risk Weighted Assets</b>	<b>17,368</b>
<b>CET 1 ratio (fully loaded)</b>	<b>11.8%</b>
<b>CET 1 ratio (transitional)</b>	<b>12.3%</b>

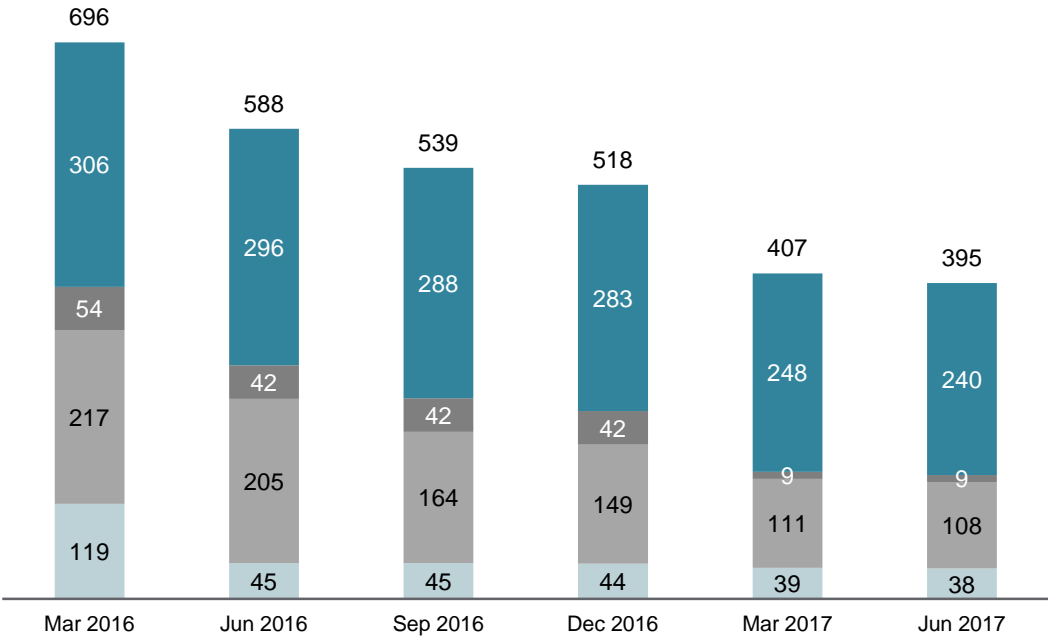
(1) The increase in Russia RWA is due to one off regulatory adjustments on operational risk in relation to disposed operations where permission to exclude it received from regulators early January 2017.

(2) Other countries primarily relates to exposures in Channel Islands.

# Reduction in Overseas Non-Core Exposures

Overseas non-core exposures<sup>1</sup> (€ mn)

- Russia: Net exposure
- Romania: Net exposure
- Serbia: Net exposure
- Greece: Net exposure



- In addition, at 30 June 2017, there were €173 mn of overseas exposures in Greece (€195 mn as at 31 March 2017) not identified as non-core exposures
- In accordance with Group’s strategy to exit from overseas non-core operations, the operations of the Bank of Cyprus branch in Romania are expected to be terminated during 2017, subject to regulatory approvals. The remaining assets and liabilities of the branch will be transferred to other entities of the Group.

(1) Comparatives excluding core exposures.  
 (2) Lending exposures to Greek entities in the normal course of business in Cyprus and lending exposures in Cyprus with collaterals in Greece.

# Non-Performing Loans definition

**Non-Performing Exposures (NPEs) –as per the EBA definition:** In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if:

- i. the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due
- ii. the exposures are impaired i.e. in cases where there is a specific provision, or
- iii. there are material exposures which are more than 90 days past due, or
- iv. there are performing forbore exposures under probation for which additional forbearance measures are extended, or
- v. there are performing forbore exposures under probation that present more than 30 days past due within the probation period.

The exit criteria of NPE forbore are the following:

1. The extension of forbearance measures does not lead to the recognition of impairment or default
2. One year has passed since the forbearance measures were extended
3. There is not, following the forbearance measures, any past due amount or concerns regarding the full repayment of the exposure according to the post forbearance conditions.

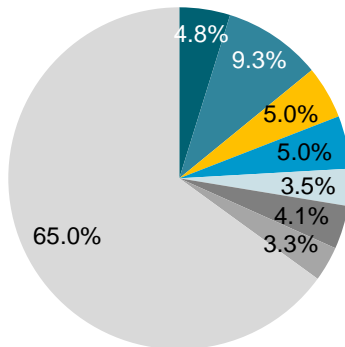
**90+DPD:** Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery).

# Supporting materials

## BOC shareholder structure

# Share Capital increase in 2014 attracted reputable international investors & a world class Board of Directors

## Current shareholding of BOC<sup>1</sup>



- Cyprus Popular Bank Public Co Ltd
- Lamesa Holding S.A.
- TD Asset Management
- European Bank for Reconstruction and Development
- Tyrus Capital S.A.M
- Senvest Management LLC
- Osome Investments Limited
- Other

## Current Board composition

Name	Designation
<b>Dr. Josef Ackermann</b>	<b>Chairman</b> <i>Independent</i>
<b>Mr. Maksim Goldman</b>	<b>Vice Chairman</b> <i>Non Independent</i>
<b>Mr. John Patrick Hourican</b>	<b>CEO</b> <i>Executive</i>
<b>Dr. Christodoulos Patsalides</b>	<b>Deputy CEO and COO</b> <i>Executive</i>
<b>Mr. Arne Berggren</b>	<b>Board member</b> <i>Independent</i>
<b>Mr. Michalis Spanos</b>	<b>Board member</b> <i>Senior Independent</i>
<b>Mr. Ioannis Zographakis</b>	<b>Board member</b> <i>Independent</i>
<b>Dr. Michael Heger</b>	<b>Board member</b> <i>Independent</i>
<b>Ms. Lyn Grobler</b>	<b>Board member</b> <i>Independent</i>
<b>Mr. James B. Lockhart III<sup>2</sup></b>	<b>Board member</b> <i>Independent</i>
<b>Mrs Anat Bar-Gera<sup>2</sup></b>	<b>Board member</b> <i>Independent</i>

(1) In accordance with the shareholders' disclosure obligations pursuant to Irish Transparency Rules and Regulations.

(2) Subject to ECB approval.

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