

## Group Financial Results for the six months ended 30 June 2016



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

**30 August 2016**

# 1H2016 Financial Results – Highlights

## Declining Problem Loans

- Positive momentum continued in 2Q2016
- Problem loans (90+ DPD)<sup>1</sup> down by €1 bn (or 10%) qoq and by €2 bn (or 18%) in 1H2016
- 90+ DPD ratio reduced to 44% and provisioning coverage ratio increased to 53%
- Loan restructurings of €2,76 bn during 1H2016

## Normalising Funding Structure

- ELA reduced by €2,3 bn year to date to €1,5 bn
- Customer deposits increased by €619 mn to 65% of total assets in 2Q2016
- Ratio of Loans to Deposits (L/D) improved to 110%

## Strong Capital Position

- CET1 ratio (transitional basis) at 14,4%
- RWA intensity at 84%
- Conservative leverage ratio<sup>2</sup> of 13,0%

## Profitable Quarter

- Profit before provisions of €135 mn for 2Q2016 directed at increased provisions and impairment charges, to faster de-risk balance sheet
- Profit after tax of €6 mn for 2Q2016; €56 mn for 1H2016
- Sustained NIM at 3,59%

## Strong Franchise in a recovering economy

- Loans and deposit market shares increased to 41,4% and 29,0%, respectively
- Further support to the recovery of Cypriot economy with new lending of €547 mn of new loans were granted during the first seven months of the year
- Cypriot GDP growing by an annual 2,7%<sup>3</sup> for 2Q2016

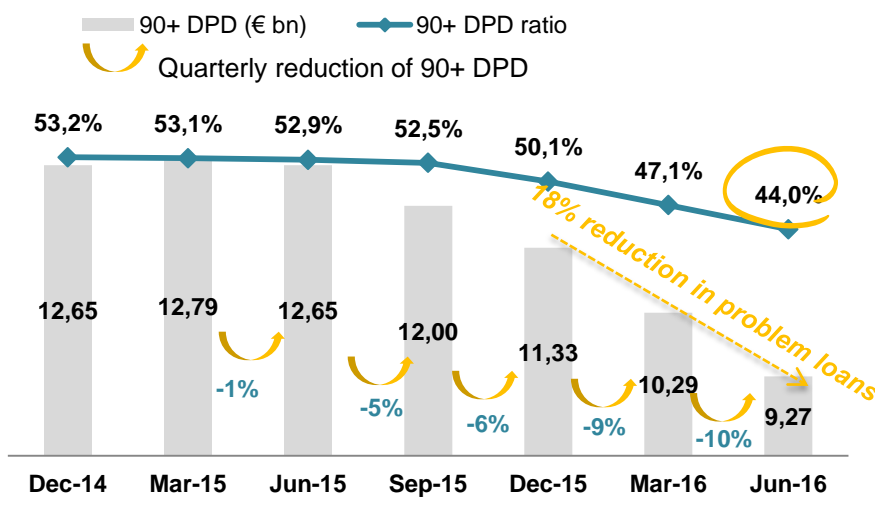
(1) Problem loans (90+ DPD) are loans in arrears for more than 90 days (90+ DPD) and are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an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

(2) Leverage ratio = Tangible Total Equity over Total Assets

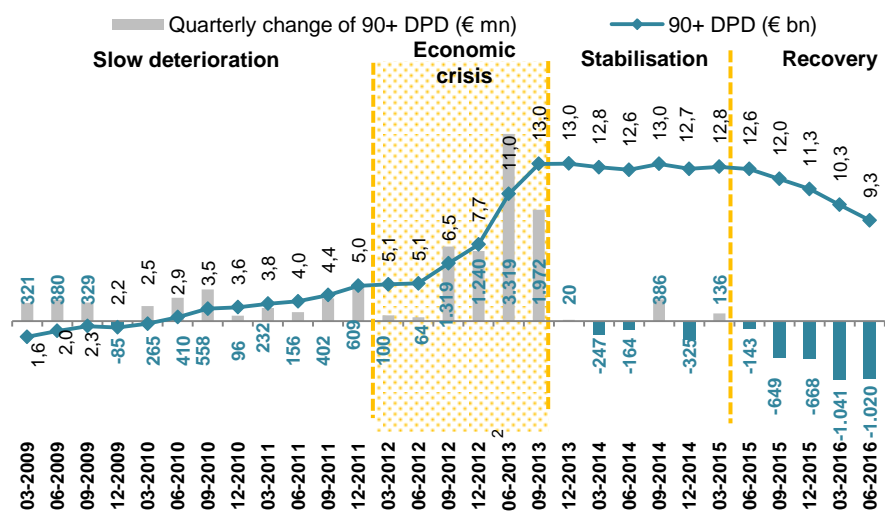
(3) Based on flash estimates published on 12 August 2016 by the Statistical Service of the Republic of Cyprus, seasonally adjusted

# Reduction in problem loans for a fifth consecutive quarter

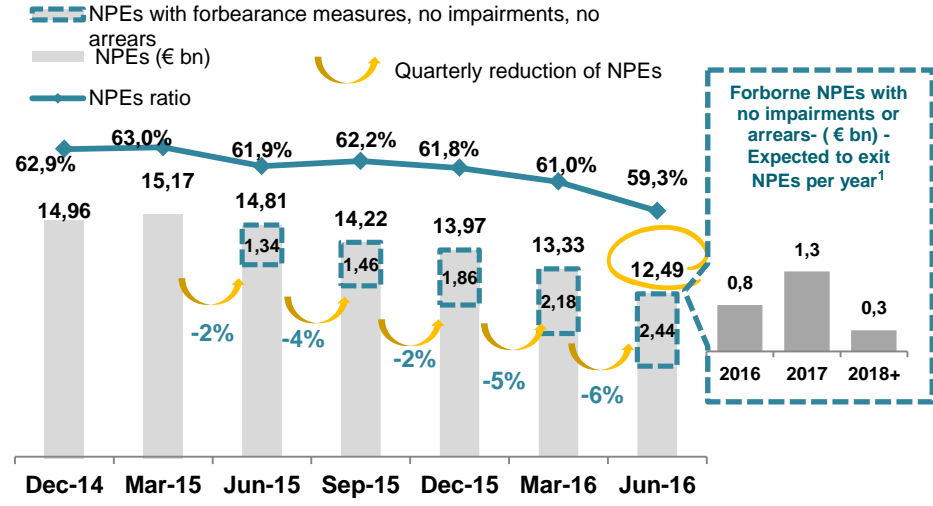
## 90+ DPD dropped by €2,0 bn or (18%) in 1H2016



## Problem loans formation mirrors economic cycle



## NPEs reduced by €1,47 bn or (11%) in 1H2016

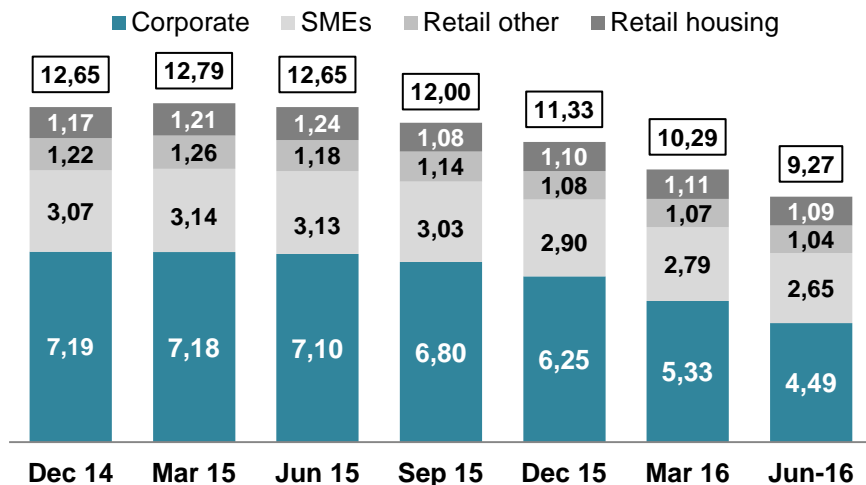


- **Non-performing loans (90+ DPD) reduced by €1,0 bn (or 10%) qoq and by €2 bn (or 18%) in 1H2016**
- Non Performing Exposures (NPEs), as per EBA definition, reduced by €0,8 bn during 2Q2016 and totalled €12,5 bn at 30 June 2016
- Reduction of NPEs accounted for 69% of 90+ DPD reduction
- **NPEs with forbearance measures, no impairments and no arrears** totalled €2,4 bn at 30 June 2016; Around 85% is expected to exit the NPE classification by the end 2017, subject to no re-default

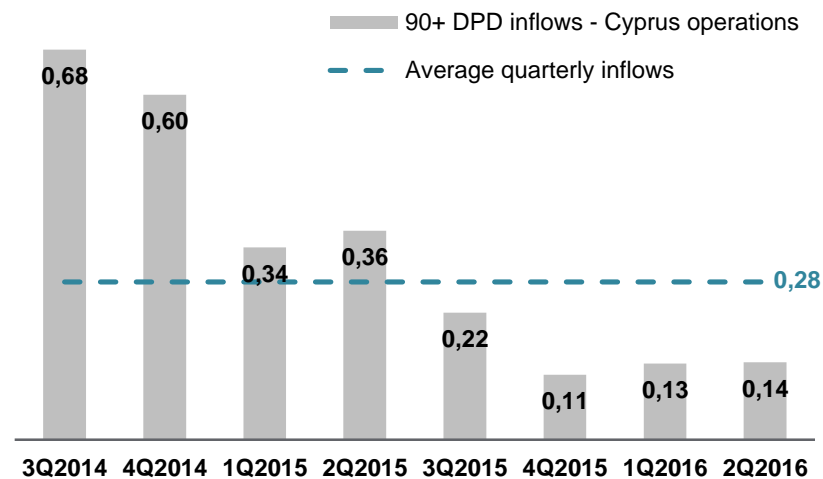
(1) Curing period of the NPEs with forbearance measures, but no impairments and no arrears, assuming no re-default.  
 (2) Information for 1Q2013 and 2Q2013 is not available as it has not been possible to publish the financial results for the three months ended 31 March 2013

# Slower 90+ DPD formation supports reduction of problem loans

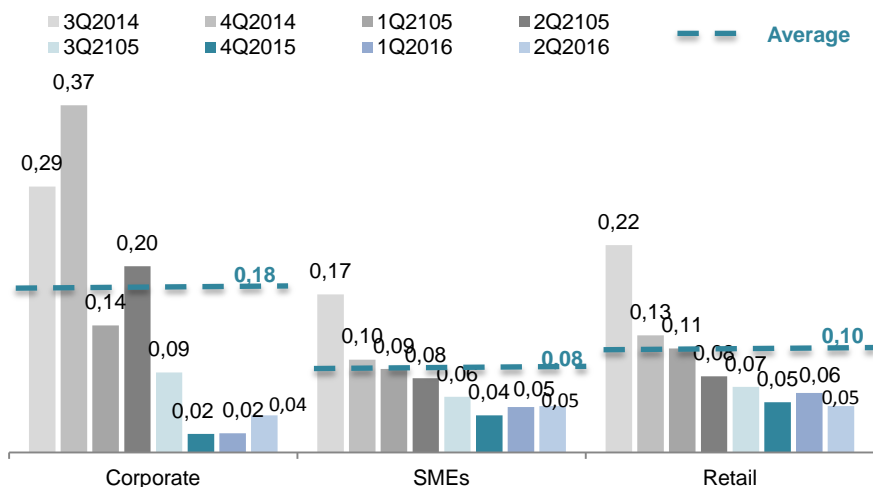
## Group 90+ DPD by Customer type (€ bn)



## Slower formation of new problem loans (€ bn)



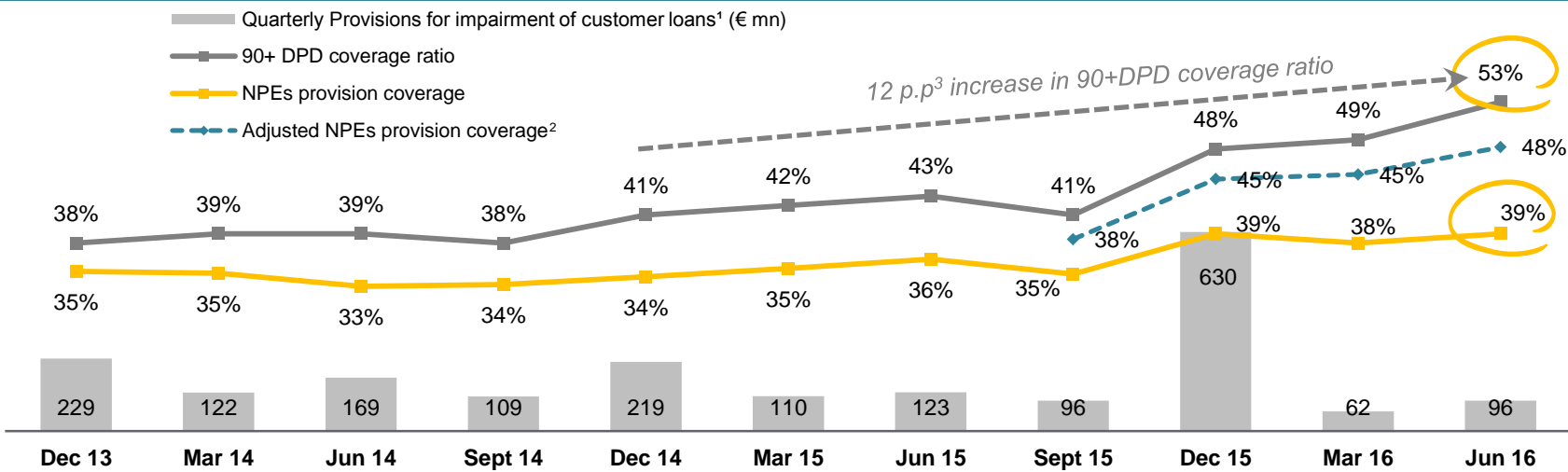
## 90+ DPD inflows by customer type - Cyprus operations (€ bn)



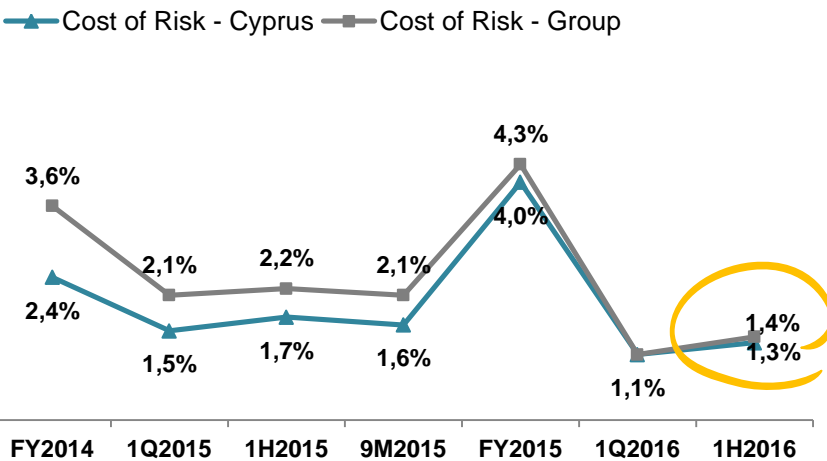
- 82% of the 90+ DPD reduction for 2Q2016 relates to corporate loans
- 90+ DPD inflows at €0,14 bn for 2Q2016

# Conservative provisioning policy – Increasing coverage levels

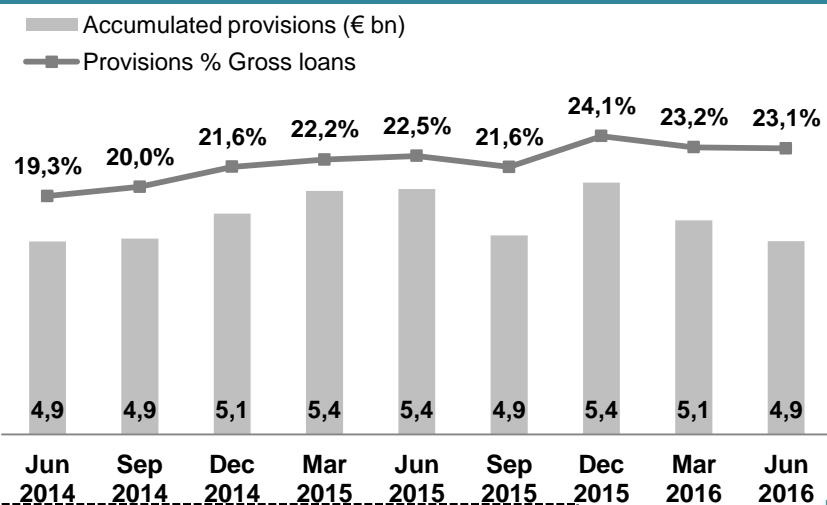
Coverage ratio improvement of 12 p.p<sup>3</sup> driven by over €1,3 bn additional cumulative provisions since Dec-14



## Cost of risk<sup>4</sup>



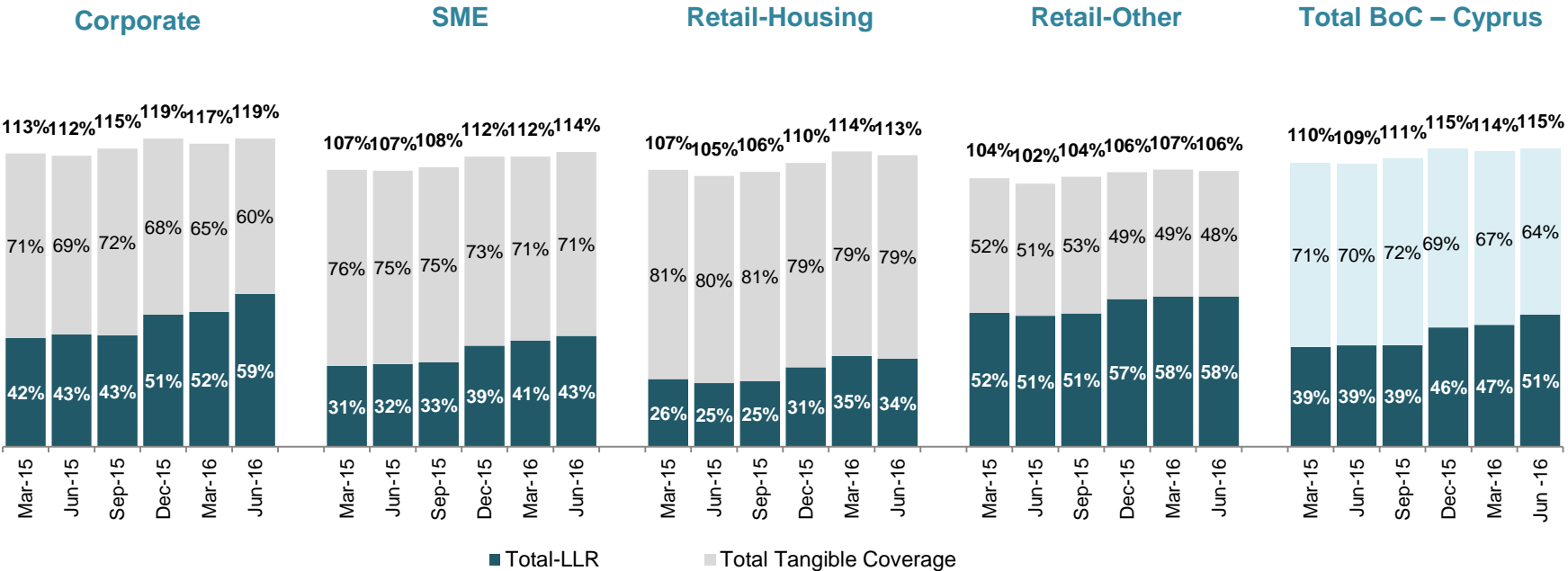
## Accumulated provisions of 23,1% of Gross Loans



(1) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows  
 (2) Adjusted NPEs provision coverage excludes NPEs with forbearance measures, no impairments and no arrears.  
 (3) p.p. = percentage points  
 (4) 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

# 90+ DPD Fully Covered by Provisions & Tangible collateral

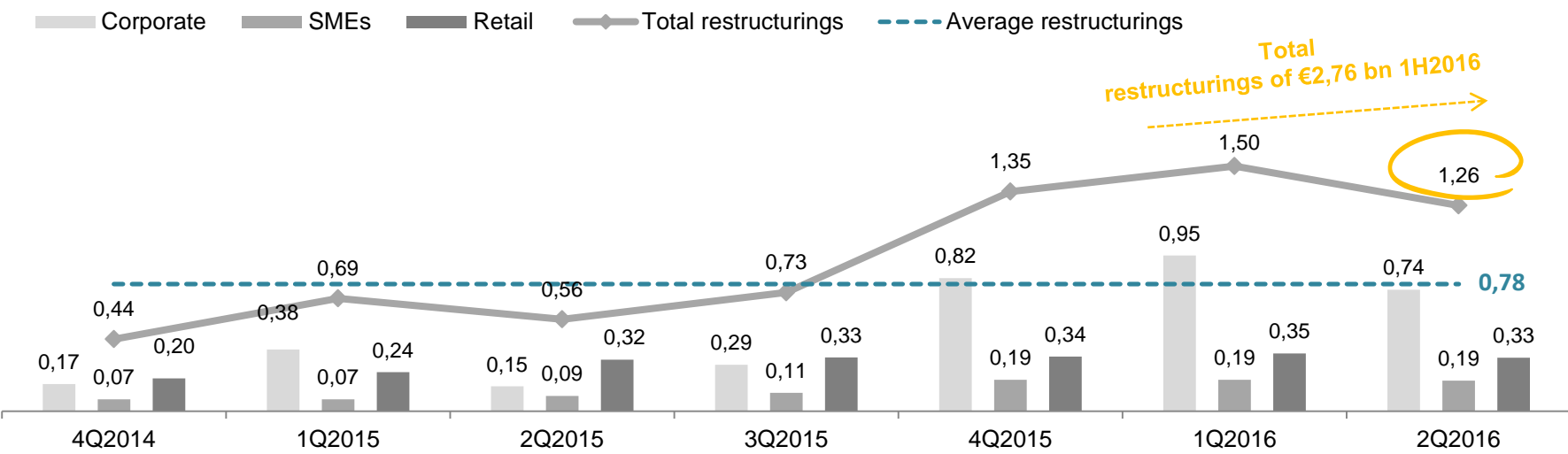
## Analysis of 90+ DPD coverage for Cyprus operations



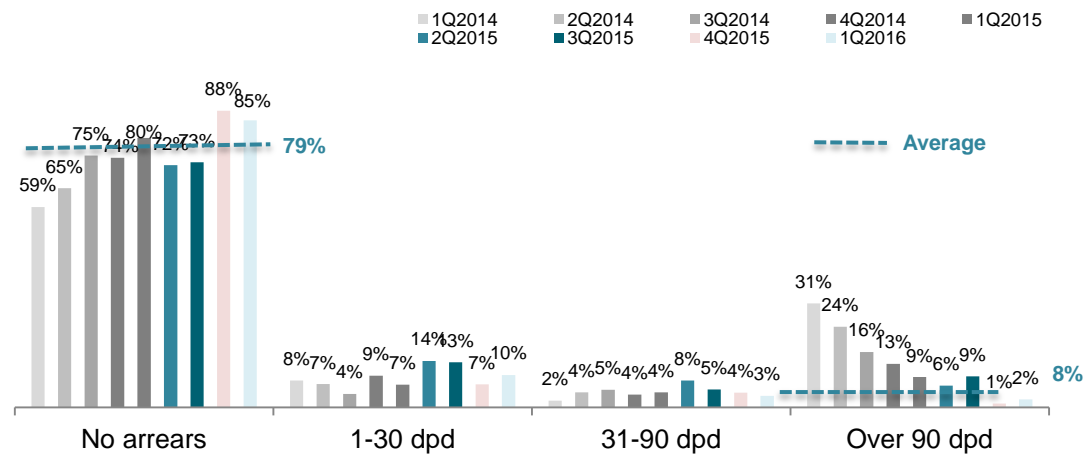
- **90+ DPD provision coverage for Cyprus operations increased to 51% at 30 June 2016, compared to 47% at 31 March 2016**
- Collateral coverage stood at 64% at 30 June 2016
- **As at 30 June 2016, overall coverage of 90+DPD increased to 115%, compared to 114% at 31 March 2016 and to 109% a year earlier**

# Strong Momentum in Loan Restructurings continues

## €2,76 bn of Restructurings in 1H2016



## 79% of Restructured loans demonstrate no arrears<sup>1</sup>



- Total restructurings of €1,26 bn for 2Q2016; Restructuring of corporate loans accounted for 59% of total 2Q2016 restructurings
- At 30 June, 79% of loans restructured post 31 December 2013 for Cyprus operations have no arrears

<sup>(1)</sup> The performance of loans restructured during 2Q2016 is not presented in this graph as it is too early to assess it.

# Sustainable Asset Quality Improvement across the RRD book

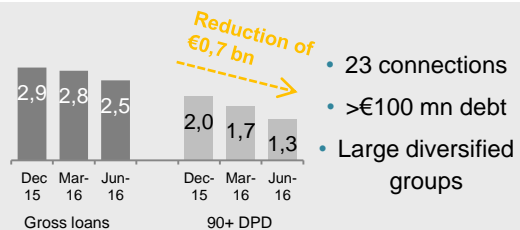
Bespoke tactical plans are in place for each segment within RRD, delivering asset quality improvements ...

## Business unit summary (€ bn)

## Key management actions

## Progress

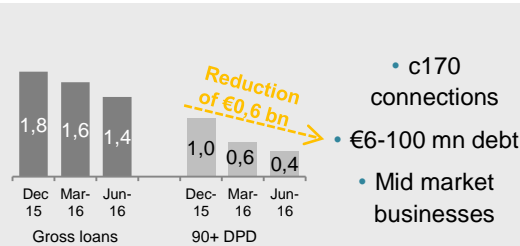
### Major Corporate Management



- c. 70 experienced restructuring officers
- Portfolios assigned based on size/complexity
- Sustainable solutions using (amongst others):
  - Debt:Equity & Debt:Asset swaps
  - Re-tranching, including 'equity like' PIK
- Support from internationally experienced restructuring specialists and external lawyers (UK & CY) used extensively
- Comprehensive improvements to lending documents, security, step in rights, monitoring & covenants

- Good progress**
- €350 mn of portfolio transferred back to Corporate Line
  - Active negotiations ongoing with all major borrowers
  - Good prospects to conclude and execute deals

### Corporate Management



- 8 specialist geographically spread BU's
- New team added in 1Q2016 to drive pace
- Portfolio analysis with targeted campaigns
- Product range enhanced e.g. split & freeze
- Close monitoring & clearing of early arrears

- Rapidly improving progress**
- New team and approach delivering results, with pace improved QvQ
  - Underlying economic improvements helping

### SME



<sup>(1)</sup> Owned Medium Businesses

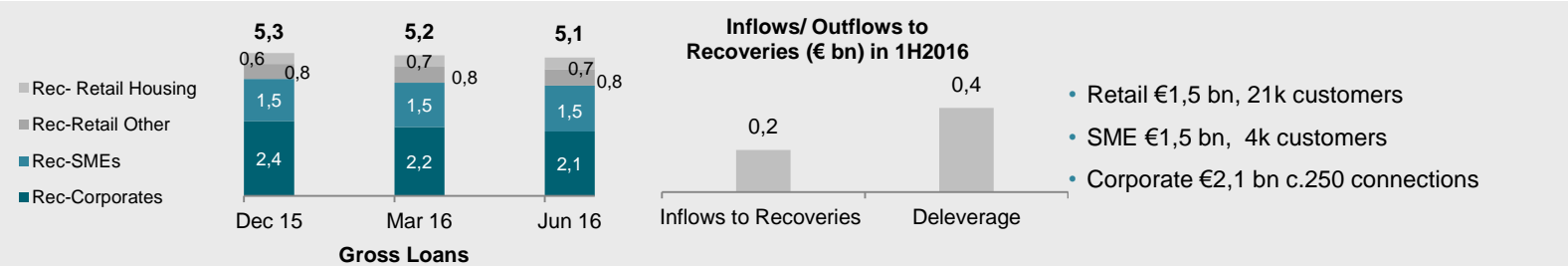


# Sustainable Asset Quality Improvement across the RRD book

## Focus in unlocking the Recoveries portfolio. Results are encouraging

Recoveries

### Business unit summary (€ bn)



### Key management actions

- Management focus in improving skills and infrastructure to effectively manage the portfolio
- Further support from international specialists from 4Q2015. Additional skills/experience transferred internally from other teams and specialised units have been set up/enhanced (eg receivership and foreclosure team)
- Analysis and segmentation of the Retail/SME portfolio
  - Increased focus on faster consensual deals (eg Debt: Asset Swaps)
  - Step up aggressive actions for non co-operative borrowers. Ramping up the pace in dealing with old unworkable portfolio

### Foreclosures

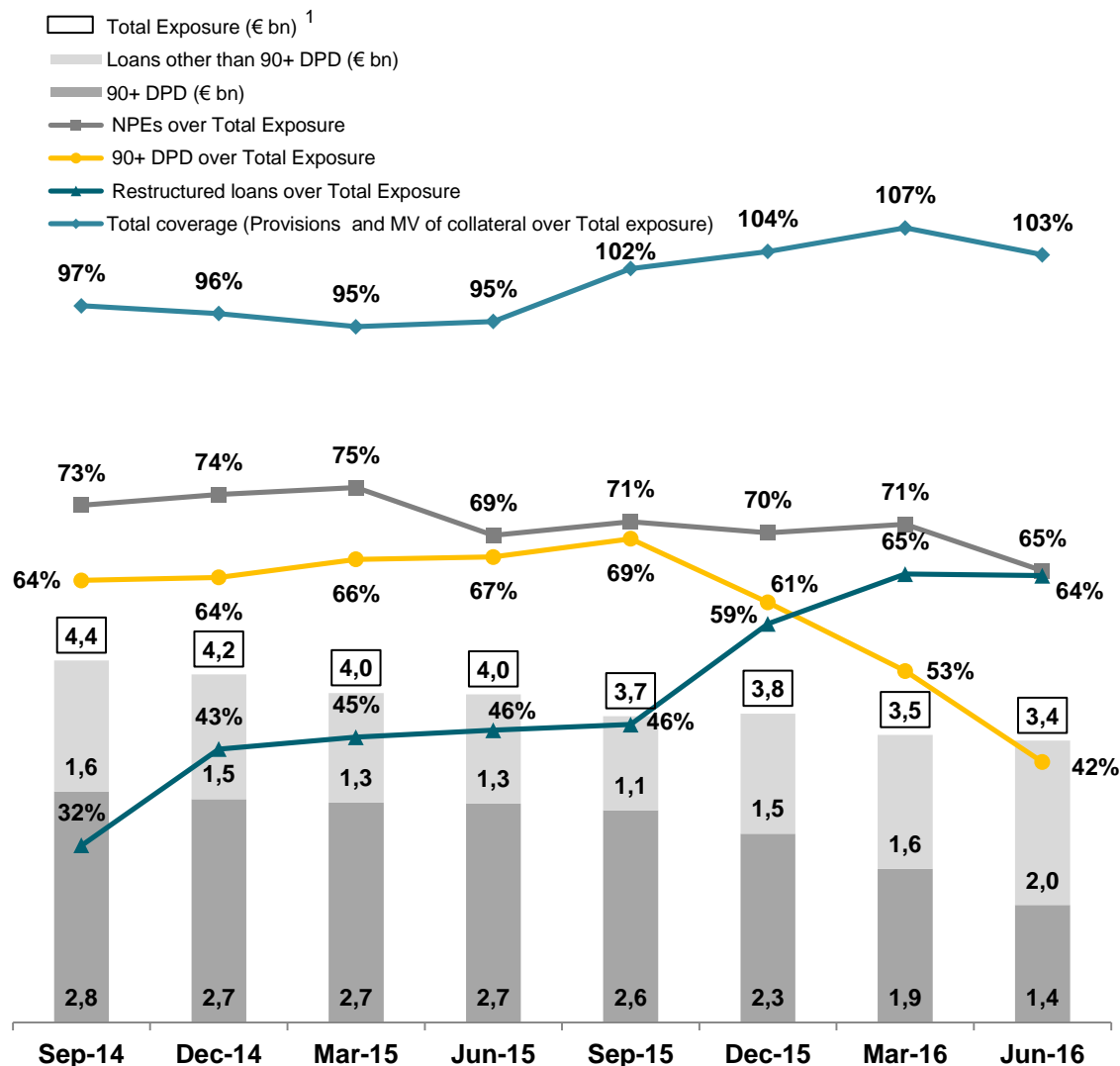
- Commencement of private foreclosures in late June 2016. So far 7 auction events conducted relating to 22 assets
- Process without major impediments and some sales achieved (5 properties)
- Additional tool added to the armory used to unlock solutions with problematic cases and non cooperative borrowers

### Progress

- Encouraging progress**
- Refreshed approach in corporate is delivering results with significant contribution to the NPEs reduction
  - Retail/ SME showing slower but improving progress. Next quarters are important in keeping the momentum
  - Foreclosure actions are important to building & maintaining pace

# Progress on top 20 Group Exposures

## Top 20 group exposures as at 30 September 2014 and their progress since then



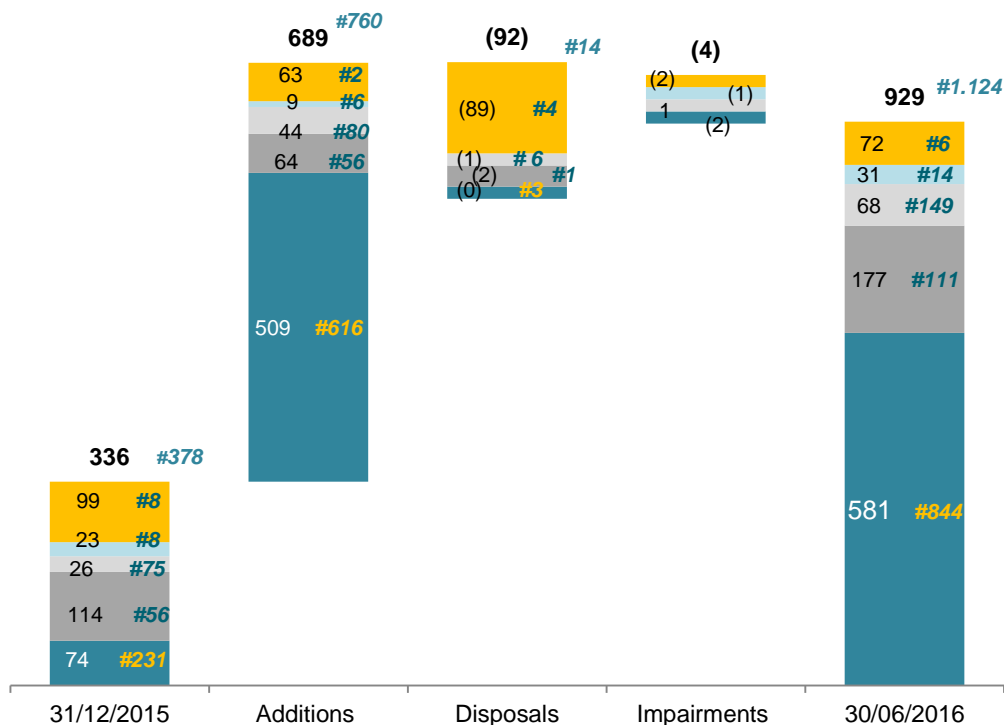
- **Top 20 group exposures** (as at 30 September 2014) totalled €3,4 bn as at 30 June 2016, down by €1 bn compared to €4,4 bn at 30 September 2014;
- Ratio of 90+ DPD to total exposure reduced by 11 percentage points to 42% during 2Q2016. Taking into account the provisions and tangible collateral, the top 20 exposures are fully covered
- Ratio of NPE to total exposures reduced to 65%
- **As at 30 June 2016, 64% of the top 20 group exposures were restructured**

(1) Total Exposures include on balance sheet and off balance sheet items.

# Real Estate Management Unit (REMU)

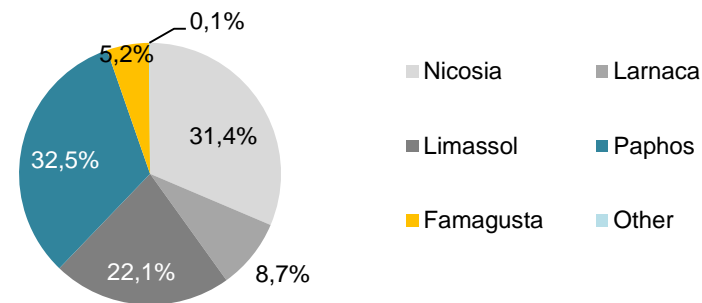
## On boarded assets and sales dynamics-Cyprus operations (Carrying value € mn)

■ Hotels  
■ Residential  
■ Land & Plots  
■ Manufacturing & Industrial & under construction  
■ Offices & Commercial  
# # no. of properties



Property movement of 1H2016 (€ mn)	Cyprus	Greece	Other countries <sup>3</sup>	Total Group
Stock 1 January 2016 <sup>1</sup>	336	171	35	542
Additions	689	-	2	691
Sales <sup>1</sup>	(92)	(2)	-	(94)
Impairment loss	(4)	(5)	-	(9)
<b>Total Stock 30 June 2016<sup>2</sup></b>	<b>929</b>	<b>164</b>	<b>37</b>	<b>1.130</b>

## Cyprus Property Stock Analysis



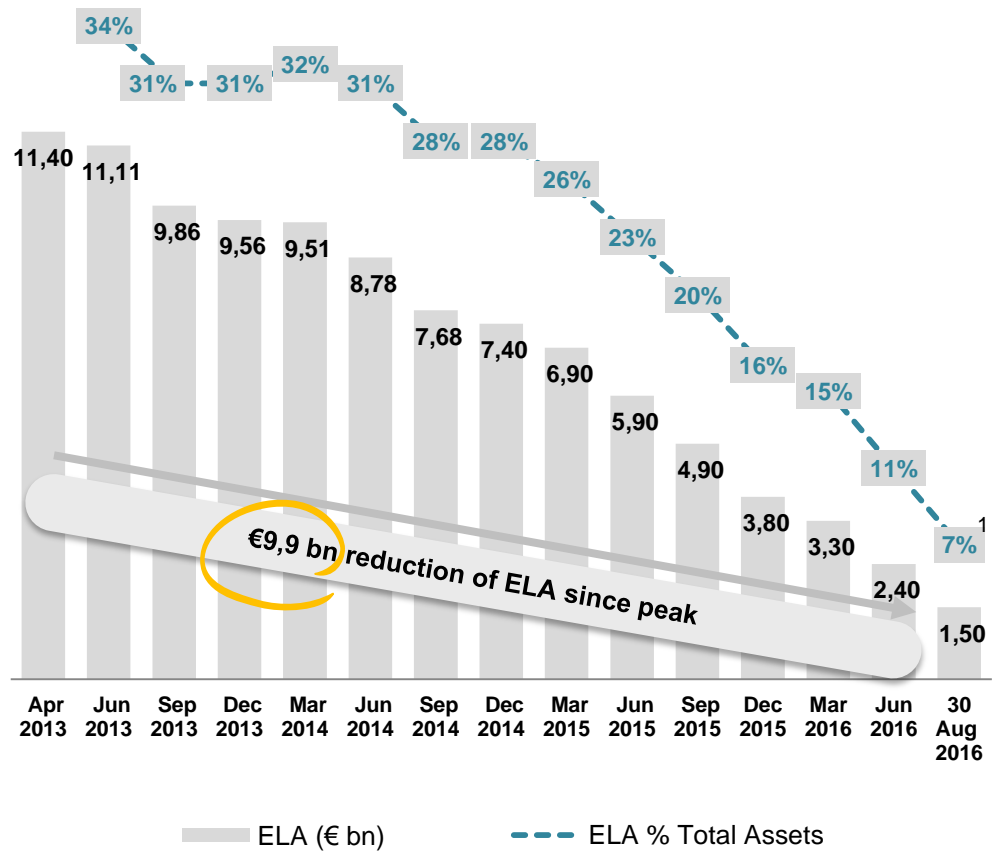
- €689 mn of assets on boarded during the 1H2016
- During 1H2016, the Bank completed the disposal of 14 properties amounting to €92 mn, mostly relating to hotels
- **Post 30 June 2016 5 sales & purchase agreements are in progress with total consideration of c.€45 mn**

(1) Includes Kermia Hotels Limited where disposal completed in June 2016.  
 (2) Total Stock as at 30 June 2016 excludes investment properties and investment properties held for sale.  
 (3) Other Countries relate to Romania

# Rapid reduction of ELA

€2,3 bn Reduction of ELA during 2016

Plans to fully eliminate ELA



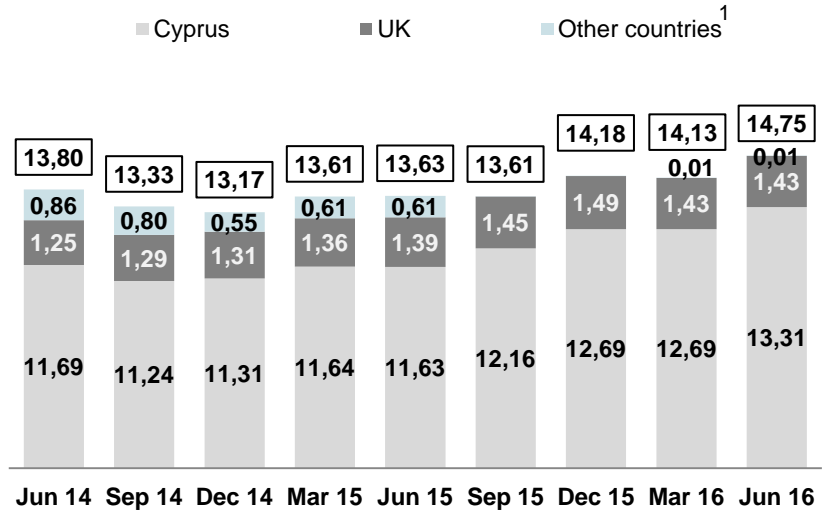
- Deposit Growth
- Wholesale and interbank market access
- Retention of cash profits from operations
- Proceeds from deleveraging
- Increase loan pool for the Additional Credit Claim ECB framework

Full repayment of ELA during 2017

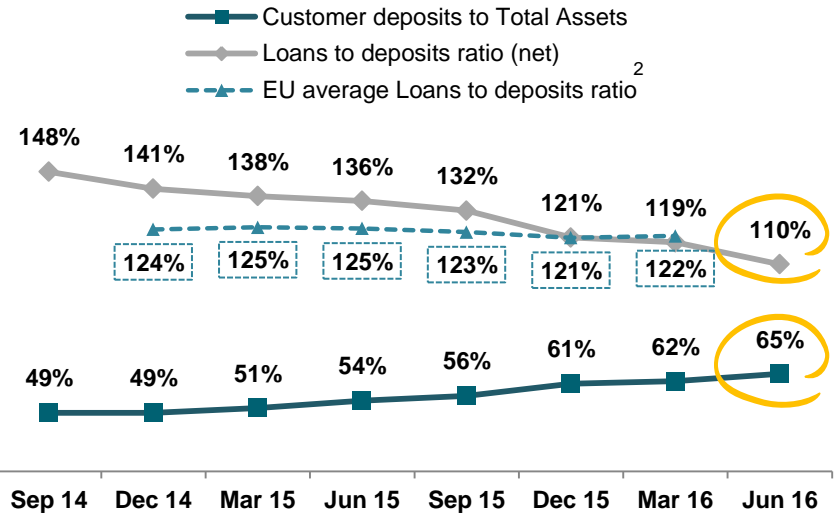
(1) Ratio of ELA Funding % Total Assets for 30 August 2016 is based on total assets at 30 June 2016

# Increasing Deposits and Improving Loan to Deposit ratio

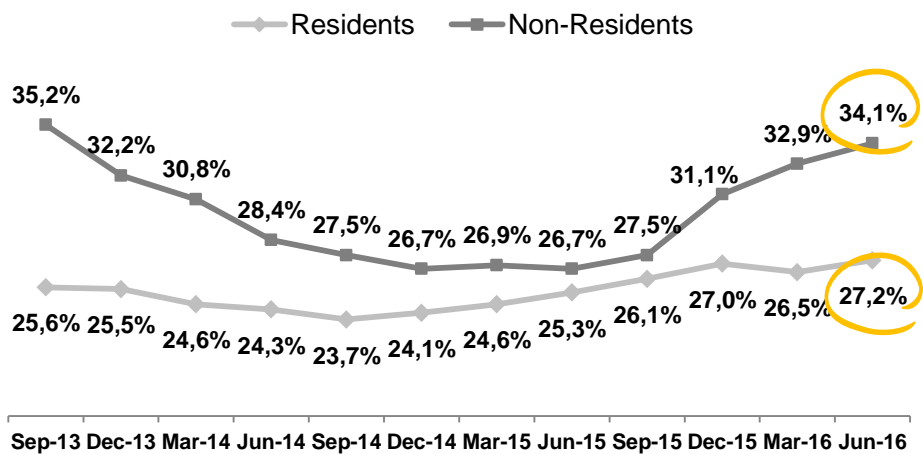
## Growing customer deposit base (€ bn)



## Improving funding structure



## Increased deposit market shares in Cyprus



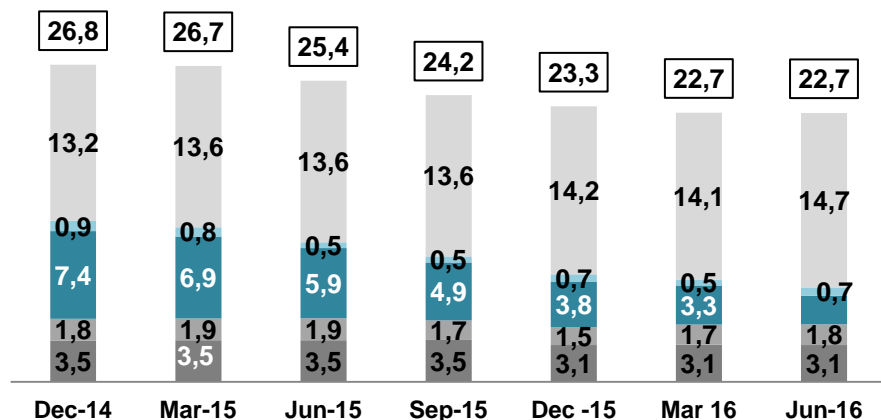
- Group customer deposits totalled €14,75 bn at 30 June 2016.
- **Customer deposits in Cyprus increased by €0,62 bn (or 5%) qoq, and by €1,68 bn (or 14%) yoy**
- **Loans to deposits ratio improved to 110%**
- Deposit market shares in Cyprus at 30 June 2016 for Residents and non-Residents were 27,2% and 34,1% respectively

(1) Other countries comprise Russia (until June 15) and Romania  
 (2) Based on EBA Risk Dashboard Report, Data as at 31 March 2016

# Liabilities and Equity structure- CET1 ratio

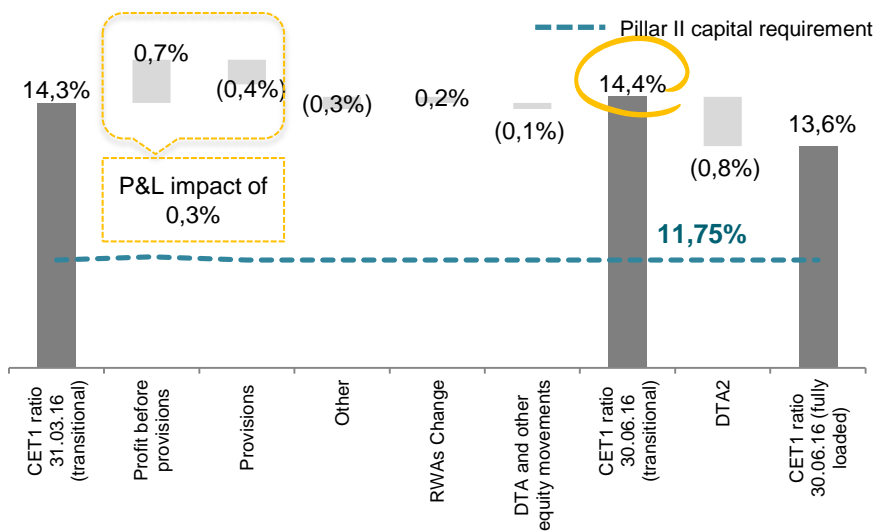
## Analysis of Liabilities and Equity (€ bn)

■ Total equity ■ Other liabilities ■ ELA ■ ECB funding ■ Customer deposits

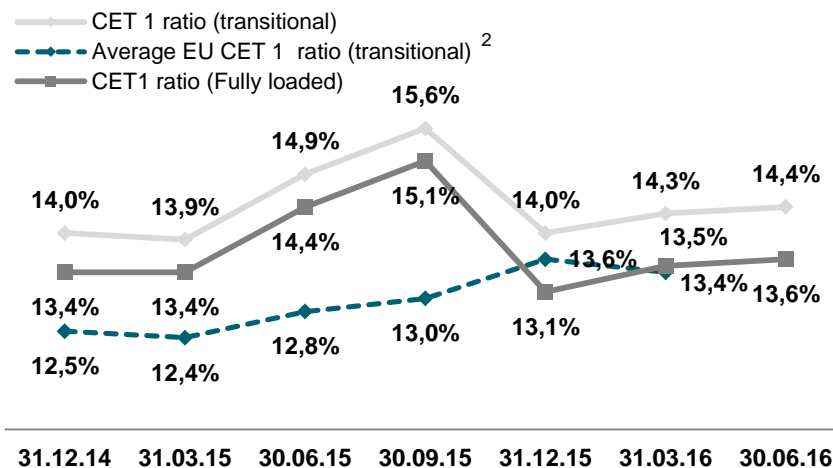


- The Bank considers that it is appropriately capitalised, taking into account its risk profile, level of non-performing loans, the macro-economic environment and applicable regulatory requirements
- Although the precise calibration and ultimate designation of the Bank's MREL<sup>3</sup> liabilities have not yet been finalised, the Bank continues to consider various funding opportunities (including both senior debt and/or subordinated capital instruments) in anticipation of such upcoming requirements

## Evolution for CET1 ratio<sup>1</sup> during 2Q2016



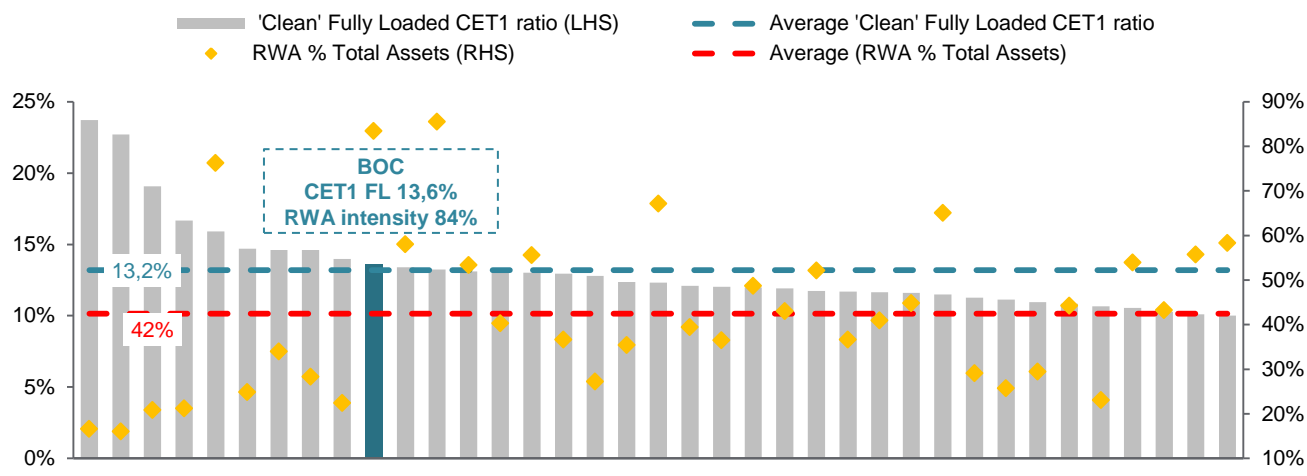
## Capital Adequacy Ratios



(1) Transitional basis; includes audited profits for the six months ended 30 June 2016.  
 (2) Based on EBA Risk Dashboard Report, Data as at 31 March 2016  
 (3) Minimum Requirement for Own Funds and Eligible Liabilities.

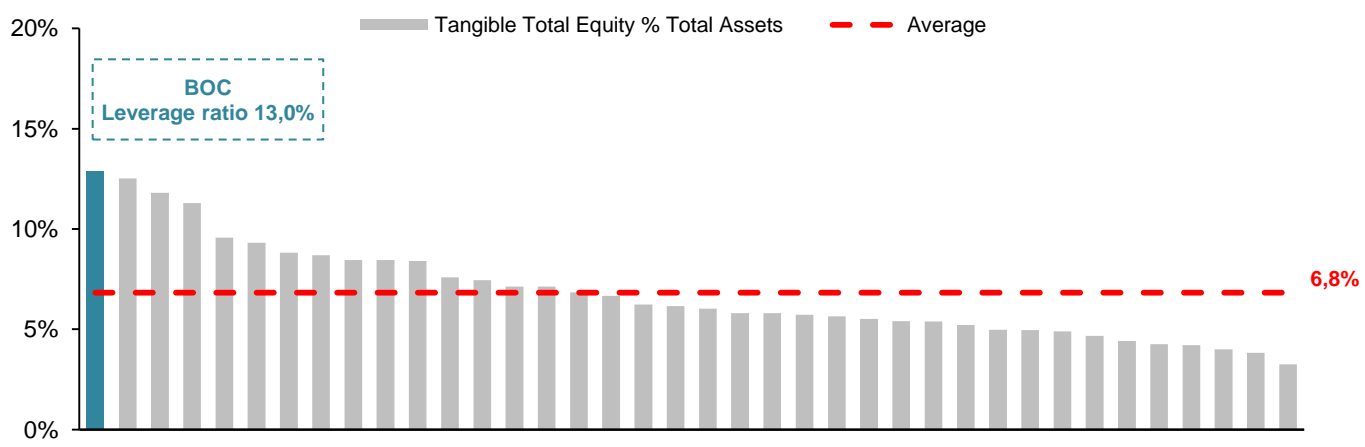
# Capital Position Compares well with Peers

## 'Clean' Fully Loaded CET1 ratio<sup>1</sup> (March 2016<sup>2</sup>)



- “Clean” Fully loaded CET1 ratio at 13,6%, higher than average for EU peers, reflecting a very low level of DTA
- RWA intensity of 84%, compared to an average of 42%

## Leverage ratio<sup>3</sup> (March 2016<sup>2</sup>)



- Conservative Leverage ratio at 13,0%, compared to an average of 6,8%

(1) As per SNL Financial Database, 'Clean' Fully Loaded CET1 ratio as 31 March 2016, excludes Deferred Tax Credits, AFS and Danish Compromise Estimated Impact  
 (2) Bank of Cyprus data is based on 1H2016 financial results.  
 (3) Leverage ratio is defined as Tangible Total Equity over Total Assets.

# Income Statement Review

€ mn	1H2016	1H2015 <sup>2</sup>	yoy %	2Q2016	1Q2016	qoq %
<b>Total income</b>	<b>482</b>	<b>535</b>	<b>-10%</b>	<b>238</b>	<b>244</b>	<b>-3%</b>
<b>Total expenses</b>	<b>(202)</b>	<b>(194)</b>	<b>4%</b>	<b>(103)</b>	<b>(99)</b>	<b>5%</b>
<b>Profit before provisions and impairments<sup>1</sup></b>	<b>280</b>	<b>341</b>	<b>-18%</b>	<b>135</b>	<b>145</b>	<b>-7%</b>
Provisions for impairment of customer loans net of gains/(losses) on loan derecognition and changes in expected cash flows	(158)	(234)	-33%	(96)	(62)	53%
Impairments of other financial and non financial assets	(22)	(31)	-31%	(14)	(8)	71%
Share of profit from associates and joint ventures	2	3	-53%	1	1	1%
<b>Profit before tax, restructuring costs, discontinued operations and net profit on disposal of non-core asset</b>	<b>102</b>	<b>79</b>	<b>29%</b>	<b>26</b>	<b>76</b>	<b>-65%</b>
Tax	(12)	(10)	17%	(4)	(8)	-49%
(Loss)/profit attributable to non-controlling interests	(6)	1	-	(5)	(1)	-
<b>Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core asset</b>	<b>84</b>	<b>70</b>	<b>20%</b>	<b>17</b>	<b>67</b>	<b>-75%</b>
Advisory, VEP and other restructuring costs <sup>3</sup>	(87)	(22)	302%	(70)	(17)	301%
Loss from disposal groups held for sale/discontinued operations	0	(29)	-100%	0	0	-
Net gain on disposal of non-core assets	59	41	45%	59	0	-
<b>Profit after tax</b>	<b>56</b>	<b>60</b>	<b>-6%</b>	<b>6</b>	<b>50</b>	<b>-88%</b>
<b>Net interest margin</b>	<b>3,59%</b>	<b>3,88%</b>	<b>-29 bps</b>	<b>3,55%</b>	<b>3,63%</b>	<b>-8 bps</b>
<b>Return on average assets (annualised)</b>	<b>0,5%</b>	<b>0,5%</b>	<b>-</b>	<b>0,1%</b>	<b>0,9%</b>	<b>-0,8 p.p</b>
<b>Return on tangible equity (annualised)</b>	<b>3,8%</b>	<b>3,6%</b>	<b>+0,2 p.p</b>	<b>0,8%</b>	<b>6,7%</b>	<b>-5,9 p.p</b>
<b>Cost-to-Income ratio</b>	<b>42%</b>	<b>36%</b>	<b>+6 p.p</b>	<b>43%</b>	<b>40%</b>	<b>+3 p.p</b>

## Key Highlights QoQ change

- Total Income** down by 3% qoq driven by reduction in customer loan balance primarily due to elevated loan restructuring activity
- NIM maintained** at 3,59% for 1H2016
- Total Expenses** up by 5% qoq due to increased operating expenses compared with 1Q2016 attributed to lower provision charge for litigation in 1Q2016 following legal settlements
- Cost to Income** ratio at 42% for 1H2016
- Profit before provisions of €135 mn for 2Q2016** directed at increased provisions and impairment charges to faster de-risk balance sheet
- Profit after tax of €6 mn for 2Q2016**

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

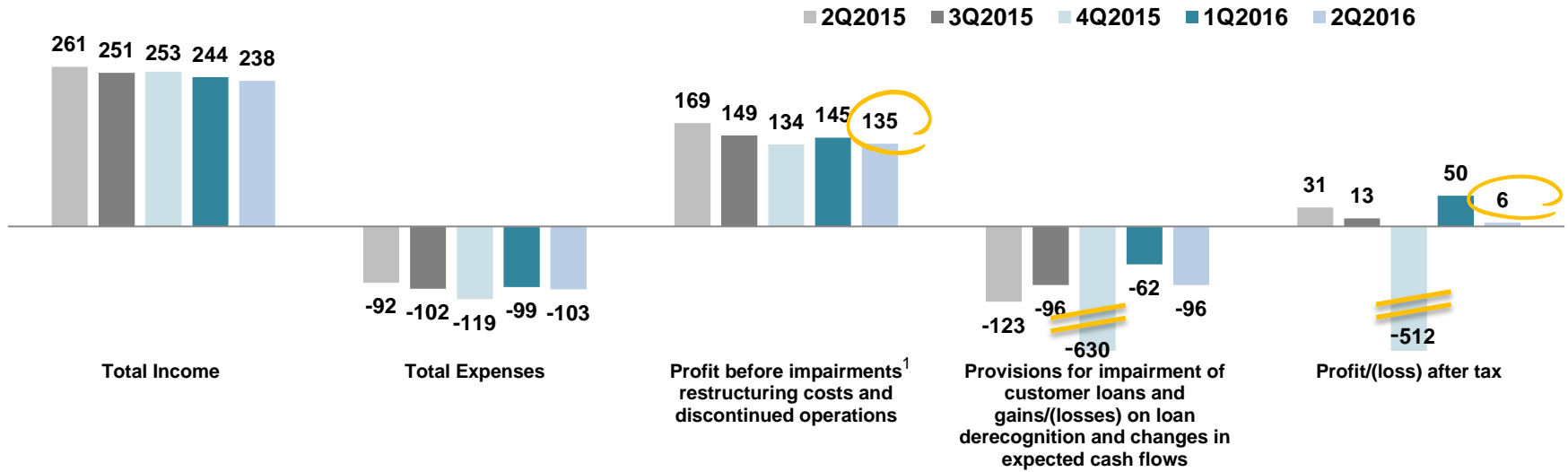
(2) See Note 2.32 to the Interim Consolidated Financial Statements for the six months ended 30 June 2016, Comparative information.

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

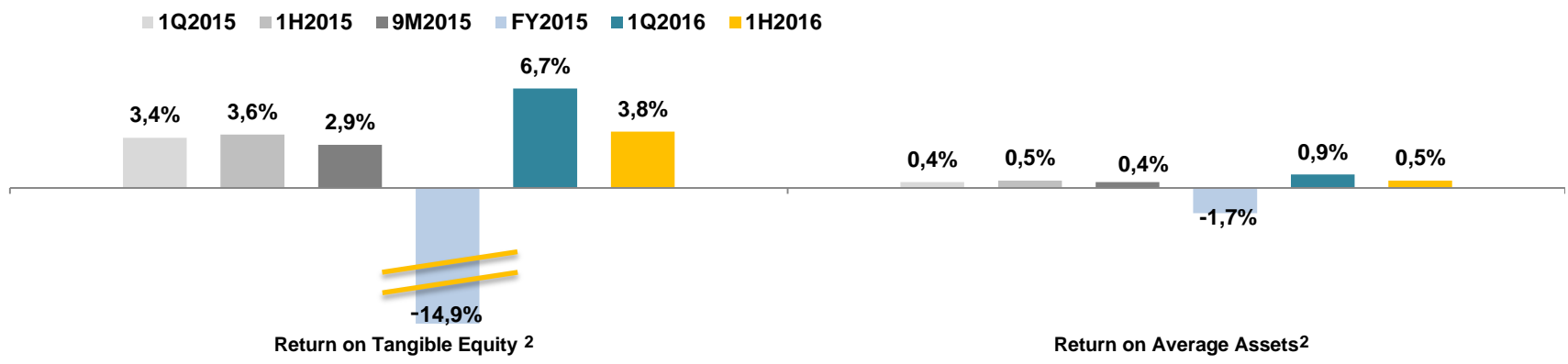


# Profitable 1H2016

## Group Income Statement Highlights (€ mn)



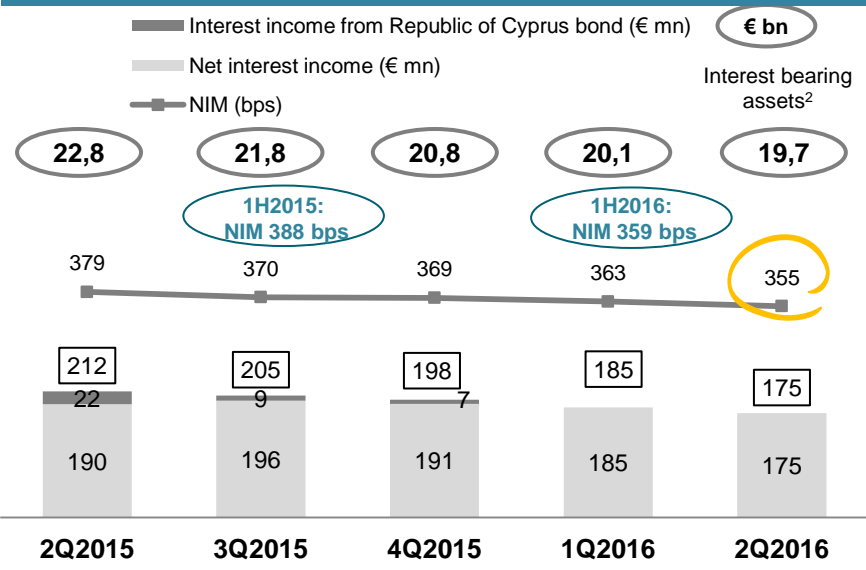
## Return on Tangible Equity (RoTE) (%) & Return on Average Assets (RoAA)



(1) Profit before provisions and impairments, gains/(losses) on loan derecognition and changes on expected cash flows, restructuring costs and discontinued operations.  
 (2) RoTE and RoAA are on an annualised basis.

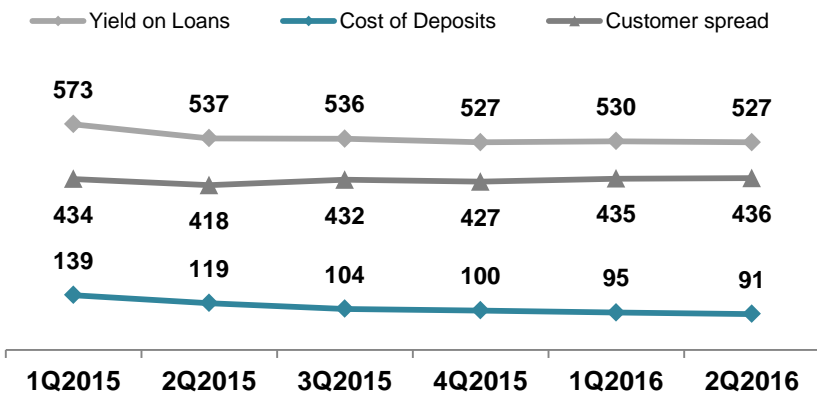
# Healthy NIM and Customer Spread in a Competitive Market

## Net Interest Income and Net Interest Margin



- **Net Interest Income (NII) at €175 mn**, compared to €185 mn for 1Q2016, reflecting the reduction in customer loan balance primarily due to the increased activity in loan restructuring
- Net Interest Margin (NIM) remains healthy at 3,59% for 1H2016
- **Interest bearing assets** decreased by 2% to €19,7 bn

## Yield on Loans and Cost of Deposits in Cyprus<sup>1</sup> (bps)

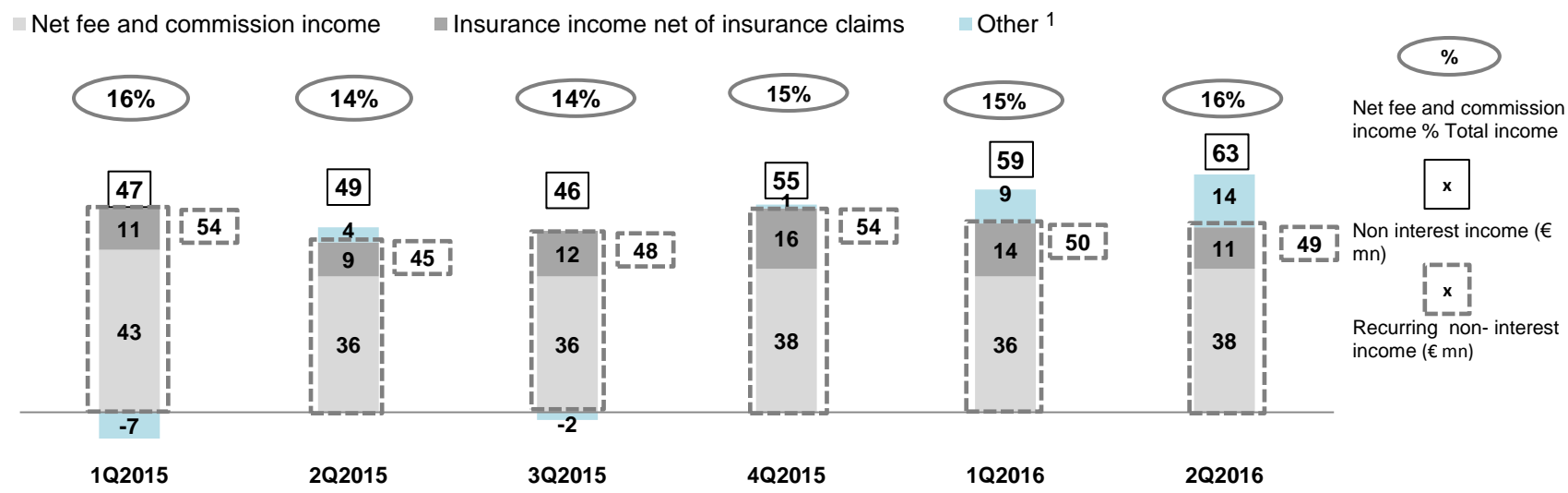


- Customer spread in Cyprus maintained at 436 bps in 2Q2016 despite competitive pressures
- €547 mn of new loans were granted during the first seven months of the year

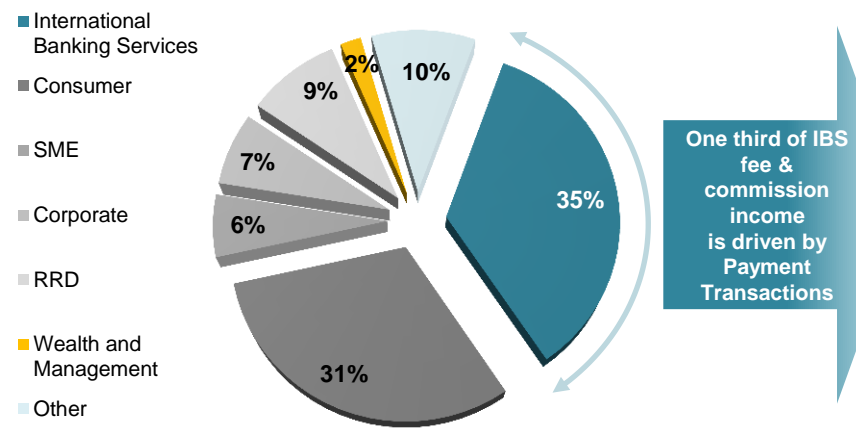
(1) Includes all currencies  
 (2) Interest bearing assets include placements with banks and central banks, reverse repurchase agreements and net loans and advances to customers and investments excluding equity and mutual funds.

# Growing Non-interest Income

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



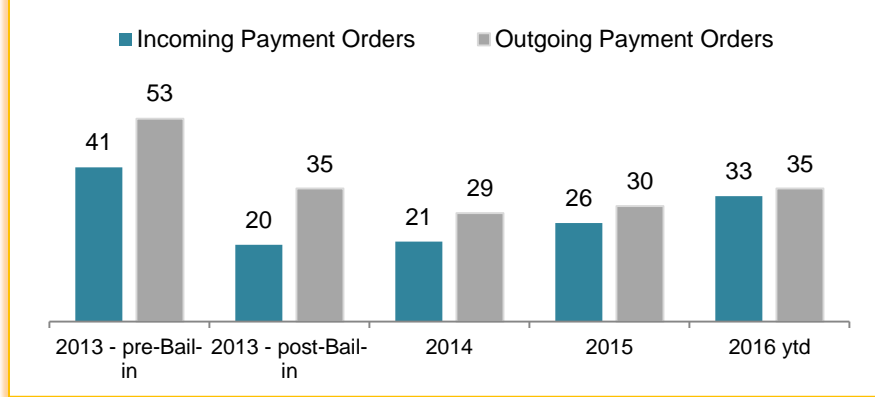
## Fee & commission income by business line



One third of IBS fee & commission income is driven by Payment Transactions

## Payment Transactions are increasing

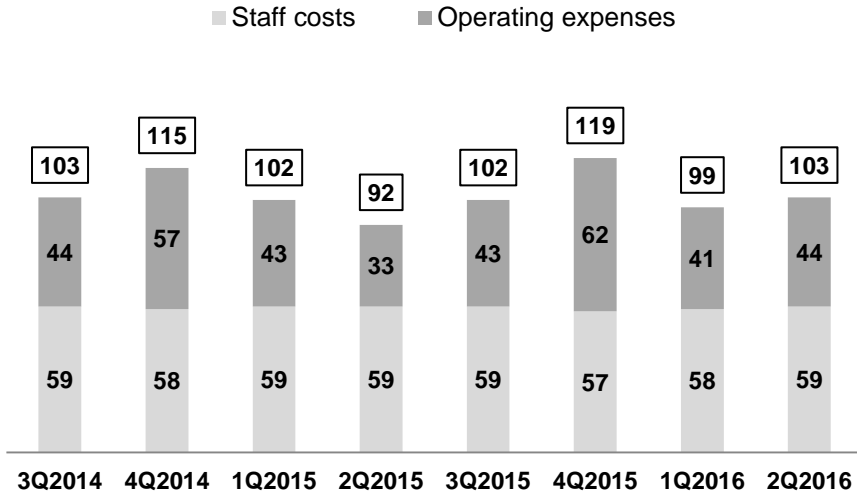
Average Number of Payment Transactions per month (thousands)



(1) Comprising (a) Net FX gains / (losses) & Net gains/(losses) on other financial instruments, (b) Losses from revaluation and disposal of investment properties and (c) other income.

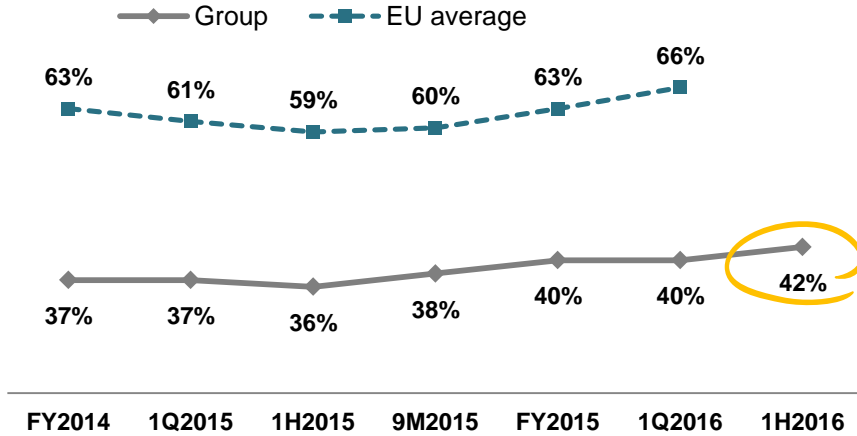
# Costs under control

## Total expenses (€ mn)



- **Total expenses** in line with previous quarters
- **Staff costs** in line with previous quarters; Following the completion of the voluntary exit plan (VEP) during the first half of 2016, an annual saving of 12% of personnel expenses is expected
- **Operating expenses** for 2Q2016 in line with previous quarters

## Cost to Income Ratio

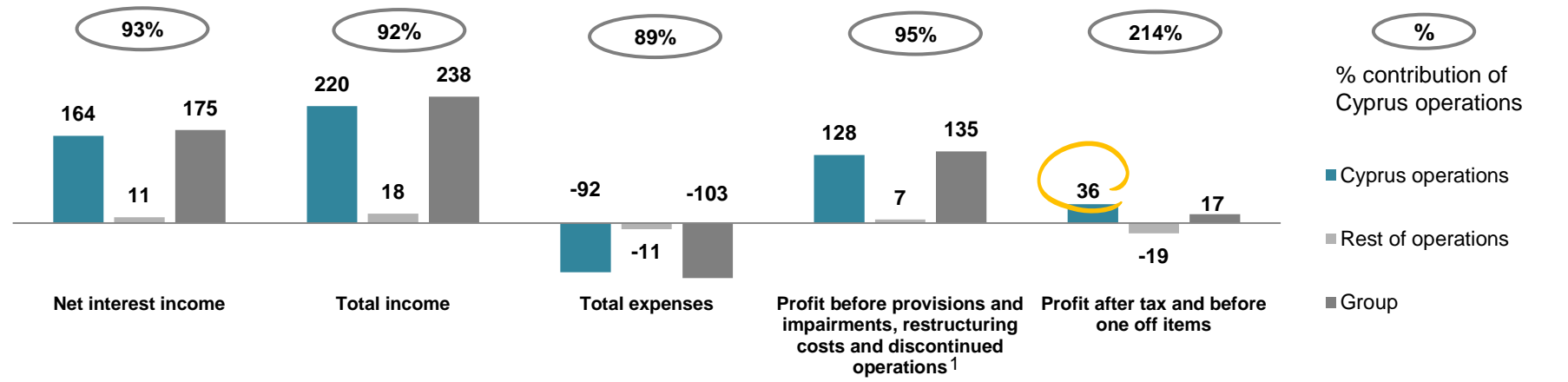


- **Cost to income ratio** stable at 42%
- **Actions for focused, targeted cost containment:**
  - Tangible savings through a targeted cost reduction program for operating expenses
  - Introduction of appropriate technology/processes to enhance product distribution channels and reduce operating costs
  - Introduction of HR policies aimed at enhancing productivity

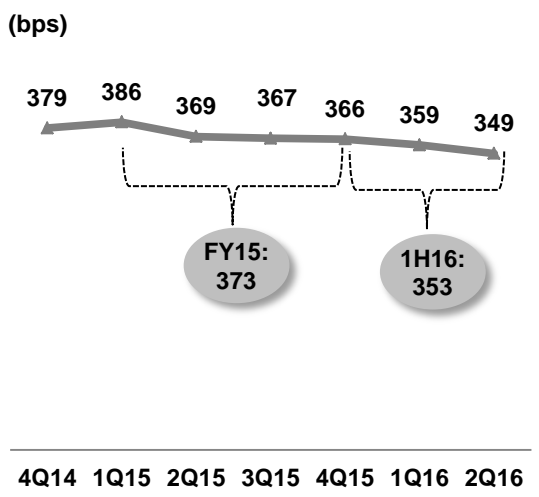
(1) Based on EBA Risk Dashboard Report, Data as at 31 March 2016

# Core Profitability Residing in the Cyprus Operations

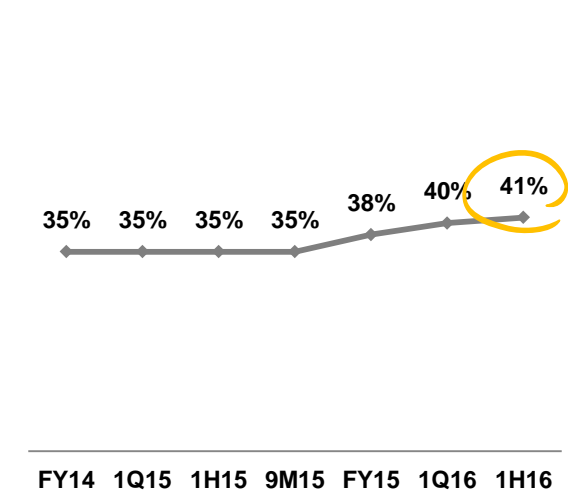
## 2Q2016 Cyprus Vs Group performance (€ mn)



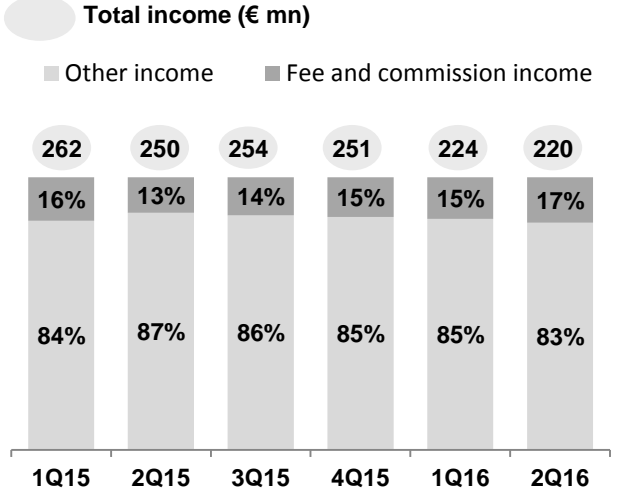
### Healthy NIM in Cyprus operations



### Healthy Cost to Income ratio for Cyprus operations



### Steady Fee and commission income for Cyprus operations

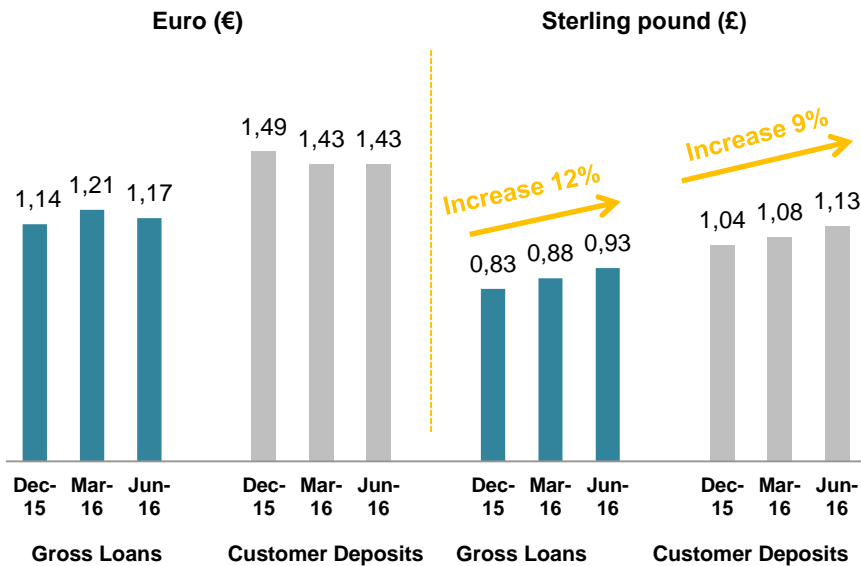


(1) Profit before provisions and impairments, gains/(losses) on loan derecognition and changes on expected cash flows, restructuring costs and discontinued operations.

# Expansion of UK operations

- **BOC UK is growing its lending business in order to improve profitability; Self funded growth through retail deposits**
- BoC UK has a branch in North London and business centres in Central London, South London and Birmingham and focuses on meeting the needs of entrepreneurs and owner-managed businesses
- **Executive team strengthened** with a new CFO, CRO, Chief Customer & Commercial Officer and MD Consumer

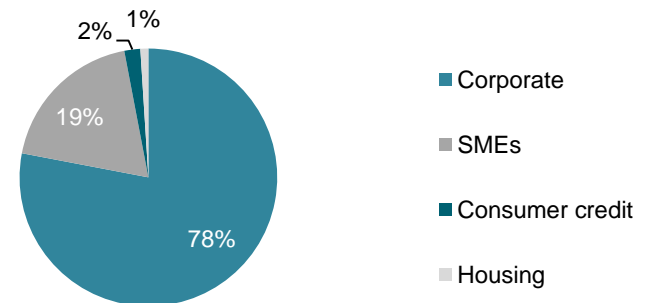
## Gross loans and customer deposits (bn)



## Key figures £ mn

	1H2016	1H2015	2Q2016	1Q2016
Operating profit	3.342	2.178	1.200	2.142
Profit before tax	3.629	1.839	1.408	2.221

## Loans by sector as at 30 June 2016



# Significant Progress made on Group KPIs

A clear plan of action to achieve *Medium Term Targets*

Category	Key performance indicators	Dec-2015	Jun-2016	Medium Term Targets	Key Pillars & Plan of action	
Asset quality	90+ DPD ratio	50%	44%	<30%	1. Significantly reduce problem loans	<ul style="list-style-type: none"> <li>Intensify restructuring and workout activity of delinquent borrowers</li> <li>Maintain increased pace of restructurings and focus on more complex and older cases on the back of the foreclosure law</li> <li>REMU to on-board, manage and dispose of properties acquired</li> </ul>
	90+ DPD coverage	48%	53%	>50%		
	Provisioning charge <sup>1</sup>	4,3%	1,4%	<1,0%	2. Normalise funding structure; Eliminate ELA	<ul style="list-style-type: none"> <li>Deposit Growth; Wholesale and interbank market access</li> <li>Retention of cash profits from operations; Proceeds from deleveraging</li> <li>Increase loan pool for the Additional Credit Claim ECB framework</li> </ul>
Funding	ELA % Assets; € bn	16%; €3,8 bn	11%; €2,4 bn	Fully repay	3. Focus on core markets	<ul style="list-style-type: none"> <li>Direct lending into promising sectors to fund the recovery of the Cypriot economy</li> <li>Diversify income stream by boosting fee income from international business, wealth, and insurance</li> <li>New loan origination, while maintaining lending yields</li> <li>Expand the UK franchise by leveraging the UK subsidiary</li> </ul>
	Net Loans % Deposits	121%	110%	100%-120%		
Capital	CET1 (transitional)	14,0%	14,4%	>15%	4. Achieve a lean operating model	<ul style="list-style-type: none"> <li>Tangible savings through a targeted reduction program for operating expenses</li> <li>Introduce appropriate technology/processes to enhance product distribution channels and reduce operating costs</li> <li>Introduce HR policies aimed at enhancing productivity</li> </ul>
Margins and efficiency	Net interest margin	3,8%	3,6%	~3,00%		
	Fee and commission income/total income	15%	15%	>20%		
Balance Sheet	Cost to income ratio	40%	42%	40%-45%	5. Deliver returns	<ul style="list-style-type: none"> <li>Deliver appropriate medium-term risk-adjusted returns</li> </ul>
	Total assets	€23,3 bn	€22,7 bn	>€25 bn		

(1) IFRS9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose for the targets. Targets are set on the basis of the present regulatory environment.

# Key Takeaways

- BOC **franchise** remains strong in an economy that is recovering quickly
- Problem loans (90+ DPD) down by €1,0 bn (or 10%) qoq and by €2 bn (or 18%) during 1H2016 ; Provision coverage improved to 53%
- **Strong Restructuring momentum continues** with €2,76 bn of restructurings in 1H2016
- **Further normalisation of funding structure**; Loans to Deposits ratio (L/D) at 110% and customer deposits accounting for 65% of total assets
- **ELA reduced by €2,3 bn year to date to €1,5 bn**
- **CET1 ratio (transitional basis) at 14,4%**;
- **Pre-provision profitability** of €135 mn for 2Q2016 directed at increased provisions and impairment charges to faster de-risk balance sheet
- Profit after tax of €6 mn for 2Q2016 and €56 mn for 1H2016



# Key Information and Contact Details

## **Credit Ratings:**

### **Fitch Ratings:**

Long-term Issuer Default Rating: upgraded to “B-” on 25 April 2016 (stable outlook)

Short-term Issuer Default Rating: upgraded to “B” on 25 April 2016

Viability Rating: upgraded to “b-” on 25 April 2016

### **Moody’s Investors Service:**

Baseline Credit Assessment: Affirmed at caa3 on 15 June 2016 (positive outlook)

Short-term deposit rating: Affirmed at “Not Prime” on 15 June 2016

Long-term deposit rating: Affirmed at Caa3 on 15 June 2016 (positive outlook)

Counterparty Risk Assessment: Assigned at Caa1(cr) / Not-Prime (cr) on 15 June 2016

## **Listing:**

ATHEX – BOC, CSE – BOCY, ISIN CY0104810110

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## **Contacts**

### **Investor Relations**

Tel: +35722122239, Email: [investors@bankofcyprus.com](mailto:investors@bankofcyprus.com)

Annita Pavlou, ([annita.pavlou@bankofcyprus.com](mailto:annita.pavlou@bankofcyprus.com)) Elena Hadjikyriacou, ([elena.hadjikyriacou@bankofcyprus.com](mailto:elena.hadjikyriacou@bankofcyprus.com))

Marina Ioannou, ([marina.ioannou@bankofcyprus.com](mailto:marina.ioannou@bankofcyprus.com)) Styliani Nicolaou, ([styliani.nicolaou@bankofcyprus.com](mailto:styliani.nicolaou@bankofcyprus.com))

### **Finance Director**

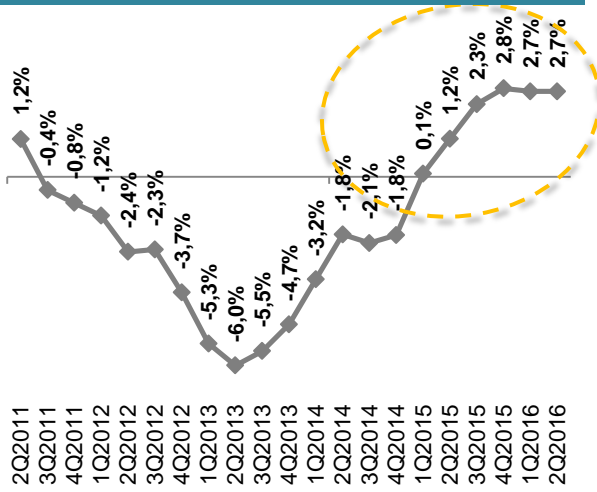
Eliza Livadiotou, Tel: +35722122344, Email: [eliza.livadiotou@bankofcyprus.com](mailto:eliza.livadiotou@bankofcyprus.com)

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

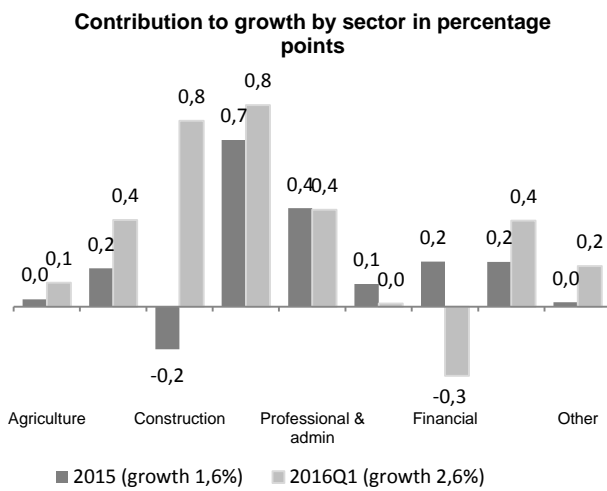
# Appendix – Macroeconomic overview

# Growth accelerated in 1H2016 and fiscal conditions are improving

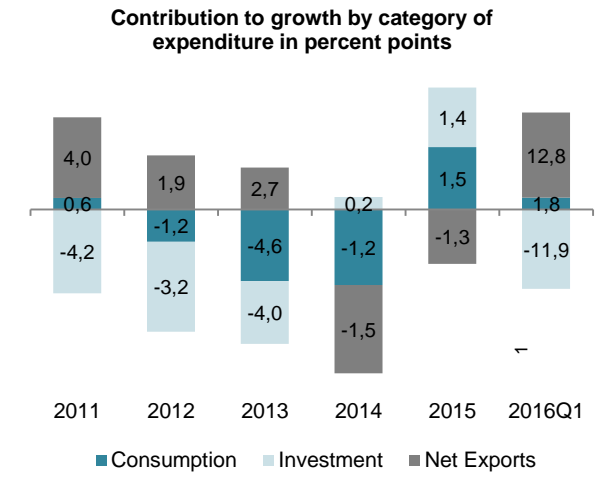
Real GDP continued to expand in the first quarter ...



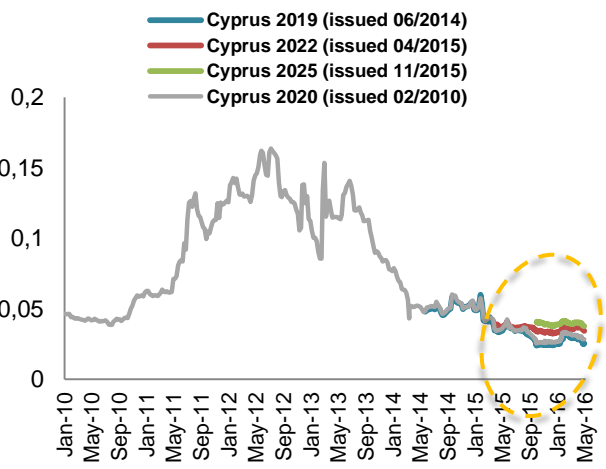
... with broad sector participation particularly from trade, tourism, professional services, whilst....



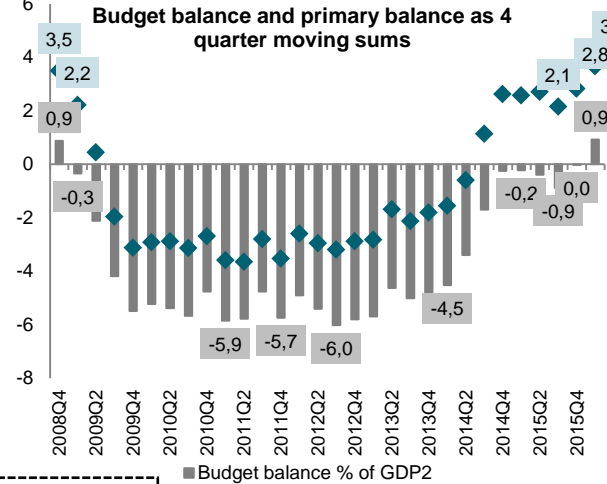
... on the expenditure side growth came from net exports reflecting exceptional items such as ships deregistering.



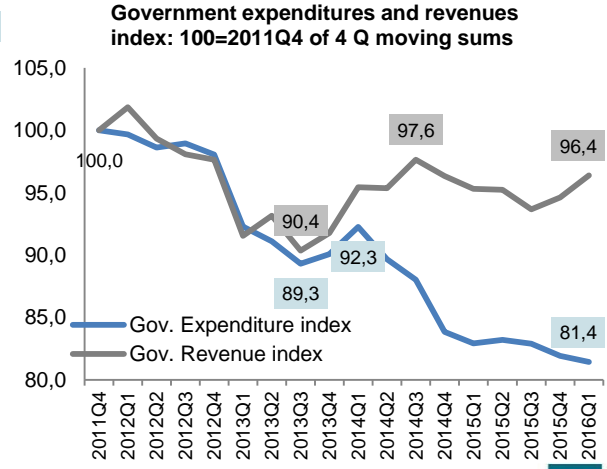
Improved rating and credit outlook as demonstrated by benchmark sovereign bond issue



The budget was totally balanced in 2015 on a yearly basis excluding recapitalisation costs, and was positive in Q1 2016



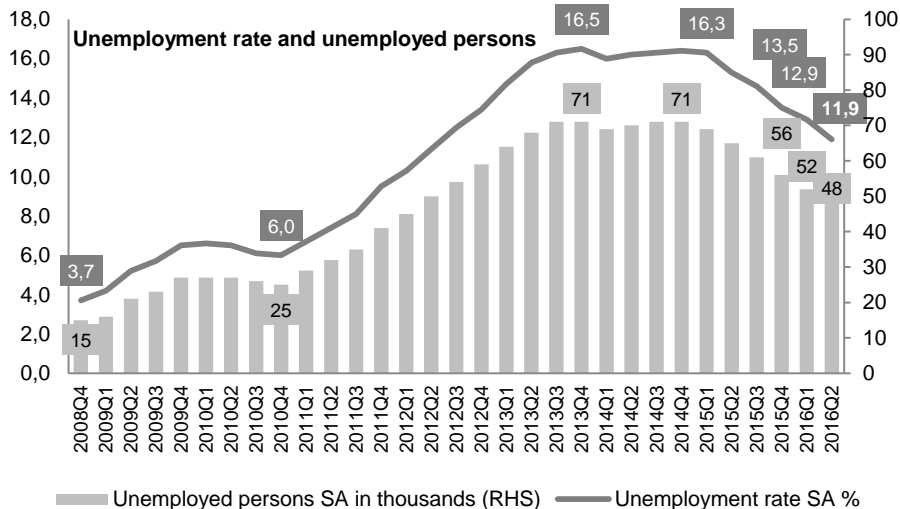
Expenditures dropped by 18,6% and revenues only by 3,6% between 2011Q4 and 2016Q1 on a 4Q moving sums basis



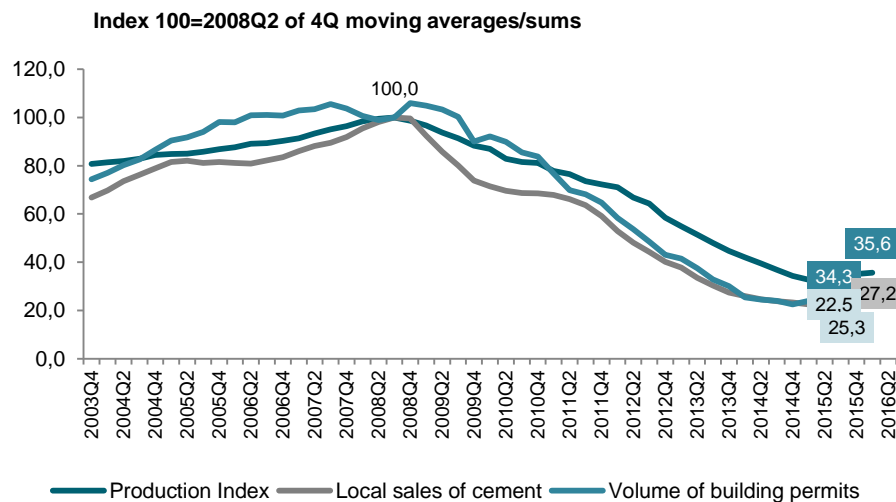
(1) Based on the Statistical Service of the Republic of Cyprus  
 SOURCE: Statistical Service of Republic of Cyprus, Bloomberg, and statistics based on Central Bank of Cyprus

# Key economic sectors are performing well

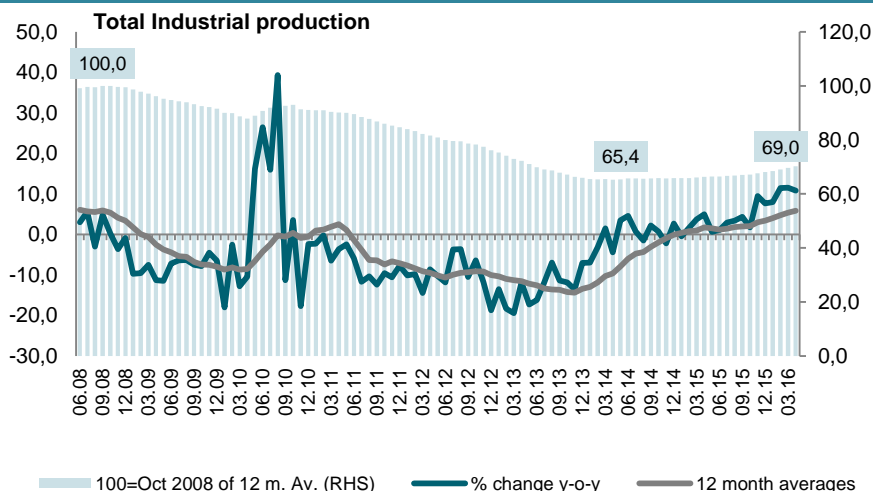
The unemployment rate dropped to 11,9% in Q2 from 12,9% in Q1 and a peak rate of 16,5% in Q4 of 2013.



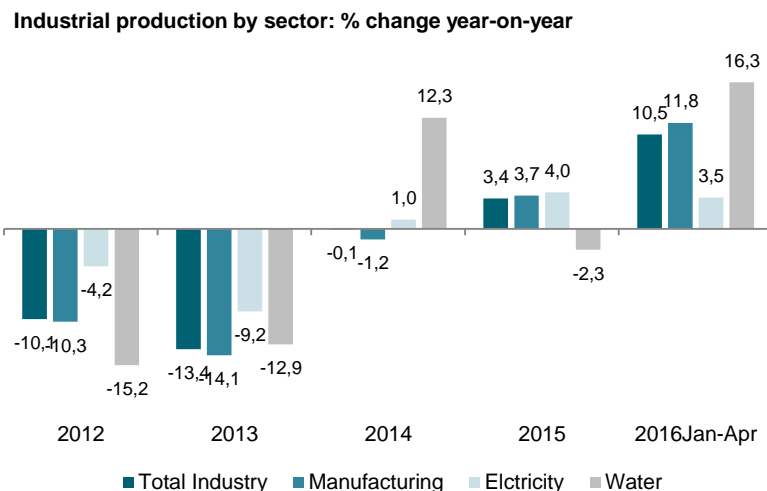
In construction the main indices may have bottomed in the first half of 2015 and started to rise from there



Industrial production bottomed in February 2014 on a 12 month basis, from a peak in 2008, and has been rising since ...



... were the rebound has been relatively uniform across sectors with the total production index up by 10,5% in Jan-Apr



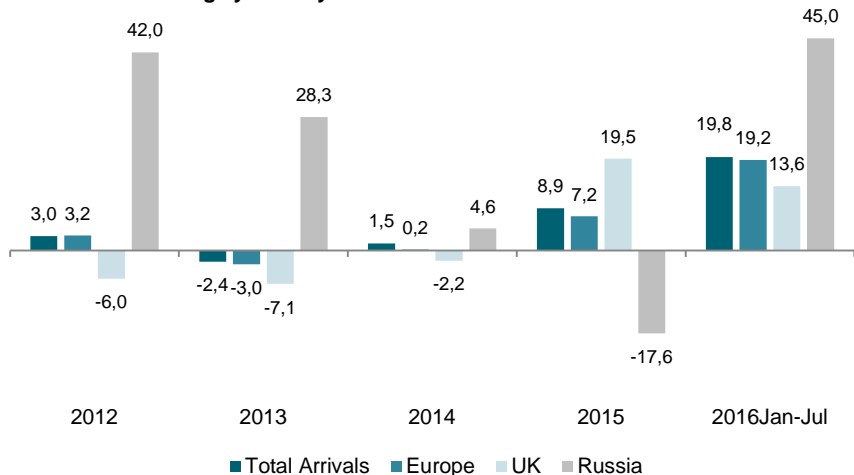
\* Projections are per IMF 9<sup>th</sup> Review dated January 2016

SOURCES: Central Bank of Cyprus, Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports; Calculations by BOC Economic Research

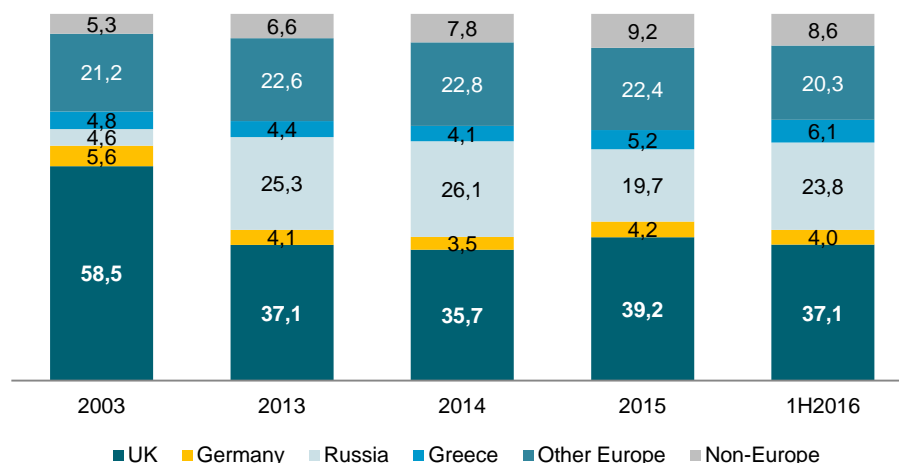
# Tourism is expanding & Residential Property Index is stabilising

Tourist activity accelerated in 2015 and 2016 with total arrivals up 21,2% in the first half driven by a 48% increase from Russia

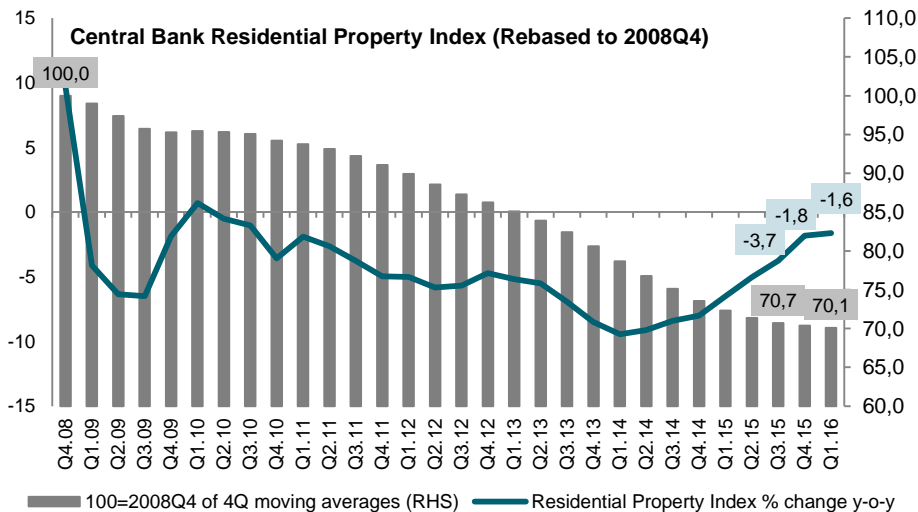
Arrivals: % change year-on-year



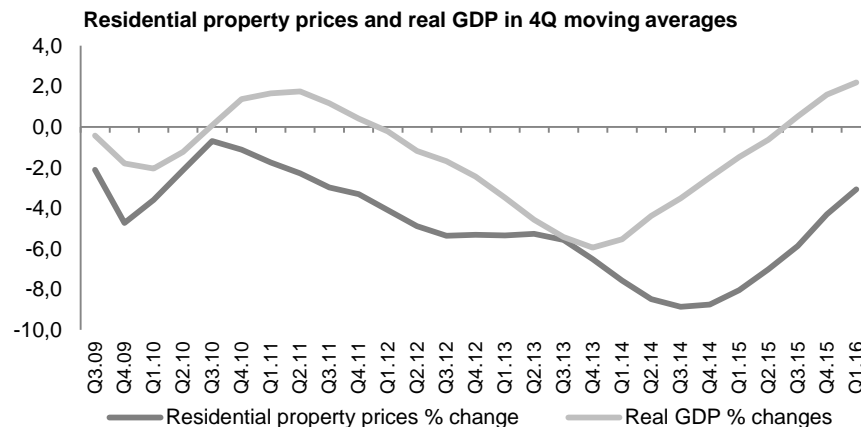
The distribution of tourist arrivals has been shifting over time with the UK now at 37,1% and Russia at 23,8%



Residential property prices declined by a cumulative 30% from their peak and started to stabilise from the second half of 2015

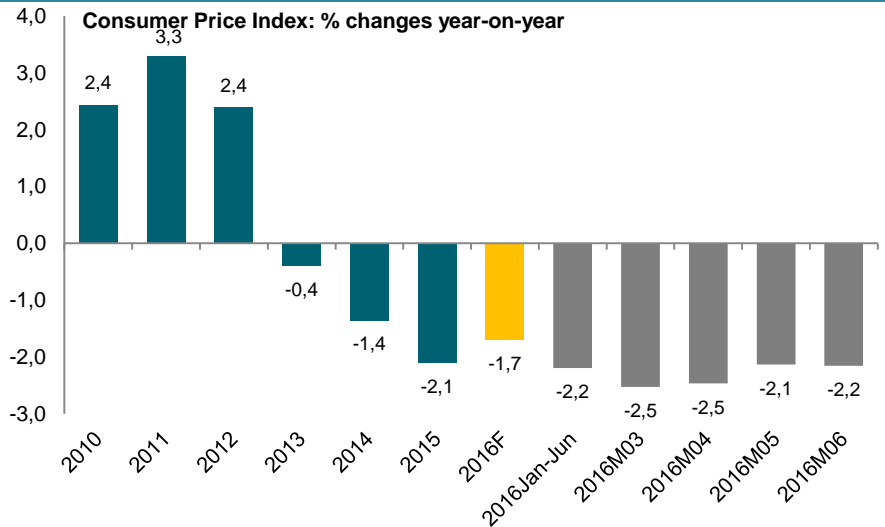


Residential property prices appear correlated with GDP growth with a lag, and might thus turn higher in the next few quarters

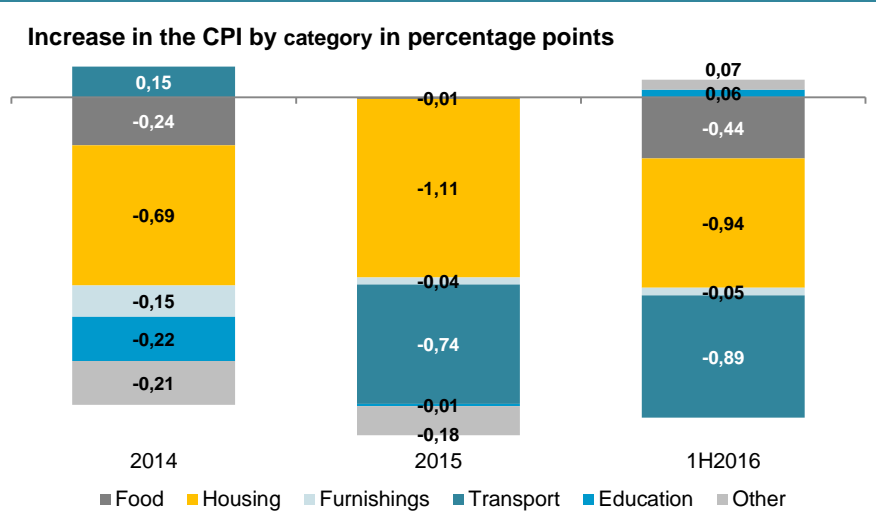


# Consumer prices continued to drop while on the demand side of the economy, retail trade volumes continued to increase

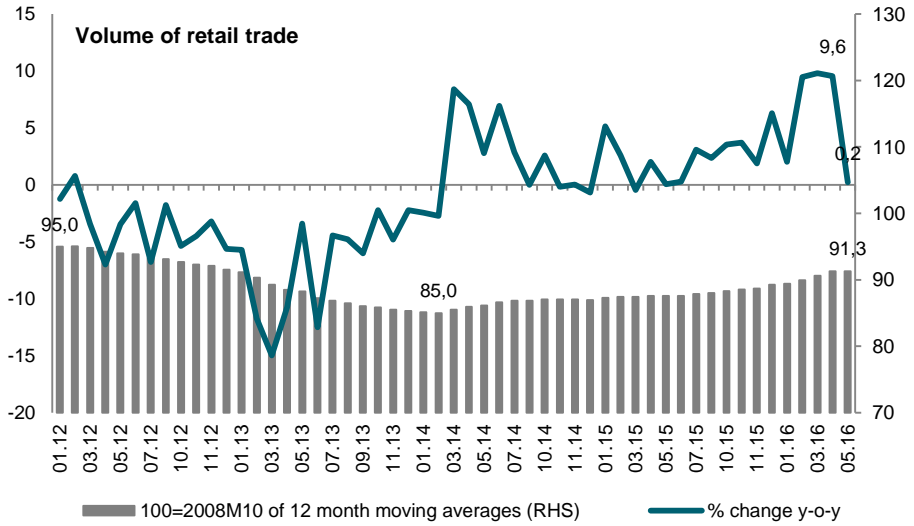
Following three consecutive years of decline, consumer prices dropped by 2,2% in the first half of the current year ...



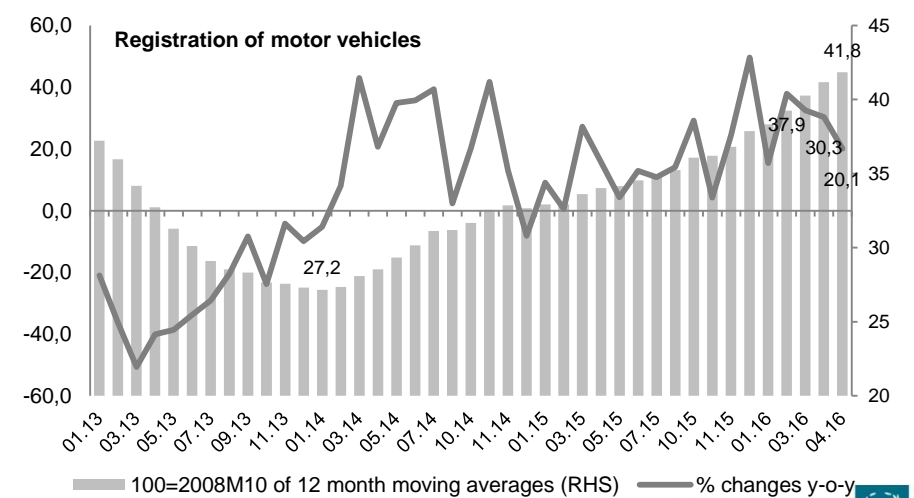
... driven mainly by housing and transport expenditures which are energy related, and by food.



The volume index of retail trade peaked in Oct. 2008 on a 12 month basis and dropped 15% by the first half of 2014



Regarding vehicle registration, after a 73% drop from their peak in late 2008 to early 2014, they started to rebound



SOURCES: Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports, Eurostat, Calculations by BOC Economic Research

# Appendix – Additional financial information

# Consolidated Balance Sheet

€ mn	% change	30.06.16	31.12.15
Cash and balances with Central Banks	7%	1.519	1.423
Loans and advances to banks	-11%	1.174	1.314
Debt securities, treasury bills and equity investments	-17%	840	1.009
Net loans and advances to customers	-5%	16.253	17.192
Other assets	26%	2.883	2.284
Non current assets and disposal group held for sale	-76%	11	49
<b>Total assets</b>	<b>-3%</b>	<b>22.680</b>	<b>23.271</b>

€ mn	% change	30.06.16	31.12.15
Deposits by banks	42%	343	242
Funding from central banks	-30%	3.101	4.453
Repurchase agreements	8%	398	368
Customer deposits	4%	14.746	14.181
Debt securities in issue	-100%	0	1
Other liabilities	5%	996	944
Non current liabilities and disposal group held for sale	-100%	0	4
<b>Total liabilities</b>	<b>-3%</b>	<b>19.584</b>	<b>20.193</b>
Share capital	0%	892	892
Capital reduction reserve and share premium	0%	2.505	2.505
Revaluation and other reserves	-7%	240	259
Accumulated losses	-3%	(583)	(601)
<b>Shareholders' equity</b>	<b>0%</b>	<b>3.054</b>	<b>3.055</b>
Non controlling interests	89%	42	23
<b>Total equity</b>	<b>1%</b>	<b>3.096</b>	<b>3.078</b>
<b>Total liabilities and equity</b>	<b>-3%</b>	<b>22.680</b>	<b>23.271</b>



# Income Statement Review

€ mn	1H2016	1H2015 represented <sup>3</sup>	yoy +%	2Q2016	1Q2016	qoq +%
Net interest income	360	439	-18%	175	185	-5%
Net fee and commission income	74	79	-7%	38	36	5%
Insurance income net of insurance claims	25	20	22%	11	14	-19%
<i>Core income</i>	<i>459</i>	<i>538</i>	<i>-15%</i>	<i>224</i>	<i>235</i>	<i>-4%</i>
Other income	23	-3	-	14	9	33%
<b>Total income</b>	<b>482</b>	<b>535</b>	<b>-10%</b>	<b>238</b>	<b>244</b>	<b>-3%</b>
<b>Total expenses</b>	<b>(202)</b>	<b>(194)</b>	<b>4%</b>	<b>(103)</b>	<b>(99)</b>	<b>5%</b>
<b>Profit before provisions and impairments<sup>1</sup></b>	<b>280</b>	<b>341</b>	<b>-18%</b>	<b>135</b>	<b>145</b>	<b>-7%</b>
Provisions for impairment of customer loans net of gains on derecognition of loans and changes in expected cash flows	(158)	(234)	-33%	(96)	(62)	53%
Impairments of other financial and non financial assets	(22)	(31)	-31%	(14)	(8)	71%
Share of profit from associates and joint ventures	2	3	-53%	1	1	1%
<b>Profit before tax, restructuring costs and discontinued operations</b>	<b>102</b>	<b>79</b>	<b>29%</b>	<b>26</b>	<b>76</b>	<b>-65%</b>
Tax	(12)	(10)	17%	(4)	(8)	-49%
(Loss)/profit attributable to non-controlling interests	(6)	1	-	(5)	(1)	-
<b>Profit after tax from continuing operations<sup>2</sup></b>	<b>84</b>	<b>70</b>	<b>20%</b>	<b>17</b>	<b>67</b>	<b>-75%</b>
Advisory, VEP and other restructuring costs <sup>4</sup>	(87)	(22)	302%	(70)	(17)	301%
Loss from disposal group held for sale/discontinued operations	-	(29)	-100%	-	-	-
Net gain on disposal of non-core assets	59	41	45%	59	-	-
<b>Profit after tax</b>	<b>56</b>	<b>60</b>	<b>-6%</b>	<b>6</b>	<b>50</b>	<b>-88%</b>
<b>Net interest margin</b>	<b>3,59%</b>	<b>3,88%</b>	<b>-29 bps</b>	<b>3,55%</b>	<b>3,63%</b>	<b>-8 bps</b>
<b>Cost-to-Income ratio</b>	<b>42%</b>	<b>36%</b>	<b>+6 p.p</b>	<b>43%</b>	<b>40%</b>	<b>+3 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) Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets.

(3) See Note 2.32 to the Interim Consolidated Financial Statements for the six months ended 30 June 2016, Comparative information.

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

# Income Statement bridge for 1H2016

€ mn	Per presentation	Reclassification	Per financial statements
Net interest income	360	-	360
Net fee and commission income	74	-	74
Net foreign exchange gains and net gains on other financial instruments	15	59	74
Insurance income net of insurance claims	25	-	25
Gains/(losses) from revaluations/disposals of investment properties	2	4	6
Losses on disposal of stock properties	-	(4)	(4)
Other income	6	2	8
<b>Total income</b>	<b>482</b>	<b>61</b>	<b>543</b>
<b>Total expenses</b>	<b>(202)</b>	<b>(87)</b>	<b>(289)</b>
<b>Profit before provisions and impairments, gains/(losses) on derecognition of loans and changes in expected cash flows, restructuring costs and discontinued operations</b>	<b>280</b>	<b>(26)</b>	<b>254</b>
Provisions for impairment of customer loans	(180)	-	(180)
Gains on derecognition of loans and changes in expected cash flows	22	-	22
Impairments of other financial and non-financial assets	(22)	-	(22)
Share of profit from associates	2	-	2
<b>Profit before tax, restructuring costs and discontinued operations</b>	<b>102</b>	<b>(26)</b>	<b>76</b>
Tax	(12)	(2)	(14)
Loss attributable to non-controlling interests	(6)	-	(6)
<b>Profit after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets</b>	<b>84</b>	<b>(28)</b>	<b>(56)</b>
Advisory, VEP and other restructuring costs <sup>1</sup>	(87)	87	-
Net gain on disposal of non-core assets	59	(59)	-
<b>Profit after tax</b>	<b>56</b>	<b>-</b>	<b>56</b>

# Cyprus: Income Statement by business line for 1H2016

€ mn	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	REMU	Insurance	Other	Total Cyprus
Net interest income	126	33	39	32	4	114	(5)	-	(7)	336
Net fee & commission income	22	4	5	25	1	7	-	(2)	9	71
Other income	2	0	0	3	2	1	(3)	25	6	36
<b>Total income</b>	<b>150</b>	<b>37</b>	<b>44</b>	<b>60</b>	<b>7</b>	<b>122</b>	<b>(8)</b>	<b>23</b>	<b>8</b>	<b>443</b>
<b>Total expenses</b>	<b>(60)</b>	<b>(6)</b>	<b>(5)</b>	<b>(13)</b>	<b>(3)</b>	<b>(18)</b>	<b>(5)</b>	<b>(7)</b>	<b>(64)</b>	<b>(181)</b>
<b>Profit/(loss) before provisions and impairments</b>	<b>90</b>	<b>31</b>	<b>39</b>	<b>47</b>	<b>4</b>	<b>104</b>	<b>(13)</b>	<b>16</b>	<b>(56)</b>	<b>262</b>
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	28	(17)	11	2	0	(148)	-	-	(2)	(126)
Impairment of other financial and non financial assets	-	-	-	-	-	-	(4)	-	(13)	(17)
Share of profits from associates	-	-	-	-	-	-	-	-	2	2
<b>Profit/(loss) before tax</b>	<b>118</b>	<b>14</b>	<b>50</b>	<b>49</b>	<b>4</b>	<b>(44)</b>	<b>(17)</b>	<b>16</b>	<b>(69)</b>	<b>121</b>
Tax	(12)	(2)	(6)	(7)	(1)	7	2	(1)	9	(11)
Profit attributable to non controlling interest	-	-	-	-	-	-	-	-	(6)	(6)
<b>Profit/(loss) after tax and before one off items</b>	<b>106</b>	<b>12</b>	<b>44</b>	<b>42</b>	<b>3</b>	<b>(37)</b>	<b>(15)</b>	<b>15</b>	<b>(66)</b>	<b>104</b>

# Risk Weighted Assets – Regulatory Capital

## Risk weighted assets by Geography (€ mn)

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16
Cyprus	20.473	19.607	19.473	18.438	18.276	17.845
Russia	813	708	46	21	25	16
United Kingdom	1.162	667	663	685	650	695
Romania	294	318	315	269	198	195
Greece	181	180	173	208	182	176
Other <sup>1</sup>	49	47	47	45	43	41
<b>Total RWA</b>	<b>22.972</b>	<b>21.527</b>	<b>20.717</b>	<b>19.666</b>	<b>19.374</b>	<b>18.968</b>
<b>RWA intensity(%)</b>	<b>86%</b>	<b>85%</b>	<b>86%</b>	<b>85%</b>	<b>85%</b>	<b>84%</b>

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

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16
Credit risk	20.881	19.426	18.830	17.618	17.326	16.921
Market risk	6	16	7	8	8	7
Operational risk	2.085	2.085	1.880	2.040	2.040	2.040
<b>Total</b>	<b>22.972</b>	<b>21.527</b>	<b>20.717</b>	<b>19.666</b>	<b>19.374</b>	<b>18.968</b>

## Equity and Regulatory Capital (€ mn)

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16
Shareholders' equity	3.502	3.506	3.518	3.055	3.101	3.054
CET1 capital	3.201	3.205	3.231	2.748	2.769	2.735 <sup>2</sup>
Tier I capital	3.201	3.205	3.231	2.748	2.769	2.735
Tier II capital	30	32	22	30	20	21
<b>Total regulatory capital (Tier I + Tier II)</b>	<b>3.231</b>	<b>3.237</b>	<b>3.253</b>	<b>2.778</b>	<b>2.789</b>	<b>2.756</b>

## Reconciliation of Group Equity to CET 1

€ mn	30.06.16
Group Equity per financial statements	3.096
Less: Intangibles and other deductions	(18)
Less: Deconsolidation of insurance and other entities	(213)
Less: Regulatory adjustments (Minority Interest, DTA and other items)	(78)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(52)
<b>CET 1 (transitional)</b>	<b>2.735</b>
<b>Less: Adjustments to fully loaded (mainly DTA)</b>	<b>(155)</b>
<b>CET 1 (fully loaded)</b>	<b>2.580</b>
<b>Risk Weighted Assets</b>	<b>18.968</b>
<b>CET 1 ratio (fully loaded)</b>	<b>13,6%</b>
<b>CET 1 ratio (transitional)<sup>1</sup></b>	<b>14,4%</b>

(1) Other countries primarily relates to exposures in Channel Islands  
(2) Transitional basis; includes audited profits for the six months ended 30 June 2016.

# BOC- Main performance indicators

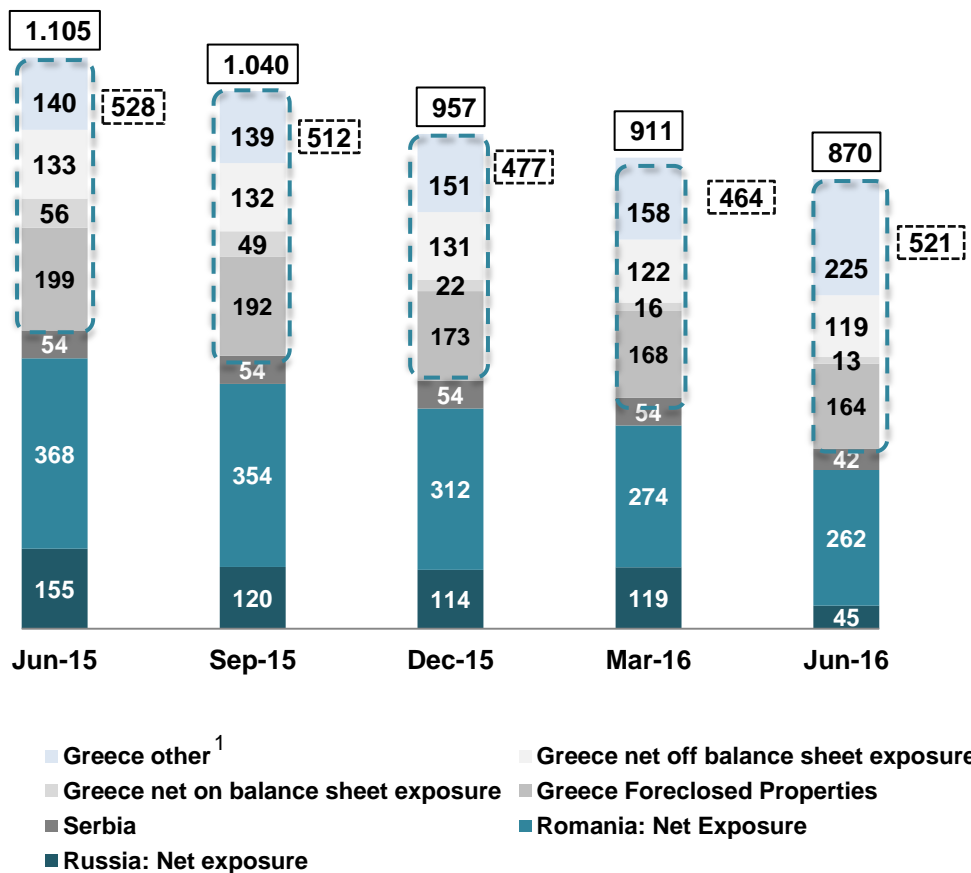
30 June 2016	Ratios	Group 1H2016
<b>Performance</b>	ROAA (annualised)	0,5%
	ROTE (annualised)	3,8%
	Net Interest Margin	3,59%
	Cost to income ratio	42%
	Loans to deposits	110%
<b>Asset Quality</b>	90+ DPD/ 90+ DPD ratio	€9.269 mn (44%)
	90+ DPD coverage	52,6%
	Cost of risk (annualised)	1,4% <sup>1</sup>
	Provisions / Gross Loans	23,1%
<b>Capital</b>	Transitional Common Equity Tier 1 capital	€2,735 mn
	CET1 ratio (transitional basis)	14,4%
	Total Shareholder's Equity / Total Assets	13,5%

	Shareholder's Equity (€ mn)	Intangible assets (€ mn)	# shares ( mn )	Book Value per share	Tangible Book Value per share
30/09/2014	3.728	135	8.922	0,418	0,403
31/12/2014	3.465	127	8.922	0,388	0,374
31/03/2015	3.502	130	8.923	0,392	0,378
30/06/2015	3.506	128	8.923	0,393	0,379
30/09/2015	3.518	131	8.923	0,394	0,380
31/12/2015	3.055	134	8.923	0,342	0,327
31/03/2016	3.101	141	8.923	0,348	0,332
<b>30/06/2016</b>	<b>3.054</b>	<b>139</b>	<b>8.923</b>	<b>0,342</b>	<b>0,327</b>

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

# Reduction in Overseas Non-Core Exposures

Overseas non-core exposures (€ mn)



The non-core overseas exposures at 30 June 2016 were as follows:

- Greece:** Net exposure comprised:
  - (a) Net on-balance sheet exposures (excluding foreclosed properties) totalling €13 mn;
  - (b) 639 foreclosed properties with a book value of €164 mn;
  - (c) off-balance sheet exposures of €119 mn; and
  - (d) lending exposures to Greek entities in the normal course of business in Cyprus of €81 mn, and lending exposures in Cyprus with collaterals in Greece of €144 mn.

**Romania:** Overall net exposure of €262 mn

**Serbia:** Overall net exposure of €42 mn

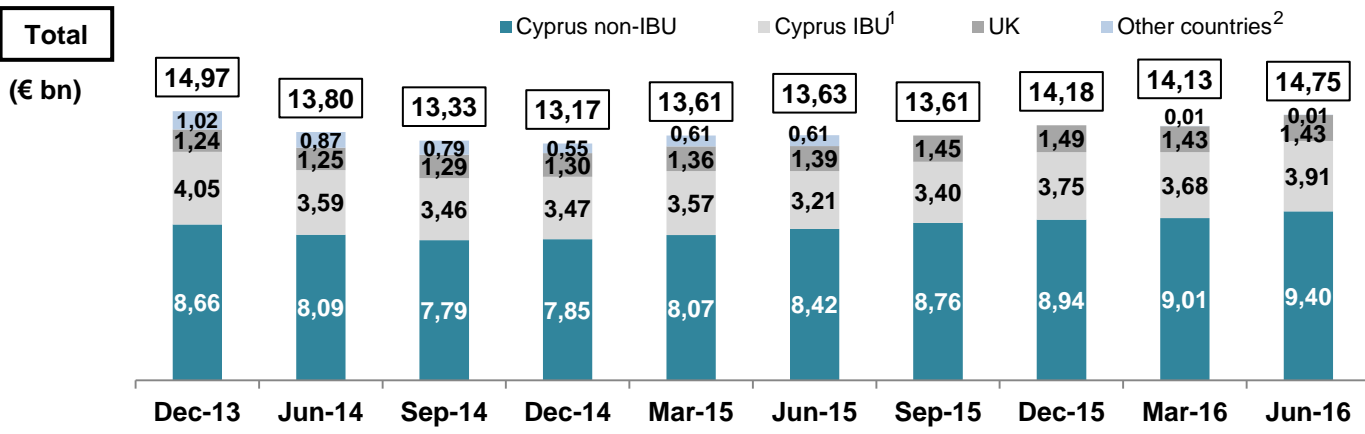
**Russia:** Remaining net exposure (on and off balance sheet) in Russia significantly reduced to €45 mn during 2Q2016 following the full settlement in cash of the deferred component of the asset swap arrangement which resulted from the agreement for the disposal of the Russian operations

As part of the Group's strategy of focusing on its core businesses and markets, the Group decided to close the operations of Bank of Cyprus Channel Islands Ltd (BOC CI) and to relocate its business to other Group locations. As at 30 June 2016 the gross loans and deposits of BOC CI amounted to €24,5 mn and €69,4 mn respectively. BOC CI operates through one branch and has one employee.

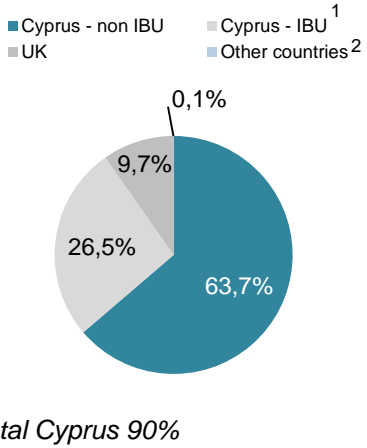
(1) Lending exposures to Greek entities in the normal course of business in Cyprus and lending exposures in Cyprus with collaterals in Greece

# Analysis of Deposits by Geography and by Type

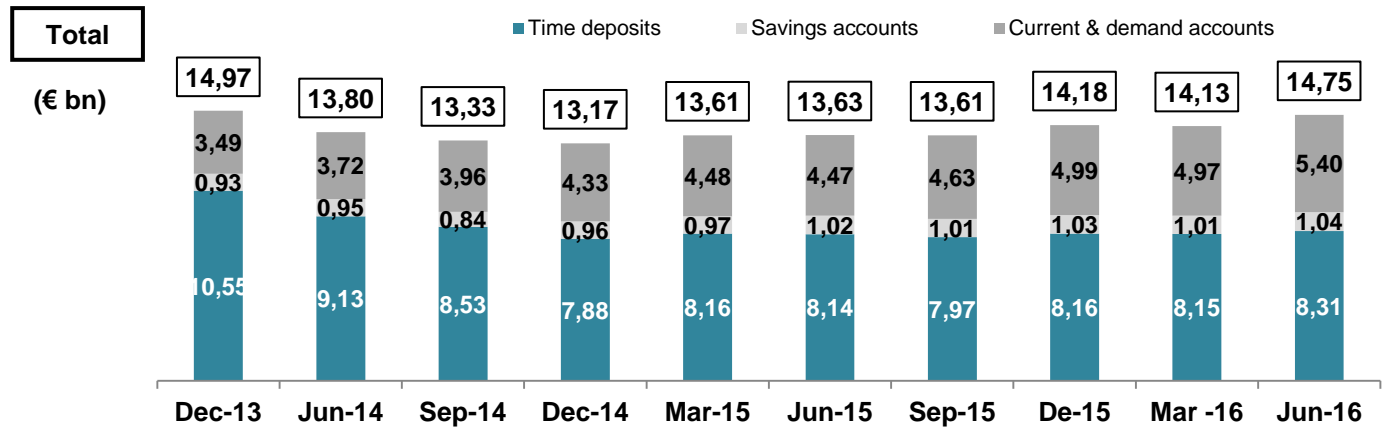
## Deposits by geography



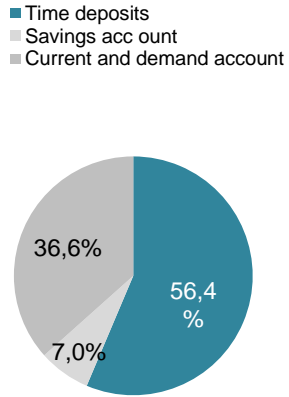
## 30 June 2016 (%)



## Deposits by type of deposits



## 30 June 2016 (%)



(1) IBU- Division servicing exclusively international activity companies registered in Cyprus and abroad and non-residents  
 (2) Other countries: Russia (until June 2015), Romania, and Ukraine (until March 2014).

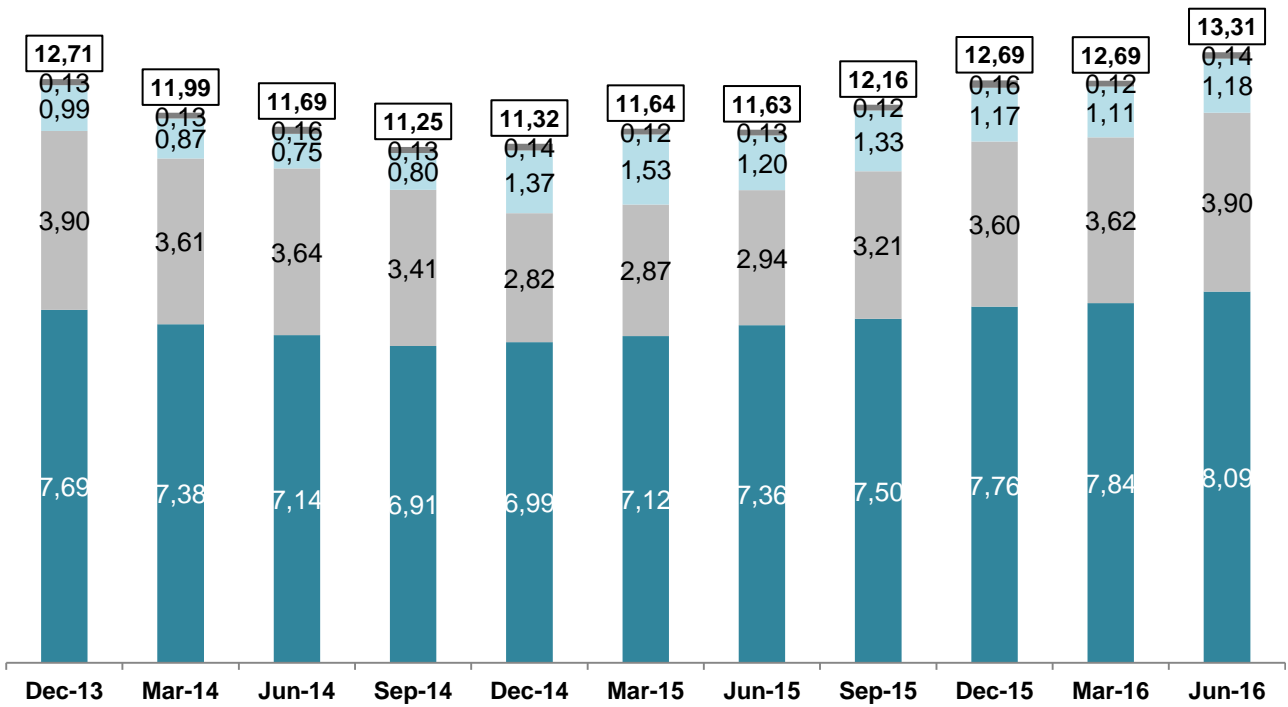
# Analysis of Deposits by sector for Cyprus operations

Deposits by sector as per CBC classification for Cyprus operations

30 June 2016 (%)

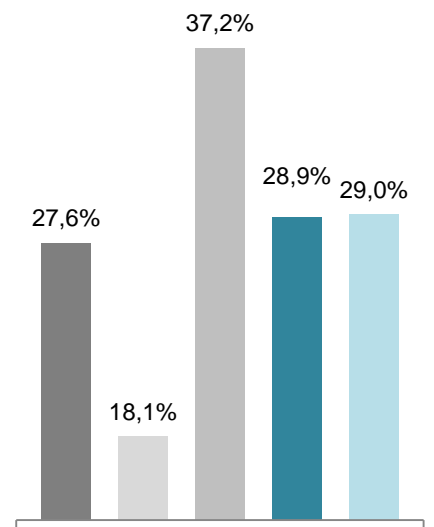
**Total**

(€ bn) ■ Households ■ Non financial corporations ■ Other financial corporations ■ General Governments



## Market Shares

- General Governments
- Other financial corporations
- Non financial corporations
- Households
- Total market shares

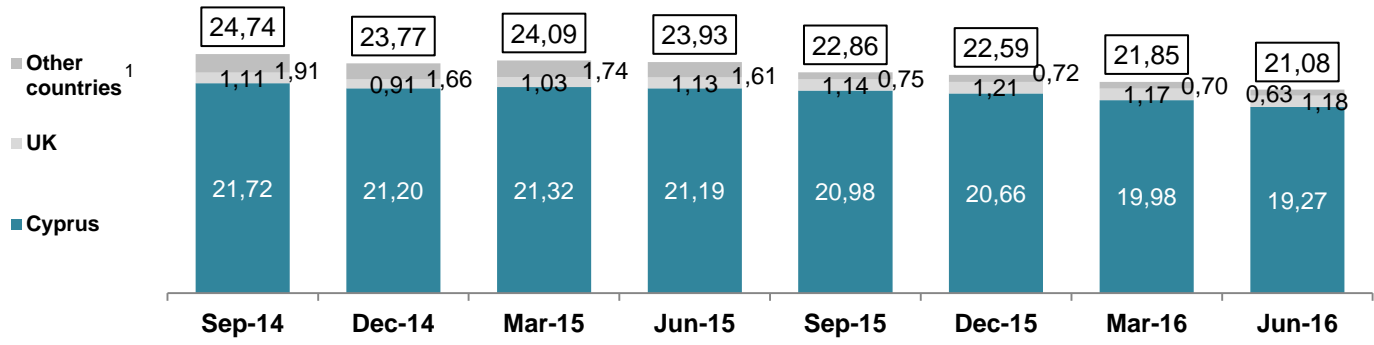




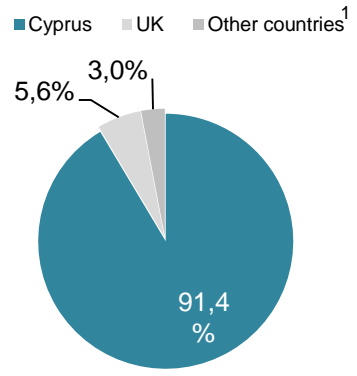
# Gross loans by Geography and by Customer Type

## Gross loans by geography

**Total**  
(€ bn)

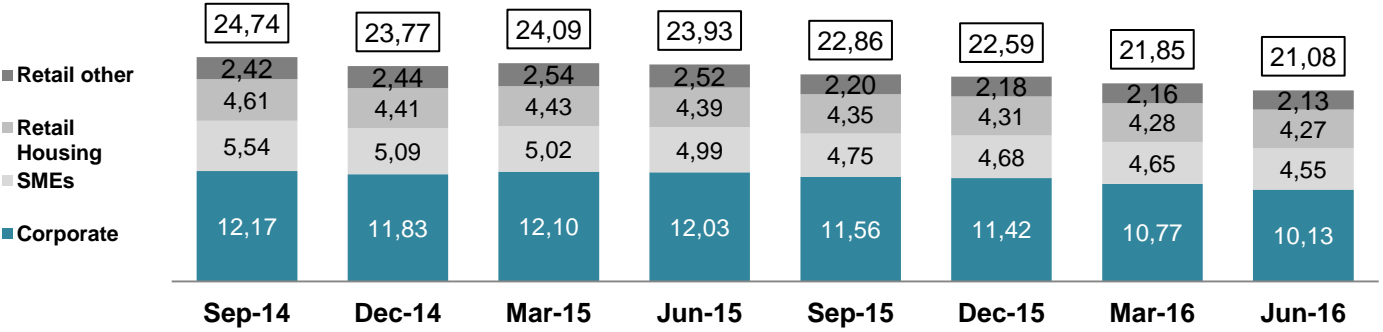


## 30 June 2016 (%)

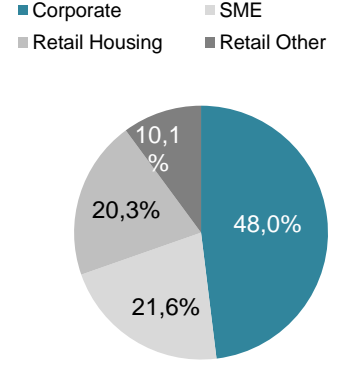


## Gross loans by customer type

**Total**  
(€ bn)



## 30 June 2016 (%)



(1) Other countries: Russia, Greece and Romania

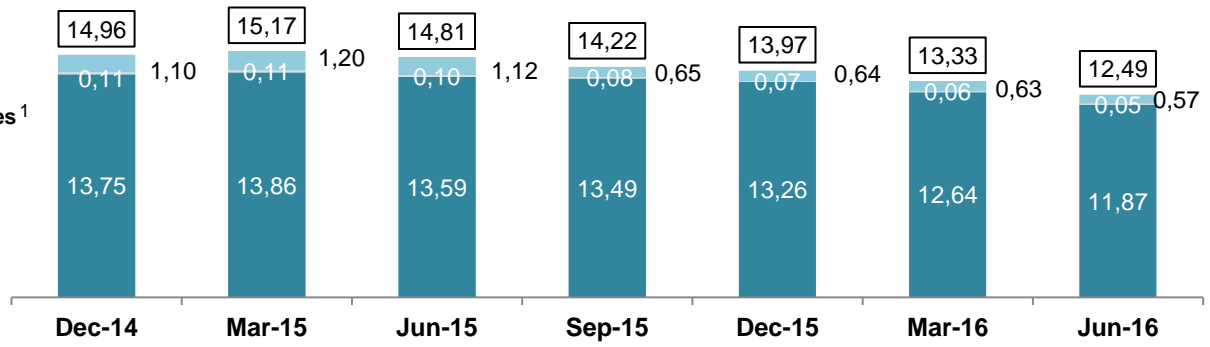
# NPEs by Geography and by Customer Type

## NPEs by geography

**Total**

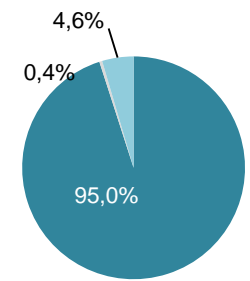
(€ bn)

- Other countries<sup>1</sup>
- UK
- Cyprus



## 30 June 2016 (%)

- Cyprus
- UK
- Other countries<sup>1</sup>

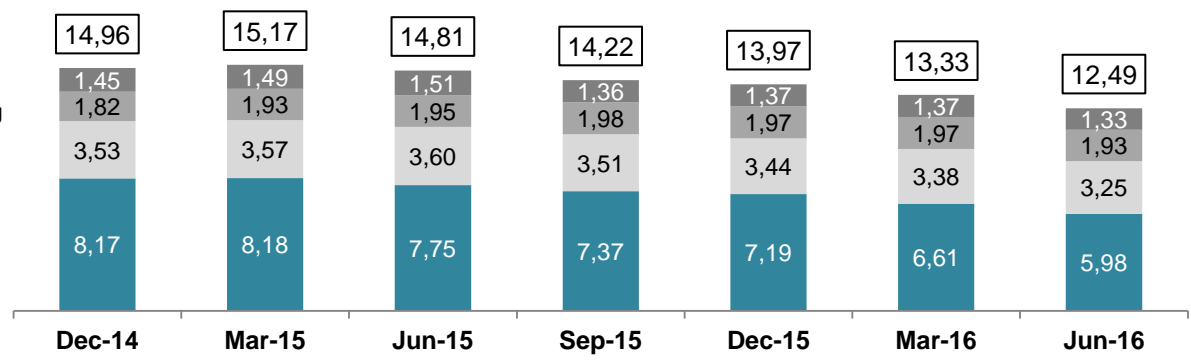


## NPEs by customer type

**Total**

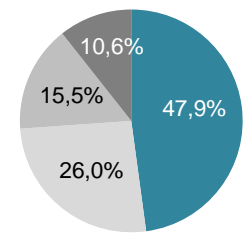
(€ bn)

- Retail Other
- Retail Housing
- SMEs
- Corporate



## 30 June 2016 (%)

- Corporate
- SME
- Retail Housing
- Retail Other



(1) Other countries: Russia (until June 2015) and Romania

# Asset Quality- 90+ DPD analysis

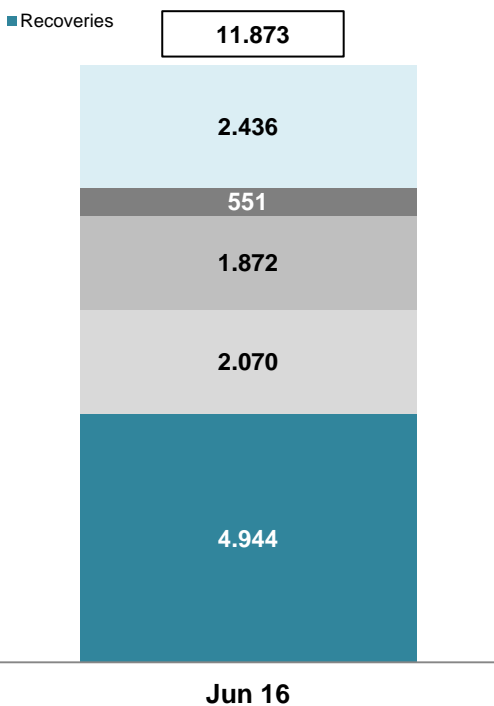
(€ mn)	Jun - 16	Mar-16	Dec-15	Sept-15	Jun-15
<b>A. Gross Loans after Fair value on Initial recognition</b>	<b>20.040</b>	<b>20.719</b>	<b>21.385</b>	<b>21.597</b>	<b>22.575</b>
Fair value on Initial recognition	1.043	1.130	1.207	1.266	1.351
<b>B. Gross Loans</b>	<b>21.083</b>	<b>21.849</b>	<b>22.592</b>	<b>22.863</b>	<b>23.926</b>
<b>B1. Loans with no arrears</b>	<b>10.879</b>	<b>10.551</b>	<b>10.443</b>	<b>9.925</b>	<b>10.178</b>
<b>B2. Loans with arrears but not impaired</b>	<b>2.607</b>	<b>2.901</b>	<b>3.049</b>	<b>3.611</b>	<b>4.105</b>
Up to 30 DPD	574	623	469	585	668
31-90 DPD	361	386	351	355	435
91-180 DPD	121	133	144	200	227
181-365 DPD	175	183	259	374	529
Over 1 year DPD	1.376	1.576	1.826	2.097	2.246
<b>B3. Impaired Loans</b>	<b>7.597</b>	<b>8.397</b>	<b>9.100</b>	<b>9.327</b>	<b>9.644</b>
With no arrears	647	860	876	848	969
Up to 30 DPD	25	36	78	66	91
31-90 DPD	41	57	24	60	121
91-180 DPD	95	49	65	152	167
181-365 DPD	123	157	310	464	489
Over 1 year DPD	6.666	7.238	7.747	7.737	7.807
<b>(90+ DPD)<sup>1</sup></b>	<b>9.269</b>	<b>10.289</b>	<b>11.329</b>	<b>11.998</b>	<b>12.646</b>
<b>90+ DPD ratio (90 + DPD / Gross Loans)</b>	<b>44,0%</b>	<b>47,1%</b>	<b>50,1%</b>	<b>52,5%</b>	<b>52,9%</b>
<b>Accumulated provisions</b>	<b>4.875</b>	<b>5.076</b>	<b>5.445</b>	<b>4.933</b>	<b>5.381</b>
<b>Gross loans provision coverage</b>	<b>23,1%</b>	<b>23,2%</b>	<b>24,1%</b>	<b>21,6%</b>	<b>22,5%</b>
<b>90+ DPD provision coverage</b>	<b>52,6%</b>	<b>49,3%</b>	<b>48,1%</b>	<b>41,1%</b>	<b>42,5%</b>

(1) 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).

# Asset Quality – NPEs analysis

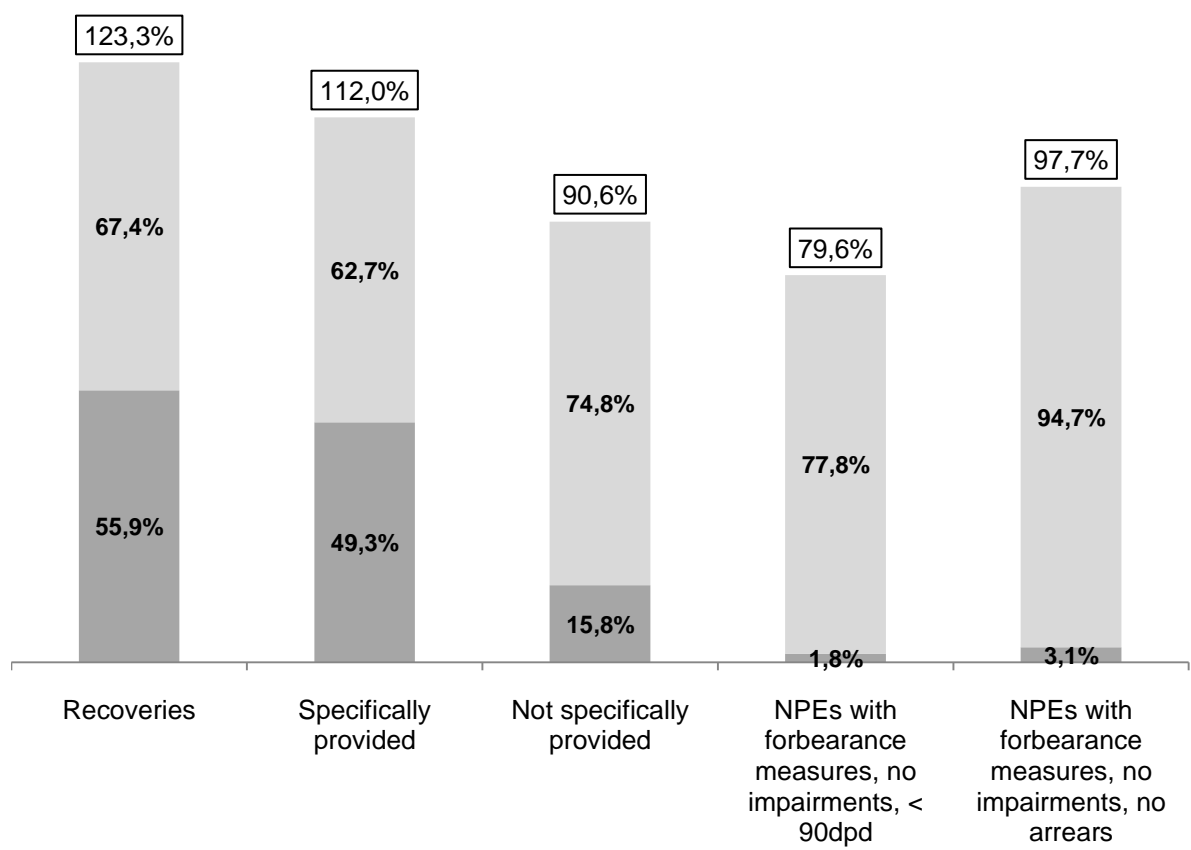
## Cyprus NPEs – 30.06.16

- NPEs with forbearance measures, no impairments, no arrears - not included in Recoveries
- NPEs with forbearance measures, no impairments, < 90dpd - not included in Recoveries
- Not specifically provided - not included in Recoveries
- Specifically provided - not included in Recoveries



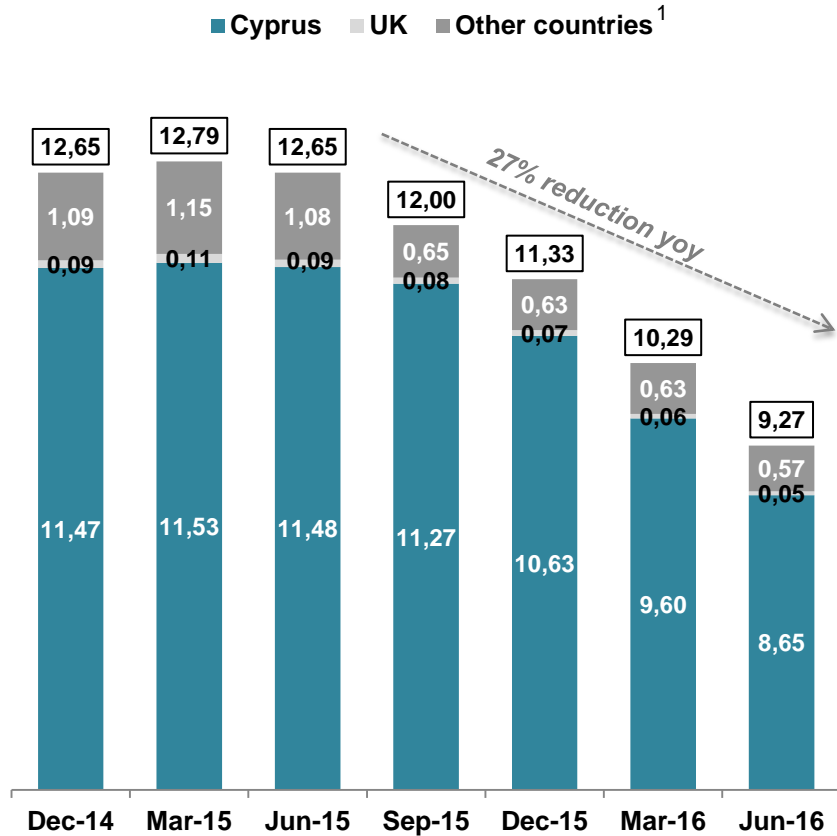
## Total Coverage for NPES Cyprus – Adequately provided

- Provision Coverage
- Tangible Collateral
- Total Coverage (capped MV 30.06.16)

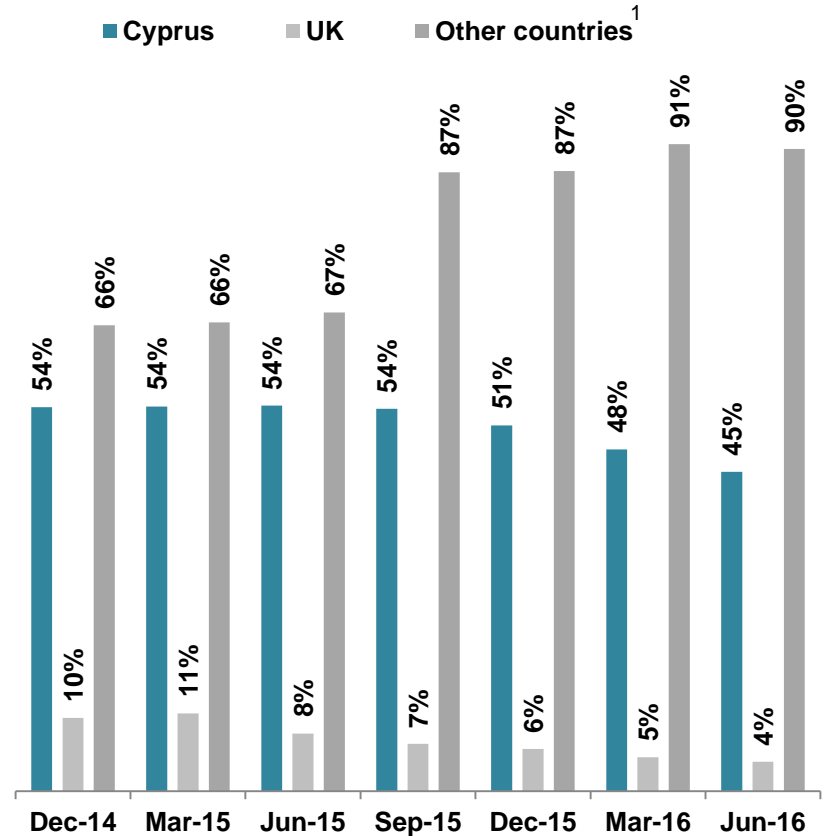


# 90+ DPD by Geography

90+ DPD by Geography (€ bn)



90+ DPD ratios by Geography

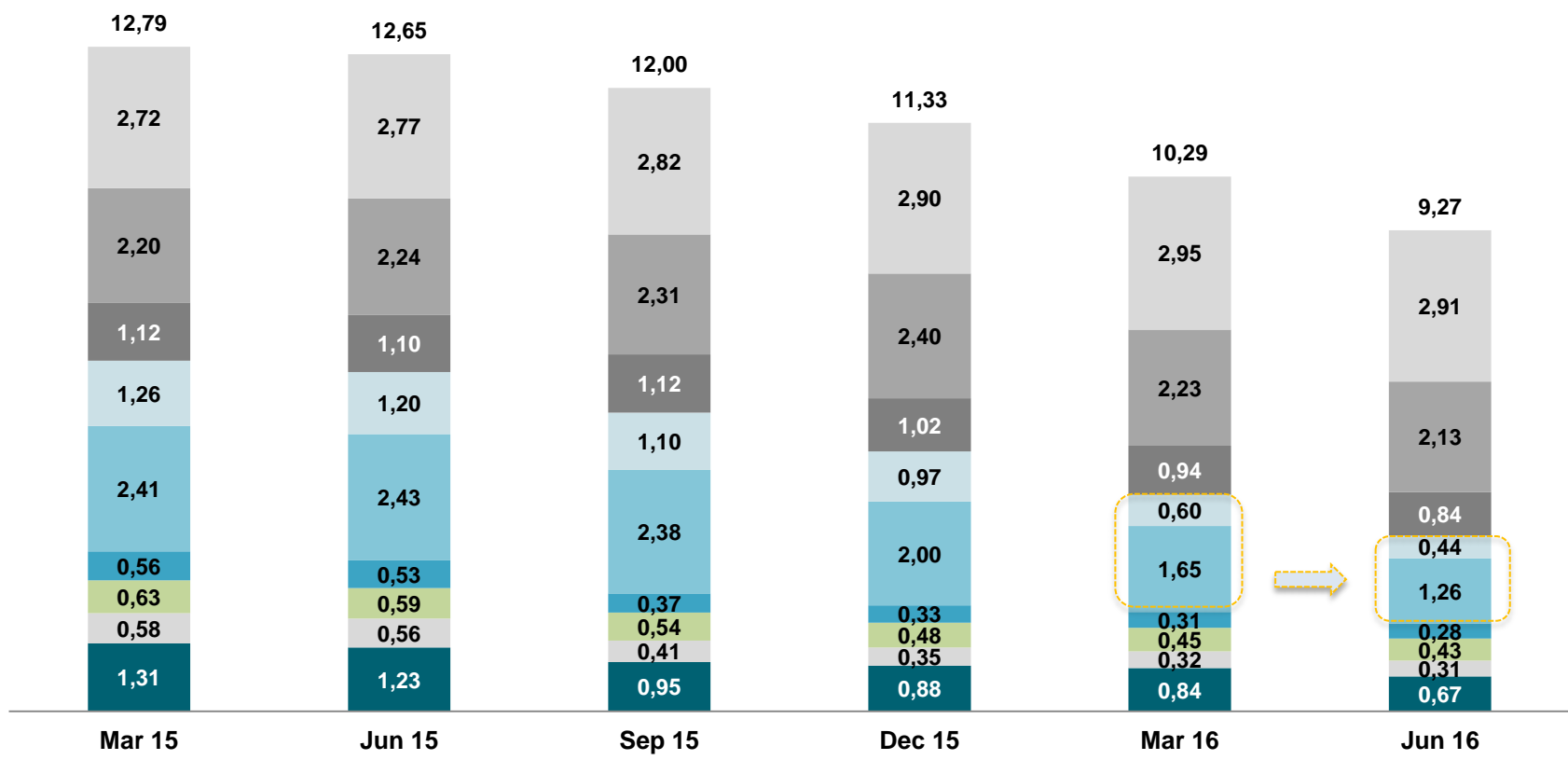


(1) Other countries: Russia Romania and Greece

# Analysis 90+ DPD ratios by Business Line<sup>1</sup>

## 90+ DPD by business line (€ bn)

- Corporate
- Consumer Credit
- Housing
- RRD-Major Corporations
- RRD-Recoveries corporates
- RRD- Corporates
- RRD-Recoveries SMEs & Retail



(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the management of its delinquent loans.

# RRD - Important Actions Throughout the Organisation

A results focused culture continues to be driven top down throughout the organisation via a number of important actions...

## Star chamber sessions

- Department 'stretch' targets, focused on materially outperforming budget for all key asset quality metrics, are set at the outset of each quarter
- Stretch targets are supported by specifically identified and measurable actions
- Star chamber sessions are held by the CEO, GCRO and D-RRD with all departments fortnightly
- Performance continuously assessed with immediate corrective actions taken

## RRD asset quality benefits tracking

- Quarterly asset quality 'stretch' targets embedded in a benefits tracker update daily – deal by deal granularity
- Provides continuous visibility on expected quarterly results, with 'gap' analysis identifying urgent action areas

## RRD weekly pipeline calls

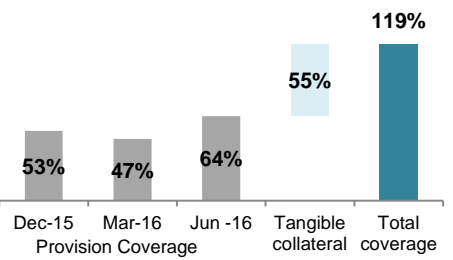
- Weekly pipeline calls are held by D-RRD with all team leaders across SME, Recoveries Retail/SME and Recoveries Corporate
- Provides visibility on weekly applications, approvals and deal executions over the entire 'small ticket' book and the strategically important large ticket Corporate Recoveries book
- Weekly 'promises' are closely monitored driving 'results focused' behavior across the book

## Daily monitoring of early arrears

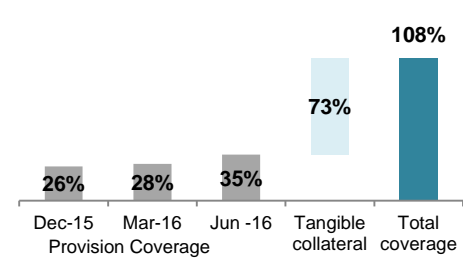
- Risk lead a continuous review of early arrears and re-defaults across the book allowing issues to be identified early
- Corrective actions immediately taken where relevant

# Further break down of 90+ DPD coverage by business line - Cyprus

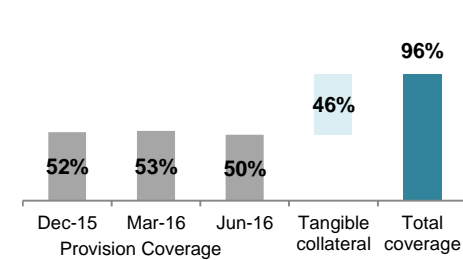
## Corporate



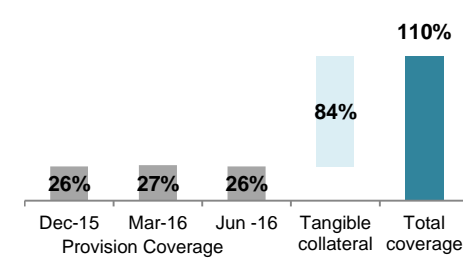
## SMEs



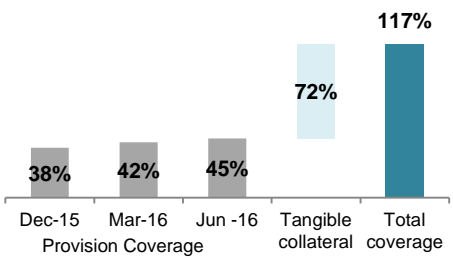
## Consumer



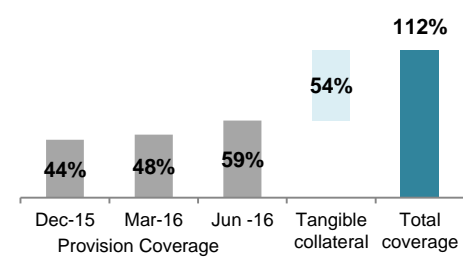
## Housing



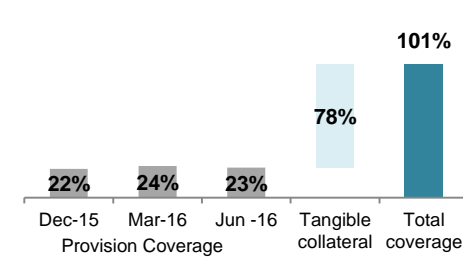
## RRD Corporations



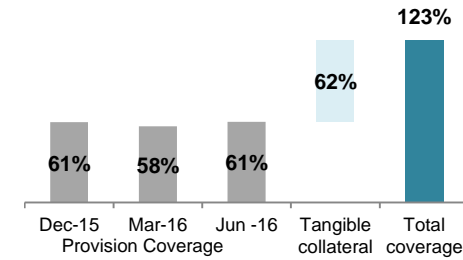
## RRD Major Corporations



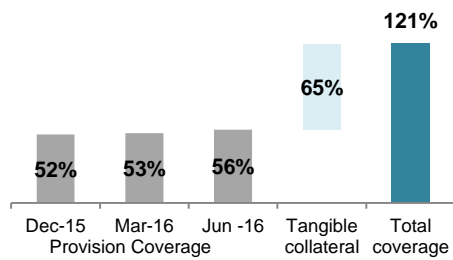
## RRD- SMEs



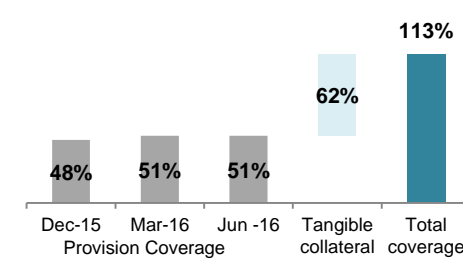
## RRD Recoveries Corporate



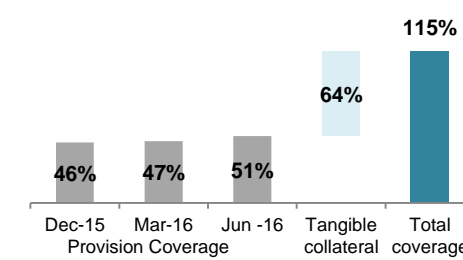
## RRD Recoveries SMEs



## RRD Recoveries Retail



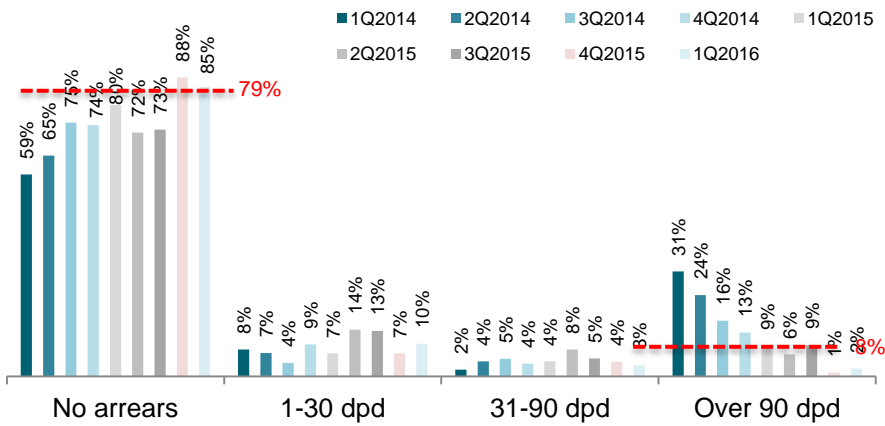
## Total Cyprus



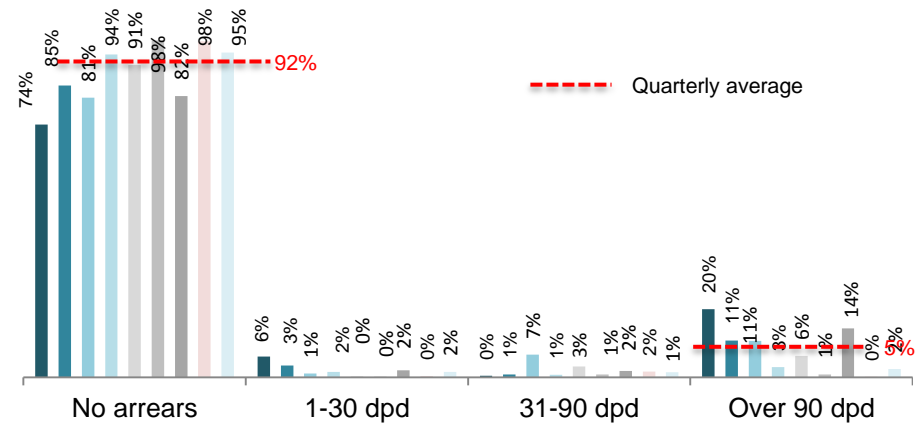


# Performance of Restructured Loans<sup>1</sup>

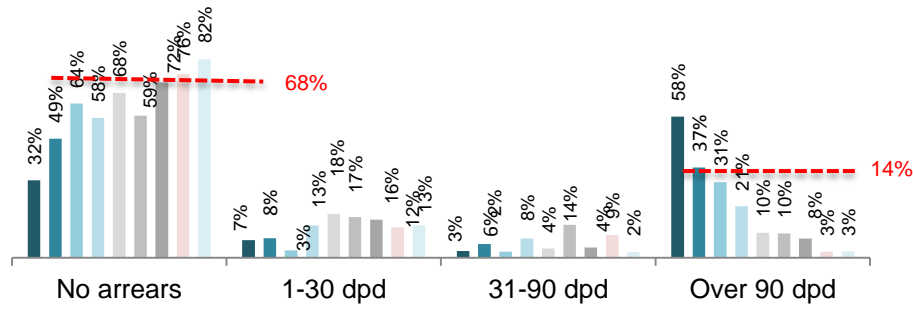
## Total Bank – Cyprus



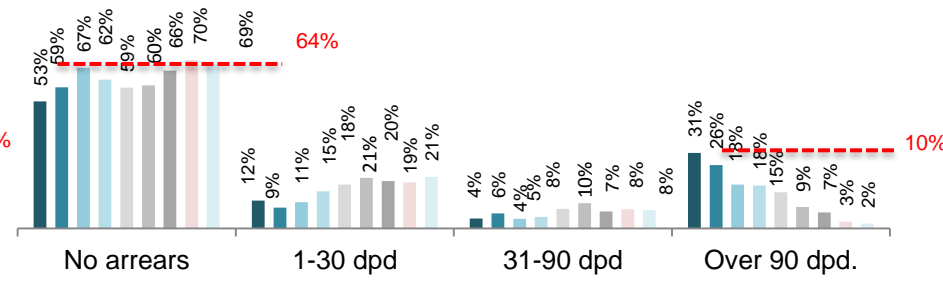
## Corporate



## SMEs



## Retail

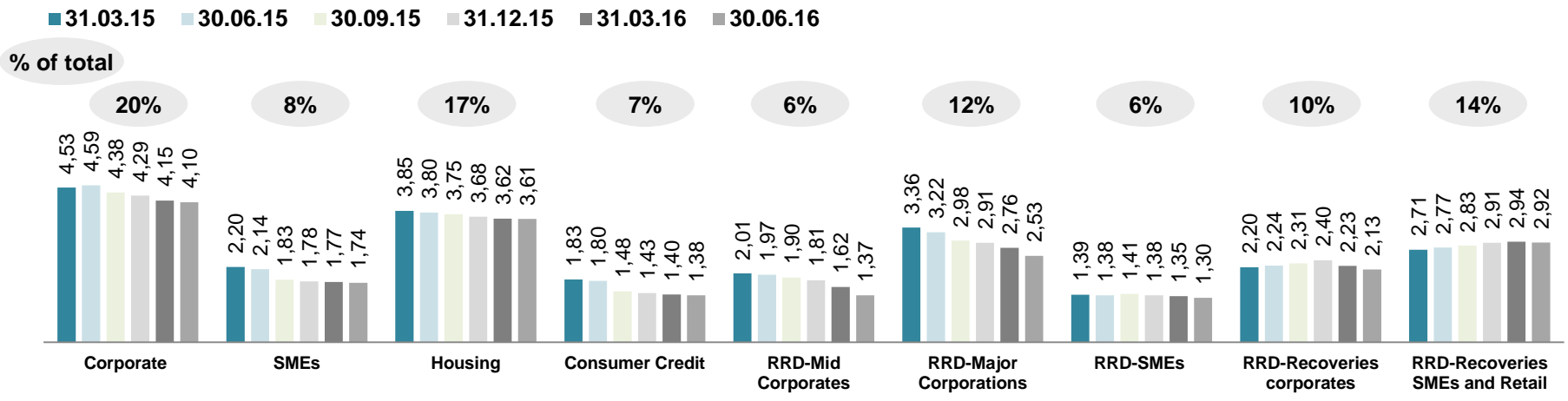


- An analysis performed as at 30 June 2016 indicates that on average 79% of the loans restructured post 31 December 2013 for Cyprus operations, have no arrears (restructurings performed in 2Q2016 were excluded); The average percentage of restructured loans with arrears more than 90 days stands at 8%
- Corporate restructured loans exhibit the best performance with an average percentage of restructured loans with no arrears of 95%

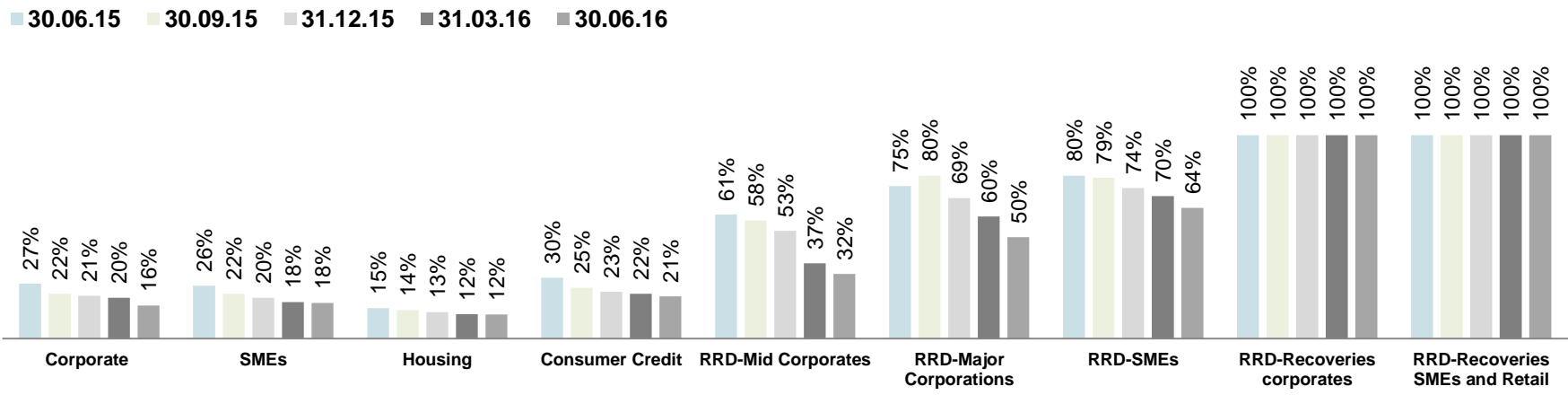
(1) The performance of loans restructured during 2Q2016 is not presented in this graph as it is too early to assess it

# Analysis of Loans and 90+ DPD ratios by Business Line<sup>1</sup>

## Gross loans by business line (€ bn)



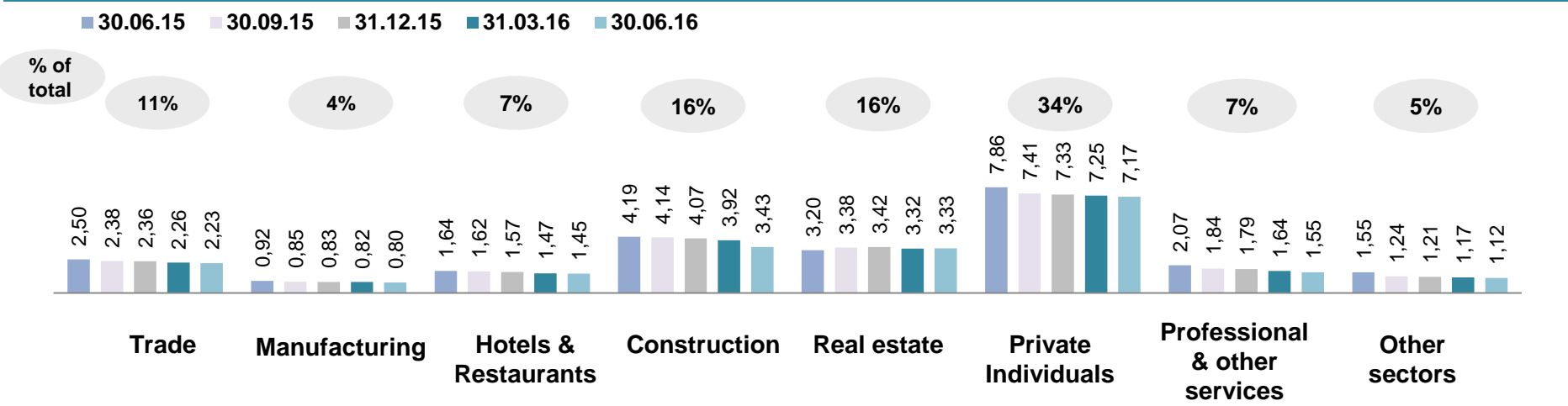
## 90+ DPD ratios by business line



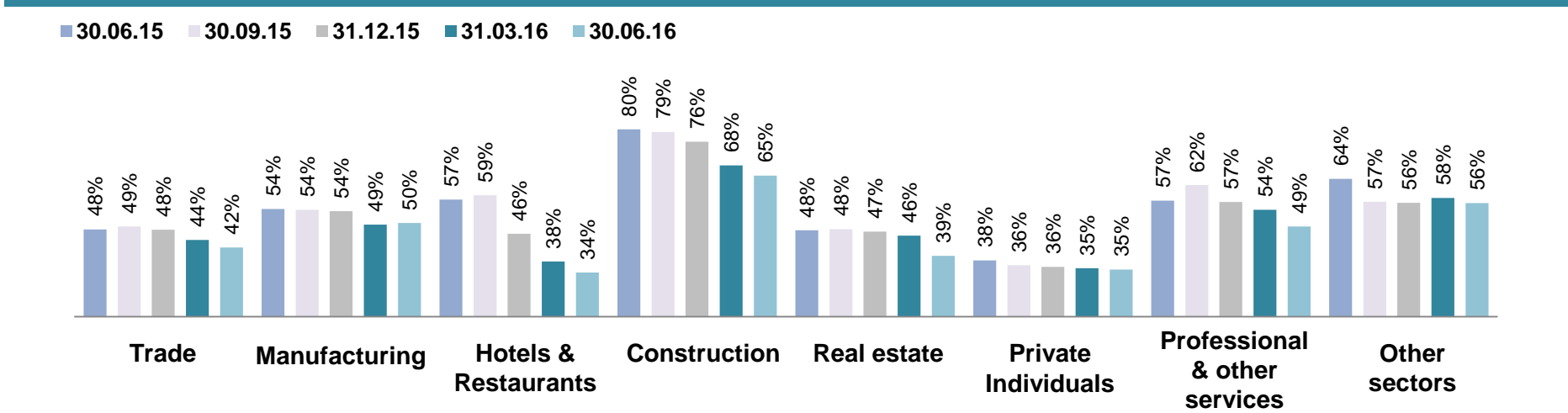
(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the management of its delinquent loans.

# Analysis of Loans and 90+ DPD ratios by Economic Activity

## Gross loans by economic activity (€ bn)

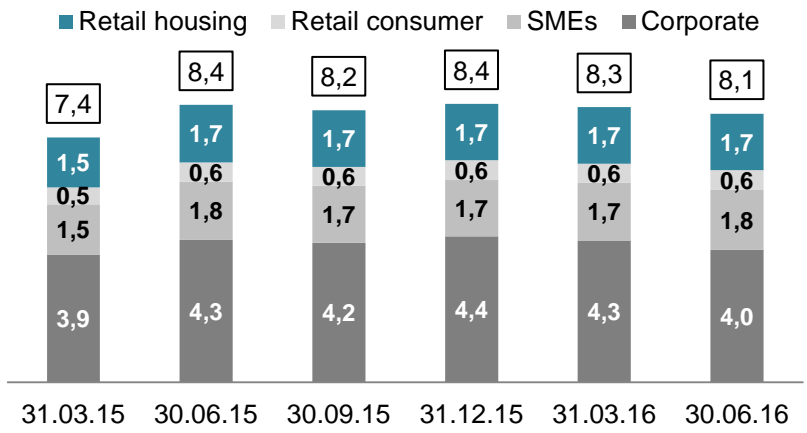


## 90+ DPD ratios by economic activity

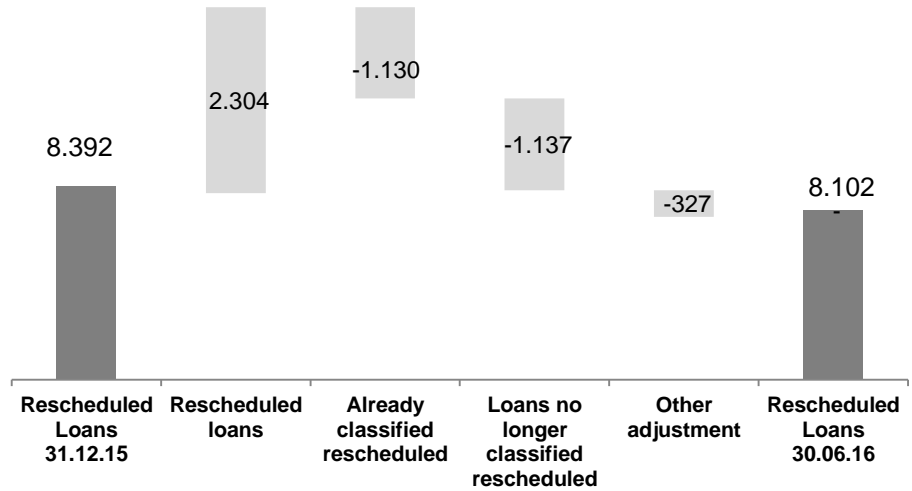


# Rescheduled Loans for the Cyprus Operations

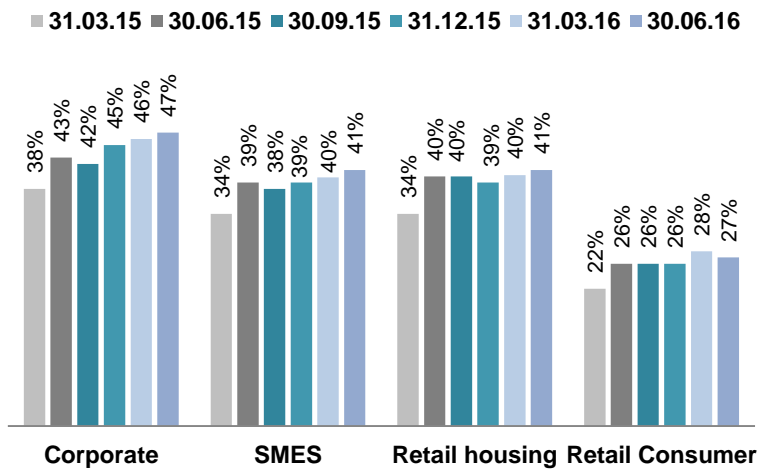
**Rescheduled Loans by customer type (€ bn)**



**Rescheduled Loans (€ bn)**

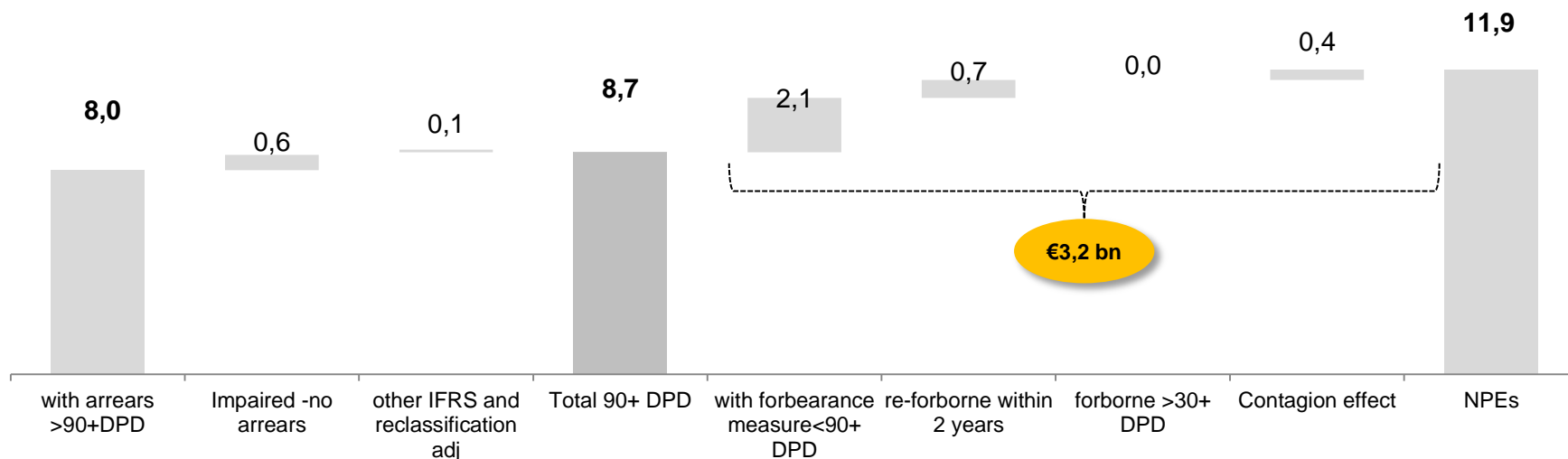


**Rescheduled loans % gross loans<sup>1</sup> by customer type**



(1) Before fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1,043 mn for gross loans and to €497 mn for rescheduled loans (compared to €1.130 mn and €534 mn respectively at 31 March 2016), including loans of discontinued operations/disposal group held for sale.

# Reconciliation of 90+ DPD to NPES Cyprus Operations (€ bn) (Jun-16)



**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, for example in case of a write off, a legal action against the borrower, or bankruptcy
- (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 forborne exposures under probation for which additional forbearance measures are extended, or
- (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.

**-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).

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