

Bank of Cyprus Group

Financial Results for the nine months ended 30 September 2013

Financial Results 9M2013 – Highlights

Income Statement Review

Balance Sheet Review

Restructuring

Appendices

18 December 2013

Disclaimer

Certain statements, beliefs and opinions in this presentation are forward-looking. Such statements can be generally identified by the use of terms such as “believes”, “expects”, “may”, “will”, “should”, “would”, “could”, “plans”, “anticipates” and comparable terms and the negatives of such terms. By their nature, forward-looking statements involve risks and uncertainties and assumptions about the Group that could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. We have based these forward-looking statements on our current expectations and projections about future events. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which are based on facts known to and/ or assumptions made by the Group only as of the date of this presentation. We assume no obligation to update such forward-looking statements or to update the reasons that actual results could differ materially from those anticipated in such forward-looking statements. This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security in any jurisdiction in the United States, to United States Domiciles or otherwise. The delivery of this presentation shall under no circumstances imply that there has been no change in the affairs of the Group or that the information set forth herein is complete or correct as of any date. This presentation shall not be used in connection with any investment decision regarding any of our securities, which should only be made based on expressly authorised materials from us identified as such, nor in connection with any decision whether or how to vote on any matter submitted to our stockholders. The securities issued by Bank of Cyprus Public Company Ltd have not been, and will not be, registered under the US Securities Act of 1933 (“the Securities Act”), or under the applicable securities laws of Canada, Australia or Japan.

Following the Eurogroup decisions to recapitalise Bank of Cyprus via a bail-in of depositors, the Bank was placed under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority.

In this context, the banking and leasing operations of the Bank in Greece were sold to Piraeus Bank S.A. as per the *Sale of Greek Operations of Bank of Cyprus Public Company Ltd Decree of 2013*. Hence, the financial results of the Greek operations are presented as discontinued operations.

The Bank acquired the operations of Cyprus Popular Bank Public Co Ltd (Laiki Bank) in Cyprus as per the Sale of certain operations of Cyprus Popular Bank Public Co Ltd Decree of 2013. Hence the financial results of Laiki Bank are fully consolidated as from the date of the transfer, 29 March 2013. It is noted that the fair value of the transferred assets and liabilities for the purposes of accounting for the business combination of the Group is provisional in accordance with IFRSs.

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Financial Results 9M2013 Highlights

- **Loss from continuing operations €35 mn for 3Q2013**; including one-off VRS cost and other restructuring expenses of €107 mn, loss attributable to shareholders €142 mn
- Loss attributable to shareholders €1.947 mn for 9M2013, includes €1.456 mn losses from discontinued operations and from disposal of Greek operations incurred in 1Q2013
- **Profit before provisions, impairments and restructuring costs €224 mn for 3Q2013** (€438 mn for 9M2013)
- **Net Interest income €296 mn for 3Q2013** (€726 mn for 9M2013) and **Net Interest Margin 4,02% for 3Q2013** (3,52% for 9M2013)
- **Cost to income ratio at 49,1%** for 9M2013
- **Deposit base showing signs of stabilisation** during the last couple of months
- Following ECB eligibility, **ELA funding reduced to €9,86 bn**; ECB funding at €1,30 bn
- 90+ DPD ratio at 47% and NPLs ratio at 48%; **90+ DPD ratio shows signs of stabilisation**, while NPLs ratio continues to increase due to the lengthy curing period for restructured loans
- **Core tier 1 capital ratio at 10,2%** (10,5% a quarter earlier); Ratio **affected by the one-off cost of VRS of €98 mn** (a negative impact of 0,4 percentage points) and by the **loss from continuing operations for 3Q2013 of €35 mn** (a negative impact of 0,1 percentage points) and **benefited by a 2% reduction in RWA** (a positive impact of 0,2 percentage points)

Recent Developments

- Integration of ex-Laiki business on track
- Branches in Cyprus **reduced to 133 branches from 203 in May 2013**; another 6 branches to be closed during 2014
- Next milestone for integration process is the IT banking system unification scheduled to be completed by end of 1H2014
- Retail deposits campaign launched in October 2013, with **about 65% of new deposit accounts being 12-month deposits** indicating that customers are entrusting their savings with the Bank for longer term
- **Recent changes in organisational structure** for simplification and for organising along functional, domestic, international and restructuring lines
- Establishment of Restructuring and Recovery Division to focus management on collections and recovery efforts

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Profit and Loss highlights

Selected lines from the Profit and Loss (€ mn)	9M2013	9M2012	Change	3Q2013
Net Interest Income	726	555	+31%	296
Fees & Commission Income	125	133	-6%	41
Other Income	10	55	-82%	24
Total income	861	743	+16%	361
Total expenses	(423)	(353)	+20%	137
Profit before provisions, impairments and restructuring costs	438	390	+13%	224
Provisions for impairment of loans and advances	(799)	(386)	+107%	(261)
Share of profit/loss from associates	2	(0)		(1)
Taxes	3	(8)		1
Loss attributable to non-controlling interests	7	5		2
(Loss)/Profit after tax and before discontinued operations, impairments and restructuring costs	(349)	1		(35)
Restructuring expenses	(142)	-	--	(107)
Loss from discontinued operations, on disposal of Greek operations, impairment and tax on GGBs, and change in FV of related hedging derivatives and tax	(1.456)	(212)	--	-
Loss after tax	(1.947)	(211)	--	(142)
Net interest margin	3,52%	2,96%	+0,56 p.p.	4,02%
Cost-to-Income (%)*	49,1%	47,6%	+1,5 p.p.	38,1%

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

Balance Sheet Review

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Income Statement Review

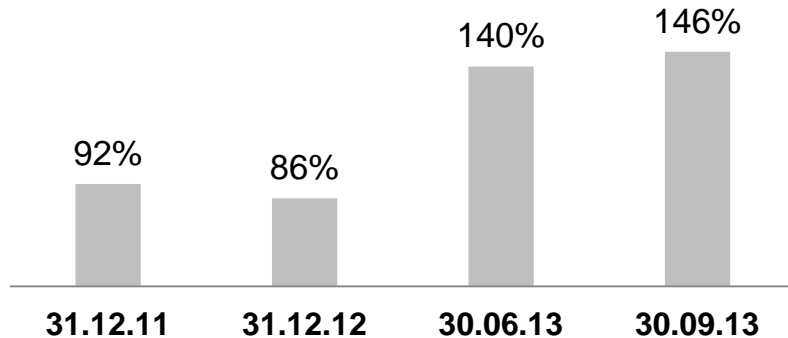
Balance Sheet Review

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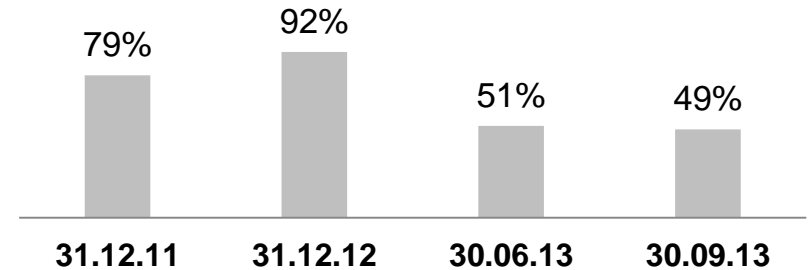
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Funding Structure

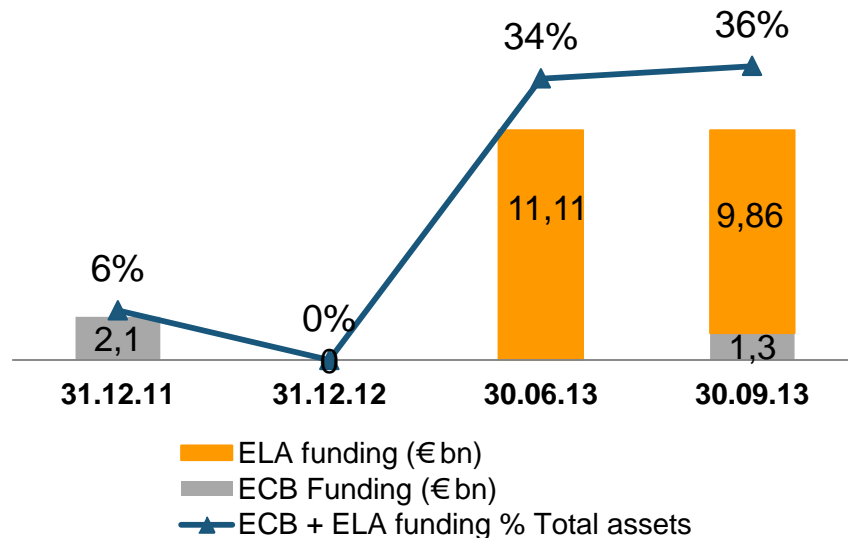
Loan to deposits ratio



Deposits % assets



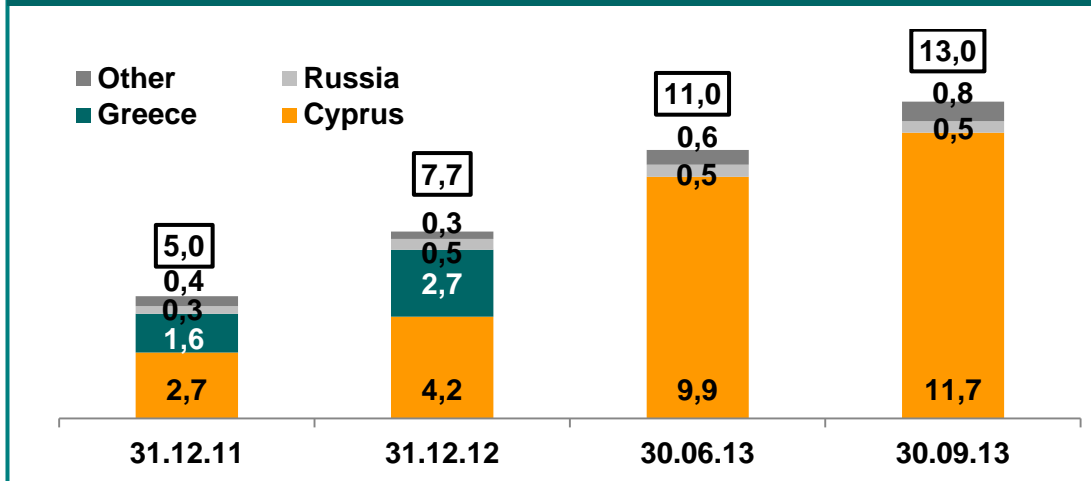
Funding from Central Banks



- Funding structure dented by the bail-in and the acquisition of Laiki
- Loans to deposits ratio at 146% and Deposits to assets ratio at 49%
- At 30 September 2013 Eurosystem funding at €11,16 bn, comprising ELA funding of €9,86 bn and ECB funding under monetary operations at €1,3 bn
- Deposit base showing signs of stabilisation during the last couple of months

Loan quality

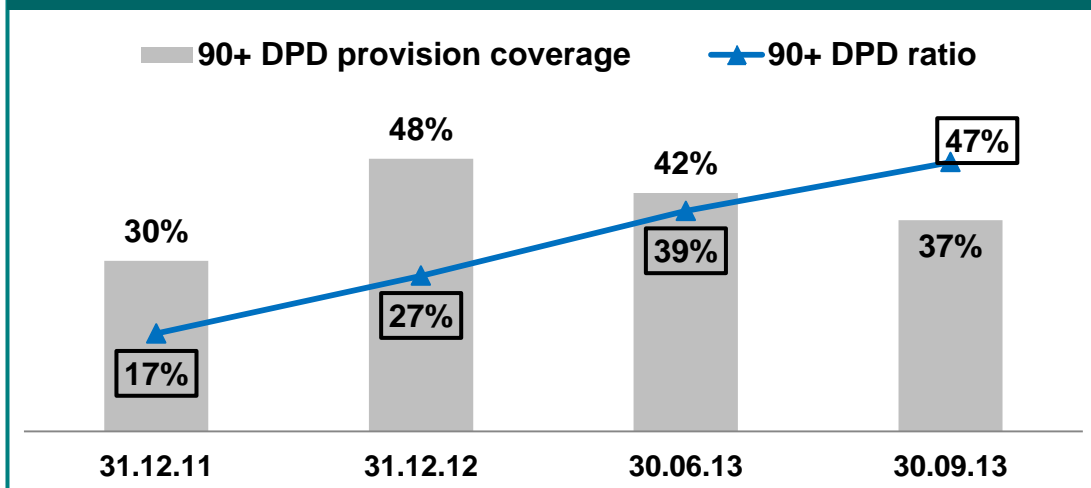
90+ DPD (€bn)



Erosion of loan quality continues

- Loans in arrears > 90 days (90+ DPD) at €13 bn
- 90+ DPD as % of gross loans (90+ DPD ratio) at 47%
- 90+ DPD provision coverage at 37%
- 90+ DPD ratio in Cyprus at 50%

90+ DPD ratio and 90+ DPD provision coverage ratio*

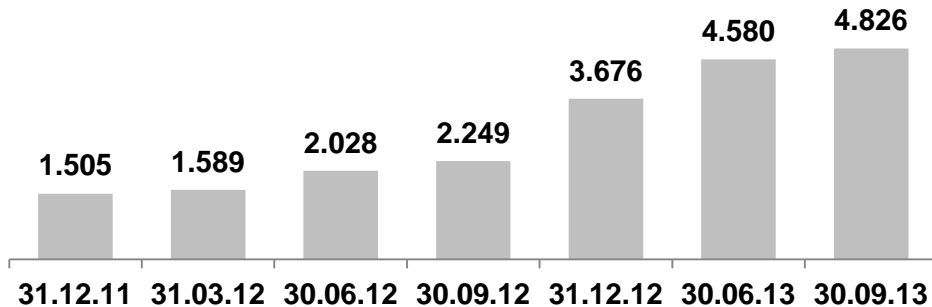


Targeted measures initiated recently are yielding some results, with the 90+ DPD ratio stabilising during the fourth quarter. Nevertheless, it is too early to assess whether these measures are sufficiently effective.

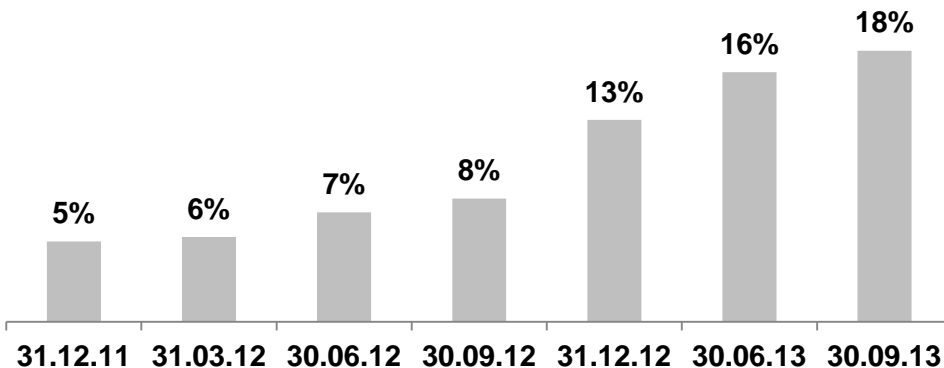
The new definition NPLs ratio continues to rise during the fourth quarter, as restructured loans remain classified as NPLs for a longer period.

Provisions for impairment of loans

Accumulated provisions (€ mn)



Accumulated provisions % Gross loans



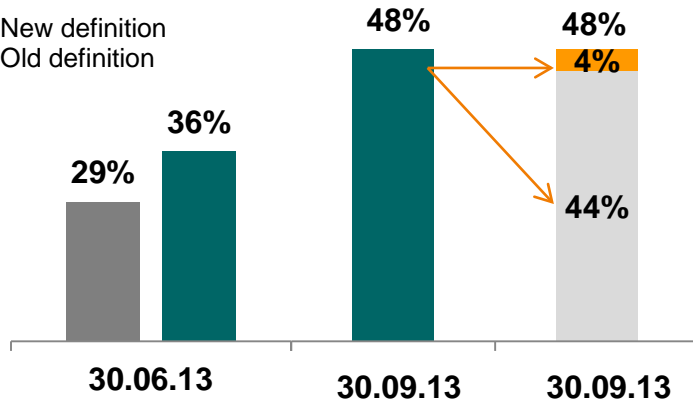
- Conservative provisioning assessment took into consideration the further expected decline in collateral values following March 2013 events
- Assumptions have been made about the future changes in property values in Cyprus, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral
- The provisions for the impairment of loans are expected to remain elevated for the remaining of the year

New definition of NPLs

New definition of NPLs

- Loans restructured and less than 90 days past due
- Loans more than 90 days past due or Loans restructured and more than 90 days past due

- New definition
- Old definition



- New definition of NPLs as from 1 July 2013; new definition NPLs ratio at 48% at 30 September 2013, compared to 36% at 30 June 2013
- With restructured loans remaining classified as NPLs for a longer period, there will be a growing difference between the 90+ DPD ratio and the NPLs ratio in the future
- At 30 September 2013, the NPLs ratio comprises **Loans restructured and less than 90 days past due** (4% of gross loans) and **Loans more than 90 days past due or Loans restructured and more than 90 days past due** (44% of gross loans)

New definition of Non-Performing Loans (NPLs):

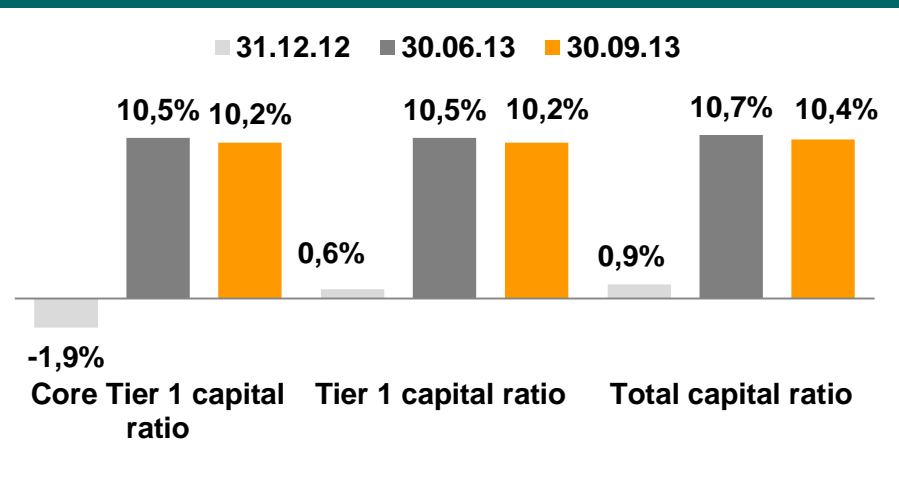
- a loan which has arrears (of interest or capital or any other charges) for a period of more than 90 days,
- an overdraft in excess of its contractual limit on a continuous basis for a period of more than 90 days by more than 5% of the contractual limit (threshold of 5% to be withdrawn as from 1/1/2014) and
- a restructured facility which at the time of restructuring was classified as NPL or has arrears/excesses for a period of more than 60 days.

Restructured loans remain as NPLs:

- 6 months following the commencement of the new repayment schedule of capital instalments
- for gradual increasing instalments 6 months from the first month from which the higher instalment is due
- for lump-sum payments at maturity, the loan remains as NPL until its maturity.

Capital position

Capital adequacy ratios



- Core tier 1 capital ratio at 10,2% (10,5% a quarter earlier); Ratio primarily affected by the one-off cost of the VRS of €98 mn (a negative impact of 0,4 percentage points) and by the loss from continuing operations for the third quarter of 2013 of €35 mn (a negative impact of 0,1 percentage points) and benefited by a 2% reduction in risk weighted assets (a positive impact of 0,2 percentage points)
- Aiming to preserve and enhance capital adequacy by retaining internally generated capital, while the activity for restructuring and disposal of non-core assets will be driven by risk mitigation and capital considerations

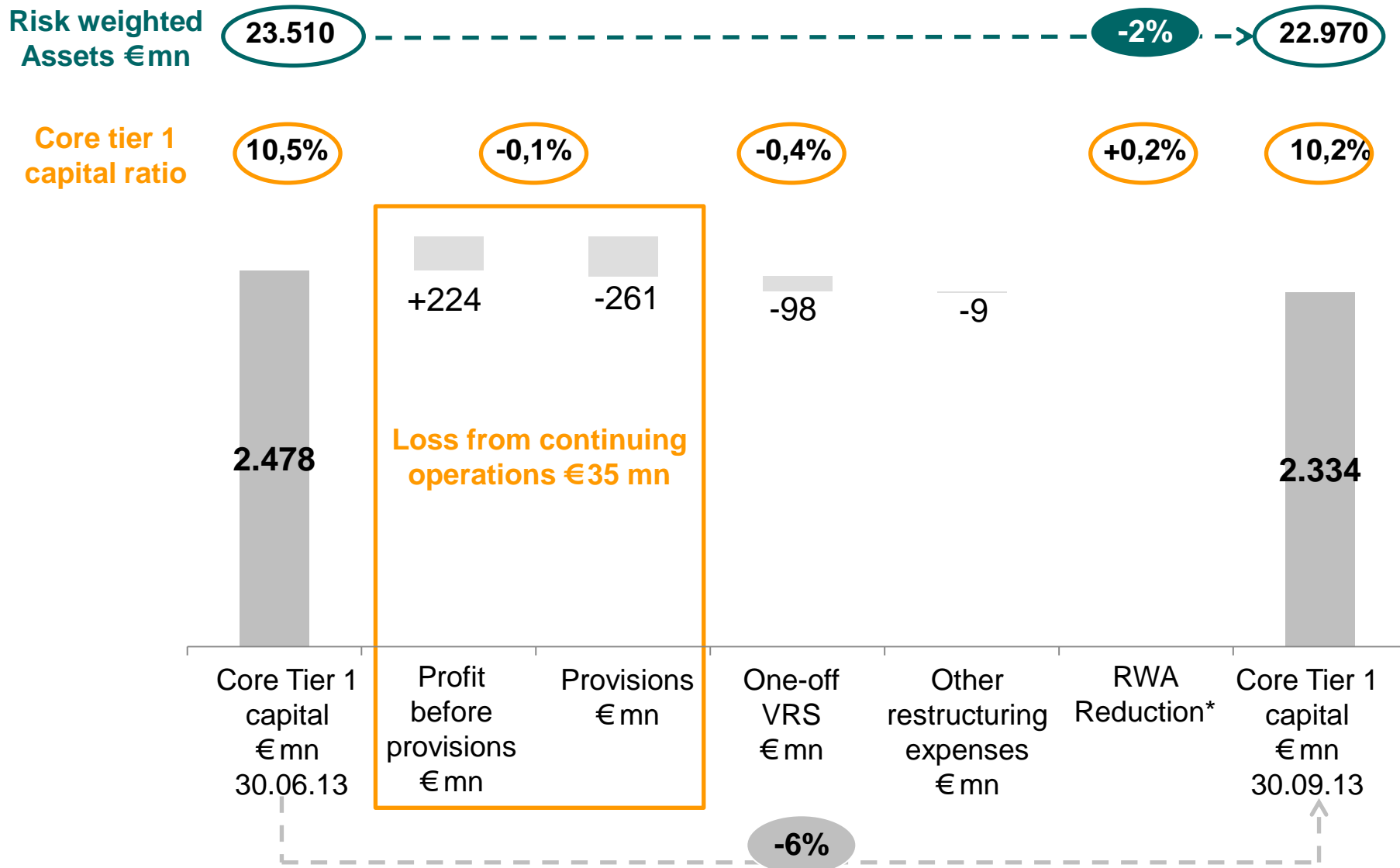
Analysis of Risk weighted assets (RWA)

(€mn)	31.12.12	30.06.13	30.09.13
Credit risk	19.318	21.120	21.052
Market risk	3	550	78
Operational risk	2.258	1.840	1.840
Total	21.580	23.510	22.970

(€mn)	31.12.12	30.06.13	30.09.13
Shareholders' equity	258	2.838	2.690
Core Tier I capital*	-407	2.478	2.334
Hybrid capital (Tier I)	527	0	0
Tier I capital	120	2.478	2.334
Tier II capital	249	42	59
Total regulatory Capital	197	2.520	2.392
Risk weighted assets	21.580	23.510	22.970

*Including €60 mn of shares subject to interim orders

Evolution of Core tier 1 capital ratio in 3Q2013



* Reduction in Risk weighted assets due to deleveraging and optimisation of risk weighted assets

Restructuring

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Restructuring Plan charts the future strategic direction

Restructuring Plan defines actions to create a **safer, smaller, more focused institution** capable of supporting the recovery of the Cypriot economy

Rebuilding trust and confidence of both depositors and investors

Preserving the Bank's status as the cornerstone of the domestic economy, continuing to support both businesses and households

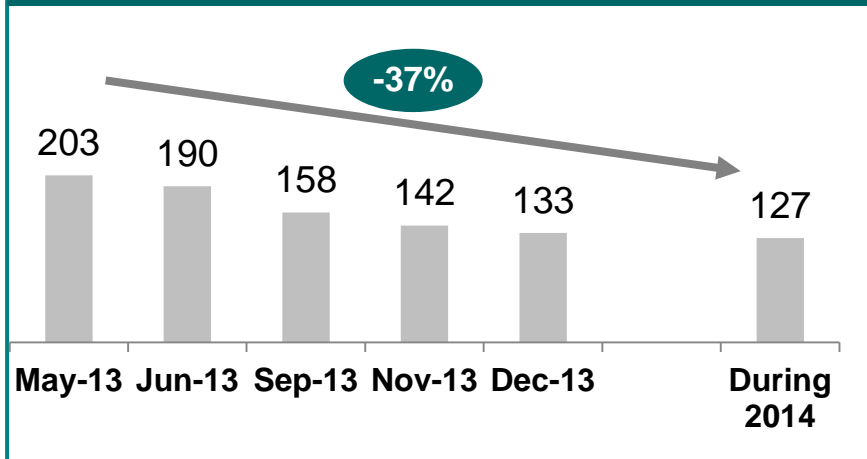
Building a resilient institution, able to effectively manage its portfolio of assets and withstand further external shocks and economic turbulence

Smoothly integrating Laiki's operations, maximising impact on profitability for the combined entity through the realisation of synergies

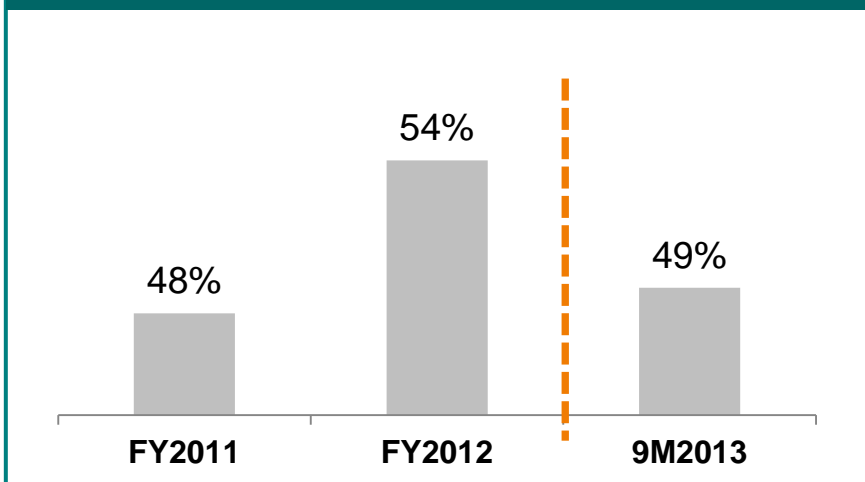
Enhance the capital adequacy of the Group by internally generating capital through profitability, deleveraging and disposal of non-core assets

Restructuring of Cypriot operations

Branch rationalisation – (branch numbers)



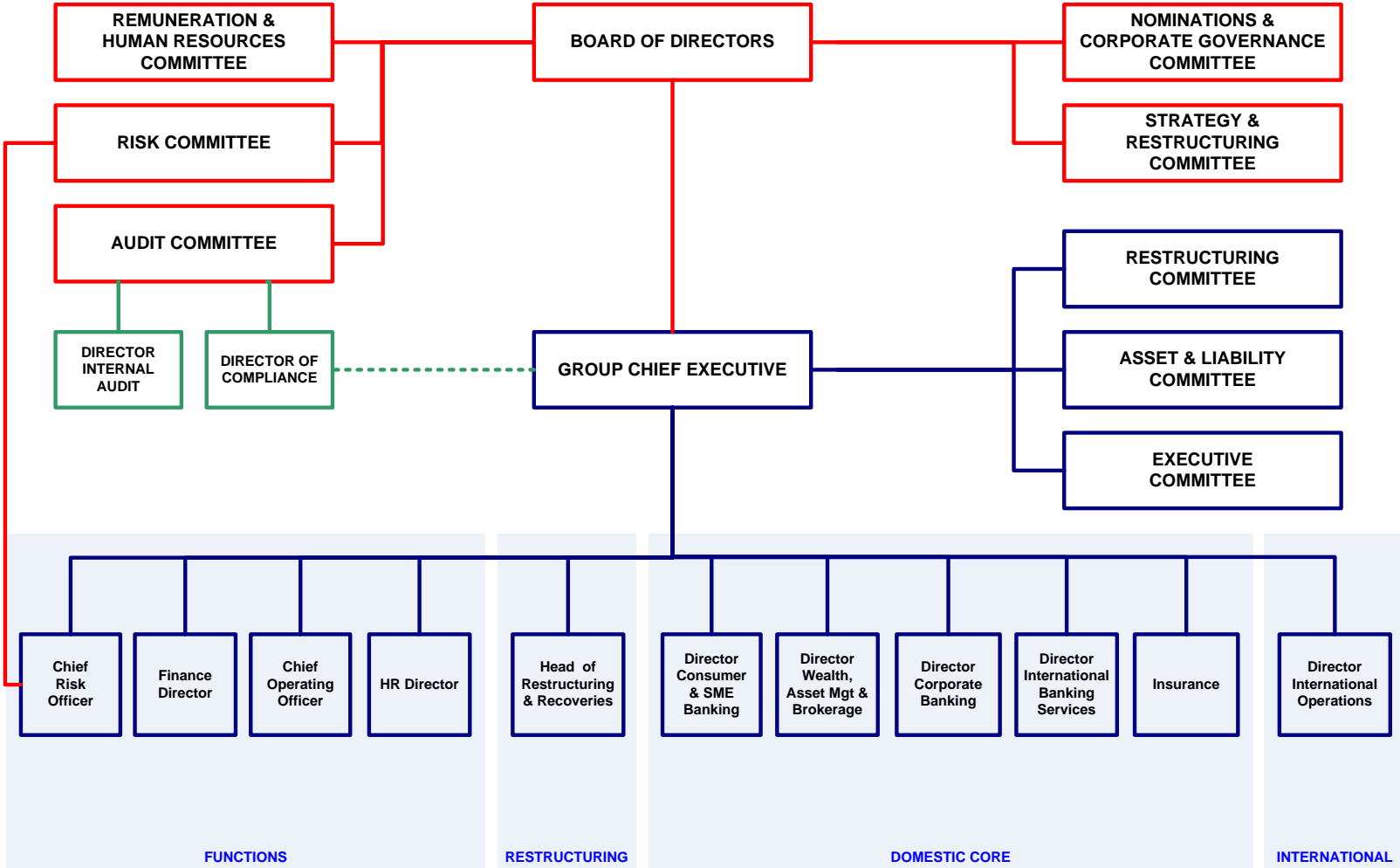
Cost to income ratio



- Integration of ex-Laiki business on track
- Branch network in Cyprus reduced to 133 branches from 203 branches in May 2013; 6 branches expected to close during 2014.
- Next milestone for the integration process is the unification of the IT banking system (by end of the first half of 2014). This will facilitate the further utilisation of synergies and cost minimisation
- Staff costs reduced through salary cuts and a Voluntary Retirement Scheme (VRS). FT Employee reduction by 24% and personnel cost by 34% on an annual basis
- Cost to income ratio at 49,1% for 9M2013
- Changes in organisational structure for simplification and for organising along functional, domestic, international and restructuring lines
- Establishment of Restructuring and Recovery Division to focus management on collections and recovery efforts

New organisational structure

STRUCTURE CHART – BANK OF CYPRUS GROUP



Priorities going forward

Managing loan quality deterioration – Recovery of problem loans

Preserving capital and making progress on non-core disposals

Completion of ex-Laiki business integration – Achieving synergies



Managing liquidity – Defending deposit franchise – Regaining trust

Exogenous factors such as the failure to implement the policy reforms requested by Troika that could affect and/or delay the disbursement of the financial assistance to Cyprus, a deeper and prolonged economic recession, further significant increase in unemployment, a sharper reduction in real estate prices as well as factors that could dent the fragile confidence of customers and delay the return of confidence to the Cyprus banking system could derail and affect the execution of the Restructuring Plan

Key information and contact details

Credit Ratings:

Fitch: Restricted Default (from 26 March 2013)

Moody's : Ca / NP / E (from 22 March 2013)

Listing:

ATHEX – BOC

CSE – BOCY

ISIN CY0000100111

From 19 March 2013, the shares of the Bank have been suspended from trading on ATHEX and CSE

Contacts

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Group Income Statement

(€ mn)	9M2013	9M2012	yoy %	3Q2013
Net interest income	726	555	+31%	296
Net fee & commission income	125	133	-6%	41
FX income and net losses from financial instruments	(17)	2	-	9
Insurance income net of insurance claims	51	48	+7%	12
Other (expenses)/income	(24)	5	-	3
Total income	861	743	+16%	361
Staff costs	(257)	(217)	+18%	(83)
Other operating expenses	(166)	(136)	+22%	(54)
Total expenses	(423)	(353)	+20%	(137)
Profit before provisions, impairments and restructuring costs	438	390	+13%	224
Provisions for impairment of loans and advances	(799)	(386)	+107%	(261)
Share of profit/(loss) from associates	2	-	-	(1)
(Loss)/Profit before tax	(359)	4	-	(38)
Tax	3	(8)	-	1
Loss attributable to non-controlling interests	7	5	-	2
(Loss)/Profit after tax and before discontinued operations, impairments and restructuring costs	(349)	1	-	(35)
Restructuring costs	(142)	-	-	(107)
Loss for the period from discontinued operations	(90)	(292)	-	-
Loss on disposal of the Greek operations	(1.366)	-	-	-
Impairment of GGBs and change in FV of hedging instruments net of tax	-	80	-	-
Loss after tax	(1.947)	(211)	-	(142)

Consolidated Balance Sheet

€mn	% ytd	30.09.13	31.12.12	€mn	% ytd	30.09.13	31.12.12
Cash and balances with central banks	-4%	1.227	1.272	Amounts due to banks	+24%	424	341
Placements with banks	-24%	1.351	1.769	Funding from Central Banks	-	11.157	-
Debt securities, Treasury bills and equity investments	+87%	3.505	1.870	Repurchase agreements	+1%	615	608
Net loans and advances to customers	-7%	22.575	24.375	Customer deposits	-46%	15.468	28.442
Other assets	+57%	2.739	1.746	Debt securities in issue	-99%	1	45
Total assets	+1%	31.397	31.032	Other liabilities	-17%	935	1.127
				Subordinated loan stock	-95%	7	133
				Total liabilities	-7%	28.607	30.696
				Share Capital	+160%	4.674	1.795
				Shares subject to interim orders	-	60	-
				Share premium	-	-	428
				CECS*	-	-	429
				Revaluation and other reserves	-62%	41	106
				Accumulated losses	-17%	(2.066)	(2.500)
				Shareholders' equity	+948%	2.709	258
				Non controlling interests	+5%	81	78
				Total equity	+731%	2.790	336
				Total liabilities and equities	+1%	31.397	31.032

*Convertible Enhanced Capital Securities

Loans and Deposits by Geography

Gross Loans by Geography

	31.12.12 (€mn)	30.09.13 (€mn)	As % of total	ytd (%)
Cyprus	14.873	23.540	86%	+58%
Greece	9.438	--	--	--
Russia	2.025	1.620	6%	-20%
Other countries*	1.715	2.242	8%	+31%
TOTAL	28.051	27.402	100%	-2%
<i>Other countries</i>				
<i>United Kingdom</i>	834	1.451		
<i>Romania</i>	550	479		
<i>Ukraine</i>	331	312		

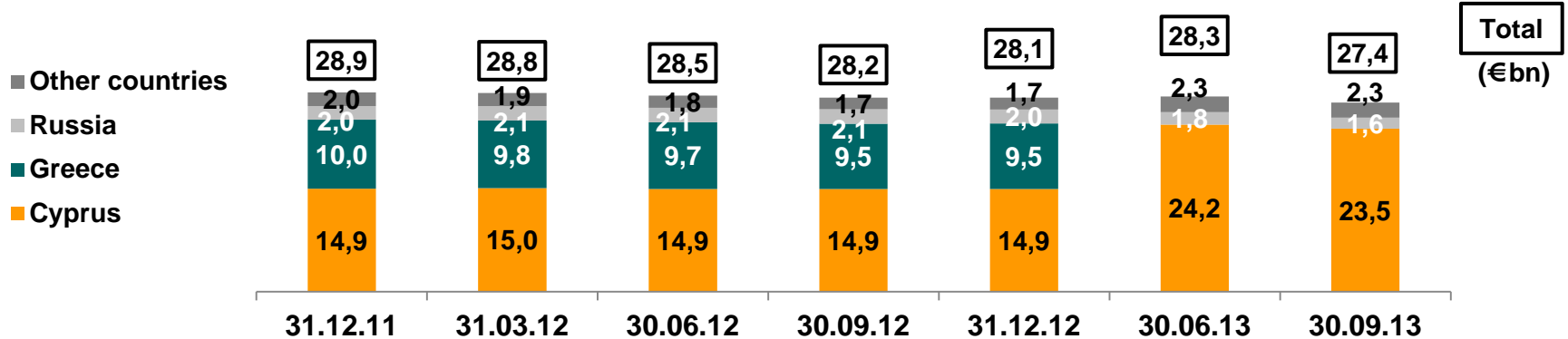
Deposits by Geography

	31.12.12 (€mn)	30.09.13 (€mn)	As % of total	ytd (%)
Cyprus	18.512	13.002	84%	-30%
Greece	7.152	--	--	--
Russia	1.254	1.078	7%	-14%
Other countries*	1.524	1.388	9%	-9%
TOTAL	28.442	15.468	100%	-46%
<i>Other countries</i>				
<i>United Kingdom</i>	1.215	1.285		
<i>Romania</i>	214	30		
<i>Ukraine</i>	95	73		

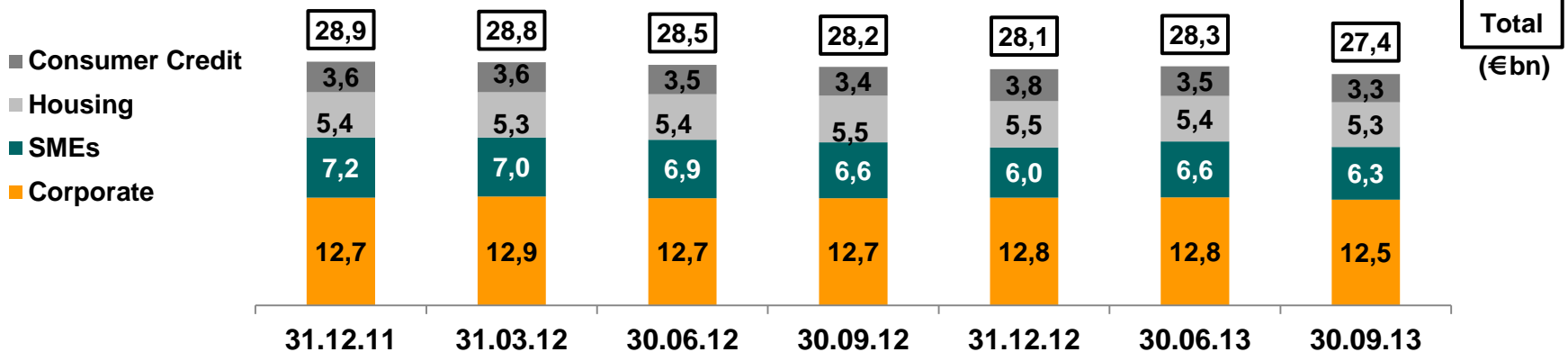
Analysis of Gross Loans

Gross loans by geography

Other countries: Romania, Ukraine and United Kingdom

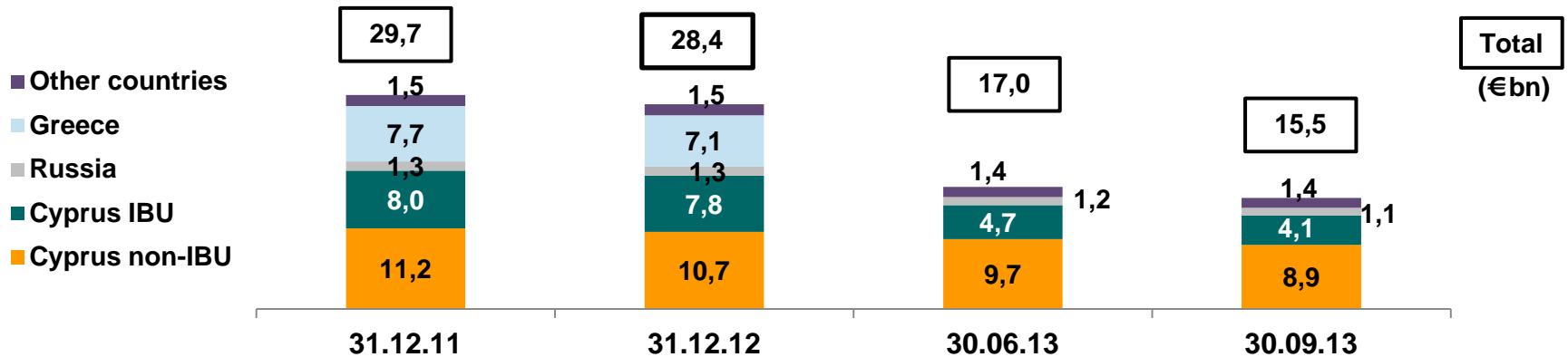


Gross loans by customer type



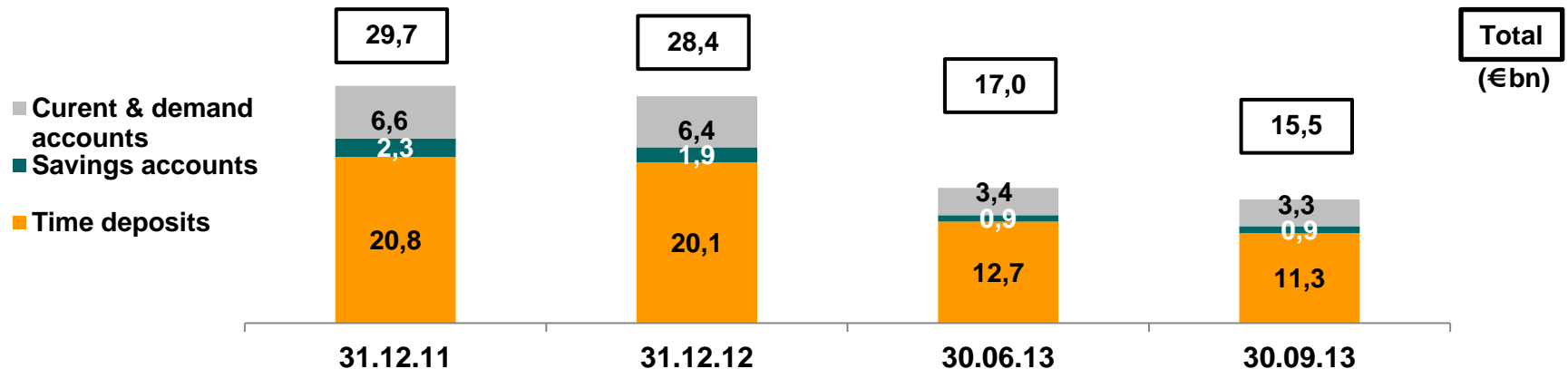
Analysis of Deposits

Deposits by geography



Other countries: Romania, Ukraine and United Kingdom

Deposits by type of deposit



Cyprus: Summary profit & loss and key indicators

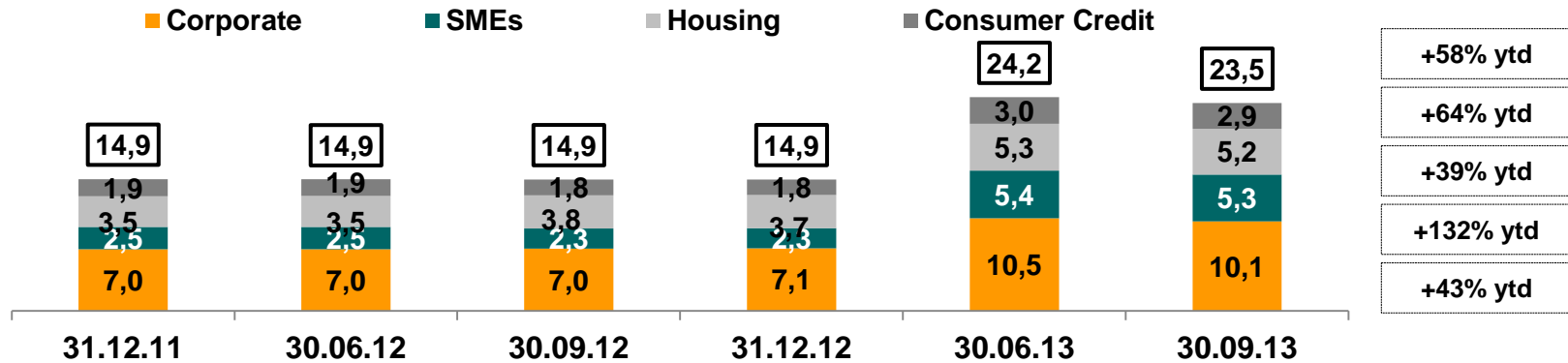
Excluding the impairment of GGBs, the change in fair value of related hedging instruments, the related taxation and restructuring costs

(€ mn)	9M2013	9M2012	yoy (%)	3Q2013
Net interest income	594	412	+44%	254
Net fee & commission income	97	101	-5%	31
Foreign exchange income and (losses)/gains from financial instruments	(15)	(5)	-	11
Insurance income net of insurance claims	45	40	+12%	11
Other income / (expenses)	(2)	4	-144%	3
Total income	719	552	+30%	310
Staff costs	(199)	(150)	+33%	(66)
Other operating expenses	(109)	(76)	+42%	(38)
Total expenses*	(308)	(226)	+36%	(104)
Profit before provisions	411	326	+26%	206
Provisions for impairment of loans and advances	(697)	(315)	+121%	(240)
Share of profit of associates	3	--	--	(0)
(Loss)/profit before tax	(283)	11	--	(34)
Tax	3	(5)	-166%	(2)
Loss attributable to non-controlling interests	2	1	-	1
(Loss)/profit after tax	(278)	7	--	(35)
Net Interest Margin (NIM)	3,15%	2,12%	+1,03 p.p.	3,46%
Cost/Income Ratio	42,8%	41,0%	+1,8 p.p.	33,4%

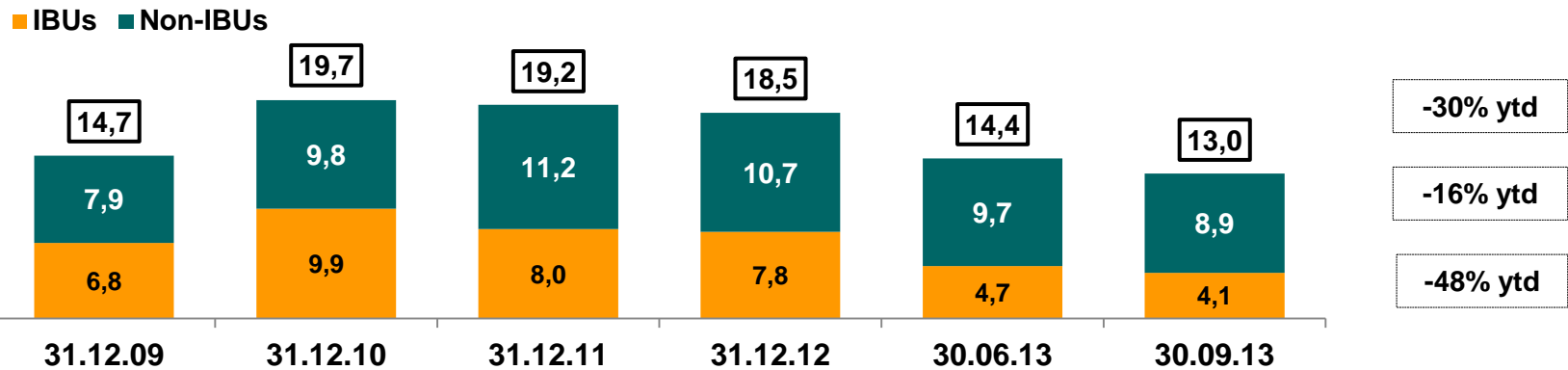
* Total expenses exclude restructuring costs ;
b.p. = basis points, p.p. = percentage points ; 100 b.p. = 1 p.p.

Loans and Deposits in Cyprus

Cyprus Loans by customer type (€bn)



Cyprus Deposits (€bn)

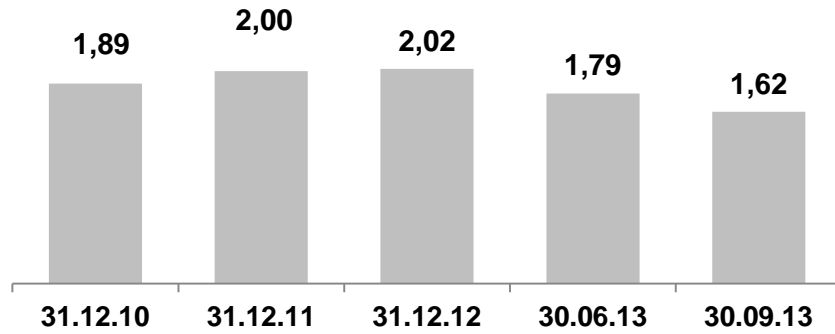


Russia: Summary profit & loss and key indicators

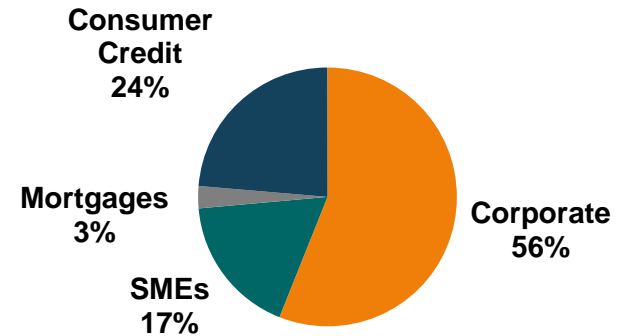
(€ mn)	9M2013	9M2012	yoy (%)	Q32013
Net interest income	75	90	-17%	23
Net fee & commission income	21	25	-13%	7
Foreign exchange gains	4	5	-19%	1
Other income	1	1	-18%	0
Total income	101	121	-16%	31
Staff costs	(39)	(46)	-15%	(11)
Other operating expenses	(36)	(40)	-10%	(11)
Total expenses	(75)	(86)	-12%	(22)
Profit before provisions	26	35	-26%	9
Provisions for impairment of loans and advances	(52)	(45)	+16%	(17)
Loss before tax	(26)	(10)	+154%	(8)
Tax	5	(1)	--	1
Non-controlling interest (loss/(gain))	5	4	+51%	1
Loss after tax	(16)	(7)	+105%	(6)
Net Interest Margin (NIM)	4,91%	5,29%	-0,38 p.p.	4,99%
Cost/Income Ratio	74,5%	71,3%	+3,2 p.p.	72,8%

Russian operations

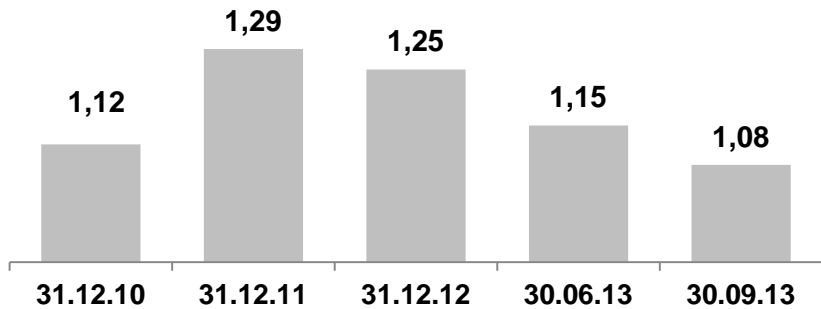
Russian Loans (€bn)



Loans by sector



Russian Deposits (€bn)

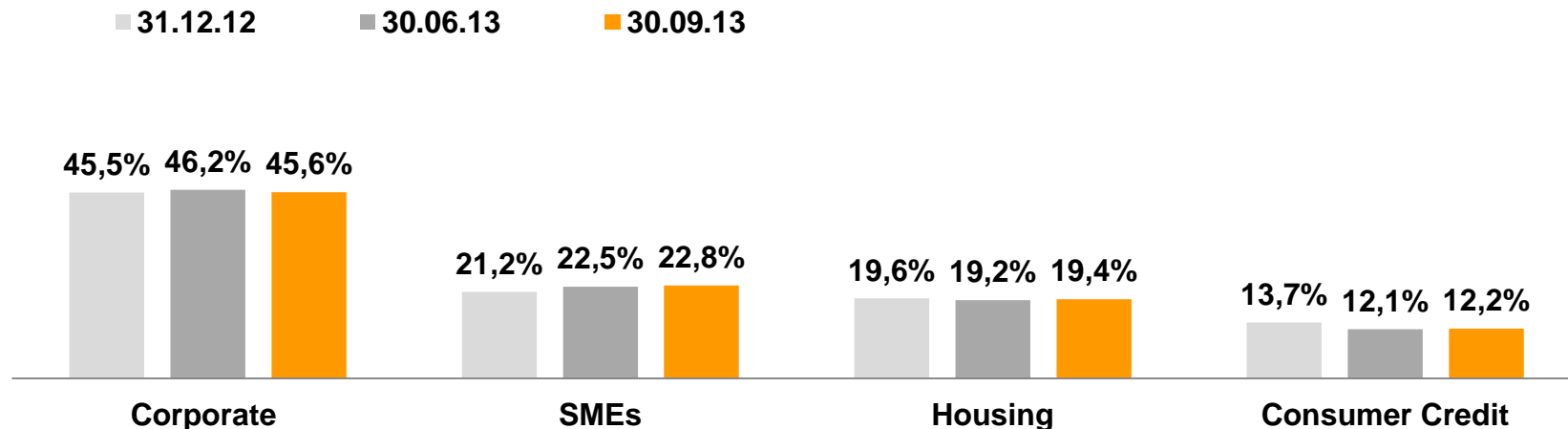


Other countries: Summary profit and loss and key indicators

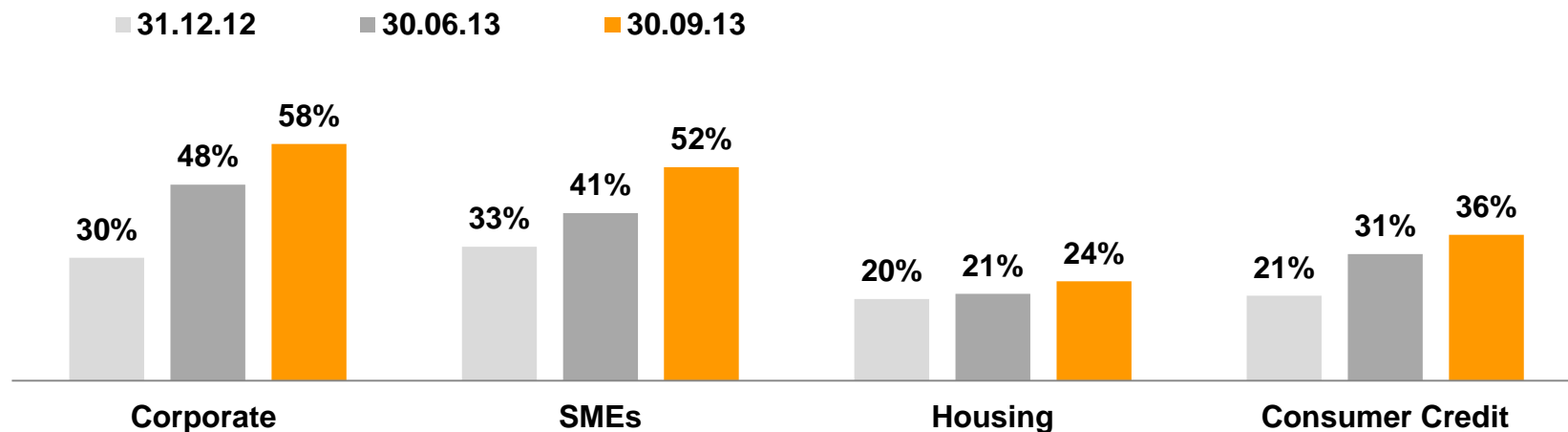
(€ mn)	9M2013	9M2012	yoy (%)	3Q2013
Net interest income	57	53	+6%	19
Net fee & commission income	7	7	+9%	3
Foreign exchange income and gains from financial instruments	(6)	2	-217%	(3)
Insurance income net of insurance claims	6	8	-20%	1
Other income	(23)	0	--	0
Total income	41	70	-42%	20
Staff costs	(19)	(21)	-16%	(7)
Other operating expenses	(21)	(20)	+10%	(5)
Total expenses	(40)	(41)	-3%	(12)
Profit before provisions	1	29	-96%	8
Provisions for impairment of loans and advances	(50)	(26)	+95%	(3)
Share of profit of Associate	(1)	0	--	(1)
(Loss)/profit before tax	(50)	3	--	4
Tax	(5)	(2)	+244%	2
(Loss)/profit after tax	(55)	1	--	6
Cost/Income Ratio	97,1%	58,6%	+38,5 p.p.	58,7%

Analysis of Loans and 90+ DPD ratios by customer type

Gross loans by customer type

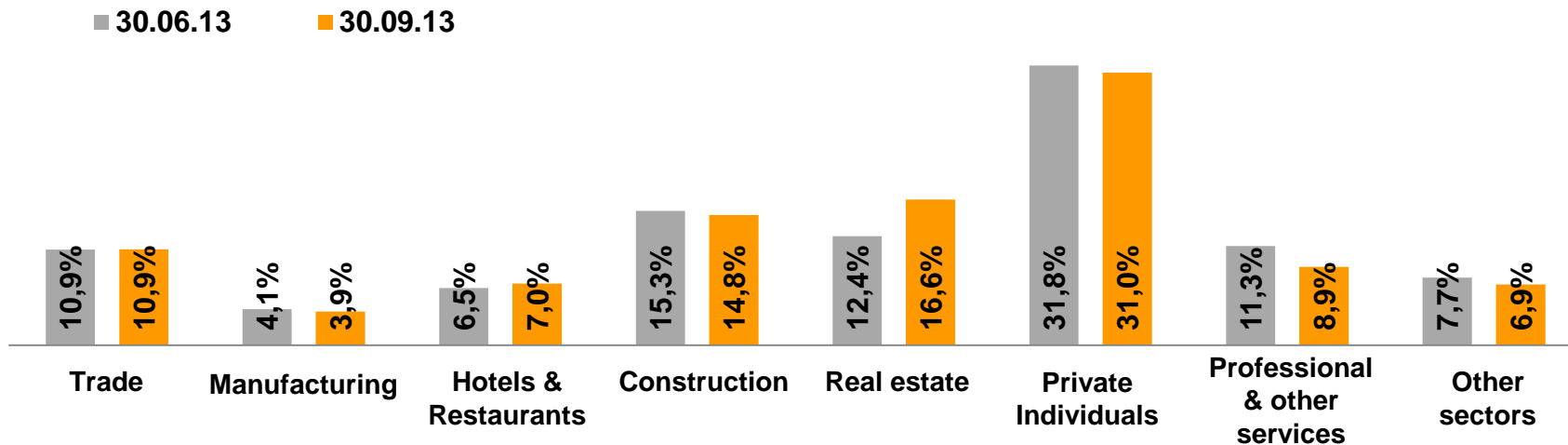


90+ DPD ratios by customer type

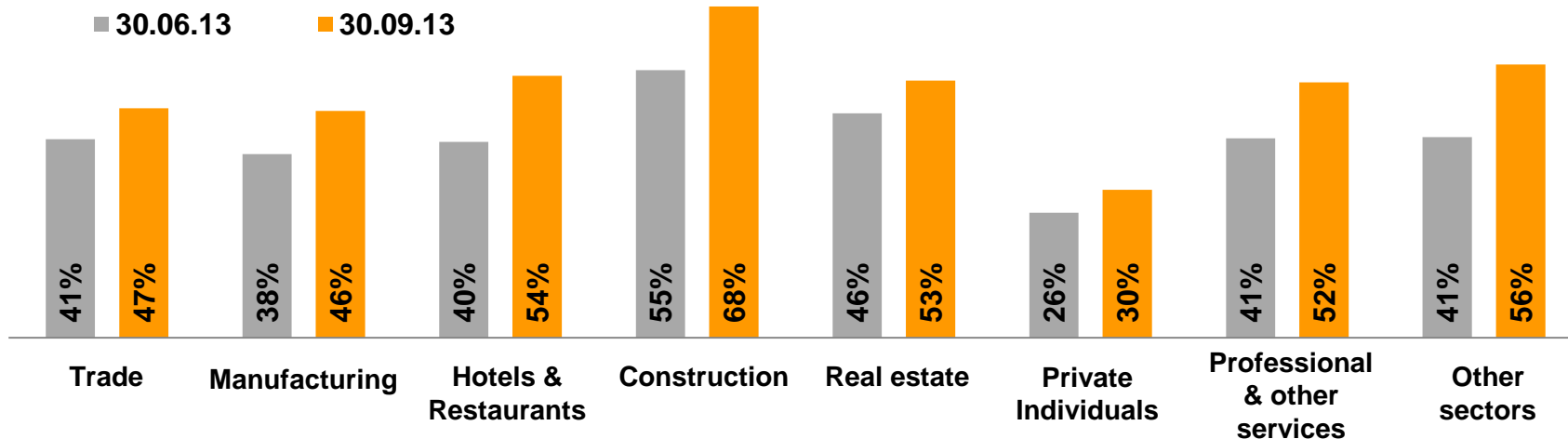


Analysis of Loans and 90+ DPD ratios by economic activity

Gross loans by economic activity



90+ DPD ratios by economic activity



90+ DPD ratios by Geography

