

**Financial Results 9M07 - Highlights**

**Income Statement Review**

**Balance Sheet Review**

***Appendix 1: Detailed Financial Information***

***Appendix 2: Financial Targets 2007-2009***

## **Financial Results for the Nine Months ended 30 September 2007**

**8 November 2007**

# Disclaimer

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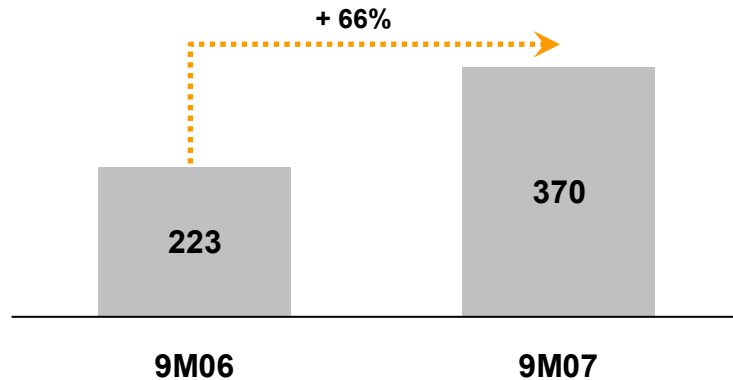
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The base currency of all amounts included in the presentation is Cyprus Pounds. The conversion into Euro was calculated using the exchange rate prevailing on 30 September 2007 of €1=C£0,5842.

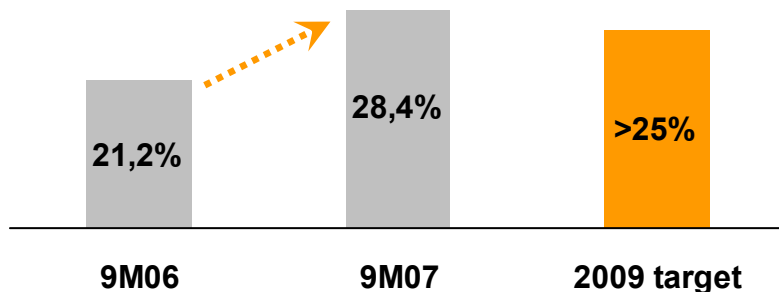
# New record levels of improved performance

## Profit after tax (€mn)

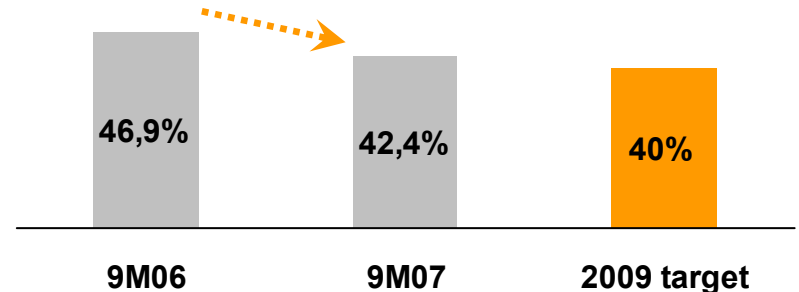


- Phenomenal increase (66%) in profit after tax
- New record levels of improved performance
- Once again exceeding set targets

## Return on equity

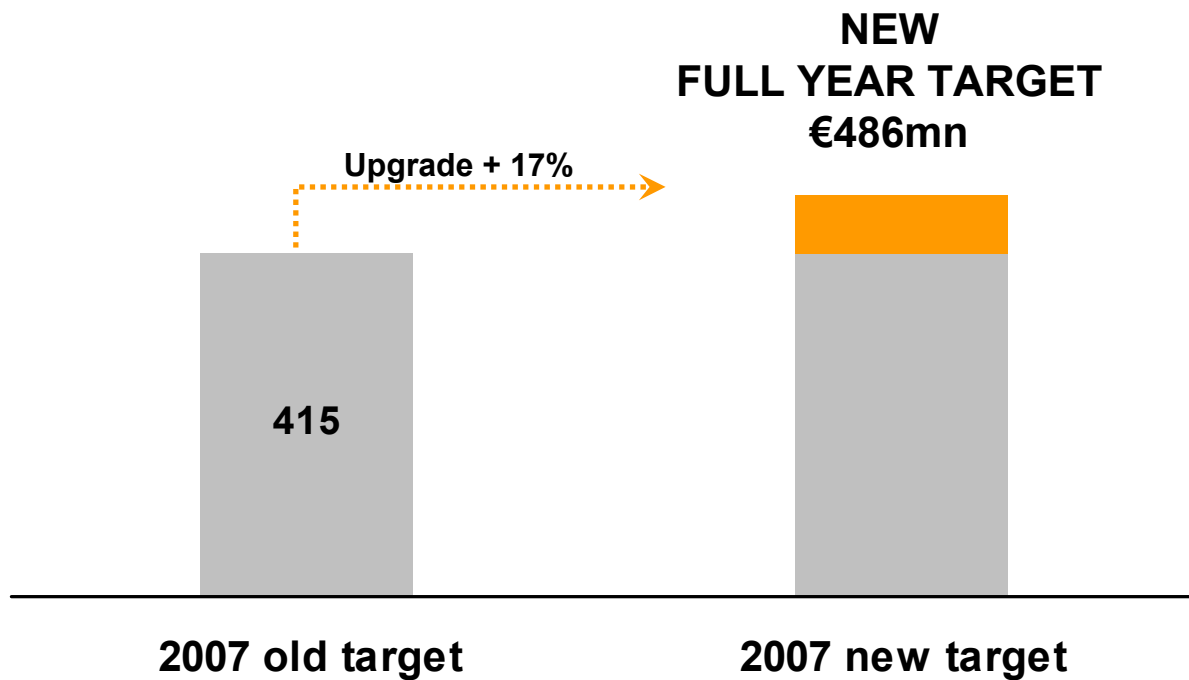


## Cost to income ratio



# Upgrade of 2007 Profit Target

Profit target for the full year 2007 (€mn)



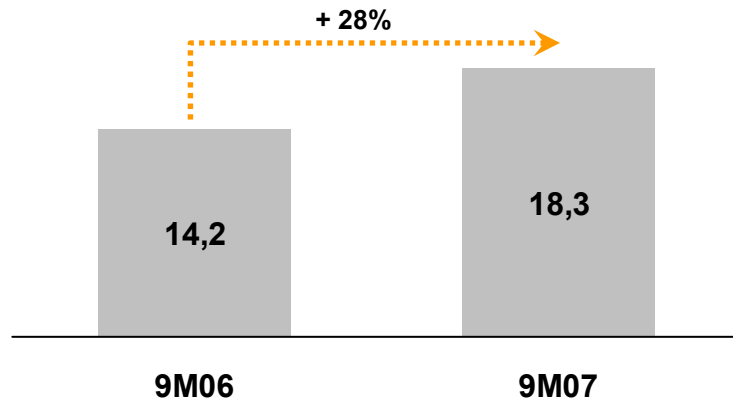
# Interim dividend

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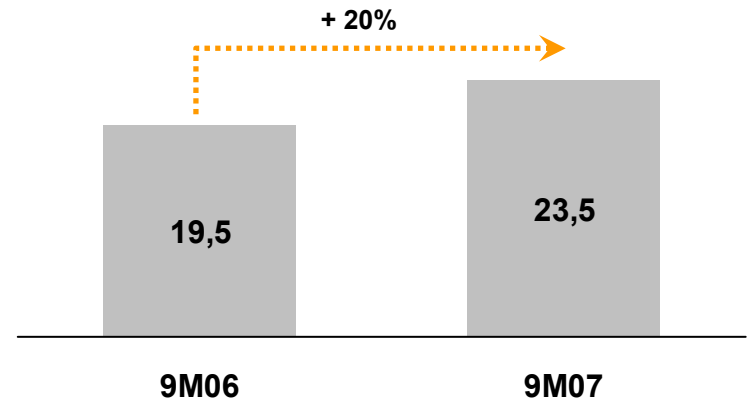
- **C£0,11 (approx. €0,188) per share**
- **Ex-dividend date**
  - **Tuesday, 27 November 2007**
- **Payment date**
  - **Wednesday, 12 December 2007**
- **Dividend reinvestment plan**
  - **Discount 10% on the average price of the first five days of trading ex-dividend**

# Spectacular growth...

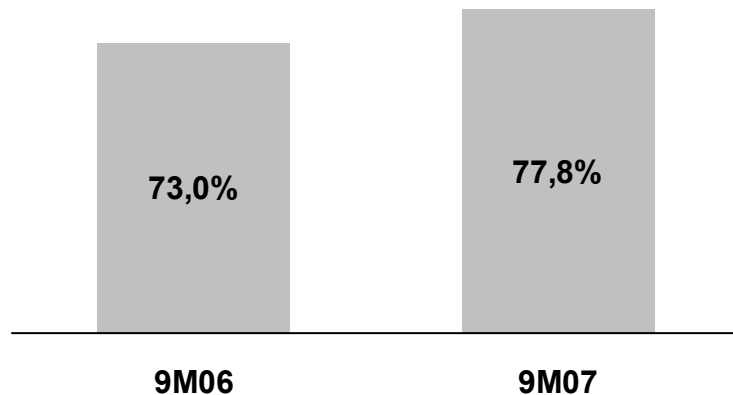
## Loans (€bn)



## Deposits (€bn)



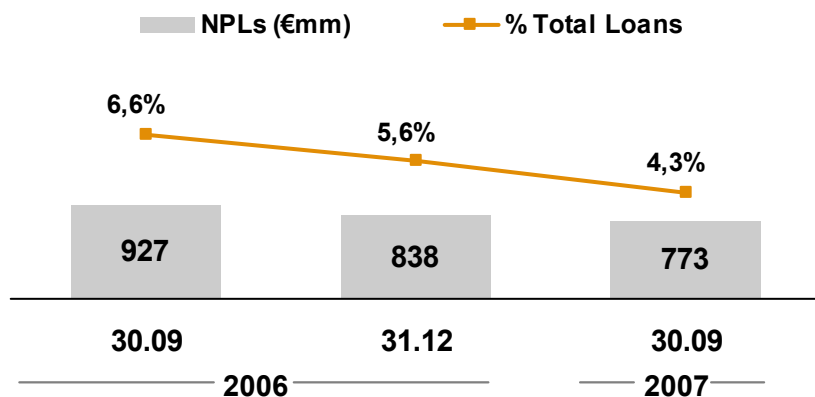
## Loans/deposits ratio



- **Lending growth in all geographic markets in 9M07**
  - New clients in last 12 months
    - 114.000 new clients in Greece
    - 26.000 new clients in Cyprus
- **Particularly high growth in the mortgage sector**
- **Deposit growth remains strong**

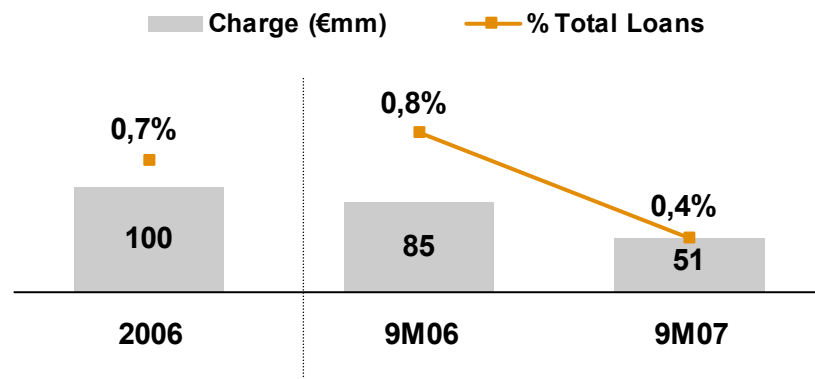
# Continuing improvement in loan quality

## NPLs development (1)

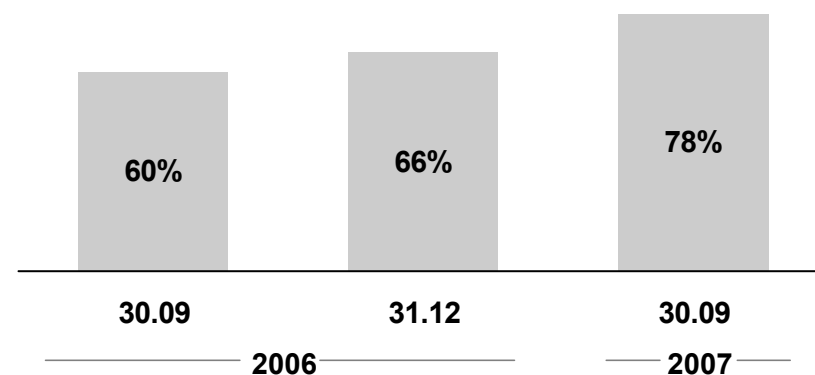


- Further absolute NPL reduction
- Increased provision coverage

## Provision charge



## Provision coverage (2)



- (1) Stringent NPL classification criteria (3 months in arrear)  
 (2) The remainder of the NPLs is fully covered by tangible collateral

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# Income Statement Review

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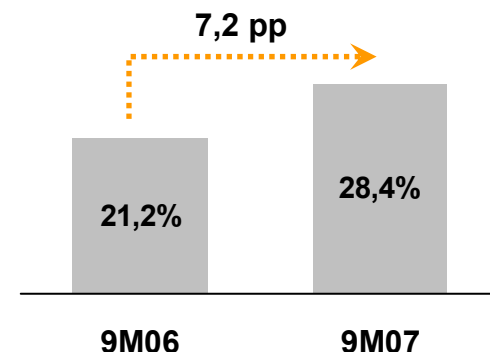
***Appendix 2: Financial Targets 2007-2009***

# A spectacular improvement in profitability and efficiency driven by core profits...

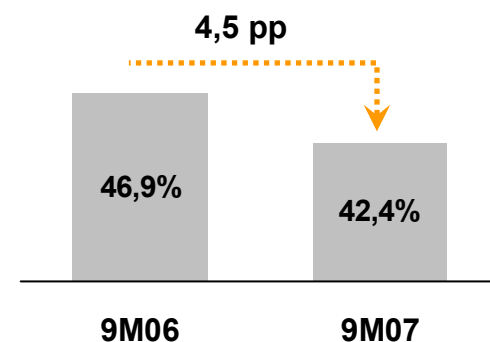
## Income & Expense Analysis (€mm)

	9M07	9M06	Change
Net interest income	556	442	+26%
Fee & commission income	145	125	+16%
Net income from insurance	41	34	+19%
Other operating income	89	56	+60%
<b>Total income</b>	<b>831</b>	<b>657</b>	<b>+26%</b>
<b>Total expenses</b>	<b>-352</b>	<b>-308</b>	<b>+14%</b>
Provisions	-51	-85	-40%
Share of profit of associate	10	-	
<b>Profit before tax</b>	<b>438</b>	<b>264</b>	<b>+66%</b>
Tax	-62	-41	+51%
Minority interest	-6	-	
<b>Profit after tax</b>	<b>370</b>	<b>223</b>	<b>+66%</b>

## Return on equity

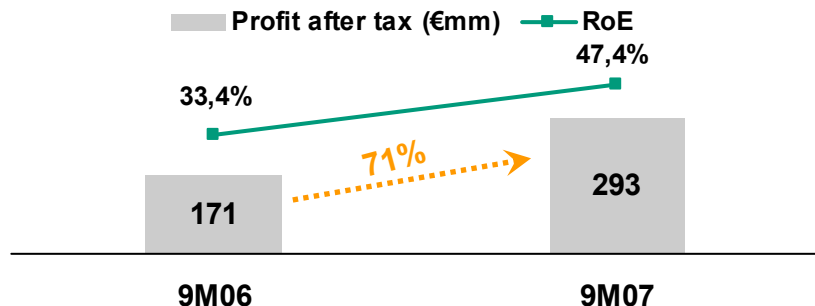


## Cost/income



# ... underpinned by strong performance across BOC's diversified business

## Cyprus



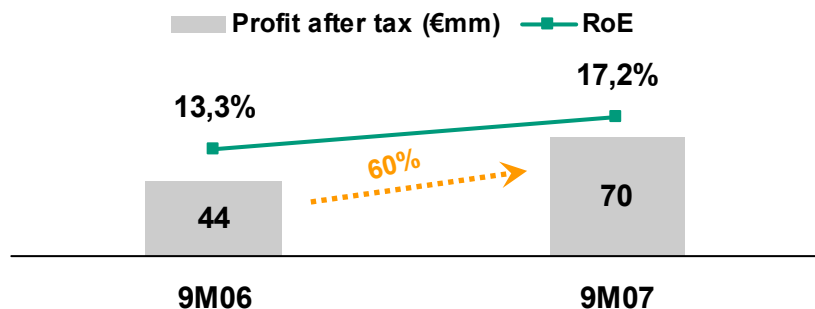
- **Cyprus**

- High volumes
- Reduction in cost of credit

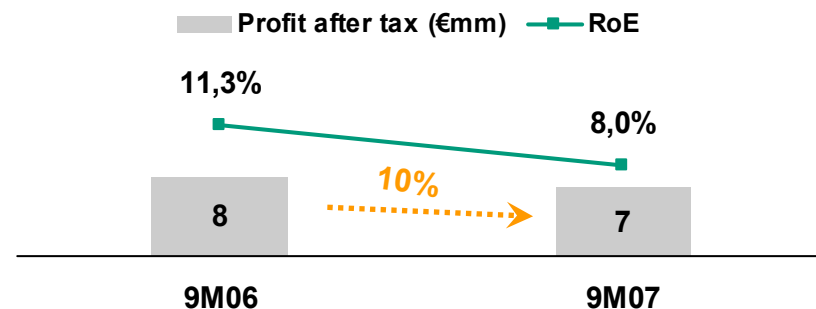
- **Greece**

- High volumes
- Maturing branch network and client relationships
- Preparing new branch openings
- Reduction in cost of credit

## Greece



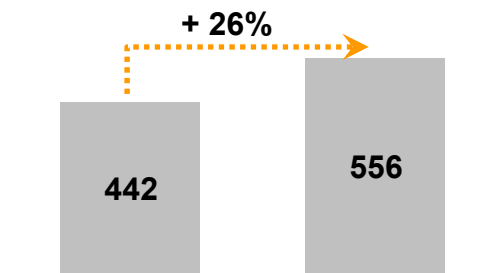
## Other countries



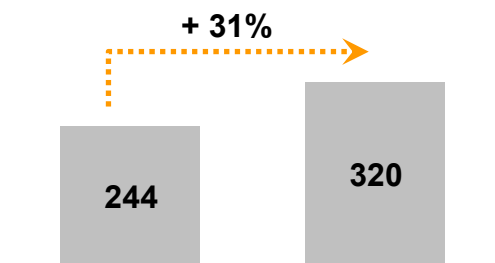
# Strong increase in net interest income

## Net interest income (€mm)

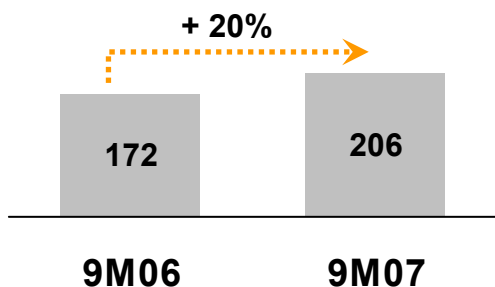
### Group



### Cyprus



### Greece



## Net interest margin

### Group

2,81%

2,76%

2,87%

### Cyprus

2,38%

2,32%

2,57%

### Greece

3,14%

3,12%

2,94%

FY06

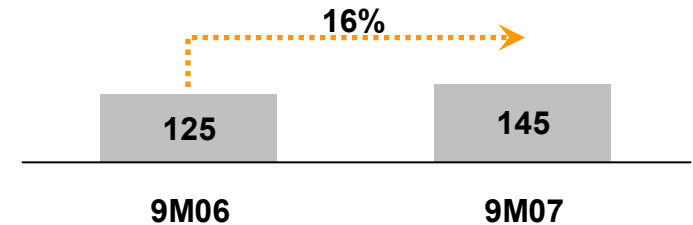
9M06

9M07

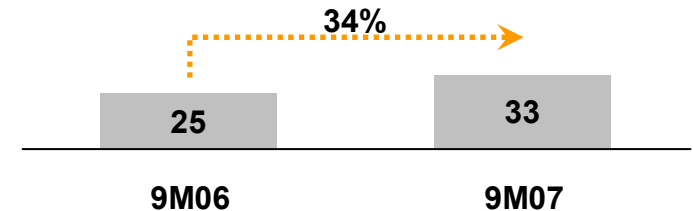
# High double digit growth in non interest income sources

- **Fees and commissions growth mainly driven by:**
  - Volume growth
- **Foreign exchange income increase mainly driven by:**
  - Volume growth in Cyprus, especially in international banking activities
  - Volume growth in Greece
- **Growth in income from insurance business mainly driven by:**
  - Good growth rates in Cyprus
  - Increased bancassurance penetration in Greece

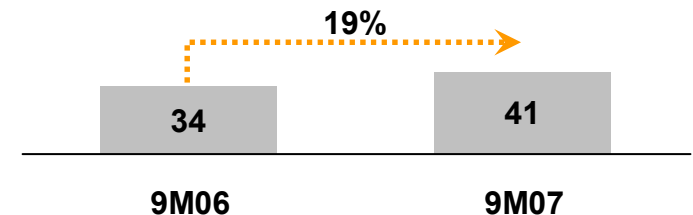
## Fees and commissions (€mm)



## Foreign exchange income (€mm)

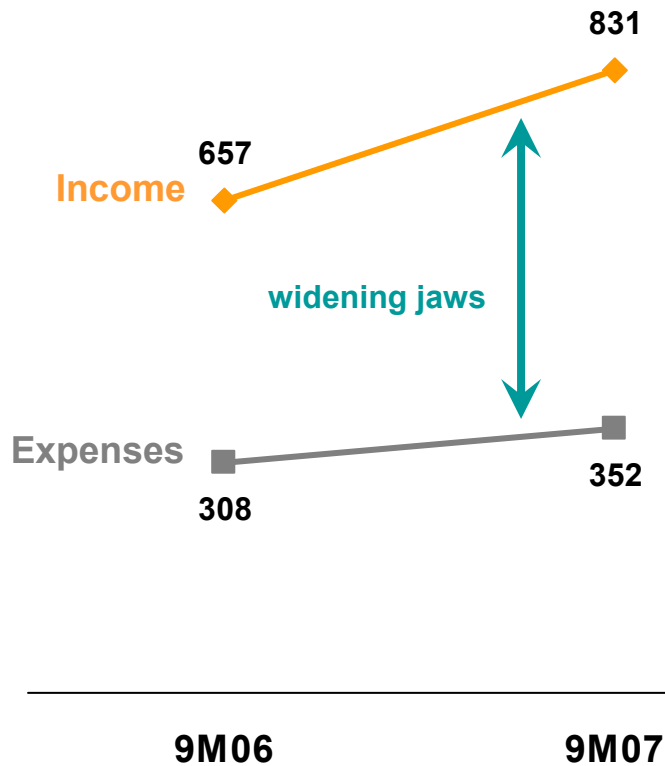


## Income from insurance business (€mm)

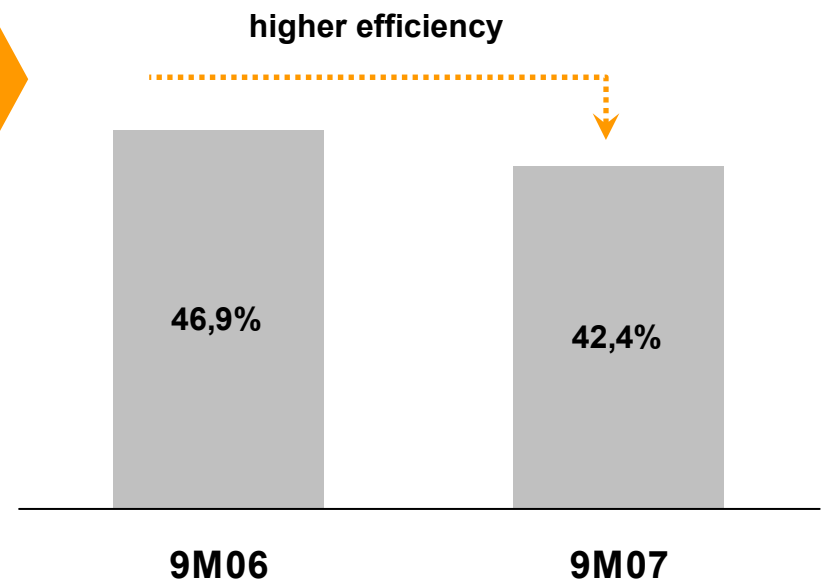


# Spectacular efficiency improvement...

Income vs. expense growth (€mm)



Cost to income ratio



# ... with parallel network expansion in New Countries and Greece

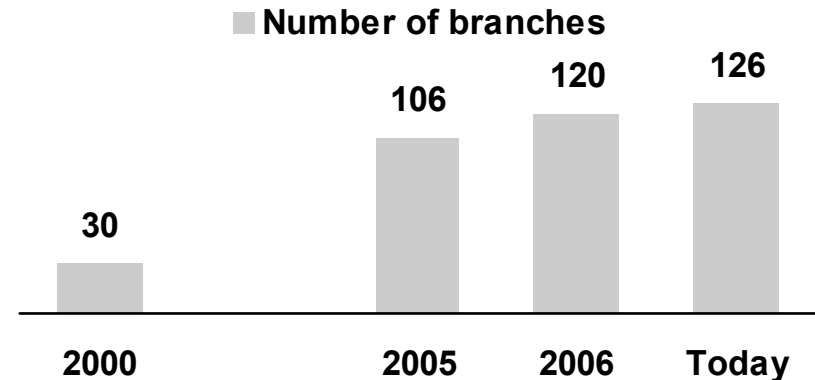
## Romania

- **€4mn total costs for 9M07**  
**Set-up costs of branches and leasing subsidiary**
  - Today operate 2 branches and 1 business centre in Bucharest
  - Before year-end open another branch/business centre in Bucharest
  - Constanza branch/business centre will commence operations in early 2008

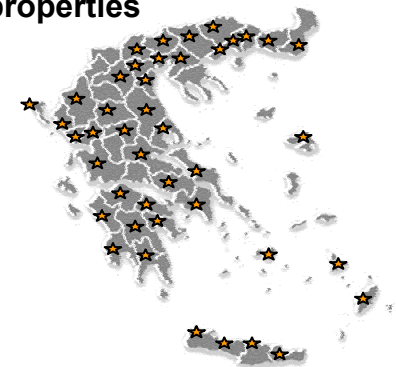
## Russia

- **€3mn total costs for 9M07**  
**Set-up costs of corporate branch in Moscow**
  - Final approval granted in June
  - Operations commenced in August

## Greece



- Opening of 6 new branches since 30 September 2006
- Another 9 branches in the pipeline to be opened by year-end
  - Renovation work has started on recently rented properties



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# Balance Sheet Review

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*Appendix 1: Detailed Financial Information*

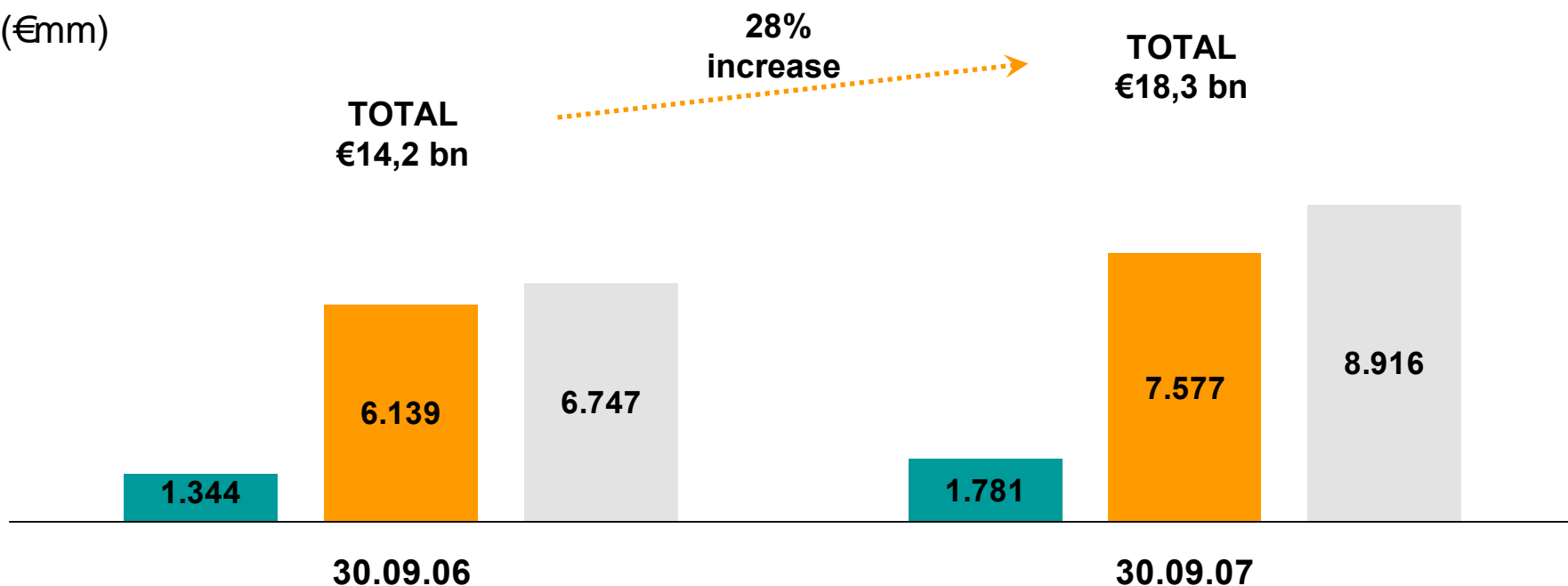
*Appendix 2: Financial Targets 2007-2009*

# Balance Sheet overview

€mm	30.09.2007	30.09.2006	% growth
Cash and balances with central banks	1.061	747	+42%
Placements with banks	5.550	4.642	+20%
Debt securities, T-bills, equity investments	4.243	3.956	+7%
Net loans to customers	17.418	13.444	+30%
Other assets	1.489	1.186	+25%
<b>Total assets</b>	<b>29.761</b>	<b>23.975</b>	<b>+24%</b>
Amounts due to banks	1.058	590	+79%
Customer deposits	23.482	19.499	+20%
Debt securities in issue	1.520	969	+57%
Other liabilities	1.180	871	+36%
Subordinated loan stock	559	547	+2%
Minority interest	40	0	-
<b>Shareholders' equity</b>	<b>1.922</b>	<b>1.499</b>	<b>+28%</b>

# Loans by geographic sector

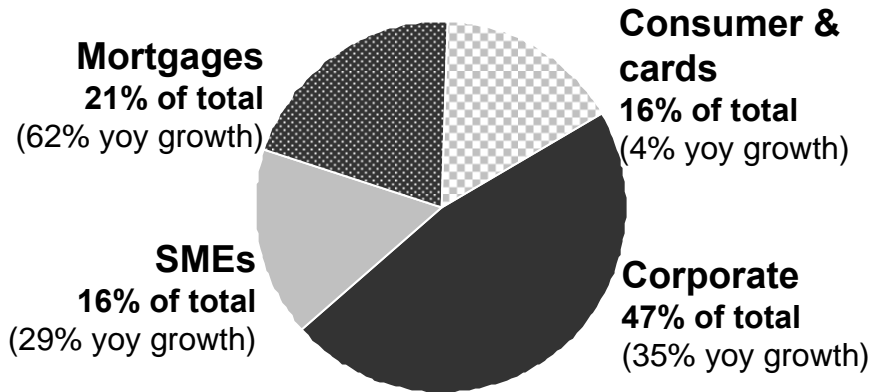
(€mm)



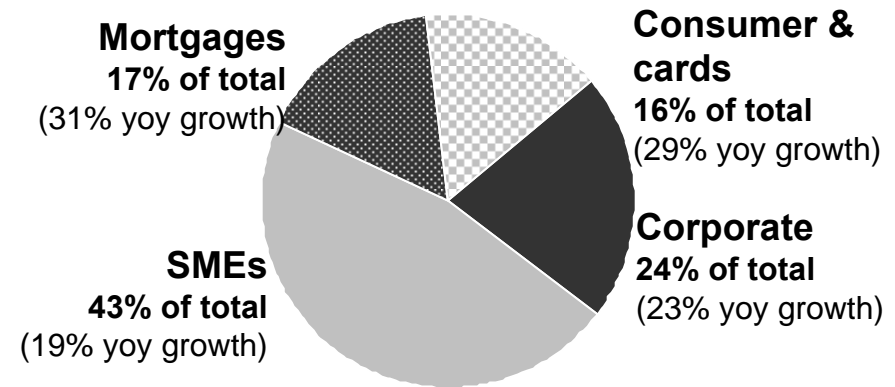
	Share in the Group total % 30.09.06	Share in the Group total % 30.09.07	Annual increase %	Market share
■ Cyprus	48%	49%	32%	28,3%
■ Greece	43%	42%	23%	3,7%
■ Other countries	9%	9%	32%	

# Well diversified loan portfolio

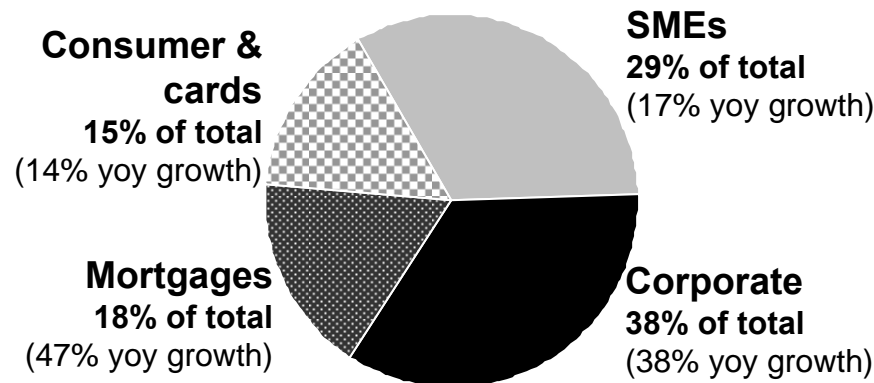
## Cyprus



## Greece



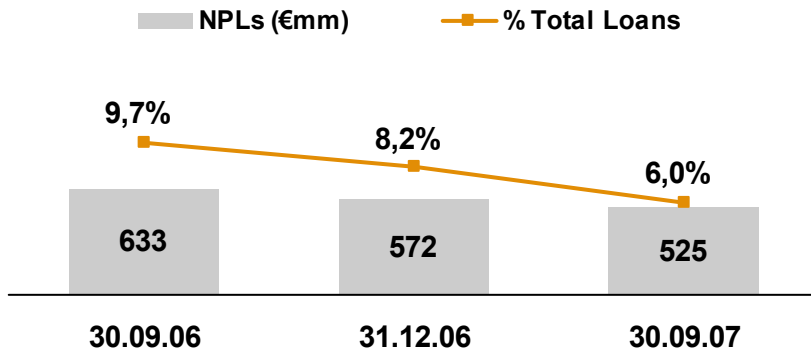
## Group



# Loan quality improved across the board

**Group NPL ratio improved to 4,3% (against 6,6% a year ago)**

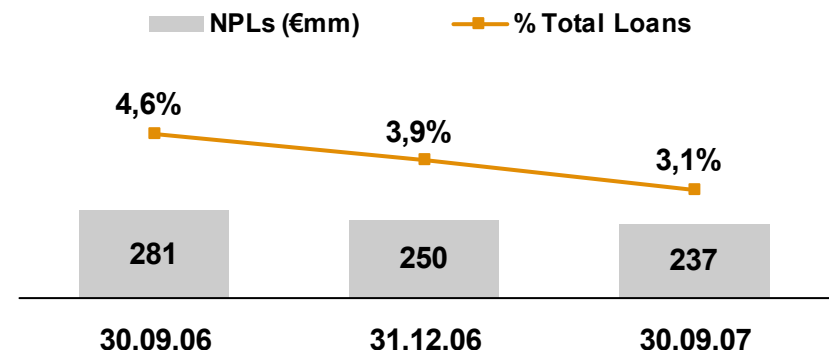
## Cyprus NPLs development



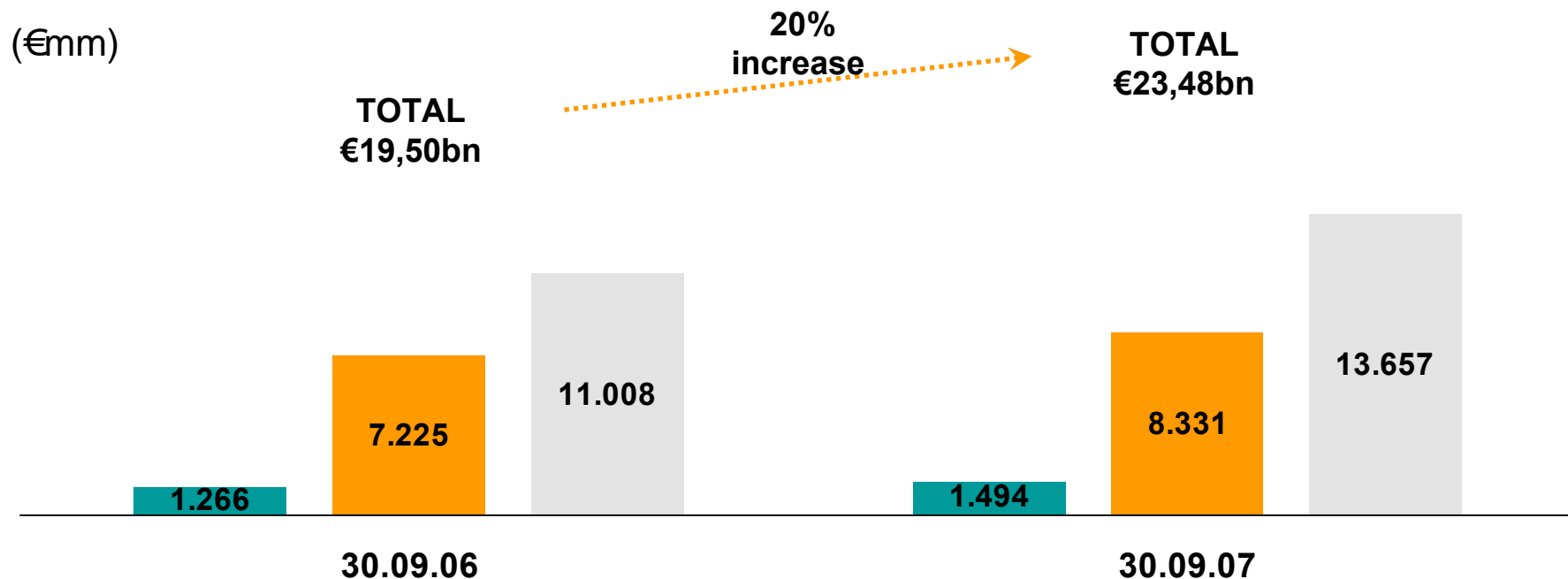
- **Best NPL ratio of all Cypriot banks**
- **High ratio by international standards**
  - **Prolonged period for recovery of collateral**

- **NPL ratio much better than average of banking system in Greece (5,1% at 30 June 2007)**
- **NPL improvement despite high growth rates**

## Greece NPLs development



# Deposits by geographic sector



	Share in the Group total %		Annual increase %	Market share
	30.09.06	30.09.07		
■ Cyprus	57%	58%	24%	30,9%
■ Greece	37%	36%	15%	3,6%
■ Other countries	6%	6%	18%	

# Capital adequacy overview per Basel II

(€mn)	30.06.07
<b>Tier I Capital *</b>	<b>1.583</b>
<b>Tier II Capital</b>	<b>522</b>
<b>Total Regulatory Capital</b>	<b>2.105</b>
<b>Tier I ratio</b>	<b>10,0%</b>
<b>Tier II ratio</b>	<b>3,3%</b>
<b>Total capital ratio</b>	<b>13,3%</b>

\* includes an amount of €161mn of Hybrid Tier 1 Capital

# Our strategy continues to create added value to our shareholders

## Financial targets 07-09

	Targets 07-09	9M07	FY06
Profit after tax growth	>25%	66%	153%
ROE	>25%	28,4%	21,7%
Cost to income ratio	40%	42,4%	46,7%
NPLs/Total loans	<4%	4,3%	5,6%
NPL provision coverage	80%	78%	66%
70% of loans outside Cyprus in 2011			

## New markets

- Expansion in large countries with existing client relationships and brand recognition
- Ongoing branch roll-out in Romania
- Branch in Moscow leveraging on existing client relationships

## Greece

- 190 branches by 2009
- Cross-selling and improved pricing to maturing 845.000 client relationships

## Cyprus

- Leading brand and distribution network registering systemic market share gains
- Leading offshore banking services provider to Eastern European corporates



# Contacts

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## Website

[www.bankofcyprus.com](http://www.bankofcyprus.com)

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***Appendix 2: Financial Targets 2007-2009***

# Cyprus operations delivered strong financial performance

(€mm)	9M07	9M06	% growth	FY06
Net interest income	320	244	+31%	341
Fees and commissions	99	88	+13%	121
Income from insurance operations	34	30	+12%	40
Net gains on sale and change in fair value of financial instruments	34	21	+62%	30
Foreign exchange and other income	53	32	+71%	46
<b>Total income</b>	<b>540</b>	<b>415</b>	<b>+30%</b>	<b>578</b>
Staff costs	(132)	(128)	+3%	(176)
Other operating expenses	(64)	(58)	+10%	(80)
<b>Total expenses</b>	<b>(196)</b>	<b>(186)</b>	<b>+5%</b>	<b>(256)</b>
Provision for bad debts	(16)	(36)	-56%	(44)
Profit from associate	10	0		
Profit before tax	338	193	+75%	278
Tax	(39)	(22)	+79%	(36)
Minority interest	(6)	0		
<b>Profit after tax</b>	<b>293</b>	<b>171</b>	<b>+71%</b>	<b>242</b>
<b>Net Interest Margin</b>	<b>2,57%</b>	<b>2,32%</b>	<b>+25 b.p.</b>	<b>2,38%</b>
<b>Return on Equity</b>	<b>47,4%</b>	<b>33,4%</b>	<b>+14 p.p.</b>	<b>35,5%</b>
<b>Cost/Income</b>	<b>36,2%</b>	<b>44,8%</b>	<b>-8,6 p.p.</b>	<b>44,3%</b>

# Greek operations experienced improved profitability

(€mm)	9M07	9M06	% growth	FY06
Net interest income	206	172	+20%	238
Fees and commissions	36	30	+22%	42
Income from insurance operations	6	4	+80%	5
Net gains/(losses) on sale and change in fair value of financial instruments	(1)	1	-196%	2
Foreign exchange and other income	4	3	+2%	4
<b>Total income</b>	<b>251</b>	<b>210</b>	<b>+20%</b>	<b>291</b>
Staff costs	(66)	(53)	+23%	(72)
Other operating expenses	(60)	(48)	+27%	(66)
<b>Total expenses</b>	<b>(126)</b>	<b>(101)</b>	<b>+25%</b>	<b>(138)</b>
Provision for bad debts	(35)	(48)	-27%	(58)
Profit before tax	90	61	+48%	95
Tax	(20)	(17)	+16%	(31)
<b>Profit after tax</b>	<b>70</b>	<b>44</b>	<b>+60%</b>	<b>64</b>
<b>Net Interest Margin</b>	<b>2,94%</b>	<b>3,12%</b>	<b>-18 b.p.</b>	<b>3,14%</b>
<b>Return on Equity</b>	<b>17,2%</b>	<b>13,3%</b>	<b>+3,9 p.p.</b>	<b>14,0%</b>
<b>Cost/Income</b>	<b>50,1%</b>	<b>48,1%</b>	<b>+2,0 p.p.</b>	<b>47,7%</b>

# Operations in other countries

(€mm)	9M07	9M06	% growth	FY06
Net interest income	31	25	+24%	35
Fees and commissions	9	7	+23%	10
Net gains/(losses) on sale and change in fair value of financial instruments	1	(1)		(7)
Foreign exchange and other income	0	1		1
<b>Total income</b>	<b>41</b>	<b>32</b>	<b>+25%</b>	<b>39</b>
Staff costs	(17)	(13)	+24%	(18)
Other operating expenses	(14)	(8)	+68%	(11)
<b>Total expenses</b>	<b>(31)</b>	<b>(21)</b>	<b>+27%</b>	<b>(29)</b>
Provision for bad debts	0	(1)	-91%	2
Profit before tax	10	10	+1%	12
Tax	(3)	(2)	+48%	(4)
<b>Profit after tax</b>	<b>7</b>	<b>8</b>	<b>-10%</b>	<b>8</b>
<hr/>				
Net Interest Margin	1,89%	1,94%	-5 b.p.	1,97%
Return on Equity	8,0%	11,3%	-3,3 p.p.	8,6%
Cost/Income	68,8%	67,5%	+1,3 p.p.	74,7%

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***Appendix 1: Detailed Financial Information***

***Appendix 2: Financial Targets 2007-2009***

# ***Appendix 2: Financial Targets 2007-2009 as announced in February 2007***

# Key strategic directions 2007-2009

## Cyprus

### Domestic banking

- Benefit from strong economic growth and European Monetary Union entry
- Market share gains in targeted product areas
- Further efficiencies realisation

### International banking

- Deepening product set
- Benefit from fast expanding market

## Greece

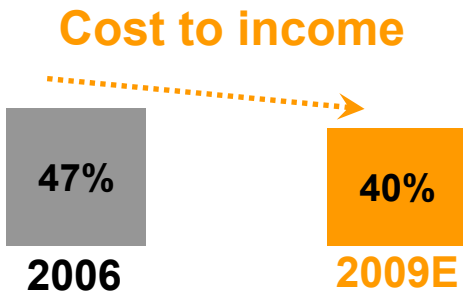
- Further increase of network to 190 branches by 2009 to enhance penetration
- Improved revenue generation through maturing of client relationships
- Enhanced cross-selling

## New markets

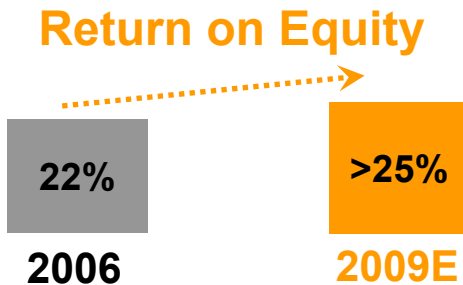
- Market with:
  - Solid macroeconomic fundamentals
  - Positive banking sector prospects
  - Large population
  - Brand recognition of Bank of Cyprus
- Accelerated market entry may also be supported by acquisitions (if they add value)
- Aim to repeat Greek success story

# Financial targets 2007-2009

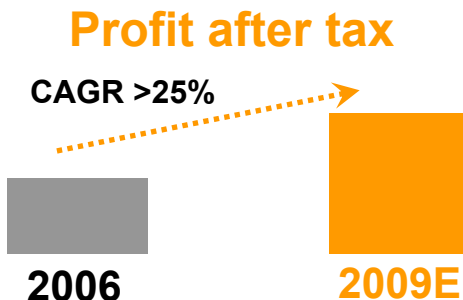
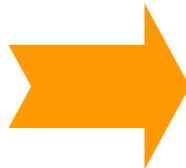
- Widen “jaws”



- Improve profitability

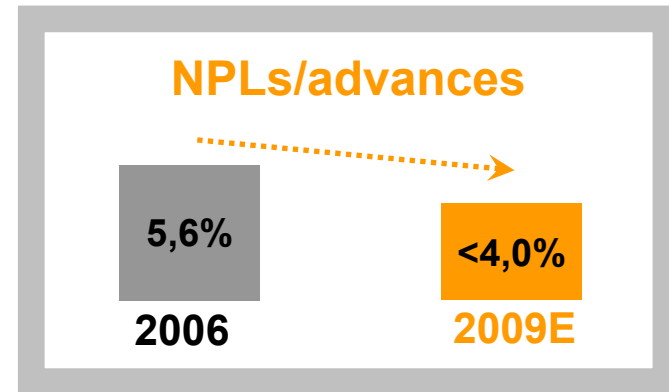
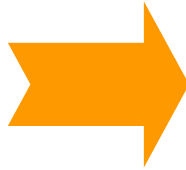


- Increase shareholder value

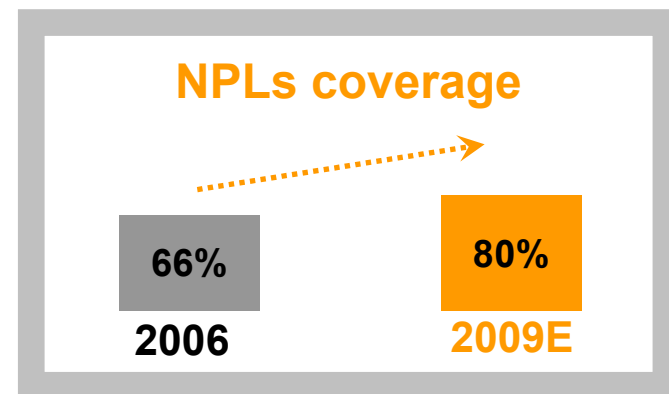


# Financial targets 2007-2009 for loan quality

- Quality lending
- Efficient monitoring of advances

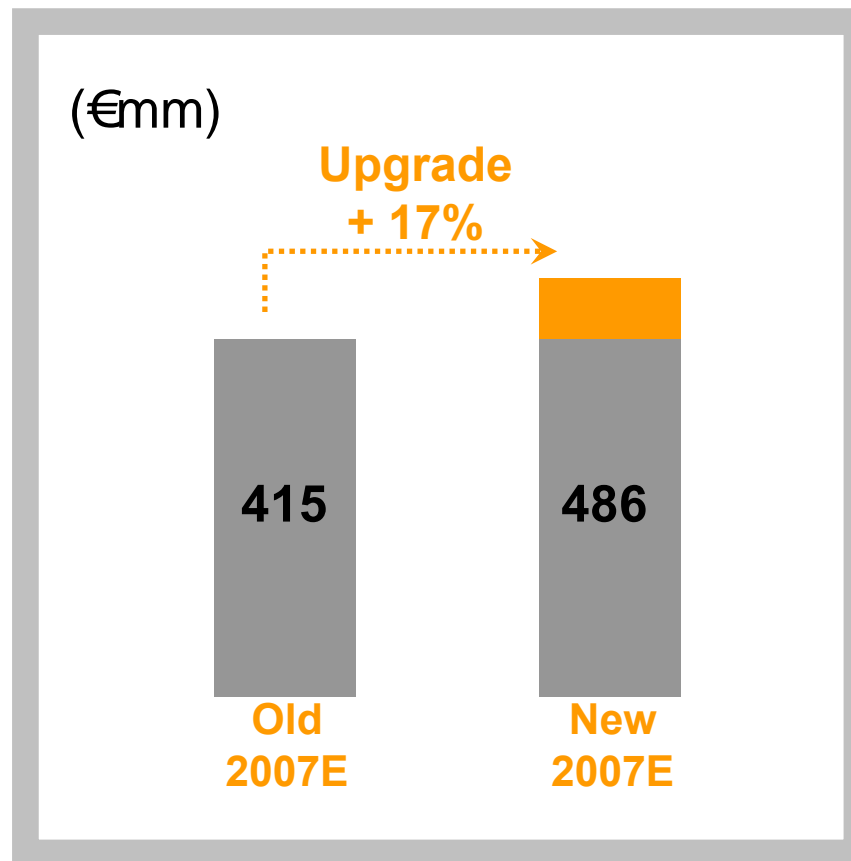


- Increased provision coverage



# Upgrade of 2007 profit target

**2007 profit target  
increased by 17%**



# Main assumptions of 2007-2009 financial plan

	2007-2009 CAGR	
<b>Growth</b>		<b>Increase the loans to deposits ratio by 12 percentage points</b>
• Loans	21%	<b>No issue of new shares</b>
• Deposits	15%	
• Risk weighted assets	21%	<b>Increase in net interest margin</b>
		• Greece through increase in deposit spread
<b>Income</b>		• Entry into new higher margin geographies
• Net interest income	18%	
• Total income	16%	
<b>Expenses</b>		
• Total expenses	9%	

# Expansion into markets other than Cyprus and Greece: Group loan portfolio in 2011

