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Annual Financial Report

BANK OF CYPRUS PUBLIC COMPANY LTD

BOCY

Audited Group Financial Results for the year ended 31 December 2015 (en)

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Attachments:

1. **Announcement**
2. **Presentation**

Regulated

Publication Date: 31/03/2016

Bank of Cyprus

Announcement

Audited Group Financial Results for the year ended 31 December 2015

Nicosia, 31 March 2016

Key Highlights

- **Good progress in tackling delinquent loans; During FY2015, 90+ DPD were reduced by €1,3 bn or 10% due to restructuring activity and deleveraging**
- **90+ DPD provision coverage boosted by 7 percentage points in 4Q2015 to 48% as at 31 December 2015, due to elevated provision charges following assumption changes in the Bank's provisioning methodology, taking into account the on-going dialogue with the ECB in the context of SREP**
- **Strong capital position with a CET 1 ratio (transitional basis) of 14,0% at 31 December 2015, well above the minimum regulatory requirement of 11,75%**
- **Customer deposits (adjusting for the disposal of the Russian operations) increased by €1,6 bn or 12% during FY2015**
- **Improving funding structure with the Loans to Deposits ratio (L/D) declining by 11 percentage points in 4Q2015 to 121% as at 31 December 2015**
- **ELA has been reduced by €1,6 bn post 30 September 2015 to a current level of €3,3 bn**
- **Profit before provisions of €624 mn for FY2015**
- **Provisions for impairment of customer loans of €630 mn for 4Q2015, with a full year charge of €959 mn**
- **Loss after tax from continuing operations and Loss after tax for FY2015 of €394 mn and €438 mn, respectively**

Group Profile

Founded in 1899, Bank of Cyprus Group is the leading banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group operates through a total of 135 branches, of which 129 operate in Cyprus, 1 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4.605 staff worldwide. At 31 December 2015, the Group's Total Assets amounted to €23,3 bn and Total Equity was €3,1 bn.

A. Summary of Audited Financial Results for the year ended 31 December 2015

Balance Sheet Highlights

- The **Common Equity Tier 1 capital (CET1) ratio (transitional basis)** totalled 14,0% at 31 December 2015, compared to 15,6% at 30 September 2015. The reduction in the CET1 ratio reflects the losses incurred during 4Q2015 due to the elevated provisions for impairment of customer loans following assumption changes in the Bank's provisioning methodology in relation to the on-going regulatory dialogue with the ECB regarding the SREP[1].
- The Bank's **funding structure is improving**, with customer deposits increasing by €572 mn or 4% in 4Q2015. The L/D ratio improved to 121% at 31 December 2015, compared to 132% at 30 September 2015, and customer deposits increased to 61% of total assets at 31 December 2015, compared to 56% at 30 September 2015.
- During 4Q2015, **Emergency Liquidity Assistance (ELA)** was reduced by €1,1 bn to €3,8 bn at 31 December 2015. Post quarter-end, ELA was reduced further by €500 mn to a current level of €3,3 bn.
- **Loans in arrears for more than 90 days (90+ DPD)**[2] were reduced by €668 mn or 6% during 4Q2015 and totalled €11.329 mn at 31 December 2015, accounting for 50% of gross loans[3] (90+ DPD ratio). The 90+ DPD provisioning coverage ratio improved to 48%[4] at 31 December 2015, up from 41% at 30 September 2015.

Income Statement Highlights[5]

- **Net interest income (NII)** for FY2015 totalled €842 mn and **net interest margin (NIM)** was 3,79%. NII for 4Q2015 was €198 mn, compared to €205 mn for 3Q2015, with the reduction reflecting a lower yield on loans partly due to loans restructuring and deleveraging actions. The NIM for 4Q2015 was 3,69%, compared to 3,70% for 3Q2015[6].
- **Non-interest income** for FY2015 was €198 mn, with recurring income comprising net fee and commission income of €154 mn and net insurance income of €48 mn. Non-interest income for 4Q2015 was €55 mn (compared to €46 mn for 3Q2015), with net fee and commission income and net insurance income totalling €38 mn and €16 mn, respectively.
- **Total income** for FY2015 was €1.040 mn. Total income for 4Q2015 was €253 mn, compared to €251 mn for 3Q2015.
- **Total expenses** for FY2015 were €416 mn, and the cost to income ratio was 40%. Total expenses for 4Q2015 were €119 mn, compared to €102 mn for 3Q2015, with the increase primarily relating to higher non-recurring advisory and professional expenses and increased provisions for litigations and legal settlements.
- **Profit before provisions and impairments[7], restructuring costs and discontinued operations** for FY2015 was €624 mn. Profit before provisions and impairments, restructuring costs and discontinued operations for 4Q2015 was €134 mn, compared to €149 mn for 3Q2015.
- **Provisions for impairment of customer loans (continuing operations) net of gains on derecognition and changes in expected cash flows on acquired loans** for FY2015 totalled €959 mn[8]. Provisions for impairment of customer loans (continuing operations) net of gains on derecognition and changes in

[1] Supervisory Review Evaluation Process.
[2] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days.
[3] Gross loans are reported before the 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 €1.207 mn at 31 December 2015 (compared to €1.266 mn at 30 September 2015).
[4] Provisioning coverage ratio for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off-balance sheet exposures, over 90+ DPD.
[5] As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of has ceased to be classified as held for sale and its results are presented as part of the continuing operations. In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement. The presentation of "Gains on derecognition and changes in expected cash flows on acquired loans" has been changed in order to present this adjoining to the "Provisions for impairment of customer loans" in the consolidated income statement. The Group considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related. This change in presentation did not have an impact on the results for the period.
[6] Excluding the interest income from the Laiki Recapitalisation bond, the NIM for 4Q2015 and for FY2015 were 3,55% and 3,51%, respectively.
[7] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains on derecognition and changes in expected cash flows on acquired loans.
[8] Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans were €1.002 mn for FY2015 and €630 mn for 4Q2015, when including provisions for impairments of discontinued operations.

expected cash flows on acquired loans for 4Q2015 were €630 mn, compared to €96 mn for 3Q2015. The elevated provisioning charge for 4Q2015 resulted from the changes in the assumptions in the Bank's provisioning methodology, in relation to the on-going regulatory dialogue with the ECB regarding the SREP. The provisioning charge for FY2015 accounted for 4,3%[9] of gross loans, compared to an annualised provisioning charge 2,1% for 9M2015.

- **Impairments of other financial and non-financial assets** for FY2015 totalled €62 mn and primarily relate to impairments of overseas non-core assets as part of the Bank's de-risking efforts and to a change in measurement basis of real estate assets acquired from customers.
- **Loss after tax for continuing operations**[10] for FY2015 totalled €394 mn. Loss after tax for continuing operations for 4Q2015 totalled €509 mn, compared to a profit of €45 mn for 3Q2015.
- **Restructuring costs** for FY2015 totalled €43 mn, comprising consultancy and professional expenses.
- **Loss from disposal groups held for sale/discontinued operations** for FY2015 was €38 mn and mainly relates to the disposal of the majority of the Russian operations.
- **Net profit on disposal of non-core assets** for FY2015 was €37 mn. Net profit on disposal of non-core assets relates to deleverage actions undertaken during the year including the repayment of a bond by the Republic of Cyprus in June 2015 and December 2015.
- **Loss after tax attributable to the owners of the Bank** for FY2015 was €438 mn. Loss after tax attributable to the owners of the Bank for 4Q2015 was €512 mn, compared to a profit of €13 mn for 3Q2015.

B. Analysis of Audited Financial Results for the year ended 31 December 2015

B.1 Balance Sheet Analysis

B.1.1 Capital Base

Shareholders' equity totalled €3.055 mn at 31 December 2015. The **CET1 ratio (transitional basis)** totalled 14,0% at 31 December 2015, compared to 15,6% at 30 September 2015 and 14,0% at 31 December 2014. Adjusting for Deferred Tax Assets[11], the **CET1 ratio on a fully-loaded basis** totalled 13,1% at 31 December 2015.

The Bank's CET1 ratio remains higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement.

Following the on-going regulatory dialogue with the ECB regarding the SREP, the Bank decided to reassess its provisioning assumptions, estimates and methodologies, within the parameters of International Financial Reporting Standards (IFRS). Consequently, the Bank proceeded with certain amendments to the assumptions in its provisioning methodologies. These changes relate to extending significantly the recovery periods and applying additional realisation discounts on the most stressed non performing portfolios, with both changes being a function of the Bank's strategy for recovering delinquent exposures. In changing its provisioning assumptions, the Bank has considered its strategy for managing problem loans, as well as other available evidence, reflecting an increased level of conservatism within an acceptable range. This resulted in an elevated provisioning charge for 4Q2015, with the full-year charge totalling €959 mn. The Bank considers that the assumption amendments significantly bridged the regulatory dialogue with the ECB and boosted the Bank's 90+ DPD provisioning coverage to 48% at 31 December 2015.

B.1.2 Customer Deposits and Loans

Group customer deposits totalled €14.181 mn at 31 December 2015, compared to €13.608 mn at 30 September 2015 and €13.169 mn at 31 December 2014. Adjusting for the disposal of the Russian operations,

[9] The provisioning charge ratio is calculated as the provisions for impairment of customer loans, including provisions of discontinued operations (totalling €1.307 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €305 mn) over average gross loans (as defined in Note 3).
[10] Defined as Profit after tax excluding restructuring costs, discontinued operations and net profit on disposal of non-core assets.
[11] The DTA adjustments relate to Deferred Tax Assets totalling €457 mn and recognised on tax losses totalling €3,6 bn and can be set off against future profits of the Bank for a period of 15 years at a tax rate of 12,5%. Furthermore, there are tax losses of approximately €8,5 bn for which no deferred tax asset has been recognised. Recognition of deferred tax asset is supported by management's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.

Group customer deposits increased by €1.557 mn or 12% during FY2015. Customer deposits in Cyprus increased by €533 mn in 4Q2015 and stood at €12.691 mn at 31 December 2015, accounting for 89% of Group customer deposits. The Bank's deposit market share[12] in Cyprus reached 27,9% at 29 February 2016, compared to a low of 24,6% at 30 November 2014.

Customer deposits are the Group's primary source of funding, with their contribution towards the Group's overall funding gradually increasing. Customer deposits accounted for 61% of total assets at 31 December 2015, compared to 56% at 30 September 2015 and a low of 48% at 31 March 2014. The L/D ratio improved to 121% at 31 December 2015, compared to 132% at 30 September 2015 and a high of 151% at 31 March 2014.

Group gross loans[13] totalled €22.592 mn at 31 December 2015, compared to €22.863 mn at 30 September 2015 and €23.772 mn at 31 December 2014. Gross loans in Cyprus totalled €20.661 mn at 31 December 2015, and accounted for 91% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a 40,1% loan market share at 29 February 2016, compared to 39,3% at 30 September 2015. Loans in the UK operations (€1.207 mn) accounted for 5% of total loans.

B.1.3 Eurosystem Funding

At 31 December 2015, the Bank's Eurosystem funding totalled €4,5 bn, comprising ELA of €3,8 bn and European Central Bank (ECB) funding of €650 mn. In October 2015, the restructuring of retained mortgage covered bonds resulted in a rating upgrade to Baa3 from B1. Following the upgrade to an investment grade rating, the covered bonds have become eligible collateral for the Eurosystem credit operations and, therefore, have been placed as collateral for accessing funding from the ECB. Through this transaction, the Bank has raised €550 mn of ECB funding for the repayment of ELA. During 4Q2015 the Republic of Cyprus repaid a bond[14] held by the Bank of an amount of €340 mn. Through the covered bond transaction, the bond repayment and the deposit inflows experienced during 4Q2015 and early 2016, about €1,6 bn of ELA was repaid post 30 September 2015, reducing ELA to a current level of €3,3 bn. In total, ELA has been reduced by €8,1 bn or 71% since its peak of €11,4 bn in April 2013.

B.1.4 Loan portfolio quality

Addressing the Group's asset quality remains the Group's key priority. The adoption of the foreclosure legislation and insolvency framework for the effective management of problem loans, the intensive restructuring and workout activity by the Bank's Restructuring and Recoveries Division (RRD), the Bank's more effective interaction with borrowers and the improving fundamentals of the Cypriot economy, are playing a significant role in helping the Bank to arrest and reverse the trend in problem loans.

Loans in arrears for more than 90 days (90+ DPD)[15] were reduced by €668 mn during 4Q2015 (6% reduction qoq), €647 mn of which relates to the Cyprus operations. 90+ DPD stood at €11.329 mn at 31 December 2015, accounting for 50% of gross loans (90+ DPD ratio), compared to €11.998 mn a quarter earlier. The provisioning coverage ratio of 90+ DPD[16] improved to 48% at 31 December 2015, compared to 41% at 30 September 2015. 90+ DPD are fully covered, when taking into account tangible collateral at fair value. The provisioning coverage ratio of 90+ DPD, calculated in line with local peers, with reference to the contractual balances of the customer, totalled 58%[17] at 31 December 2015, compared to 52% at 30 September 2015.

	31.12.2015		30.09.2015	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
90+ DPD	**11.329**	**50,1%**	**11.998**	**52,5%**
Of which:				
impaired with no arrears	875	3,9%	848	3,7%
impaired with arrears less than 90 days	103	0,5%	126	0,6%

[12] Based on data from the Central Bank of Cyprus.
[13] See Note 3.
[14] The bond was issued on 1 July 2015 to replace the outstanding amount of the recapitalisation bond of Laiki Bank that was transferred to the Bank in March 2013, following the acquisition of certain assets and liabilities of Laiki Bank.
[15] See Note 2.
[16] See Note 4.
[17] This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognised interest income due on contractual balances.

Non-performing exposures[18] **(NPEs) as defined by the European Banking Authority (EBA)** declined by €257 mn or 2% during 4Q2015 to €13.968 mn at 31 December 2015 and accounted for 62% of gross loans. €235 mn of the reduction relates to Cyprus operations. The provisioning coverage ratio of NPEs improved to 39% at 31 December 2015, up from 35% at 30 September 2015. The provisioning coverage ratio of NPEs, calculated in line with local peers, with reference to the contractual balances of the customer, totalled 49%[19] at 31 December 2015, compared to 44% at 30 September 2015.

	31.12.2015		30.09.2015	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	**13.968**	**61,8%**	**14.225**	**62,2%**
Of which:				
NPEs with forbearance measures, no impairments and no arrears	1.862	8,2%	1.462	6,4%
NPEs with forbearance measures, no impairments and arrears <90 days	551	2,4%	537	2,3%

B.1.5 Update on non-core exposures

As part of its **deleveraging strategy**, and through specific, deliberate and well-timed actions, the Bank has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position. During 2015 the Bank has completed the disposals of all banking subsidiaries identified for sale.

The remaining non-core overseas exposures at 31 December 2015 are as follows:

- Greece: The net exposure comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €22 mn (compared to €49 mn at 30 September 2015), (b) 641 foreclosed properties with a book value of €173 mn (compared to 637 foreclosed properties with a book value of €192 mn at 30 September 2015), (c) off-balance sheet exposures totalling €131 mn (compared to €132 mn at 30 September 2015) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €81 mn (compared to €71 mn at 30 September 2015) and lending exposures in Cyprus with collaterals in Greece totalling €70 mn (compared to €68 mn at 30 September 2015).
- Romania: The overall net exposure is €312 mn (compared to €354 mn at 30 September 2015).
- Russia: The remaining net exposure (on and off balance sheet) in Russia is €114 mn, (compared to €120 mn at 30 September 2015), and is expected to be reduced over time.

B.2 Income Statement[20] Analysis

The Group's net interest income (NII) and net interest margin (NIM) for FY2015 amounted to €842 mn and 3,79% respectively. NII for 4Q2015 was €198 mn, down 4% compared to €205 mn for 3Q2015. The decrease reflects a lower yield on restructured loans partly due to the restructurings made during the 4Q2015 and deleveraging actions.

Non-interest income for FY2015 was €198 mn, with recurring income comprising net fee and commission income of €154 mn and net insurance income of €48 mn. Non-interest income for 4Q2015 was €55 mn (compared to €46 mn for 3Q2015), with recurring income comprising net fee and commission income of €38 mn and net insurance income of €16 mn. The remaining component of non-interest income (comprising net foreign exchange gains/(losses), net gains/(losses) on other financial instruments, (losses)/gains from revaluation and disposal of investment properties and other income) for 4Q2015 was €1 mn, compared to a net loss of €2 mn for 3Q2015. **Total income** for FY2015 was €1.040 mn. Total income for 4Q2015 was €253 mn, compared to €251 mn for 3Q2015.

Total expenses for FY2015 were €416 mn, of which 56% related to staff costs (€234 mn) and 44% to other operating expenses (€182 mn). The cost to income ratio for FY2015 was 40%. Total expenses for 4Q2015

[18] 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, or (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.
[19] See Note 16.
[20] See Note 6.

were €119 mn, compared to €102 mn for 3Q2015, with the increase primarily relating to higher non-recurring advisory and professional expenses and increased provisions for litigations and legal settlements during 4Q2015. The cost to income ratio for 4Q2015 was 47%, compared to 41% for 3Q2015, with the increase in the ratio reflecting primarily a 17% increase in total expenses.

Provisions for impairment of customer loans (continuing operations) net of gains on derecognition and changes in expected cash flows on acquired loans for FY2015 totalled €959 mn[21]. Provisions for impairment of customer loans (continuing operations) net of gains on derecognition and changes in expected cash flows on acquired loans for 4Q2015 were €630 mn, compared to €96 mn for 3Q2015. The increase in provisioning levels reflects the assumption changes in the Bank's provisioning methodology taking into account the continuing regulatory dialogue with the ECB. The provisioning charge for FY2015 accounted for 4,3%[22] of gross loans, compared to an annualised provisioning charge 2,1% for 9M2015. At 31 December 2015, accumulated provisions, including fair value adjustment on initial recognition[23], reached €5.445 mn (compared to €4.933 mn at 30 September 2015 and to €5.140 mn at 31 December 2014) and accounted for 24,1% of gross loans (compared to 21,6% at 30 September 2015 and 21,6% at 31 December 2014).

Impairments of other financial and non-financial assets for FY2015 totalled €62 mn and primarily relate to further impairments of overseas non-core assets as part of the Bank's de-risking efforts and a change in measurement basis of real estate assets acquired from customers. Impairments of other non-financial assets for FY2015 amounted to €18 mn and primarily relate to impairment losses on real estate assets acquired from customers as part of the Group's efforts to provide solutions to distressed borrowers. These losses arose from the fact that as from 4Q2015, the Group has set up a Real Estate Management Unit (REMU) to manage these assets with an intention to sell them and this has led to a change in the measurement basis of these properties from fair value to the lower of cost and net realisable value.

Loss after tax for continuing operations for FY2015 totalled €394 mn. Loss after tax for continuing operations for 4Q2015 totalled €509 mn, compared to a profit of €45 mn for 3Q2015.

Restructuring costs for FY2015 totalled €43 mn, due to higher legal and other advisors' provisions relating to restructuring of loans. **Loss from disposal groups held for sale/discontinued operations** for FY2015 was €38 mn and mainly relates to the disposal of the majority of the Russian operations. **Net profit on disposal of non-core assets** for FY2015 was €37 mn. Net profit on disposal of non-core assets relates to deleverage actions undertaken during the year including the repayment of a bond by the Republic of Cyprus in June 2015 and December 2015.

Loss after tax attributable to the owners of the Bank for FY2015 was €438 mn. Loss after tax attributable to the owners of the Bank for 4Q2015 was €512 mn, compared to a profit of €13 mn for 3Q2015.

[21] See Note 8.
[22] See Note 9.
[23] Including the fair value adjustment on initial recognition (difference between the outstanding contractual amount and the fair value of loans acquired from Laiki Bank) and provisions for off balance sheet exposures.

C. Outlook

The Group continues to focus on implementing its strategic objectives aiming to become **a stronger, safer and more focused institution capable of supporting the recovery of the Cypriot economy** and to deliver appropriate shareholder returns in the medium term.

The key objectives of the Bank's strategy are to:

- **Materially reduce** the level of delinquent loans.
- **Normalise the funding structure and fully repay the ELA**.
- Focus on the **core Cyprus market** by providing credit to promising sectors and exit non-core markets.
- **Achieve a lean operating model.**
- **Maintain an appropriate capital position** by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- **Deliver value** to shareholders and other stakeholders.

With the Cypriot operations accounting for 91% and 89% of gross loans and customer deposits respectively, the **Bank's financial performance is highly correlated to the economic and operating conditions in Cyprus** and will consequently benefit from the country's recovery. According to the Statistical Service of the Republic of Cyprus, real GDP increased by 2,7% yoy in the fourth quarter of 2015 (when seasonally adjusted), bringing the yearly growth to 1,6%. In 2015 the Republic of Cyprus tapped international capital markets twice raising a total of €2 billion of funding and has exited the economic adjustment programme at the end of March 2016. The outlook for 2016 remains positive as confidence strengthens and sentiment improves. Downside risks to growth projections relate to the high level of non-performing loans, more delays in the implementation of structural reforms and a worsening of the external environment.

Tackling the Bank's loan portfolio quality is of utmost importance and a top priority for management. The Bank's Restructuring and Recoveries Division (RRD) is making positive progress in arresting and reversing the trend in problems loans. This is evidenced by the reduction in the 90+ DPD during the last couple of quarters and the completion of the restructuring of a number of large lending exposures. The Bank is intensifying its restructuring and workout activities of delinquent borrowers, increasing the pace of restructurings and focusing on more complex and older cases. The Bank has also set up a **Real Estate Management Unit (REMU)** in order to take control and ownership of real estate in settlement of certain customer obligations. The main objectives of the REMU are to provide solutions for distressed borrowers, to accelerate the recovery process for both the Bank and the local real estate market, to strengthen the Bank's balance sheet and to monetise such assets, as appropriate. The establishment of REMU will help manage supply of property into a supply-rich property market.

In order to normalise its funding structure and to fully repay ELA, the Bank has stepped **up its marketing efforts to attract deposits**, leveraging on increasing customer confidence towards the Bank and improving macroeconomic conditions. The Bank's strong capital position and overall improvement in its financial position **enhance its funding options and will facilitate access to the debt capital markets to raise wholesale funding,** subject to market conditions and investor appetite.

Despite the events of March 2013 and the impact on its franchise, the Bank remains the leading financial institution in Cyprus. The significant improvements in its financial and operational position achieved during the last two years allow the Bank to **maintain its leading position in the Cypriot banking system and to be a key player in the recovery of the Cypriot economy**. The Bank's strengthened capital position and its improving liquidity underline its efforts to **provide credit to promising sectors of the domestic economy that will support and diversify further economic activity**. The Bank is focusing on diversifying its income streams by further developing its fee-generating activities, such as the international business services and wealth management. The Bank is the leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Bank's income streams. The Bank is also endeavouring to reduce its operating expenses and maintain a lean operating cost structure, through targeted non-personnel cost reductions and through a program of staff exits.

The Bank through deliberate and well time actions has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position. The Bank's remaining non-core exposures in Russia are expected to be eliminated over time. The Bank is also actively running down its loan and real estate portfolio in Romania and continues its efforts to dispose of its real estate assets in Greece.

The Bank's strong capital position has contributed to increased confidence of customers and other stakeholders in the Bank. This is evidenced by the customer deposit inflows experienced in the last few quarters and the Bank's increasing deposit market share. Going forward, the Bank will continue to **ensure that appropriate capital levels are maintained** taking into account its risk profile, the high level of problem loans, its reducing exposures to overseas non-core markets, as well as the economic and regulatory environment.

D. Key Performance Indicators – New Medium Term Targets

The below table shows the Group's performance vis-à-vis the 2017 targets and a new set of Medium Term Targets, including new targets relating to 90+ DPD ratio, ELA, Loans to Deposit ratio and Total Assets.

Group Key Performance Indicators		**Actual Dec-2014**	**Actual Dec-2015**	**Targets 2017**	**New Medium-Term Targets**
Asset Quality	90+ Days Past Due ratio	53%	50%		**<30%**
	90+ Days Past Due coverage	41%	48%	**40%-50%**	**>50%**
	Provisioning charge[24] (Cost of Risk)	3,6%	4,3%[25]	**<1,0%**	**<1,0%**
Funding	ELA % Assets; € bn	28% €7,4 bn	16% €3,8 bn		**Fully** **Repay**
	Net Loans % Deposits	141%	121%		**100%-120%**
Capital	CET 1 (transitional)	14,0%	14,0%	**>12%**	**>15%**
Efficiency	Net Interest margin	3,9%	3,8%	**~3,25%**	**~3,00%**
	Fee and Commission income / total income	13%	15%	**Increase**	**>20%**
	Cost to Income ratio	37%	40%	**40%-45%**	**40%-45%**
Balance Sheet	Total assets € bn	€26,8 bn	€23,3 bn		**>€25 bn**

[24] IFRS 9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose of the targets. Targets are set on the basis of the present regulatory environment.
[25] See Note 9.

E. Appendix

Consolidated Income Statement						
€ mn	**FY2015**	**FY2014** (represented)[26]	**yoy +%**	**4Q2015**	**3Q2015**	**qoq +%**
Net interest income	842	969	-13%	198	205	-4%
Net fee and commission income	154	152	1%	38	36	7%
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	31	1	-	13	7	76%
Insurance income net of insurance claims	48	46	5%	16	12	39%
Losses from revaluation and disposal of investment properties	(53)	(12)	342%	(17)	(13)	33%
Other income	18	12	46%	5	4	36%
Total income	**1.040**	**1.168**	**-11%**	**253**	**251**	**1%**
Staff costs	(234)	(234)	0%	(57)	(59)	-3%
Other operating expenses	(182)	(193)	-6%	(62)	(43)	42%
Total expenses	**(416)**	**(427)**	**-3%**	**(119)**	**(102)**	**16%**
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**624**	**741**	**-16%**	**134**	**149**	**-10%**
Provisions for impairment of customer loans net of gain on derecognition of loans and changes in expected cash flows on acquired loans	**(959)**	**(770)**	**25%**	**(630)**	**(96)**	**560%**
Impairments of other financial and non-financial assets	(62)	(90)	-31%	(24)	(6)	313%
Share of profit from associates and joint ventures	6	5	22%	2	1	-
(Loss)/profit before tax, restructuring costs and discontinued operations	**(391)**	**(114)**	**244%**	**(518)**	**48**	-
Tax	(9)	(11)	-15%	8	(8)	-
Loss attributable to non-controlling interests	6	19	-64%	1	5	-
(Loss)/profit after tax and before restructuring costs, discontinued operations and net profit/(loss) on disposal of non-core assets	**(394)**	**(106)**	**271%**	**(509)**	**45**	**-**
Restructuring costs	(43)	(36)	20%	(16)	(5)	205%
Loss from disposal groups held for sale/discontinued operations	(38)	(166)	-77%	(0)	(9)	-100%
Net profit/(loss) on disposal of non-core assets	37	47	-22%	13	(18)	-
(Loss)/profit after tax	**(438)**	**(261)**	**68%**	**(512)**	**13**	**-**

[26] See note 5.

Condensed Consolidated Balance Sheet			
€ mn	**31.12.2015**	**31.12.2014** (represented)[27]	**±%**
Cash and balances with Central Banks	1.423	1.139	25%
Loans and advances to banks	1.314	1.647	-20%
Debt securities, treasury bills and equity investments	1.009	2.541	-60%
Net loans and advances to customers	17.192	18.168	-5%
Other assets	2.284	2.378	-4%
Non-current assets and disposal groups classified as held for sale	49	916	-95%
Total assets	**23.271**	**26.789**	**-13%**
Deposits by banks	242	162	49%
Funding from central banks	4.453	8.284	-46%
Repurchase agreements	368	580	-36%
Customer deposits	14.181	12.624	12%
Debt securities in issue	1	1	2%
Other liabilities	948	1.046	-9%
Non-current liabilities and disposal groups classified as held for sale	0	611	-100%
Total liabilities	**20.193**	**23.308**	**-13%**
Share capital	892	892	0%
Capital reduction reserve and share premium	2.505	2.505	0%
Revaluation and other reserves	259	147	76%
Accumulated losses	(601)	(79)	661%
Shareholders' equity	**3.055**	**3.465**	**-12%**
Non-controlling interests	23	16	44%
Total equity	**3.078**	**3.481**	**-12%**
Total liabilities and equity	**23.271**	**26.789**	**-13%**

[27] See note 5.

Key Balance Sheet figures and ratios			
	31.12.2015	31.12.2014	±%
Gross loans (€ mn)	22.592	23.772	-5%
Customer deposits (€ mn)	14.181	13.169	+8%
Loans to deposits ratio (net)	121%	141%	-20 p.p.*
90+ DPD ratio	50%	53%	-3 p.p *
90+ DPD provisioning coverage ratio[28]	48%	41%	+ 7 p.p*

* p.p. = percentage points, 100 basis points = 1 percentage point

Capital	31.12.2015	31.12.2014	±%
Common Equity Tier 1 capital ratio (CET1) (transitional)	14,0%	14,0%	-
Total capital ratio	14,1%	14,2%	-0,1 p.p.*
Risk weighted assets (€ mn)	19.666	22.715	-13%

* p.p. = percentage points, 100 basis points = 1 percentage point

Key performance ratios						
	FY2015	FY2014	yoy ±%	4Q2015	3Q2015	qoq ±%
Net Interest Margin	3,79%	3,94%	-15 bps*	3,69%	3,70%	-1 bps*
Cost to income ratio	40%	37%	+3 p.p*	47%	41%	+6 p.p*
Return on average assets	-1,7%	-0,9%	-0,8 p.p*	-8,6%	0,2%	-8,8 p.p*
Return on average equity	-12,9%	-8,5%	-4,4 p.p*	-62,3%	1,5%	-63,8 p.p*
Basic (losses) / earnings per share (€ cent)	(4,92)	(4,41)	-0,51	(5,74)	0,15	-5,89

* p.p. = percentage points, bps = basis points, 100 basis points = 1 percentage point

Notes to the Audited Financial Results of the Group for the year ended 31 December 2015:

The Financial Results of the Group for the year ended 31 December 2015 have been audited by the Group's external auditors.

The audited Consolidated Financial Statements are available at the Bank of Cyprus Public Company Ltd Registered Office (at 51 Stassinos Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus) and on the Group's website www.bankofcyprus.com (Investor Relations).

The announcement and the presentation of the Audited Financial Results of the Group for the year ended 31 December 2015 have been posted on the Group's website www.bankofcyprus.com (Investor Relations).

[28] See Note 4.

Bank of Cyprus Group

Group Financial Results
for the year ended 31 December 2015

31 March 2016

Bank of Cyprus
The Best Bank in Cyprus 2015

Audited FY2015 financial results – Highlights

Improving Asset Quality	• 90+ DPD[1] down by €1,3 bn or 10% during FY2015; 90+ DPD ratio at 50% • 90+ DPD provision coverage boosted by 7 percentage points to 48%; Elevated provision charges for 4Q2015 following the assumption changes in the Bank's provisioning methodology • Intensify restructuring and workout activity • Set up of Real Estate Management Unit (REMU) to take ownership of, manage and monetise real estate assets in settlement of customer obligations
Strong Capital Position	• CET1 ratio (transitional basis) at 14,0%; Well above the minimum regulatory requirement of 11,75% • CET1 ratio (fully loaded) at 13,1% • Leverage ratio at 12,6%, one of the highest among EU peers, reflecting a very high RWA intensity of 85%
Normalising Funding Structure	• ELA reduced by €1,6 bn post 3Q2015 to a current level of €3,3 bn; Reduction of €8,1 bn since peak • Customer deposits[2] increased by €1,6 bn or 12% during FY2015 • Customer deposits increased to 61% of Total assets • Ratio of Loans to Deposits (L/D) improved to 121%
Income Statement	• Profit before provisions of €624 mn for FY2015 • Provisions for impairment of loans of €630 mn for 4Q2015, with a full year charge of €959 mn for FY2015 • Loss after tax from continuing operations and Loss after tax of €394 mn and €438 mn for FY2015, respectively
Dominant Franchise in a recovering economy	• Deposit market share of 28,2% at 31 December 2015; a 3,4 percentage points market share gain during 2015 • New lending of €0,6 bn during 2015 to support economic recovery and promising sectors • Cypriot economy growing faster than expected; Exited from Troika MoU in March 2016

(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days.
(2) Adjusted for the disposal of the Russian operations.

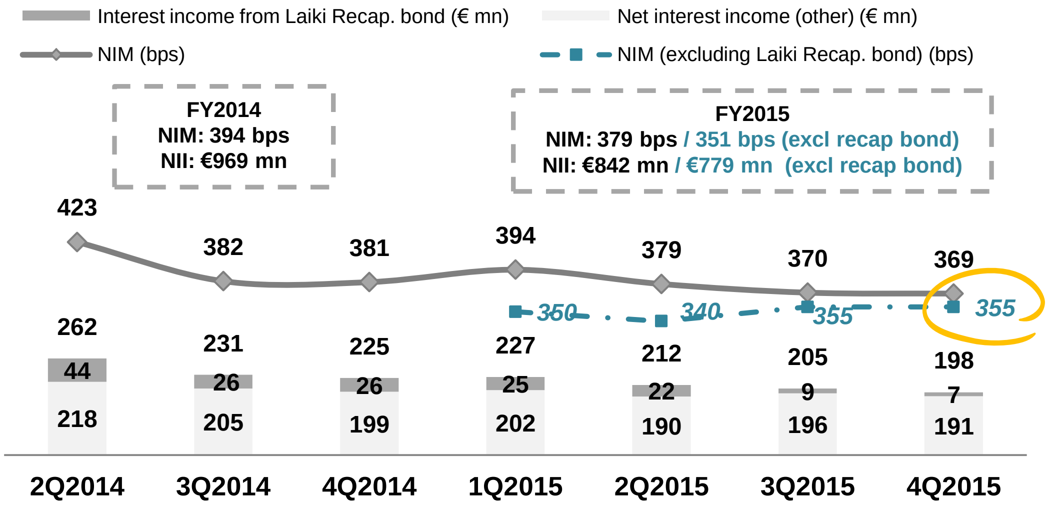
Income Statement Review

€ mn	FY2015	FY2014[3]	4Q2015	3Q2015[4]	qoq %
Total income	**1.040**	**1.168**	**253**	**251**	**1%**
Total expenses	**(416)**	**(427)**	**(119)**	**(102)**	**16%**
Profit before provisions and impairments[1]	**624**	**741**	**134**	**149**	**-10%**
Provisions for impairment of customer loans net of gain on derecognition of loans and changes in expected cash flows on acquired loans	(959)	(770)	(630)	(96)	560%
Impairments of other financial and non financial assets	(62)	(90)	(24)	(6)	313%
Share of profit from associates	6	5	2	1	-
(Loss)/profit before tax, restructuring costs and discontinued operations	**(391)**	**(114)**	**(518)**	**48**	**-**
Tax	(9)	(11)	8	(8)	-
Profit attributable to non-controlling interests	6	19	1	5	-
(Loss)/profit after tax from continuing operations[2]	**(394)**	**(106)**	**(509)**	**45**	**-**
Restructuring costs	(43)	(36)	(16)	(5)	205%
Loss from disposal group held for sale/discontinued operations	(38)	(166)	0	(9)	-100%
Net gain/(loss) on disposal of non-core assets	37	47	13	(18)	-177%
(Loss)/profit after tax	**(438)**	**(261)**	**(512)**	**13**	**-**
Net interest margin	**379 bps**	**394 bps**	**369 bps**	**370 bps**	**-1 bp**
Cost-to-Income ratio	**40%**	**37%**	**47%**	**41%**	**+6 p.p.**

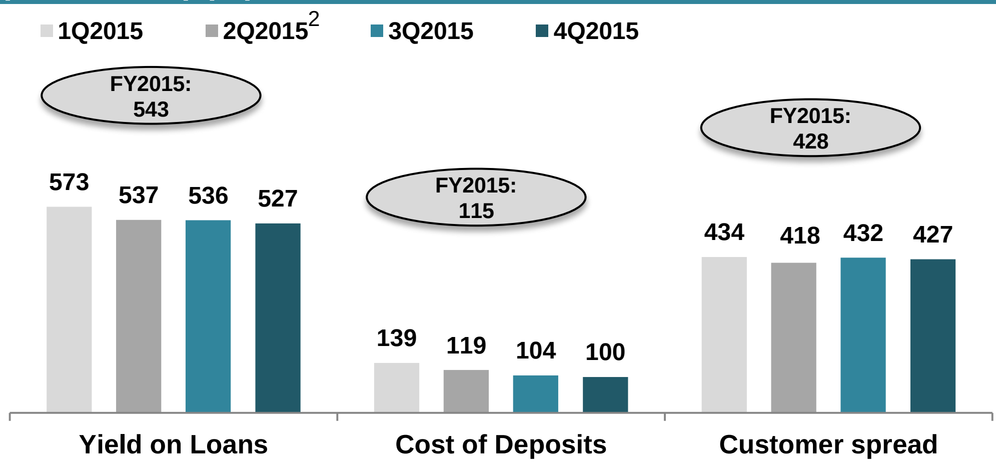
(1) Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations.
(2) (Loss)/profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets.
(3) FY2015 is not comparable to FY2014 given the significant deleveraging completed since then, including, among others, the repayment of the sovereign bond held by the Bank by the Republic of Cyprus and the disposal of the majority of the Russian operations during 3Q2015.
(4) As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations.

Net Interest Income and Net Interest Margin

Net Interest Income and Net Interest Margin



Yield of Loans, Cost of Deposits and Customer Spread in Cyprus operations[1] (bps)

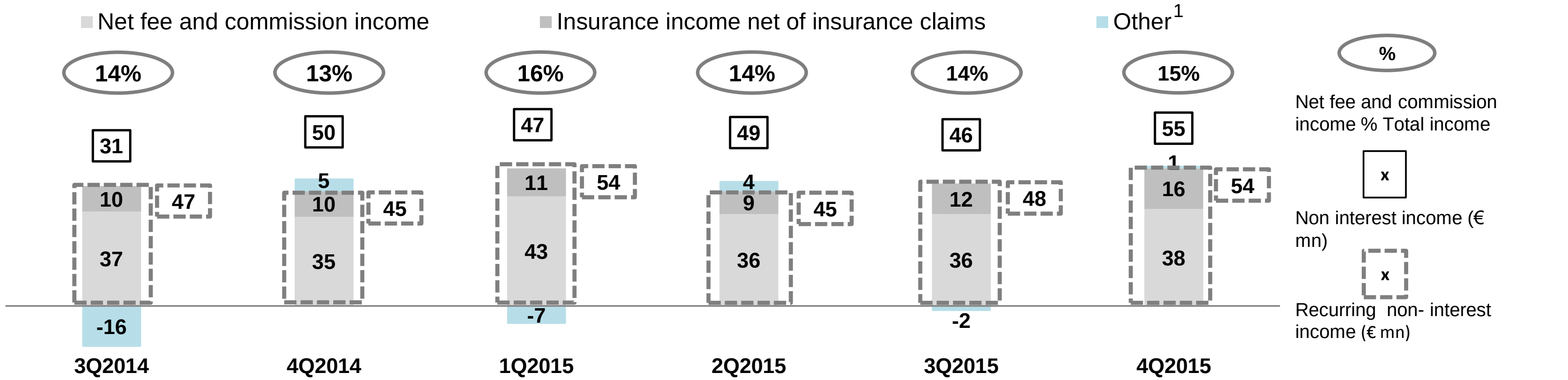


(1) Includes all currencies
(2) 2Q2015 and year to date 1H2015 that has been adjusted to exclude non recurring items

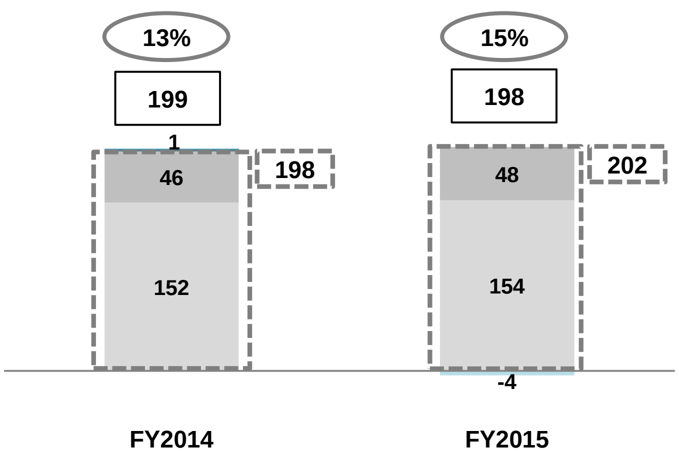
- **4Q2015 Net Interest Income (NII) at €198 mn**, compared to €205 mn for 3Q2015, reflecting a lower yield on restructured loans partly due to restructurings made during the 4Q2015 and deleverage actions
- The reduction in NII during 2015 reflects the reduction in lending rates, the gradual repricing of deposits and the repayment of a bond by the Republic of Cyprus in June and December of 2015
- Net Interest Margin (NIM) remains healthy at 3,69% for 4Q2015; Adjusting for the Laiki Recapitalisation bond, **the NIM remained unchanged qoq at 3,55%**
- Customer spread in Cyprus decreased to 427 bps in 4Q2015 compared to 432 bps in 3Q2015, with the reduction reflecting a lower yield on loans partly due to loans restructuring
- Going forward the Bank will address the pressure on NII via new loan origination, while maintaining lending yields despite growing competition

Analysis of Non-interest income

Analysis of Non Interest Income (€ mn) – Quarterly



Analysis of Non Interest Income (€ mn) – Annual

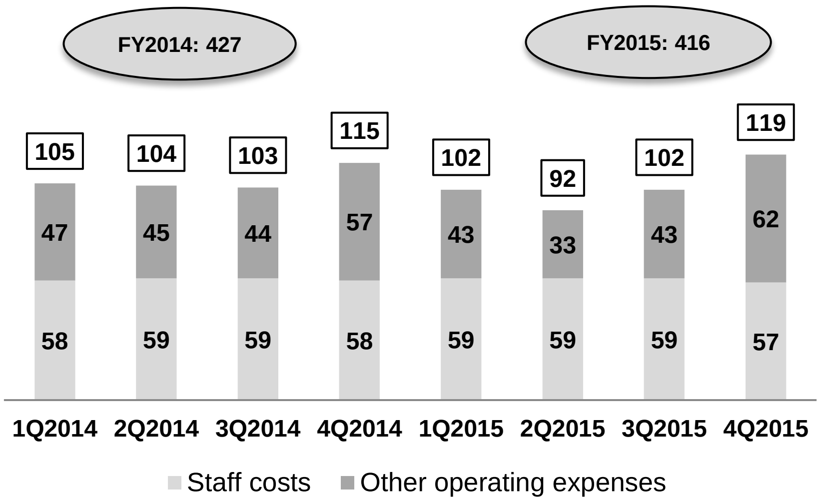


- Non-interest income stood at €55 mn for 4Q2015, compared to €46 mn for 3Q2015; Non-interest income of €198 mn for FY2015, compared to €199 mn for FY2014
- The majority of non-interest income is **recurring income from fee and commission income and insurance income** stood at €54 mn for 4Q2015 (about 15% of total income); Recurring income from fee and commission income and insurance income stood at €202 mn for FY2015, compared to €198 mn for FY2014
- Going forward, the Bank will focus on diversifying its income streams by further developing its fee-generating activities, such as the international business services, wealth management and insurance business

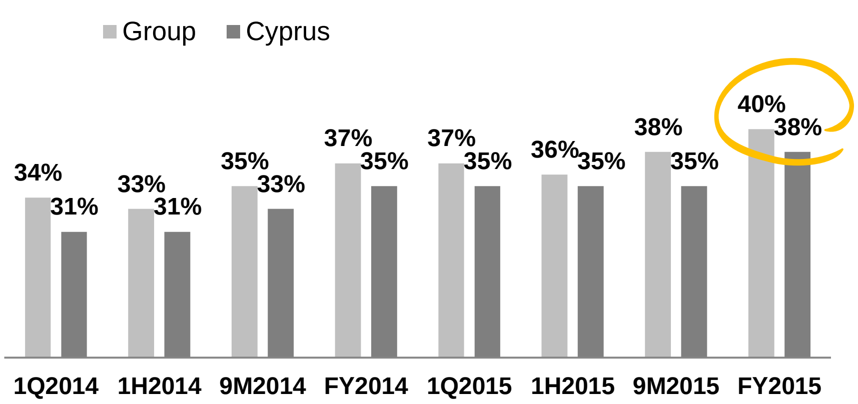
(1) Comprising (a) Net FX gains / (losses) & Net gains/(losses) on other financial instruments, (b) Losses from revaluation and disposal of investment properties and (c) other income.

Total expenses

Total expenses (€ mn)



Cost to Income Ratio



- Total expenses for 4Q2015 increased to €119 mn from €102 mn for 3Q2015, with the increase reflecting primarily higher non-recurring advisory and professional expenses and increased provisions for litigations and legal settlements. Going forward, the run-rate for other operating expenses is expected to be in line with earlier of quarters of 2015

- Staff costs for 4Q2015 at €57 mn in line with the previous quarters

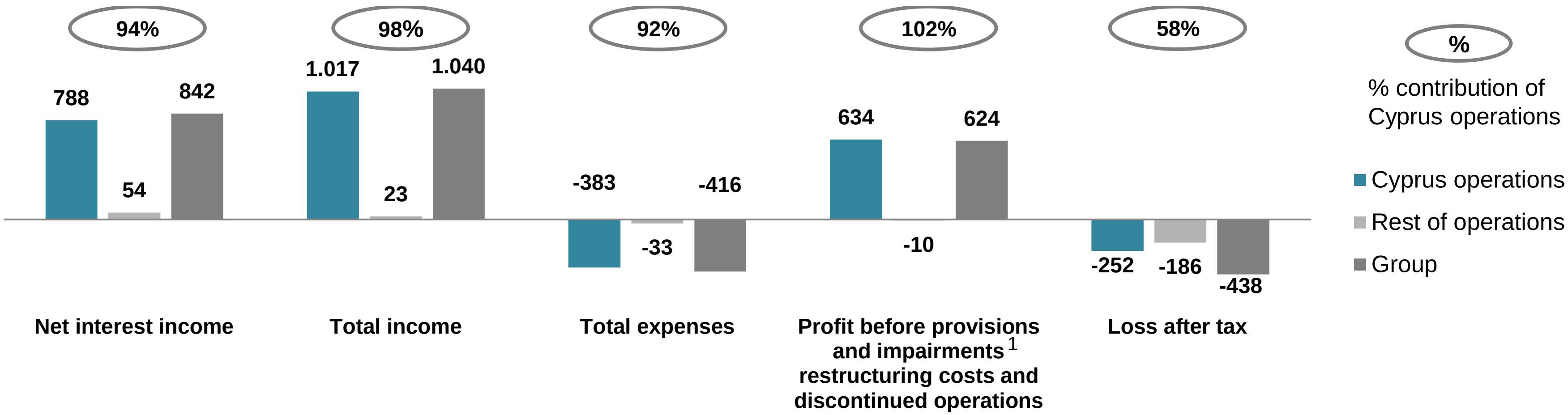
- Total expenses for FY2015 totalled €416 mn compared to €427 mn for FY2014

- The cost to income ratio for FY2015 was 40%, compared to 37% for FY2014

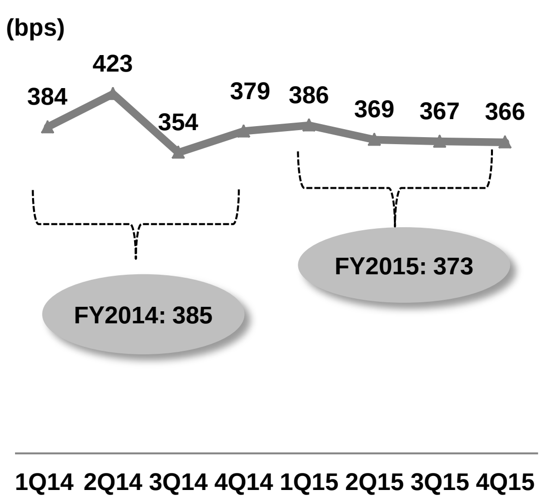
- **Actions for focused, targeted cost containment:**
  - Tangible savings through a targeted cost reduction program for operating expenses and though a program of staff exits
  - Introduction of appropriate technology/ processes to enhance product distribution channels and reduce operating costs
  -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

Income Statement Highlights – Group vs Cyprus

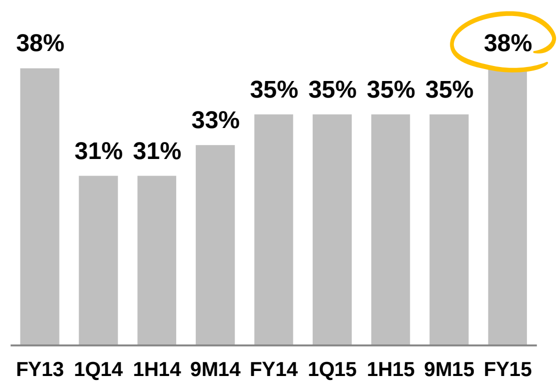
FY2015 Cyprus Vs Group performance (€ mn)



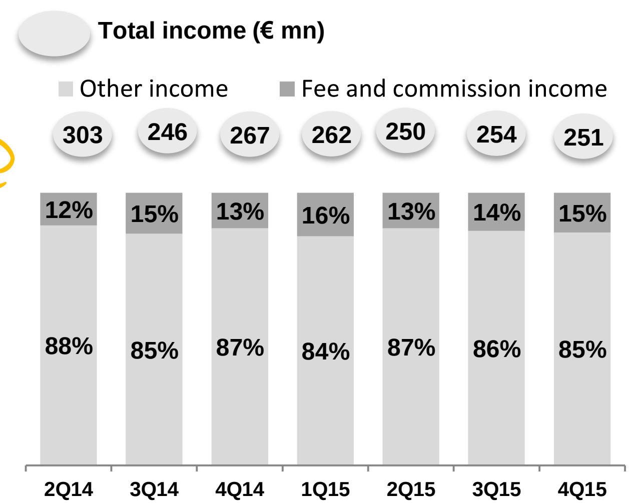
High NIM in Cyprus operations



Low Cost to Income ratio for Cyprus operations



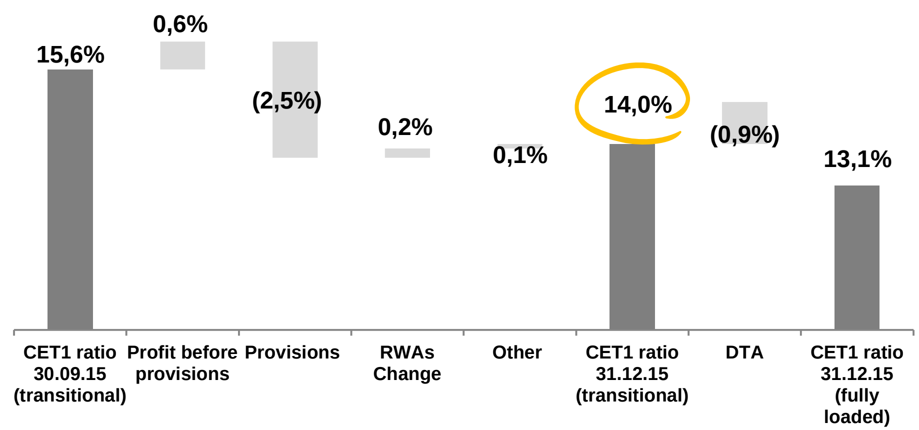
Steady Fee and commission income for Cyprus operations



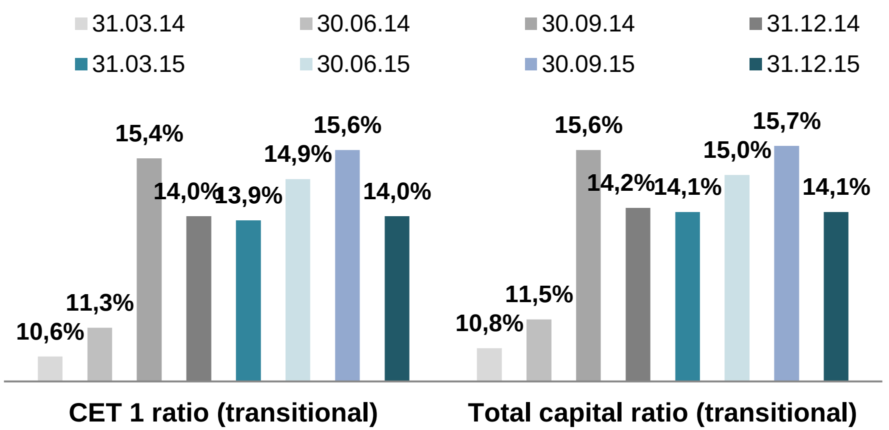
(1) Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations.

Capital Position

Evolution for CET1 ratio during 4Q2015



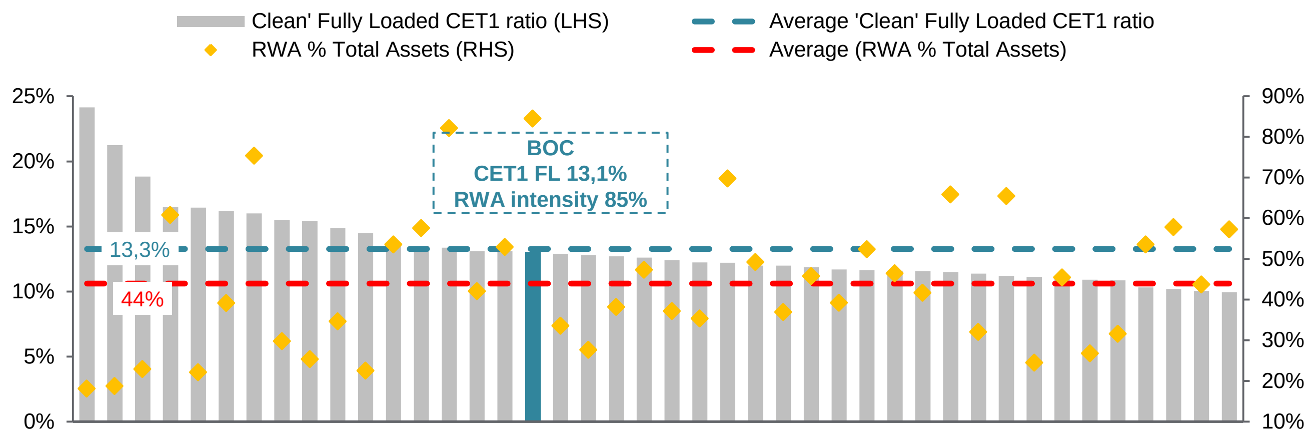
Capital Adequacy Ratios



- **CET1 ratio (transitional basis) totalled 14,0% at 31 December 2015,** compared to 15,6% at 30 September 2015. Adjusting for DTA, the Fully Loaded CET1 ratio totalled 13,1%
- CET1 ratio remains higher than the minimum required ratio of 11,75%
- The reduction in the CET1 ratio reflects the losses incurred during 4Q2015 due to elevated provisions for impairment of loans following the assumption changes in the Bank's provisioning methodology in relation to the on-going regulatory dialogue with the ECB regarding the SREP. These changes relate to extending significantly the recovery periods and applying additional realisation discounts on the most stressed non-performing portfolios, with both changes being a function of the Bank's strategy for recovering delinquent exposures
- The changes significantly bridged the regulatory dialogue with the ECB and **boosted the 90+ DPD provisioning coverage to 48%**

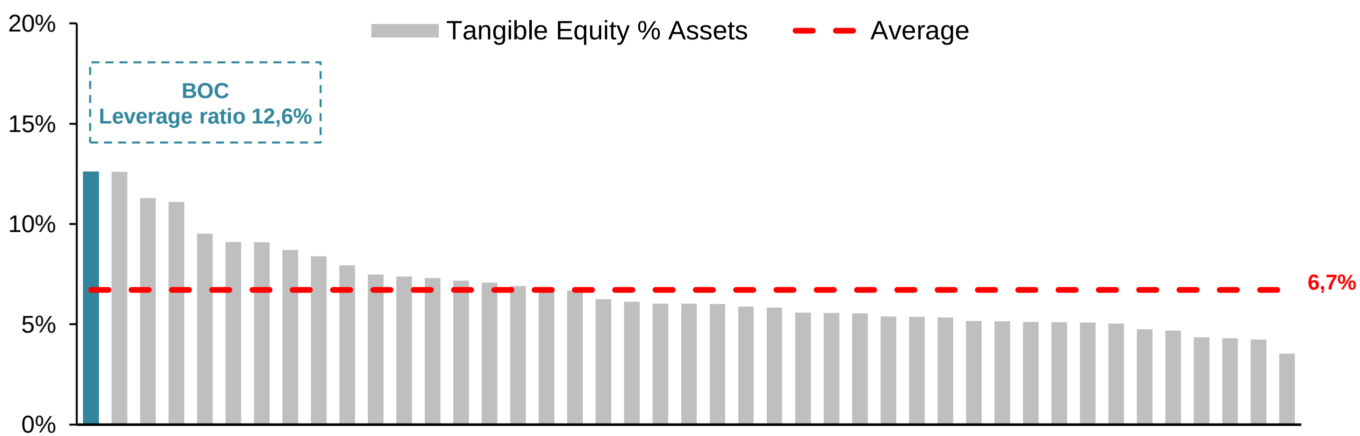
Capital Position

'Clean' Fully Loaded CET1 ratio[1] (December– 2015[2])



- **"Clean" Fully loaded CET1 ratio at 13,1%, higher than average for EU peers**, reflecting a very low level of Deferred Tax Assets
- **RWA intensity of 85%,** one of the highest among EU banks

Leverage ratio[3] (December– 2015[2])



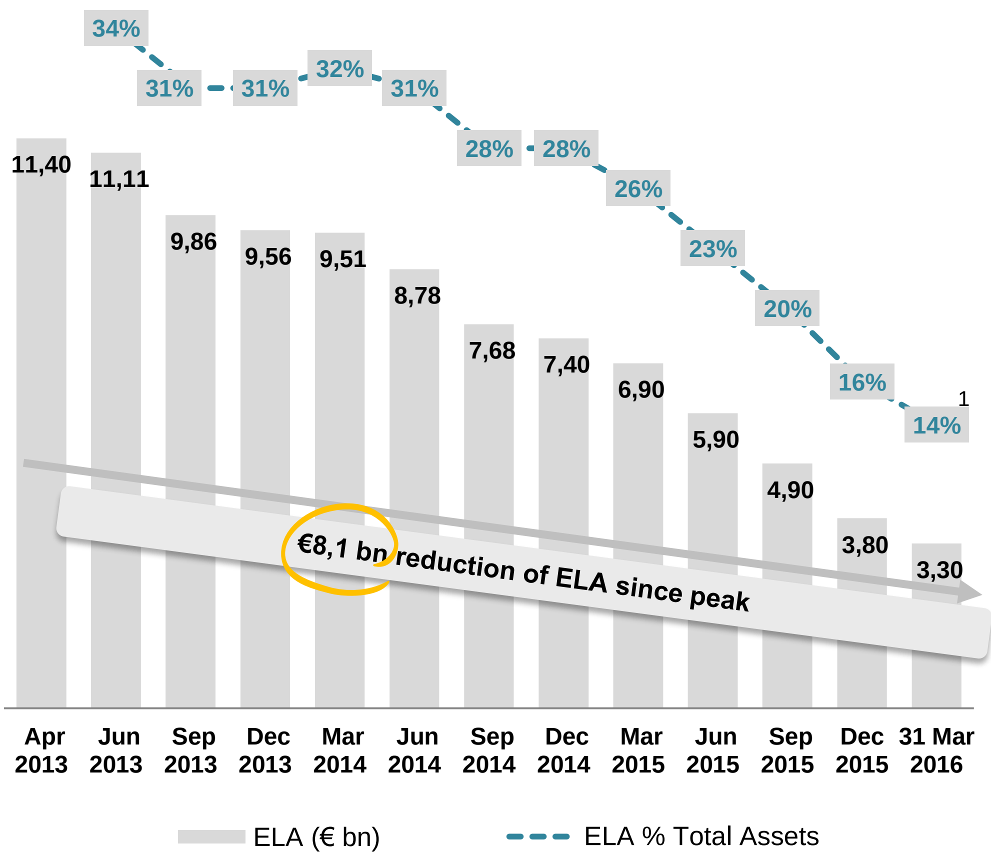
- **Leverage ratio at 12,6%,** one of the strongest ratios among EU peers, compared to an average of 6,7% for EU peers

(1) As per SNL Financial Database, 'Clean' Fully Loaded CET1 ratio as at 31 December 2015, excludes Deferred Tax Credits, AFS and Danish Compromise Estimated Impact.
(2) Bank of Cyprus data is based on Audited FY2015.
(3) Leverage ratio is defined as Tangible Equity over Total Assets. Data for 1 EU bank as at 30 September 2015.

Bank of Cyprus

ELA Reliance Reducing Fast

Continuous reduction of ELA with further potential going forward



Actions for further ELA reduction

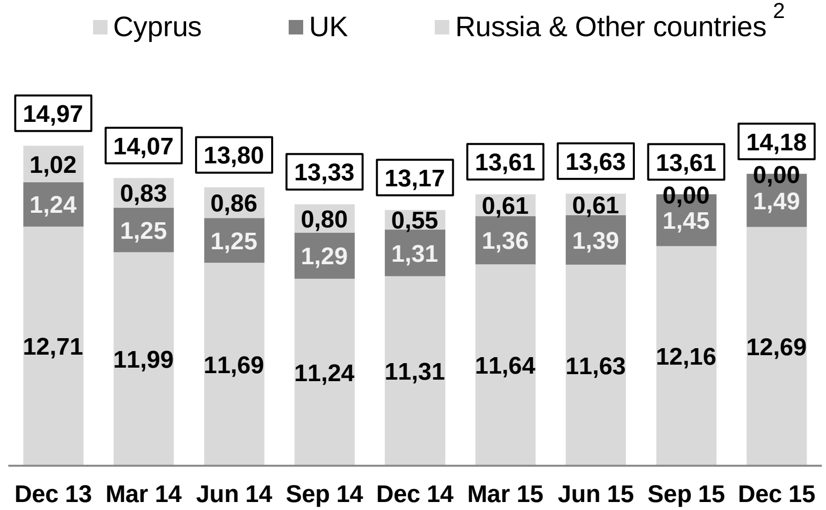
- New deposit inflows
- Regaining access to wholesale and interbank market
- Maturity of non-core bonds
- Issue senior unsecured debt and enter into repos with counterparties, subject to market conditions
- Retention of cash profits from operations
- Proceeds from deleveraging
- Covered bond secured with commercial real estate assets eligible for ECB funding

Full repayment of ELA by end of 2017

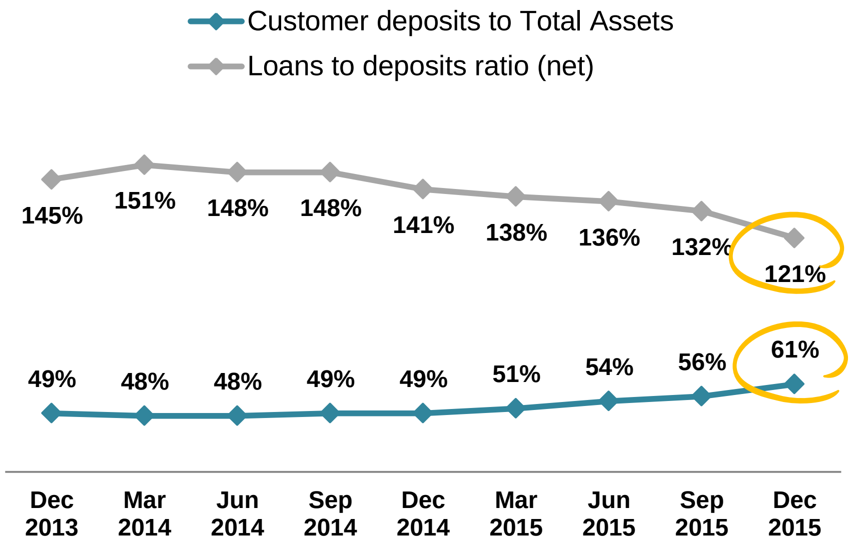
(1) Ratio of ELA Funding % Total Assets for 31 March 2016 is based on total assets at 31 December 2015

Customer Deposits

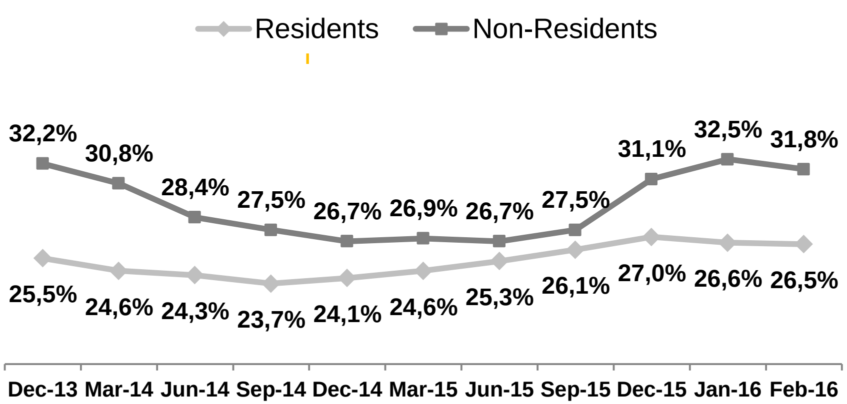
Growing customer deposit[1] base (€ bn)



Improving funding structure



Increasing deposit market shares in Cyprus



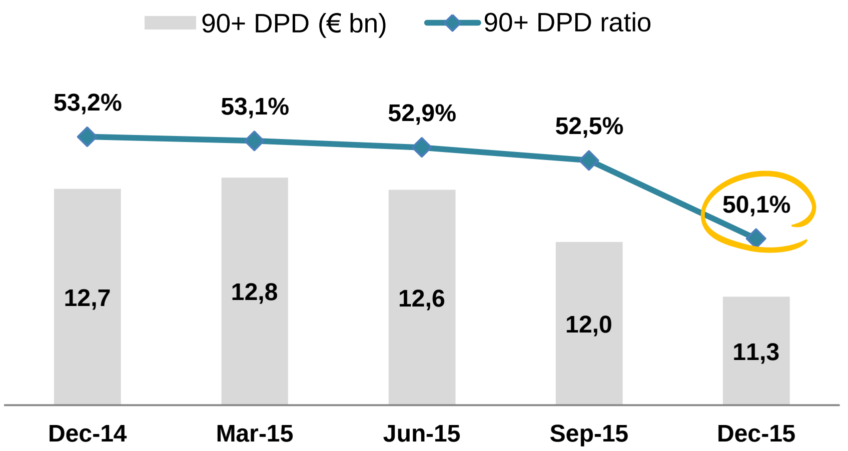
- Group customer deposits totalled €14,18 bn at 31 December 2015. **Adjusting for the disposal of the Russian operations, customer deposits increased by €1,6 bn or 12% during FY2015**
- Deposit market shares in Cyprus for Residents and non-Residents reached 26,5% and 31,8% respectively, in February 2016;
- **Ratio of Loans to deposits improved by 20 percentage points to 121%** during 2015 and is in line with the EU average as reported by EBA[3]; Ratio of Deposits to Total Assets increased by 12 percentage points to 61% during 2015

(1) Including deposits of disposal groups held for sale/discontinued operations.
(2) Other countries comprise Ukraine (until March 2014), Romania and Greece.
(3) Based on EBA Risk Dashboard Report, Data as at 30 September 2015

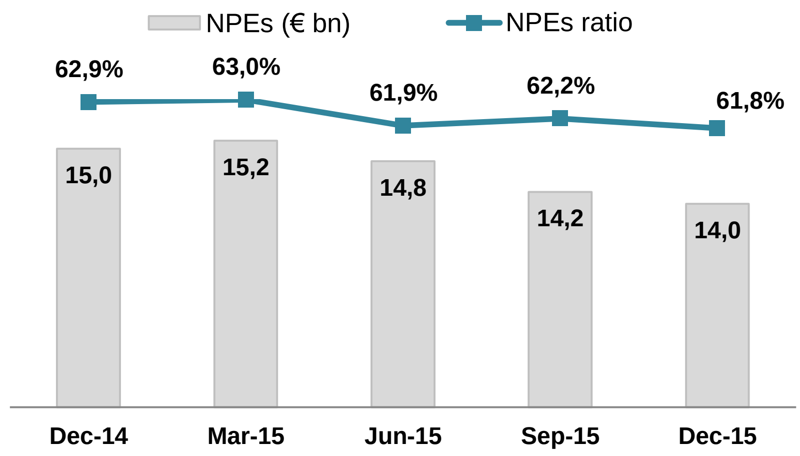
Bank of Cyprus

Asset Quality

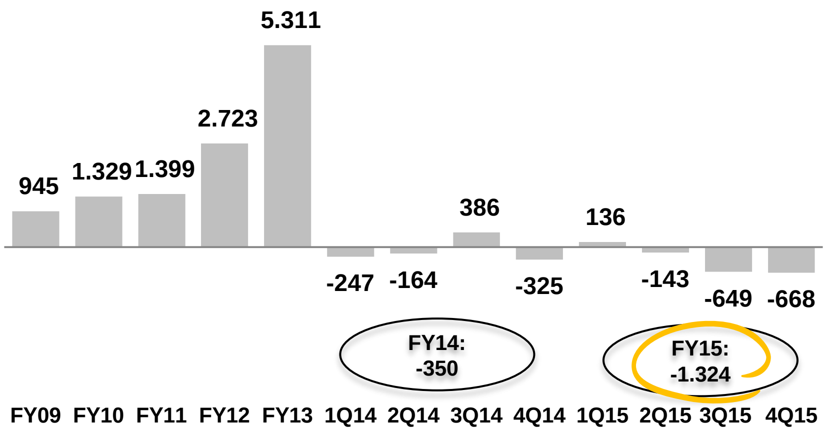
90+ DPD



Non Performing Exposures (NPEs)



Evolution of 90+ DPD (€ mn)



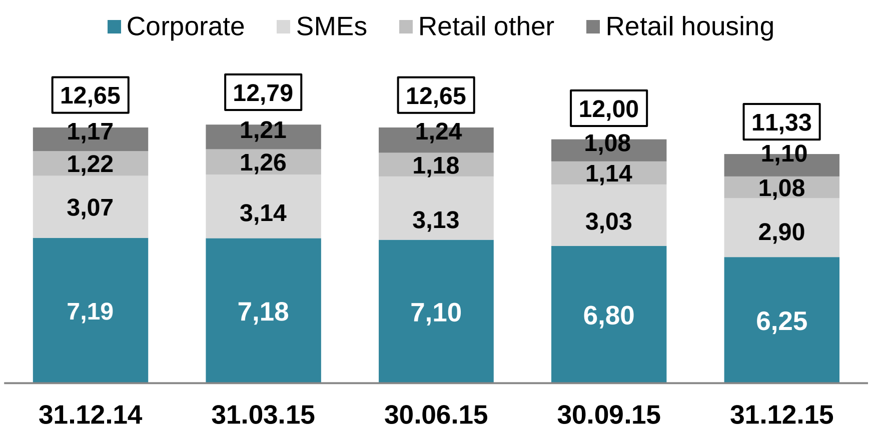
- **90+ DPD[1] were reduced by €1,3 bn or 10% during FY2015,** due to restructuring and deleveraging; 90+ DPD ratio at 50% at 31 December 2015
- Non Performing Exposures (NPEs), as per EBA definition, were reduced by €1,0 bn during FY2015 and totalled €14,0 bn at 31 December 2015
- The level of NPEs exceeds the level of 90+ DPD, primarily due to the fact that cured performing exposures are required to remain in the NPEs category until specific probation timeframes have elapsed

(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans with specific provisions and loans past-due for more than 90 days.

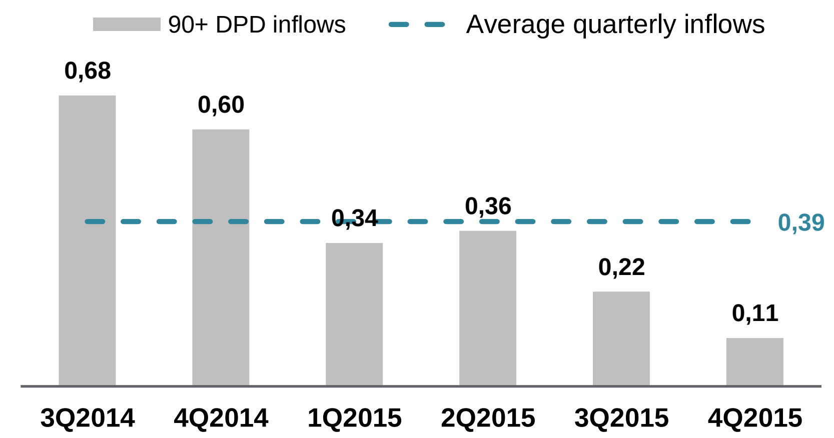
Asset Quality

90+ DPD inflows in the Cyprus operations have been reduced significantly

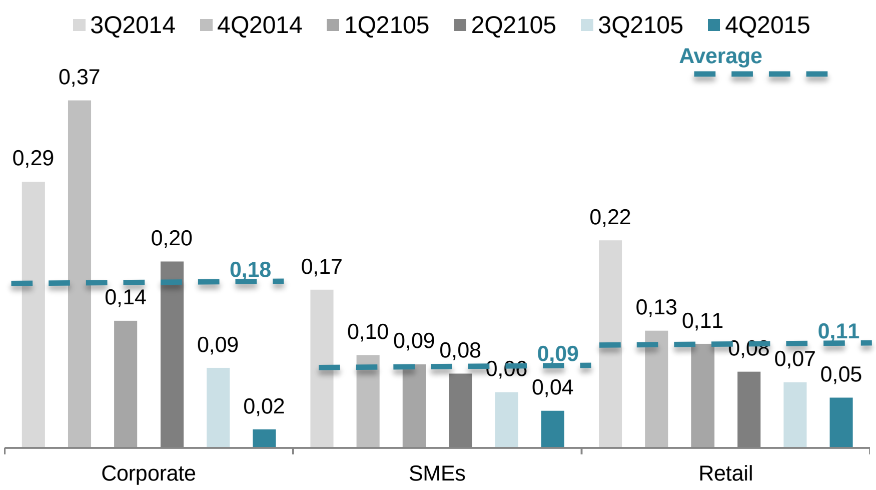
Group 90+ DPD by Customer type (€ bn)



90+ DPD inflows – Cyprus operations (€ bn)



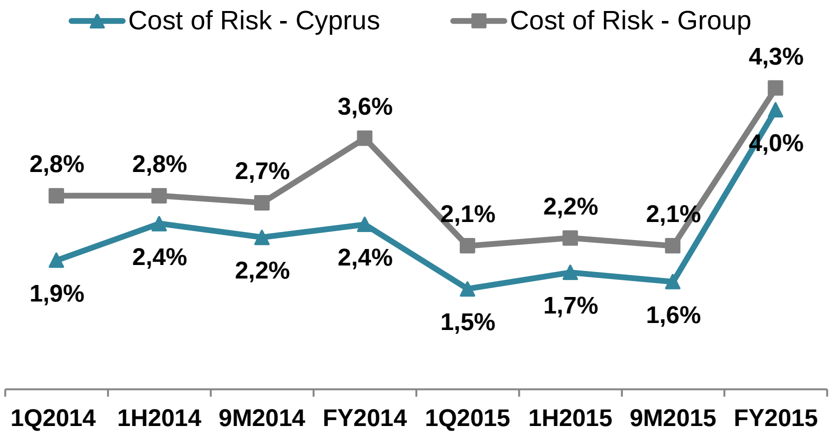
90+ DPD inflows by customer type - Cyprus operations (€ bn)



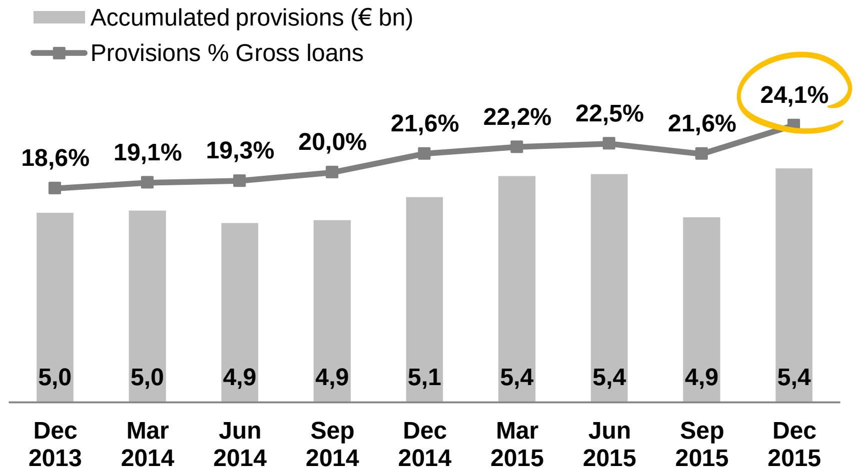
- Most of the 90+ DPD reduction for FY2015 relates to Corporate loans, accounting for about 70% of the reduction
- **90+ DPD inflows (Cyprus operations) have been reduced significantly,** totalling €0,11 bn for 4Q2015, compared to an average of €0,39 bn for the last six quarters
- Although there was as reduction in 90+ DPD inflows across all types of loans, **90+ DPD inflows for Corporate loans have exhibited the most improvement**

Asset Quality

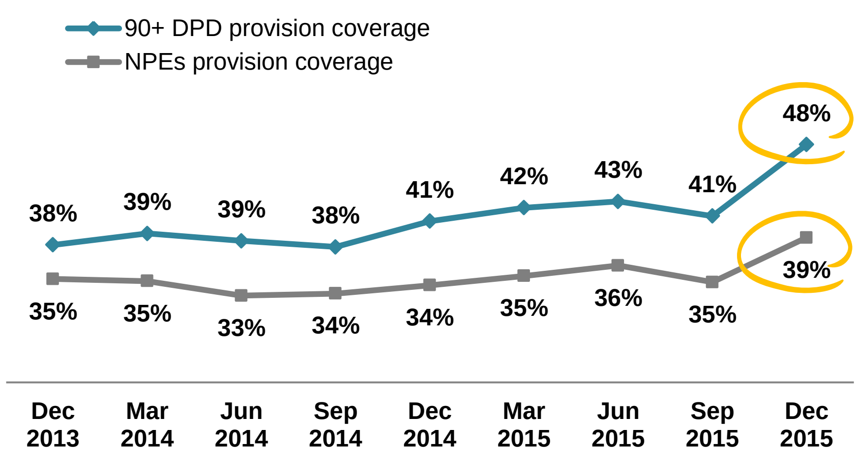
Cost of risk[1]



Accumulated provisions



Provision coverage ratios

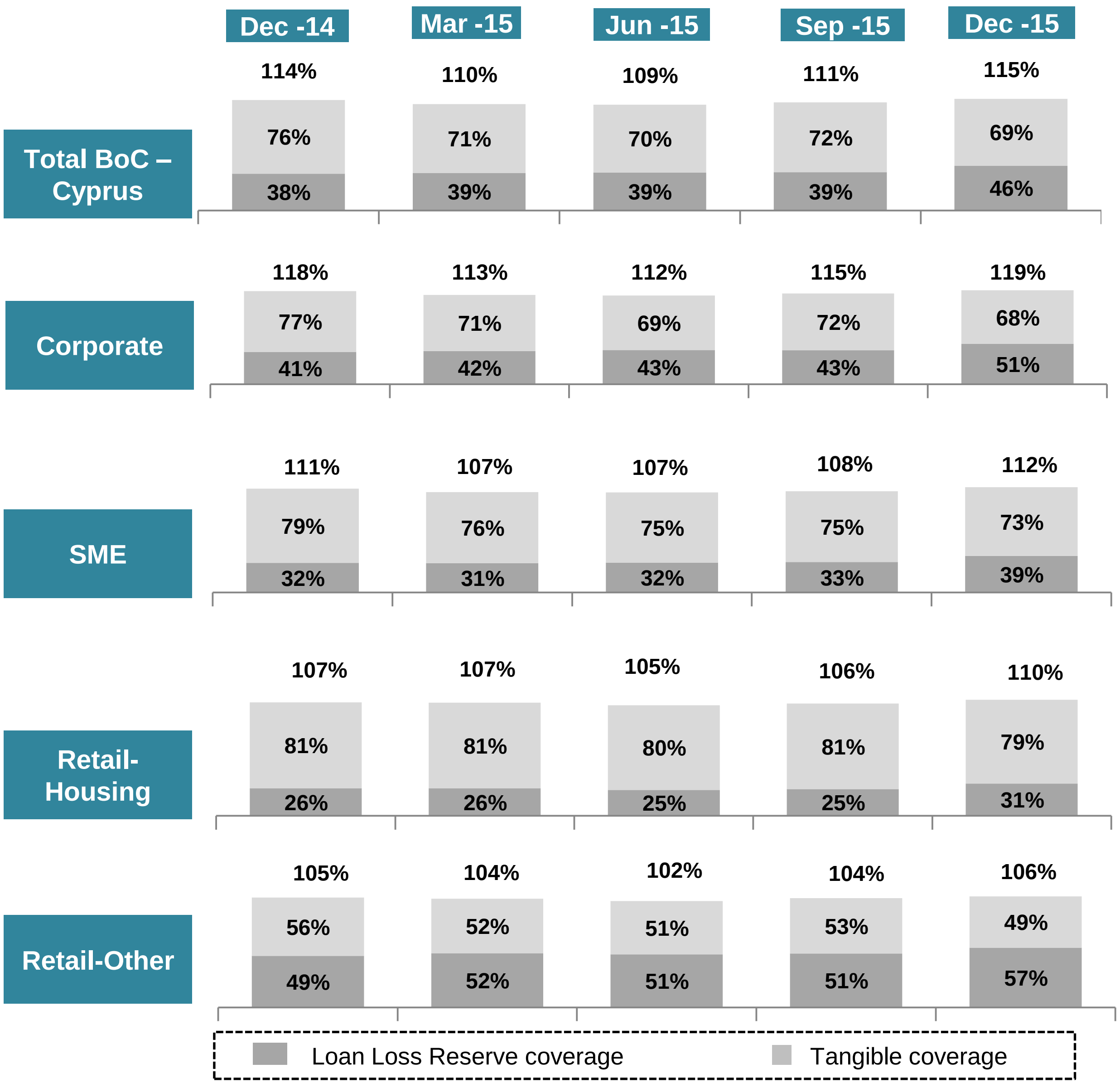


- Group annualised cost of risk for FY2015 was 4,3%; The increase in provisioning levels reflects the assumption changes in the Bank's methodology in line with the regulatory dialogue with the ECB
- Accumulated provisions totaled €5,4 bn and accounted for 24,1% of gross loans at 31 December 2015
- **The 90+ DPD provisioning coverage ratio improved to 48% at 31 December 2015;** The 90+ DPD provisioning coverage ratio calculated in line with local peers, with reference to the contractual balances of customers, totalled 58%[2]
- **The NPEs provisioning coverage ratio improved to 39% at 31 December 2015**. The NPEs provisioning coverage ratio calculated in line with local peers, with reference to the contractual balances of customers, totalled 49%

(1) Calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, (in total €1.307 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €305 mn) over average gross loans
(2) This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognized interest income due on contractual balances.

Asset Quality

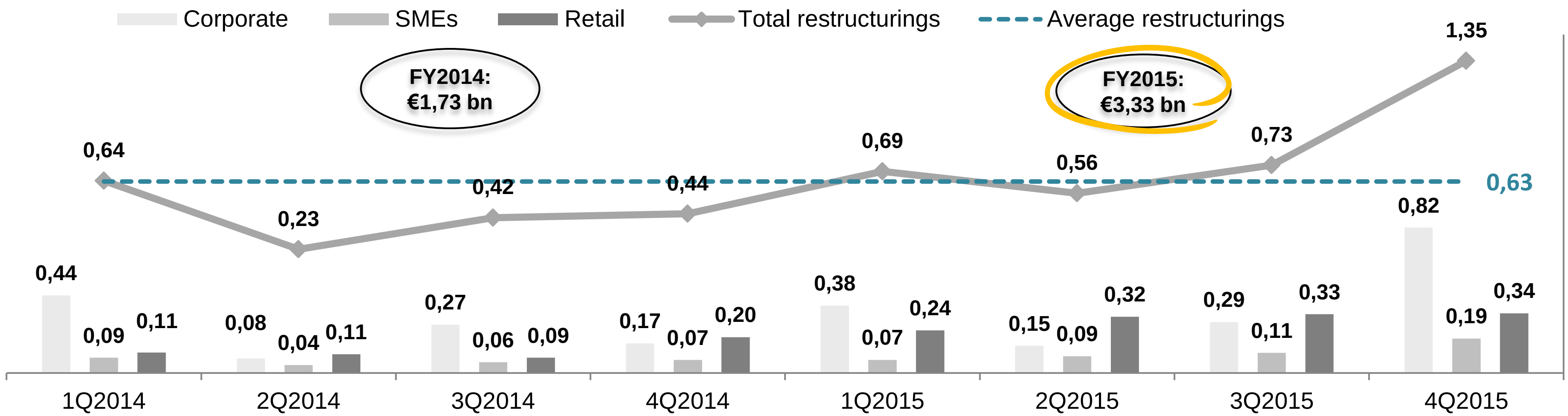
90+ DPD fully covered by provisions & tangible collateral



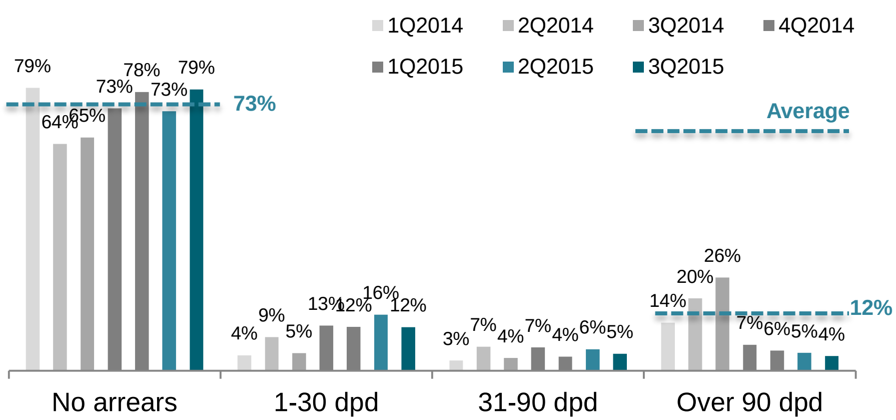
- For Cyprus operations, 90+ DPD provision coverage increased to 46% at 31 December 2015, compared to 39% at 30 September 2015
- Collateral coverage remains broadly at the same level and stands at 69% at 31 December 2015
- **Overall coverage of 90+DPD loans increased to 115% at 31 December 2015,** compared to 111% at 30 September 2015

Asset Quality

Restructuring Activity by quarter (€ bn)



Performance of restructured loans (post-31 December 2013, by quarter) at 31 December 2015[1]

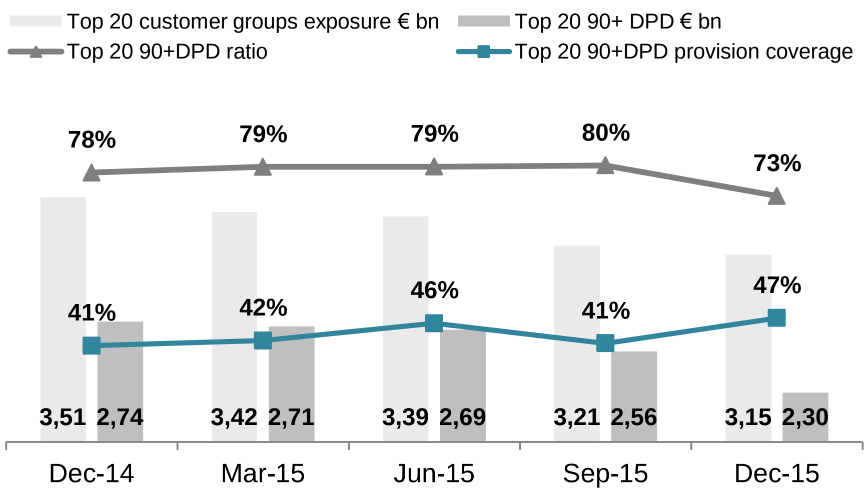


- **Total restructurings of €3,3 bn for FY2015**; Increased restructuring activity across all lines in 4Q2015 (about 41% of FY2015 restructurings completed in 4Q2015). Restructuring of corporate loans accounted for 49% of total FY2015 restructurings
- Going forward, progress is expected to materialise in the corporate portfolio as well as in the SME and Retail portfolio, whilst by utilising the foreclosure legislation and insolvency framework the recoverability of older and more complex cases is expected to improve
- At 31 December 2015, on average about 73% of loans restructured post 31 December 2013 (restructurings performed in 4Q2015 were excluded) for Cyprus operations have no arrears, while about 12% of such restructured loans were in arrears more than 90 days

(1) The performance of loans restructured during 4Q2015 is not presented in this graph as it is too early to assess it.

Asset Quality

Top 20 group exposures



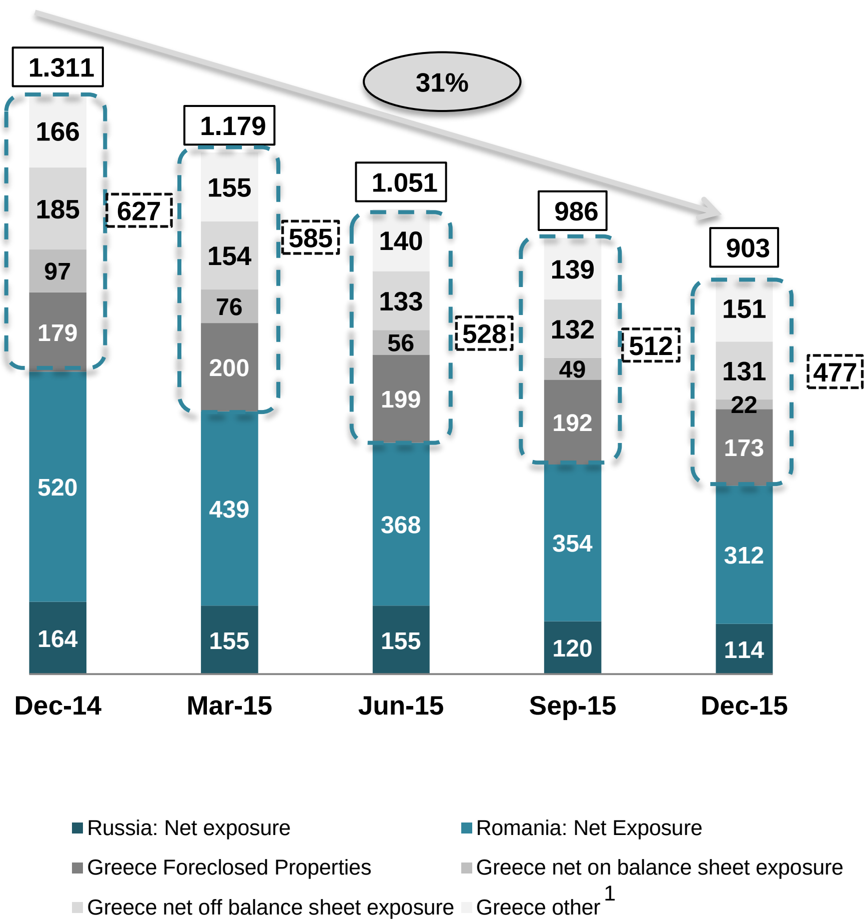
- **Top 20 group exposures reduced by 10%** during FY2015 to €3,15 bn at 31 December 2015;
- **90+ DPD ratio for Top 20 group was reduced to 73%** at 31 December 2015, while the 90+ DPD provision coverage improved to 47%
- During 4Q2015, about 6 clients of the Bank's top exposures (or parts of group exposures) reached a consensual agreement for the restructuring of their lending with the Bank. Some of these cases have been executed in 4Q2015 contributing materially to the reduction of 90+ DPD, whilst further completions are expected in 1Q2016.

Set up of Real Estate Management Unit (REMU)

- The Bank has set up REMU in order break the systemic inertia that exists today with defaulting borrowers in the real estate sector by taking ownership of assets, reducing unsustainable debt burden of both corporate and retail borrowers, and assisting also the Cyprus economy into recovery.
- The Bank recognises that the real estate market poses significant challenges but remains confident that with measured and professional approach underpinned by a genuine real estate focus and support from external advisors and all stakeholders, the Bank can crystallise benefits for itself and the economy.
- Main objectives of the REMU are: (a) provide solutions for distressed borrowers, (b) accelerate the recovery process for both the Bank and the local real estate market, (c) to strengthen the Bank's balance sheet and (d) to monetise such assets at the appropriate time.

Overseas non-core exposures

Overseas non-core exposures (€ mn)



The non-core overseas exposures at 31 December 2015 were as follows:

Greece: The net exposure comprised:

- **(a)** Net on-balance sheet exposures (excluding foreclosed properties) totalling €22 mn;
- **(b)** 641 foreclosed properties with a book value of €173 mn;
- **(c)** off-balance sheet exposures totalling €131 mn; and
- **(d)** lending exposures to Greek entities in the normal course of business in Cyprus totalling €70 mn, and lending exposures in Cyprus with collaterals in Greece totalling €81 mn.

Romania: The overall net exposure is €312 mn

Russia: Following the disposal of Uniastrum Bank and certain other Russian assets the remaining net exposure (on and off balance sheet) in Russia is €114 mn

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

Significant progress made on Group KPIs

Well on track to meet 2017 targets – A clear plan of action to achieve *new Medium Term Targets*

Category	Key performance indicators	Dec-2014	Dec-2015	Targets 2017	Medium Term Targets
Asset quality	90+ DPD ratio	53%	50%		**<30%**
	90+ DPD coverage	41%	48%	**40%-50%**	**>50%**
	Provisioning charge [1]	3,6%	4,3%	**<1,0%**	**<1,0%**
Funding	ELA % Assets; € bn	28%; €7,4 bn	16%; €3,8 bn		**Fully repay**
	Net Loans % Deposits	141%	121%		**100%-120%**
Capital	CET1 (transitional)	14,0%	14,0%	**>12%**	**>15%**
Margins and efficiency	Net interest margin	3,9%	3,8%	**~3,25%**	**~3,00%**
	Fee and commission income/ total income	13%	15%	**Increase**	**>20%**
	Cost to income ratio	37%	40%	**40%-45%**	**40%-45%**
Balance Sheet	Total assets € bn	€26,8 bn	€23,3 bn		**>€25 bn**

Key Pillars & Plan of action

1. Drastically reduce problem loans
- Intensify restructuring and workout activities of delinquent borrowers
- Increase pace of restructurings and focus on more complex and older cases on the back of the foreclosure law
- REMU to on-board, manage and dispose of properties acquired

2. Normalise funding structure; Eliminate ELA
- Boost deposit franchise, leveraging on increasing customer confidence and improving macroeconomic conditions
- Access Debt Capital Markets on the back of improved ratings, stronger financial soundness and better prospects
- Access ECB funding

3. Focus on core markets
- Direct lending into promising sectors to fund the recovery of the Cypriot economy
- Diversify income stream by boosting fee income from international business, wealth, and insurance
- New loan origination, while maintaining lending yields
- Expand the UK franchise by leveraging the UK subsidiary

4. Achieve a lean operating model
- Tangible savings through a targeted reduction program for operating expenses
- Introduce appropriate technology/processes to enhance product distribution channels and reduce operating costs
- Introduce HR policies aimed at enhancing productivity

5. Deliver returns
- Deliver appropriate medium-term risk-adjusted returns

(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

- **Unrivalled franchise** in an economy that is recovering fast; Exited from Troika MoU in March 2016
- **CET1 ratio (transitional basis) at 14,0%,** well above the minimum regulatory requirement; Leverage ratio at 12,6%, one of the highest ratios among EU peers
- **Improving funding structure with an increasing deposit base in Cyprus**; L/D ratio at 121% and customer deposits at 61% of total assets
- **ELA reduced by €8,1 bn or 71% to €3,3 bn** through deleveraging actions, capital issue proceeds, repayment of a bond by the Republic of Cyprus and customer inflows; To fully repay by end-2017
- **90+ DPD down by €1,3 bn or 10% during FY2015**; 90+ DPD provision coverage improved by 7 percentage points to 48% at 31 December 2015
- **Foreclosure legislation and insolvency framework** can now be used as one of the tools for the effective management of problem loans
- **Set-up of REMU** to take ownership of, manage and monetise real estate assets in settlement of customer obligations
- **Recurring pre-provision profitability stabilising,** though bottom-line profitability affected by elevated provisions for impairments

Key Information and Contact Details

Credit Ratings:

Fitch Ratings:
Long-term Issuer Default Rating: upgraded to "CCC" on 28 April 2015
Short-term Issuer Default Rating: affirmed at "C" on 28 April 2015
Viability Rating: upgraded to "ccc" on 28 April 2015

Moody's Investors Service:
Baseline Credit Assessment: Affirmed at caa3 on 28 May 2015 (stable outlook)
Short-term deposit rating: Affirmed at "Not Prime" on 17 November 2014
Long-term deposit rating: Affirmed at Caa3 on 28 May 2015 (stable outlook)
Counterparty Risk Assessment: Assigned at Caa2(cr) / Not-Prime (cr) on 28 May 2015

Listing:

ATHEX – BOC, CSE – BOCY, ISIN CY0104810110

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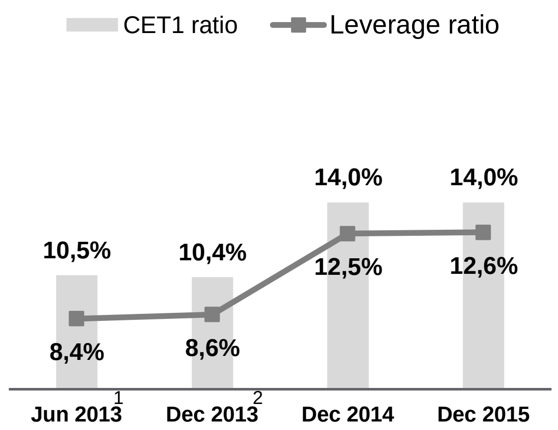
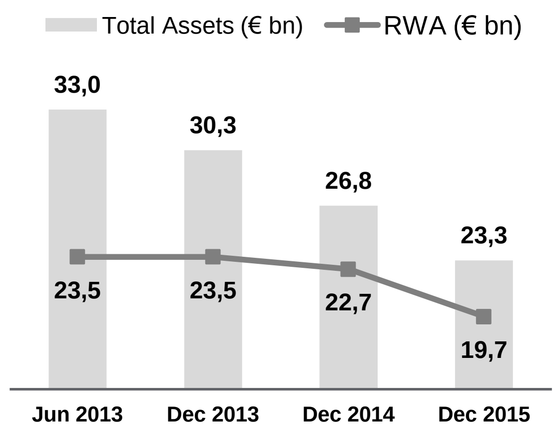
BOC – At a glance

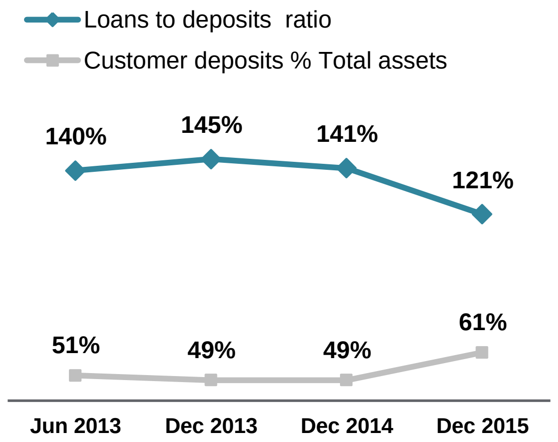
Strengthened capital position



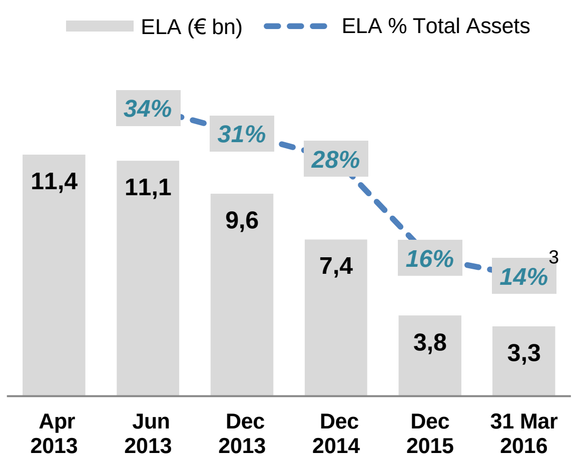
Significant Balance Sheet deleveraging



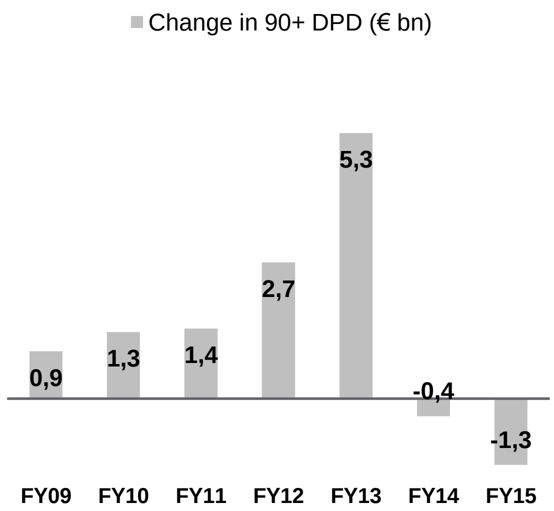
Improved funding structure



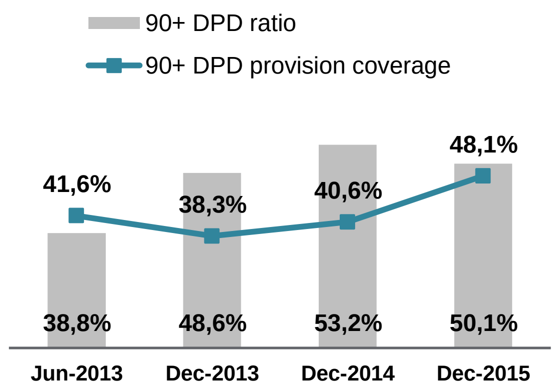
ELA funding reduced by €8,1 bn since peak



90+ DPD formation reversed



Improved asset quality



(1) Pre CRD IV
(2) Proforma CRD IV
(3) Ratio of ELA Funding % Total Assets for 31 March 2016 is based on total assets at 31 December 2015

Consolidated Balance Sheet

€ mn	% change	31.12.15	31.12.14
Cash and balances with Central Banks	24%	1.423	1.139
Loans and advances to banks	-20%	1.314	1.647
Debt securities, treasury bills and equity investments	-60%	1.009	2.541
Net loans and advances to customers	-5%	17.192	18.168
Other assets	-4%	2.284	2.378
Non current assets and disposal groups classified as held for sale	-95%	49	916
Total assets	**-13%**	**23.271**	**26.789**

Note:

As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations.

€ mn	% change	31.12.15	31.12.14
Deposits by banks	49%	242	162
Funding from central banks	-46%	4.453	8.284
Repurchase agreements	-36%	368	580
Customer deposits	12%	14.181	12.624
Debt securities in issue	2%	1	1
Other liabilities	-9%	948	1.046
Non current liabilities and disposal groups classified as held for sale	-100%	0	611
Total liabilities	**-13%**	**20.193**	**23.308**
Share capital	0%	892	892
Capital reduction reserve and share premium	0%	2.505	2.505
Revaluation and other reserves	76%	259	147
Accumulated losses	661%	(601)	(79)
Shareholders' equity	**-12%**	**3.055**	**3.465**
Non controlling interests	44%	23	16
Total equity	**-12%**	**3.078**	**3.481**
Total liabilities and equity	**-13%**	**23.271**	**26.789**

Income Statement Review

€ mn	FY2015	FY2014[3]	yoy %	4Q2015	3Q2015[4]	qoq %
Net interest income	842	969	-13%	198	205	-4%
Fees and commission income	154	152	1%	38	36	7%
Insurance income net of insurance claims	48	46	5%	16	12	39%
Core income	*1.044*	*1.167*	*-11%*	*252*	*253*	*-*
Other income	(4)	1	-	1	(2)	141%
Total income	**1.040**	**1.168**	**-11%**	**253**	**251**	**1%**
Total expenses	**(416)**	**(427)**	**-3%**	**(119)**	**(102)**	**16%**
Profit before provisions and impairments[1]	**624**	**741**	**-16%**	**134**	**149**	**-10%**
Provisions for impairment of customer loans net of gain on derecognition of loans and changes in expected cash flows on acquired loans	(959)	(770)	25%	(630)	(96)	560%
Impairments of other financial and non financial assets	(62)	(90)	-31%	(24)	(6)	313%
Share of profit from associates	6	5	22%	2	1	-
(Loss)/profit before tax, restructuring costs and discontinued operations	**(391)**	**(114)**	**244%**	**(518)**	**48**	**-**
Tax	(9)	(11)	-15%	8	(8)	-
Loss attributable to non-controlling interests	6	19	-64%	1	5	-
(Loss)/profit after tax from continuing operations[2]	**(394)**	**(106)**	**271%**	**(509)**	**45**	**-**
Restructuring costs	(43)	(36)	20%	(16)	(5)	205%
Loss from disposal group held for sale/discontinued operations	(38)	(166)	-77%	0	(9)	-100%
Net gain/(loss) on disposal of non-core assets	37	47	-22%	13	(18)	-177%
(Loss)/profit after tax	**(438)**	**(261)**	**68%**	**(512)**	**13**	**-**
Net interest margin	**379 bps**	**394 bps**	**-15 bps**	**369 bps**	**370 bps**	**-1 bp**
Cost-to-Income ratio	**40%**	**37%**	**+3 p.p.**	**47%**	**41%**	**+6 p.p.**

(1) Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations.
(2) (Loss)/profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets.
(3) The FY2015 is not comparable to the FY2014 given the significant deleveraging completed since then, including, among others, the partial repayment of the sovereign bond held by the Bank, by the Republic of Cyprus on 1 July 2014, and the disposal of the majority of the Russian operations during 3Q2015.
(4) As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations.

Consolidated Income Statement by quarter

€ mn	4Q2015	3Q2015	2Q2015[1]	1Q2015[1]	4Q2014[1]
Net interest income	198	205	212	227	225
Net fee and commission income	38	36	36	43	35
Insurance income net of insurance claims	16	12	9	11	10
Core income	*252*	*253*	*257*	*281*	*270*
Other income	1	(2)	4	(7)	6
Total income	**253**	**251**	**261**	**274**	**276**
Staff costs	(57)	(59)	(59)	(59)	(59)
Other operating expenses	(62)	(43)	(33)	(43)	(56)
Total expenses	**(119)**	**(102)**	**(92)**	**(102)**	**(115)**
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**134**	**149**	**169**	**172**	**161**
Provisions for impairment of customer loans net of gain on derecognition of loans and changes in expected cash flows on acquired loans	(630)	(96)	(123)	(110)	(312)
Impairments of other financial and non-financial assets	(24)	(6)	(30)	(1)	(57)
Share of profit/(loss) from associates and joint ventures	2	1	1	1	3
(Loss)/profit before tax, restructuring costs and discontinued operations	**(518)**	**48**	**17**	**62**	**(205)**
Tax	8	(8)	(3)	(7)	(1)
Profit attributable to non - controlling interests	1	5	1	0	17
(Loss)/profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**(509)**	**45**	**15**	**55**	**(189)**
Restructuring costs	(16)	(5)	(14)	(8)	(4)
Loss from disposal group held for sale / discontinued operations	0	(9)	(11)	(18)	(131)
Net (loss)/gain on disposal of non-core assets	13	(18)	41	-	(13)
(Loss)/profit after tax	**(512)**	**13**	**31**	**29**	**(337)**

(1) As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations

Bank of Cyprus

Analysis of Operating Expenses

€ mn	FY2015	FY2014	4Q2015	3Q2015
Operating lease rentals for property and equipment	10	13	2	3
Advertising, marketing and communication expenses	22	24	8	8
Property related costs	43	35	16	10
Insurance expenses	15	14	4	4
Depreciation and amortisation	19	20	5	5
Special tax levy on deposits of credit institutions in Cyprus & Contribution to depositor protection scheme	18	20	5	4
Provision and settlements of litigations or claims	8	11	6	-
Consultancy and other professional services fees	16	19	4	4
Other operating expenses	31	37	12	5
Total operating expenses	**182**	**193**	**62**	**43**

Income Statement bridge for FY2015

€ mn	Per presentation	Reclassification	Per financial statements
Net interest income	842		842
Net fee and commission income	154		154
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	31	54	85
Insurance income net of insurance claims	48		48
Losses from revaluation and disposal of investment properties	(53)		(53)
Other income	18		18
Total income	**1.040**		**1.094**
Total expenses	**(416)**	(43)	**(459)**
Profit before provisions and impairments, gain on derecognition of loans and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**624**		**635**
Provisions for impairment of customer loans	(1.264)		(1.264)
Gain on derecognition of loans and changes in expected cash flows on acquired loans	305		305
Impairments of other financial and non-financial assets	(62)		(62)
Share of profit from associates	6		6
Profit before tax, restructuring costs and discontinued operations	**(391)**		**(380)**
Tax	(9)		(9)
Loss attributable to non-controlling interests	6		6
Loss after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets	**(394)**		**(383)**
Restructuring costs	(43)	43	-
Net gains on disposal of non-core assets	37	(37)	-
Loss from disposal group held for sale / discontinued operations, net of minority interest	(38)	(17)	(55)
Loss after tax	**(438)**		**(438)**

Cyprus Income Statement

€ mn	FY2015	FY2014	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014
Net interest income	788	919	186	192	200	211	216
Net fee & commission income	147	145	36	34	34	42	34
Insurance income net of insurance claims	47	43	16	11	8	12	10
Core income	*982*	*1.107*	*238*	*237*	*242*	*265*	*260*
Other income /(expenses)	35	3	13	16	8	(2)	7
Total income	**1.017**	**1.110**	**251**	**253**	**250**	**263**	**267**
Staff costs	(218)	(220)	(54)	(54)	(55)	(55)	(56)
Other operating expenses	(165)	(167)	(59)	(38)	(31)	(37)	(54)
Total expenses	**(383)**	**(387)**	**(113)**	**(92)**	**(86)**	**(92)**	**(110)**
Profit before provisions and impairments	**634**	**723**	**138**	**161**	**164**	**171**	**157**
Provisions[1]	(847)	(533)	(593)	(73)	(102)	(79)	(177)
Impairment of other financial assets and non financial assets	(40)	(81)	(14)	(6)	(19)	(1)	(48)
Share of profit/(loss) from associates	6	5	3	0	1	2	3
(Loss)/profit before tax	**(247)**	**114**	**(466)**	**82**	**44**	**93**	**(65)**
Tax	(6)	(4)	10	(6)	(2)	(8)	0
Profit/(loss)attributable to non-controlling interests	1	1	1	0	(0)	0	1
(Loss)/profit after tax and before one off items	**(252)**	**111**	**(455)**	**76**	**42**	**85**	**(64)**

(1) Provisions for impairment of customer loans and gain on derecognition of loans and changes in expected cash flows on acquired loans

Cyprus: Income Statement by business line for FY2015

€ mn	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	Other	Total Cyprus
Net interest income	243	69	76	62	7	286	45	788
Net fee & commission income	55	9	8	47	2	15	11	147
Other income	5	0	1	8	3	0	65	82
Total income	**303**	**78**	**85**	**117**	**12**	**301**	**121**	**1.017**
Total expenses	**(121)**	**(12)**	**(11)**	**(23)**	**(5)**	**(33)**	**(178)**	**(383)**
Profit/(loss) before provisions and impairments	**182**	**66**	**74**	**94**	**7**	**268**	**(57)**	**634**
Provisions for impairment of customer loans net of gain on derecognition of loans and changes in expected cash flows on acquired loans	32	23	46	(9)	(2)	(946)	9	(847)
Impairment of other financial and non financial assets	-	-	-	-	-	-	(40)	(40)
Share of profits from associates	-	-	-	-	-	-	6	6
Profit/(loss) before tax	**214**	**89**	**120**	**85**	**5**	**(678)**	**(82)**	**(247)**
Tax	(27)	(11)	(15)	(10)	(1)	85	(27)	(6)
Profit attributable to non controlling interest	-	-	-	-	-	-	1	1
Profit/(loss) after tax and before one off items	**187**	**78**	**105**	**75**	**4**	**(593)**	**(108)**	**(252)**

Summary Income Statement by Geography

€ mn	UK		OTHER[2]	
	FY2015	FY2014	FY2015	FY2014
Net interest income	31	31	40	79
Net fee & commission income	5	5	9	20
Insurance income net of insurance claims	-	-	1	2
Other income /(expenses)	0	1	(19)	5
Total income	**36**	**37**	**31**	**106**
Staff costs	(13)	(12)	(25)	(38)
Other operating expenses	(18)	(16)	(27)	(54)
Total expenses	**(31)**	**(28)**	**(52)**	**(92)**
Profit/(loss) before provisions and impairments	**5**	**9**	**(21)**	**14**
Provisions[1]	8	(30)	(164)	(359)
Impairment of other financial assets and non financial assets	-	-	(20)	(92)
Share of profit from associates	-	-	-	-
Profit/(loss) before tax	**13**	**(21)**	**(205)**	**(437)**
Tax	(1)	(1)	(2)	(21)
Profit attributable to non-controlling interests	-	-	15	60
Profit/(loss) after tax and before one off items	**12**	**(22)**	**(192)**	**(398)**

(1) Provisions for impairment of customer loans and gain on derecognition of loans and changes in expected cash flows on acquired loans
(2) Other countries include Ukraine, Russian, Romania and Greece

Bank of Cyprus

Risk Weighted Assets by Geography – Regulatory Capital

Risk weighted assets by Geography (€ mn)

	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15
Cyprus	20.452	20.473	19.607	19.473	18.438
Russia	706	813	708	46	21
United Kingdom	986	1.162	667	663	685
Romania	308	294	318	315	269
Greece	217	181	180	173	208
Other[1]	46	49	47	47	45
Total RWA	**22.715**	**22.972**	**21.527**	**20.717**	**19.666**
RWA intensity(%)	**85%**	**86%**	**85%**	**86%**	**85%**

Risk weighted assets by type of risk (€ mn)

	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15
Credit risk	20.625	20.881	19.426	18.830	17.618
Market risk	5	6	16	7	8
Operational risk	2.085	2.085	2.085	1.880	2.040
Total	**22.715**	**22.972**	**21.527**	**20.717**	**19.666**

(1) Other countries include Ukraine, Channel Islands and Netherlands

Equity and Regulatory Capital (€ mn)

	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15
Shareholders' equity	3.465	3.502	3.506	3.518	3.055
CET1 capital	3.191	3.201	3.205	3.231	2.748
Tier I capital	3.191	3.201	3.205	3.231	2.748
Tier II capital	42	30	32	22	30
Total regulatory capital (Tier I + Tier II)	**3.233**	**3.231**	**3.237**	**3.253**	**2.778**

Reconciliation of Group Equity to CET 1

€ mn	31.12.15
Group Equity per financial statements	3.077
Less : Intangibles and other deductions	(17)
Less: Deconsolidation of insurance and other entities	(228)
Less: Regulatory adjustments (Minority Interest, DTA and other items)	(34)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(50)
CET 1 (transitional)	**2.748**
Less : Adjustments to fully loaded (mainly DTA)	**(179)**
CET 1 (fully loaded)	**2.569**
Risk Weighted Assets	**19.666**
CET 1 ratio (fully loaded)	**13,1%**
CET 1 ratio (transitional)	**14,0%**

BOC- Main performance indicators

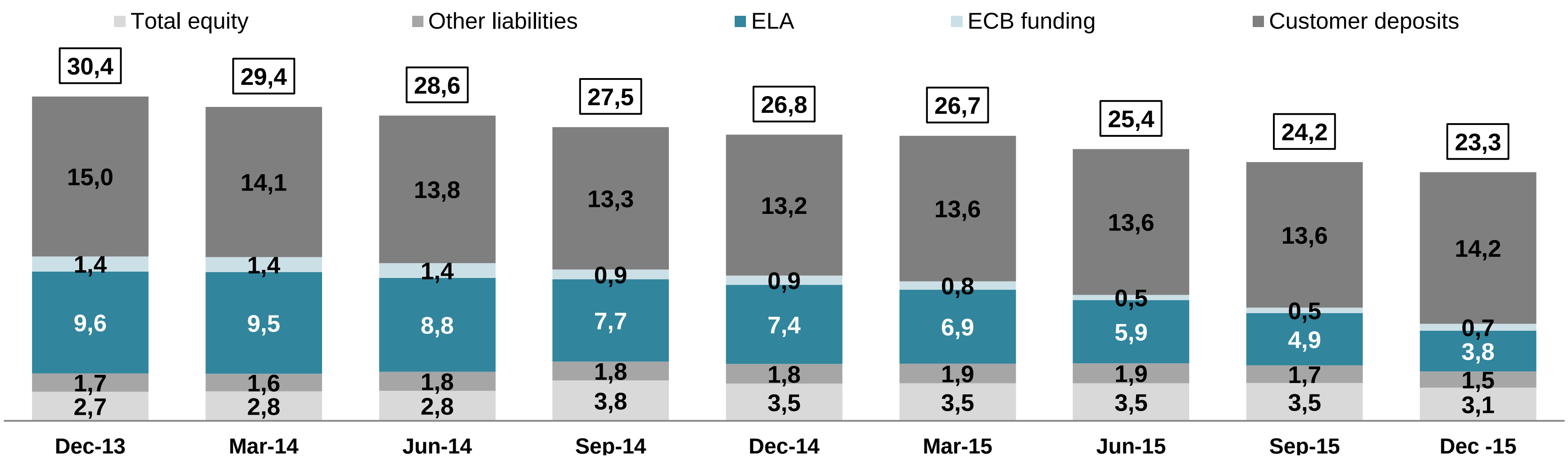
31 December 2015	Ratios	Group FY2015
Performance	ROAA	(1,7%)
	ROAE	(12,9%)
	Net Interest Margin	3,79%
	Cost to income ratio	40%
	Loans to deposits	121%
Asset Quality	90+ DPD/ 90+ DPD ratio	€11.329 mn (50,1%)
	90+ DPD coverage	48%
	Cost of risk	4,3%[1]
	Provisions / Gross Loans	24,1%
Capital	Transitional Common Equity Tier 1 capital	€2,748 mn
	CET1 ratio (transitional basis)	14,0%
	Total Shareholder's Equity / Total Assets	13,1%

	Shareholder's Equity (€ mn)	Intangible assets (€ mn)	# shares (mn)	Book Value per share	Tangible Book Value per share
31/03/2014	2.689	130	4.700	0,57	0,54
30/06/2014	2.748	135	4.756	0,58	0,55
30/09/2014	3.728	135	8.922	0,42	0,40
31/12/2014	3.465	127	8.922	0,39	0,37
31/03/2015	3.502	130	8.923	0,39	0,38
30/06/2015	3.506	128	8.923	0,39	0,38
30/09/2015	3.518	131	8.923	0,39	0,38
31/12/2015	3.055	134	8.923	0,34	0,33

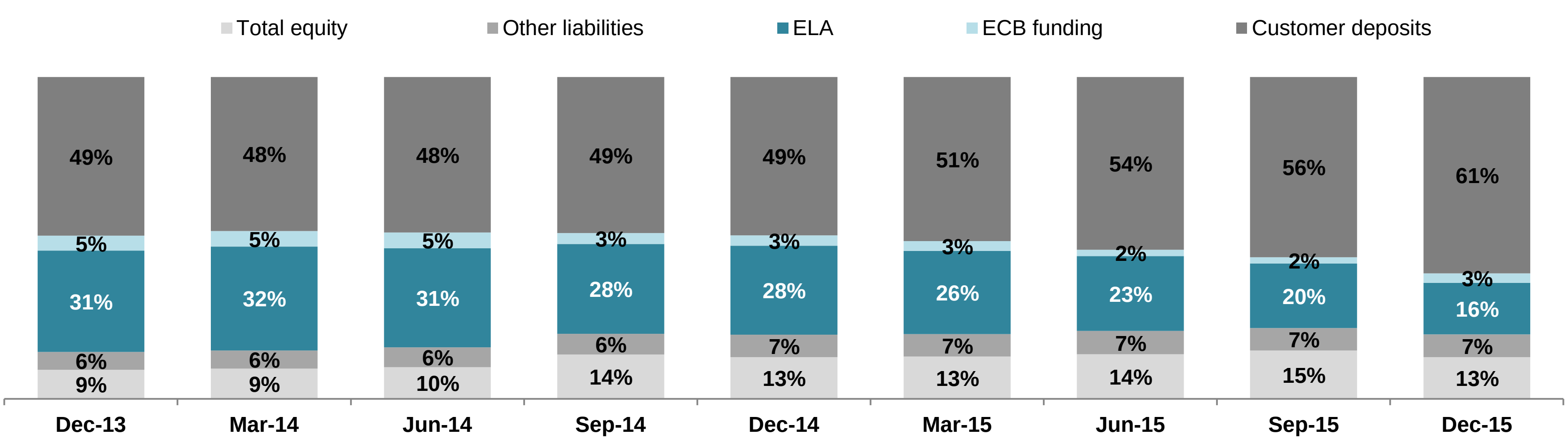
(1)Calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, (in total €1.307 mn) net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €305 mn) over average gross loans

Funding Structure

Analysis of Liabilities and Equity (€ bn)



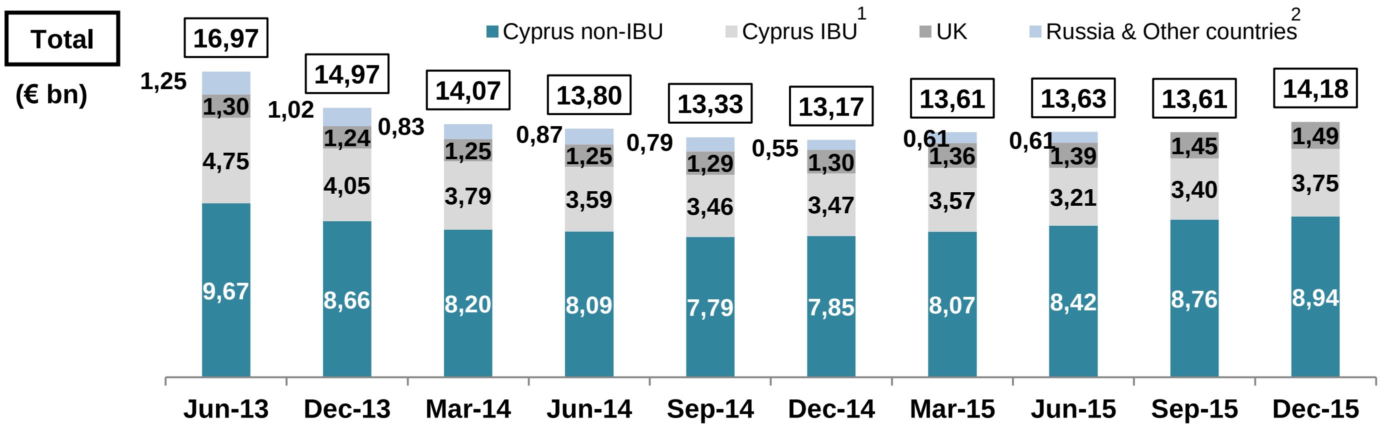
Analysis of Liabilities and Equity (%)



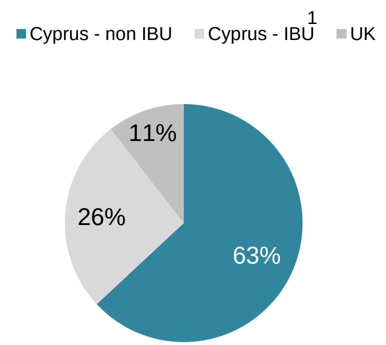
Bank of Cyprus

Analysis of Deposits by Geography and by Type

Deposits by geography

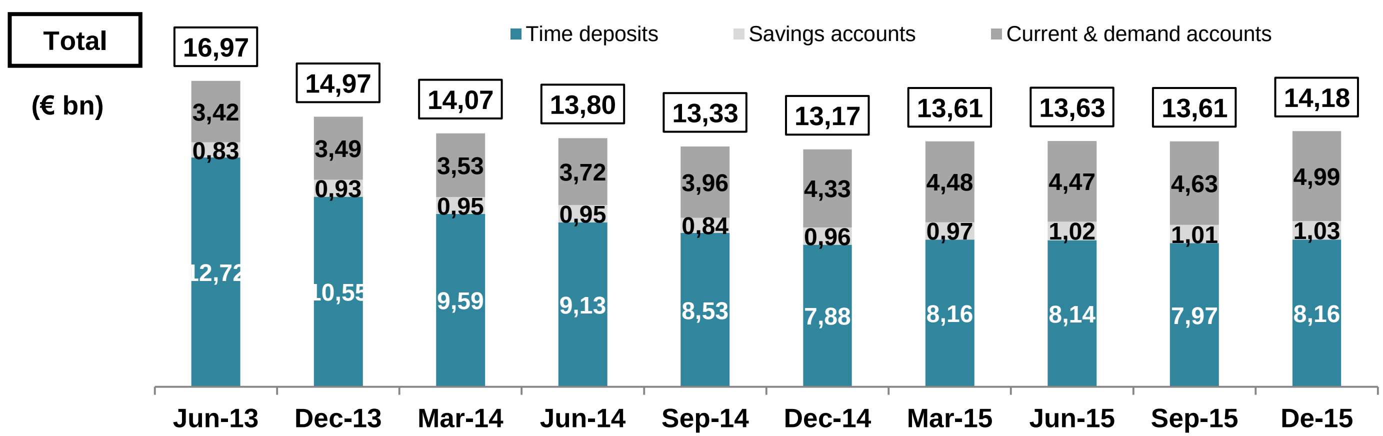


31 December 2015 (%)

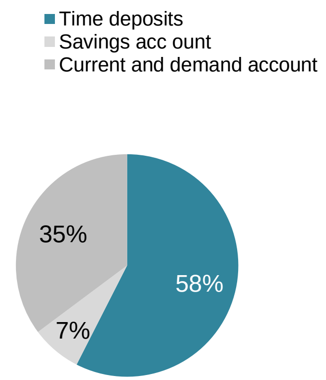


Total Cyprus 89%

Deposits by type of deposits



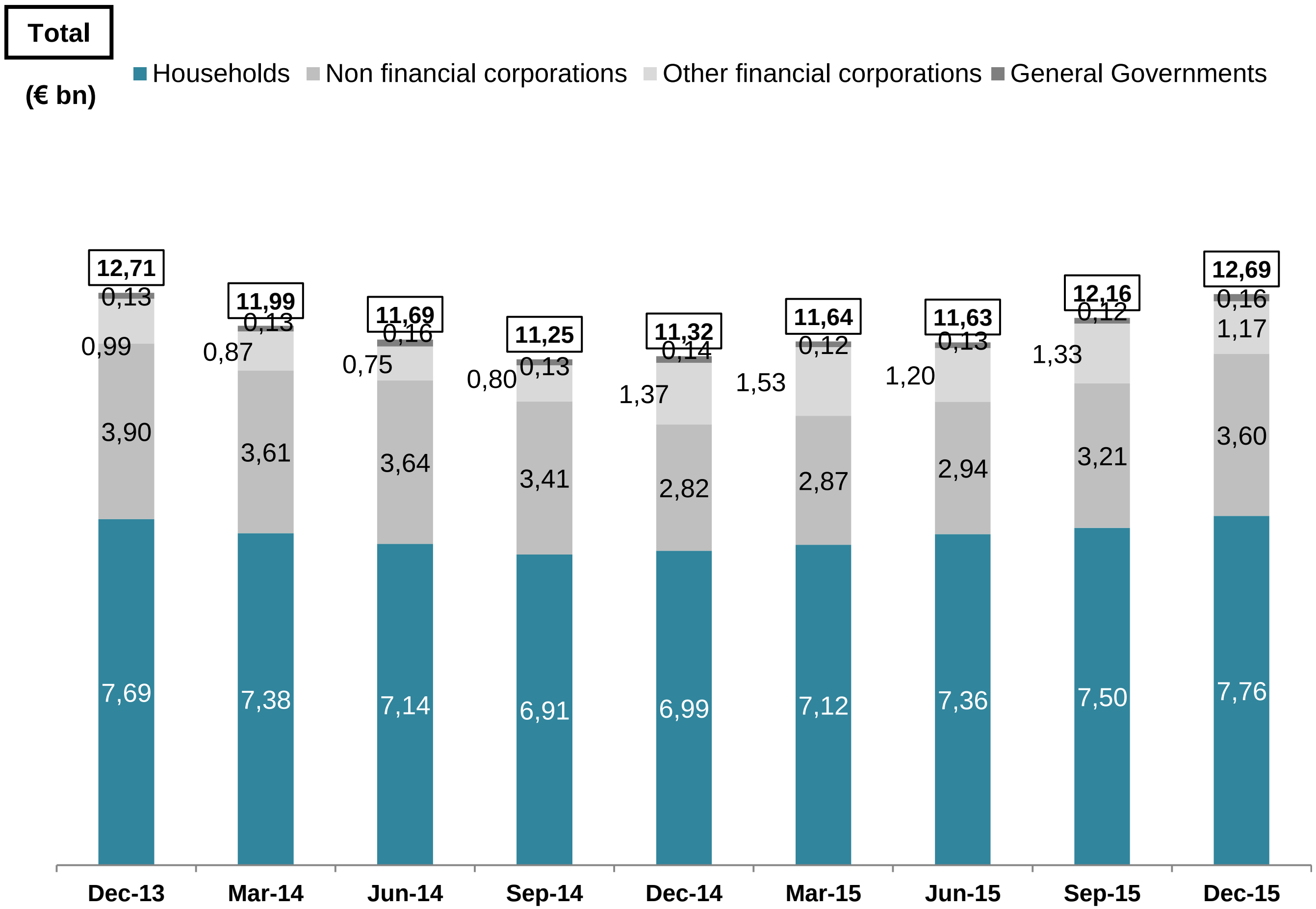
31 December 2015 (%)



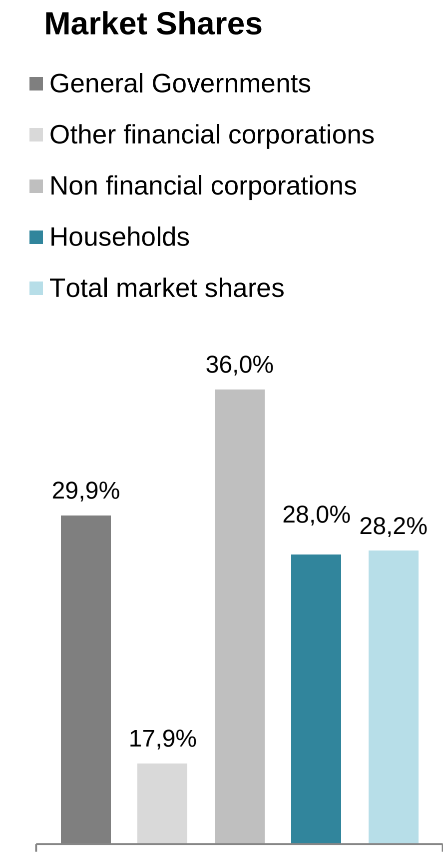
(1) IBU- Division servicing exclusively international activity companies registered in Cyprus and abroad and non-residents
(2) Other countries: Romania and Ukraine (until March 2014)

Analysis of Deposits by sector for Cyprus operations

Deposits by sector as per CBC classification for Cyprus operations

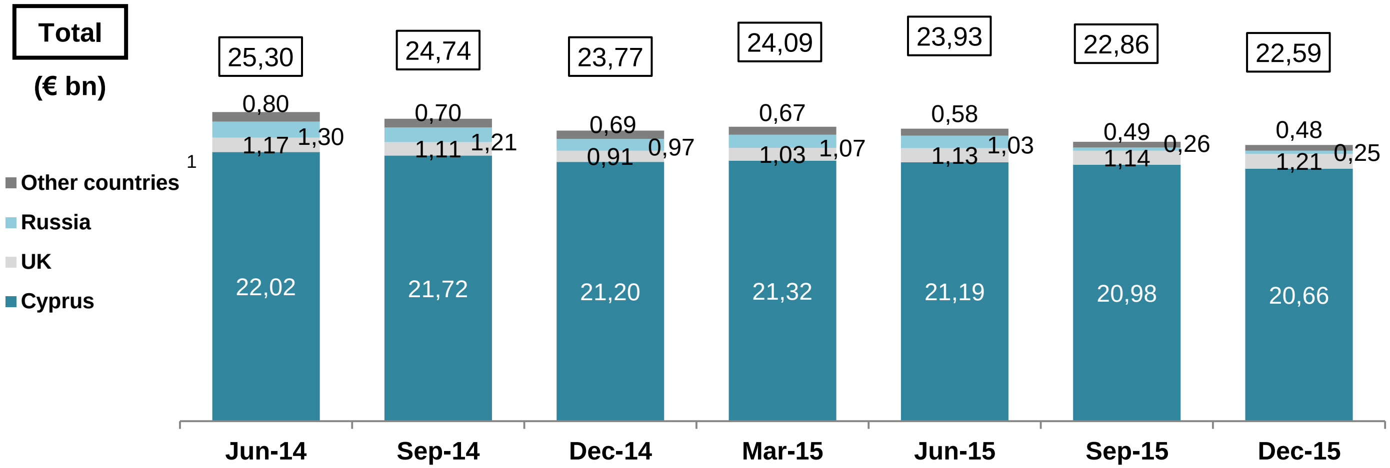


31 December 2015 (%)

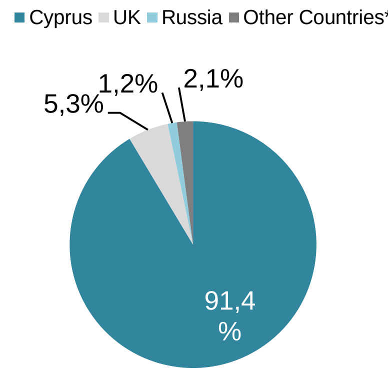


Gross loans by Geography and by Customer Type

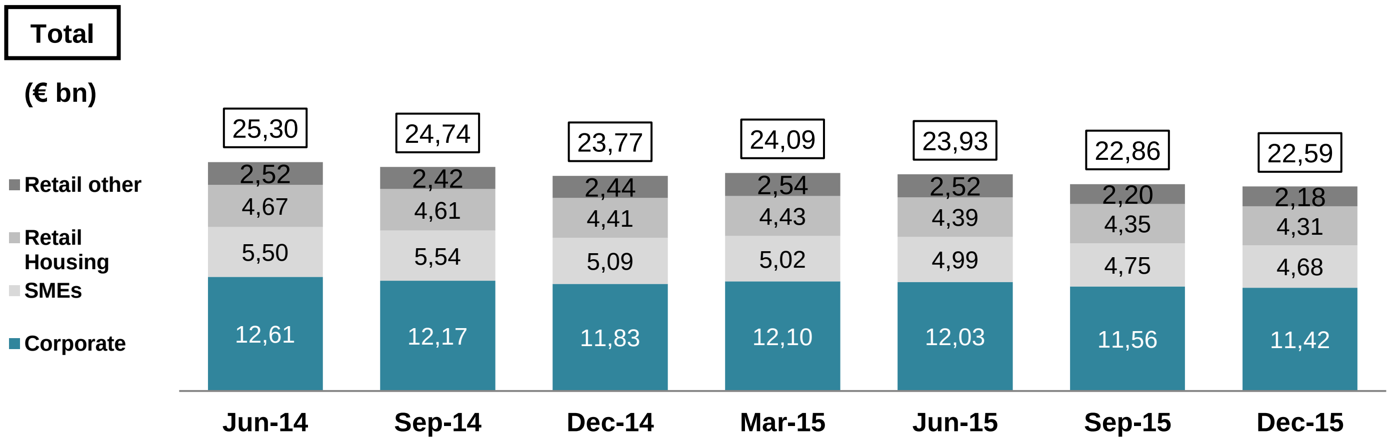
Gross loans by geography



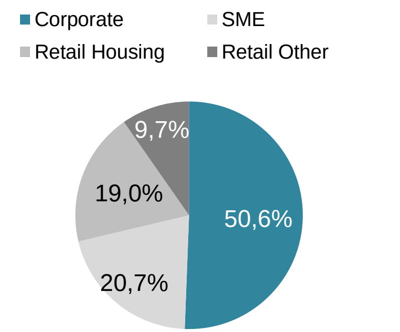
31 December 2015 (%)



Gross loans by customer type



31 December 2015 (%)

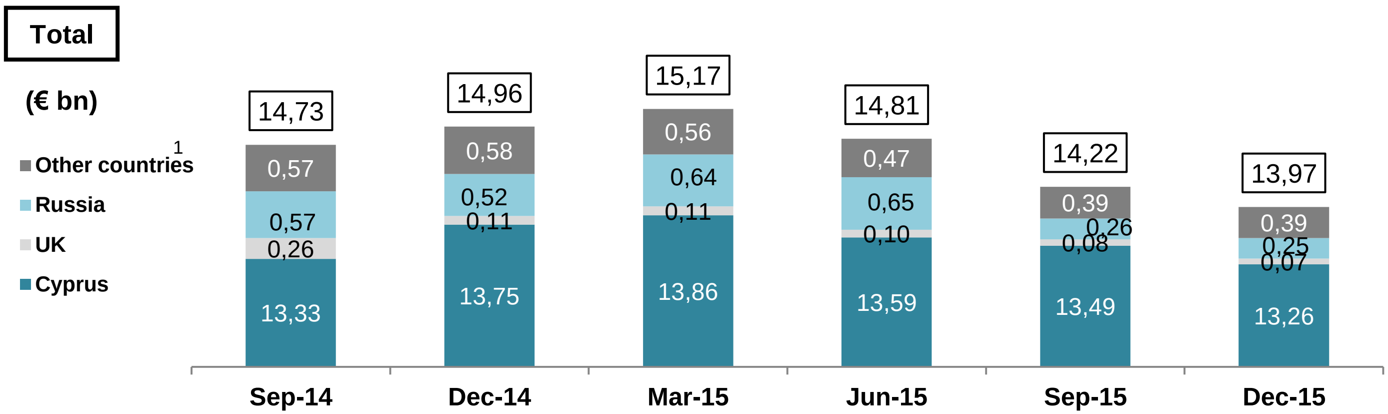


(1) Other countries: Greece and Romania

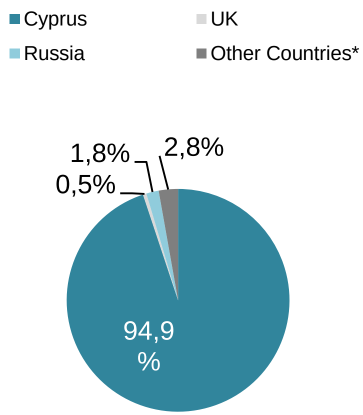
Bank of Cyprus

NPEs by Geography and by Customer Type

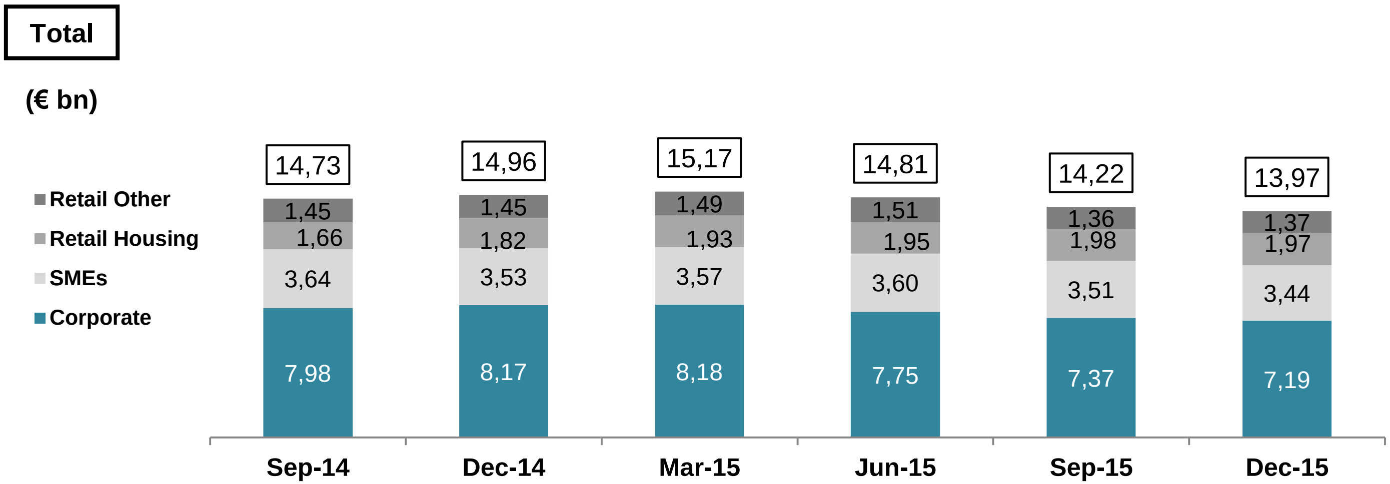
NPEs by geography



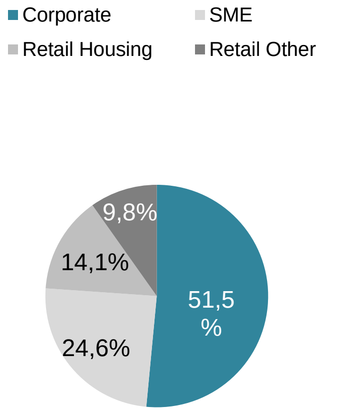
31 December 2015 (%)



NPEs by customer type



31 December 2015 (%)

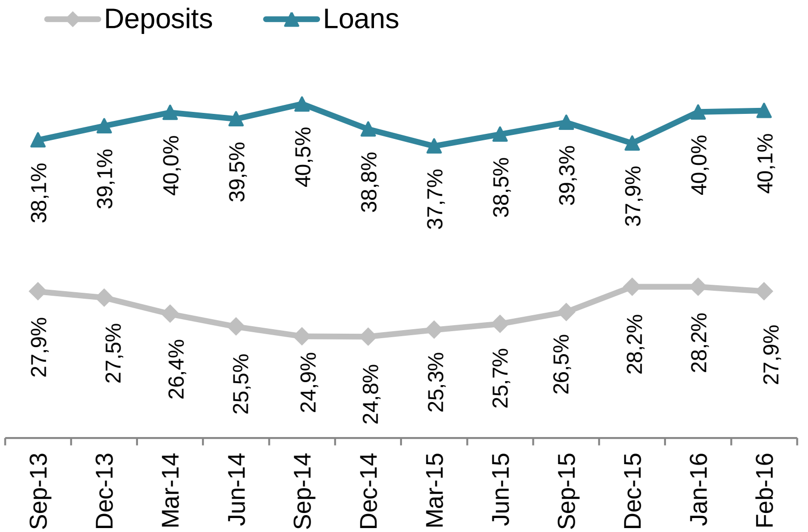


(1) Other countries: Greece and Romania

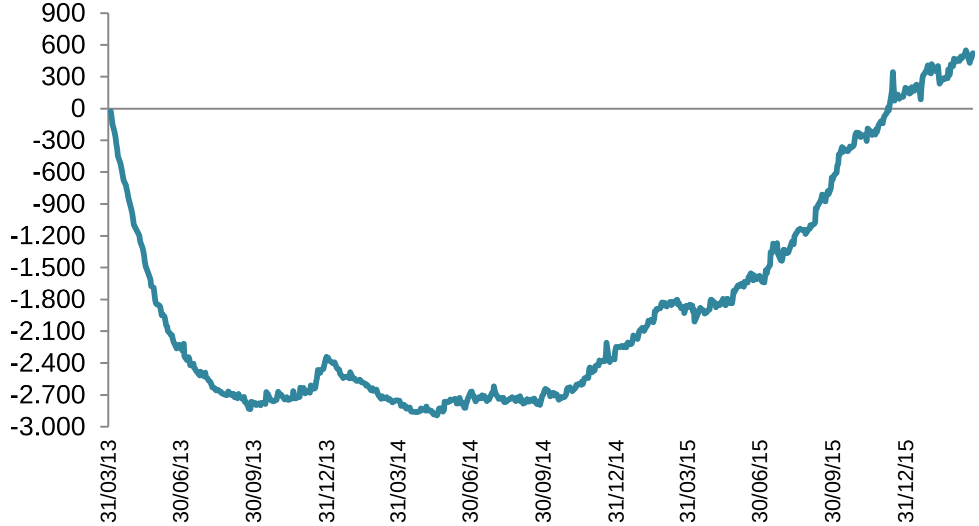
Bank of Cyprus

Market Shares and Customer flows in Cyprus

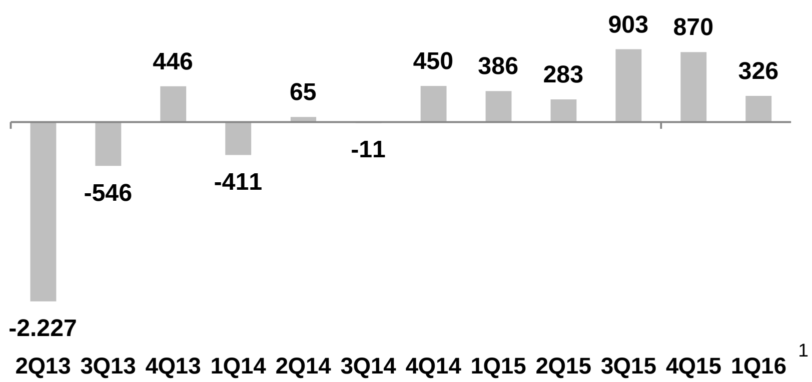
Market share evolution in Cyprus



Cumulative Customer flows[2] (€ mn)



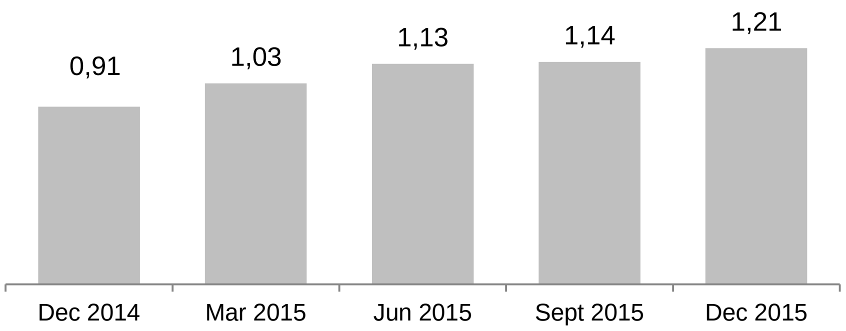
Total customer flows[2] per quarter (€ mn)



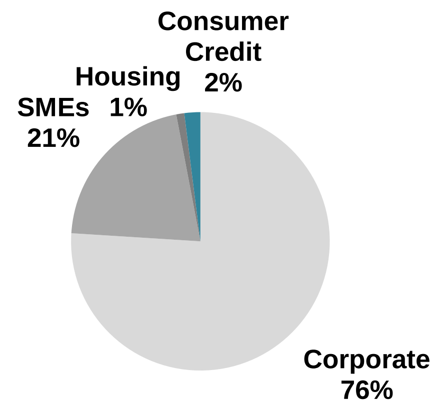
(1) Up to 28 March 2016
(2) Customer flows are defined as the difference between changes in the stock of customer deposits and changes in the stock of gross customer loans, taking into account, among others, provisions, write offs, accrued interest, fair value adjustments and foreign exchange fluctuations.

UK Operations

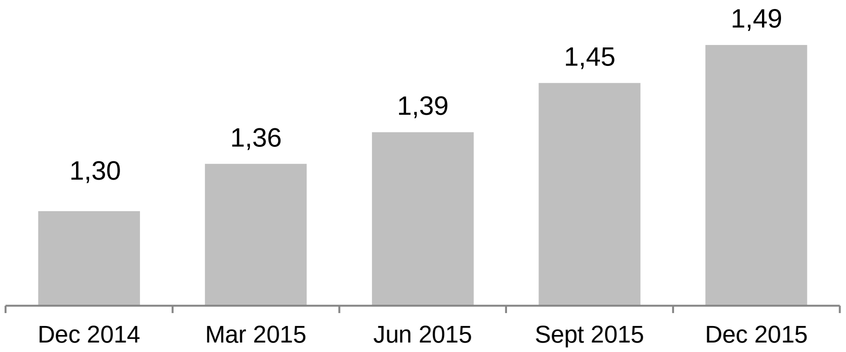
Gross Loans (€ bn)



Loans by sector as at 31 December 2015



Customer Deposits (€ bn)



Asset Quality

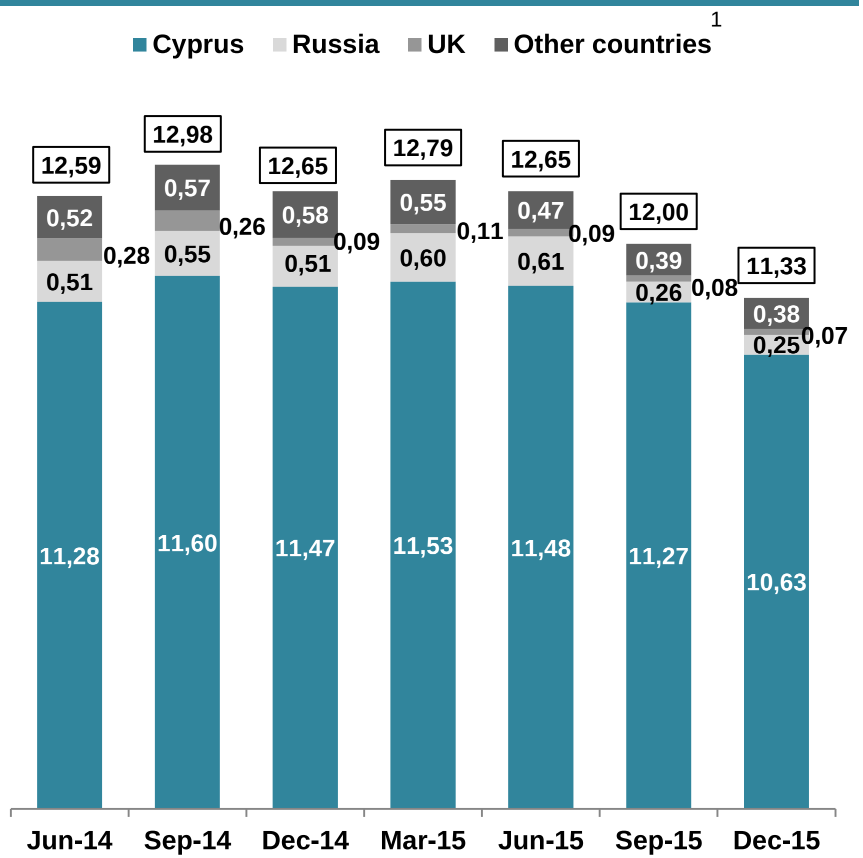
(€ mn)	Dec-15	Sept-15	Jun-15	Mar-15	Dec-14
A. Gross Loans after Fair value on Initial recognition	**21.385**	**21.597**	**22.575**	**22.540**	**22.206**
Fair value on Initial recognition	1.207	1.266	1.351	1.545	1.566
B. Gross Loans	**22.592**	**22.863**	**23.926**	**24.085**	**23.772**
B1. Loans with no arrears	**10.443**	**9.925**	**10.178**	**10.038**	**10.065**
B2. Loans with arrears but not impaired	**3.049**	**3.611**	**4.105**	**4.627**	**4.413**
Up to 30 DPD	469	585	668	662	562
31-90 DPD	351	355	435	596	492
+ 91-180 DPD	144	200	227	344	440
+ 181-365 DPD	259	374	529	758	926
+ Over 1 year DPD	1.826	2.097	2.246	2.267	1.993
+ **B3. Impaired Loans**	**9.100**	**9.327**	**9.644**	**9.420**	**9.294**
With no arrears	876	848	969	1.006	1.153
Up to 30 DPD	78	66	91	68	149
31-90 DPD	24	60	121	275	142
91-180 DPD	65	152	167	181	143
181-365 DPD	310	464	489	445	685
Over 1 year DPD	7.747	7.737	7.807	7.445	7.022
= **(90+ DPD)[1]**	**11.329**	**11.998**	**12.646**	**12.789**	**12.653**
90+ DPD ratio (90 + DPD / Gross Loans)	**50,1%**	**52,5%**	**52,9%**	**53,1%**	**53,2%**
Accumulated provisions	**5.445**	**4.933**	**5.381**	**5.354**	**5.140**
Gross loans provision coverage	**24,1%**	**21,6%**	**22,5%**	**22,2%**	**21,6%**
90+ DPD provision coverage	**48,1%**	**41,1%**	**42,5%**	**41,9%**	**40,6%**

Bank of Cyprus

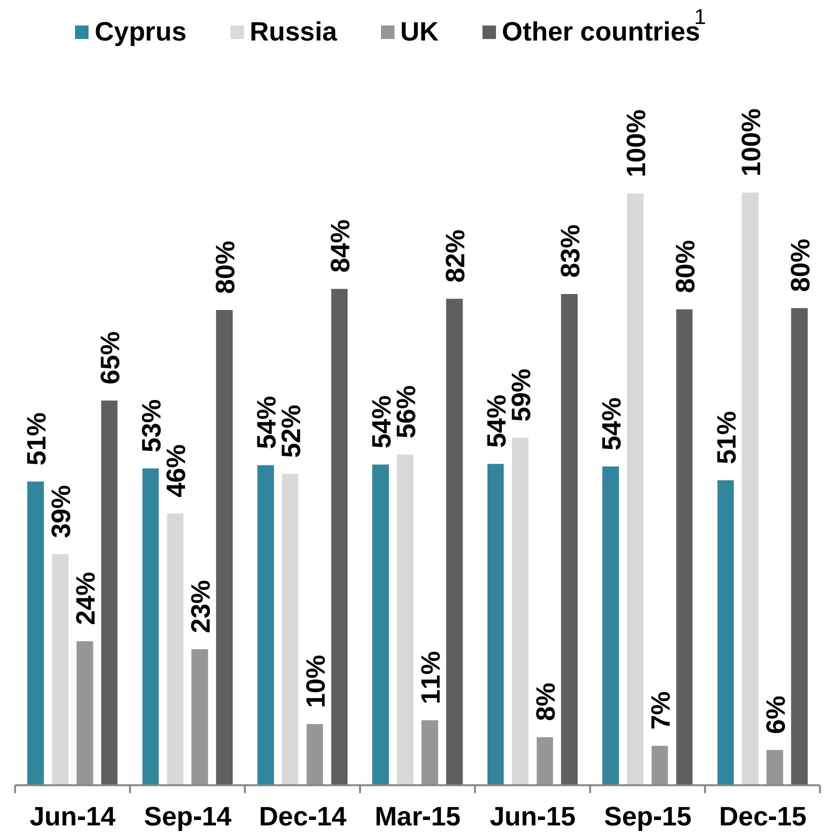
(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days

90+ DPD by Geography

90+ DPD by Geography (€ bn)



90+ DPD ratios by Geography

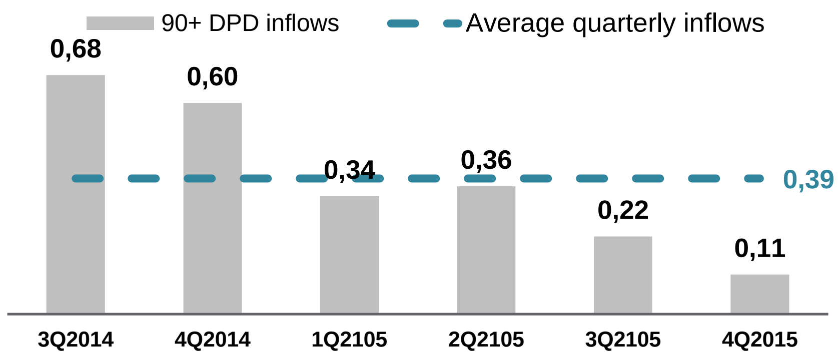


(1) Other countries: Romania and Greece

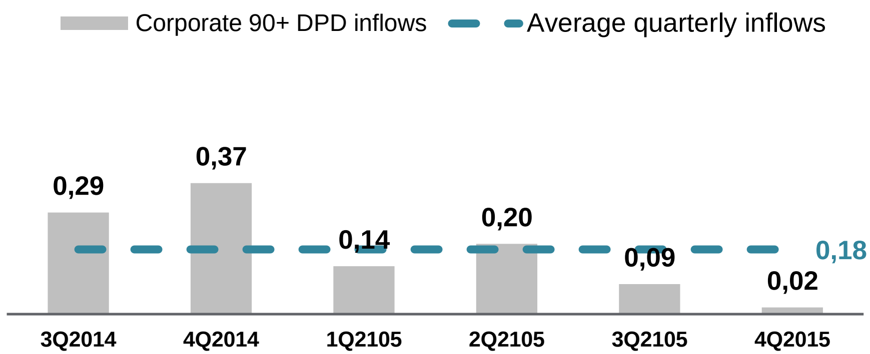
Asset Quality

90+ DPD inflows in the Cyprus operations have been significantly reduced

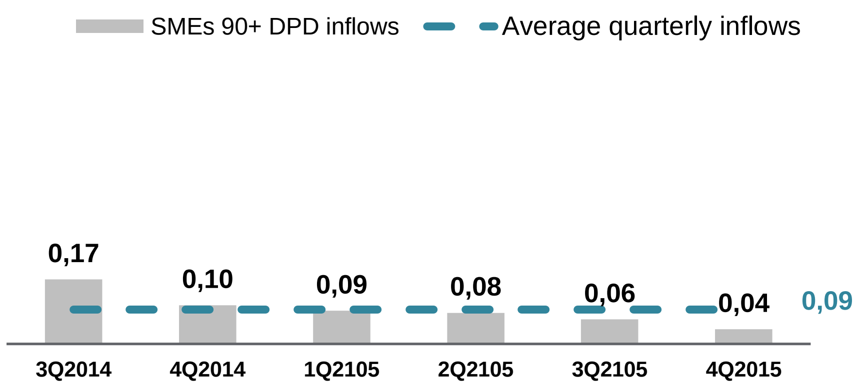
90+ DPD inflows – Cyprus operations (€ bn)



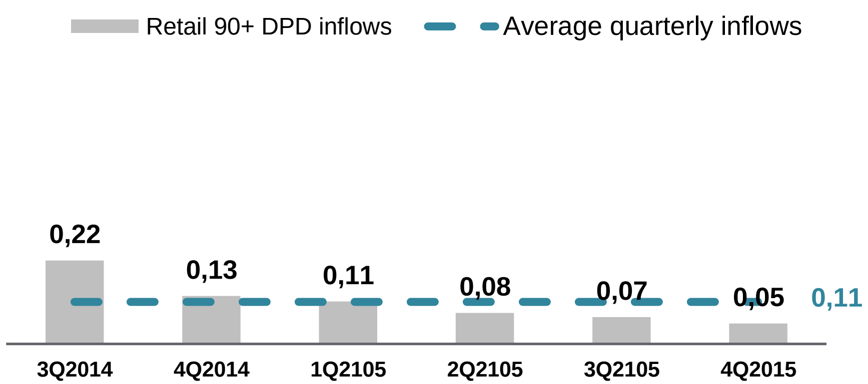
90+ DPD inflows – Corporate Loans (€ bn)



90+ DPD inflows – SMEs Loans (€ bn)



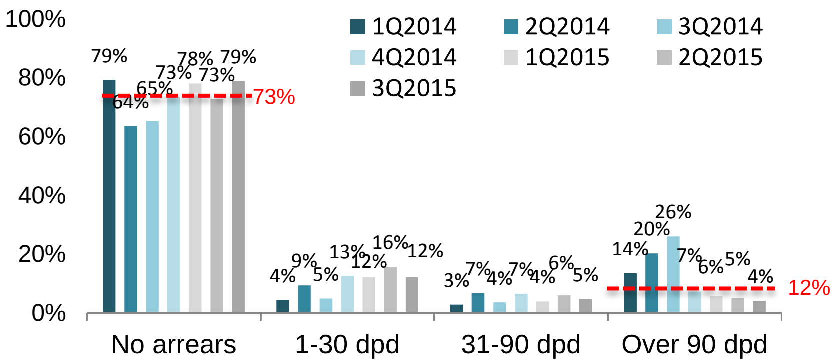
90+ DPD inflows – Retail (€ bn)



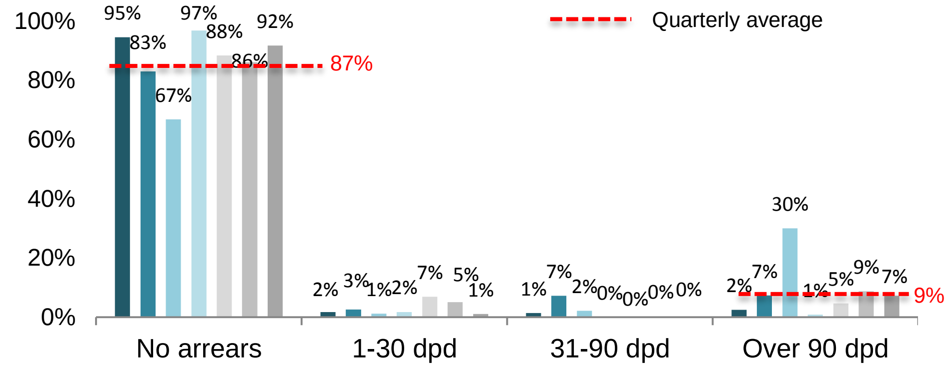
Asset Quality

Performance of restructured loans (post-31 December 2013, by quarter) as at 31 December 2015 [1]

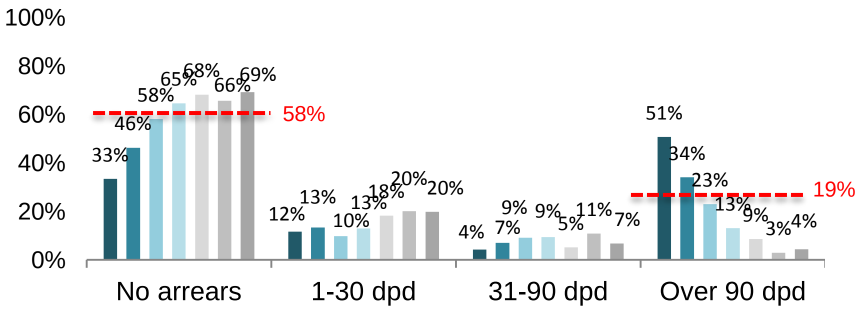
Total Bank – Cyprus



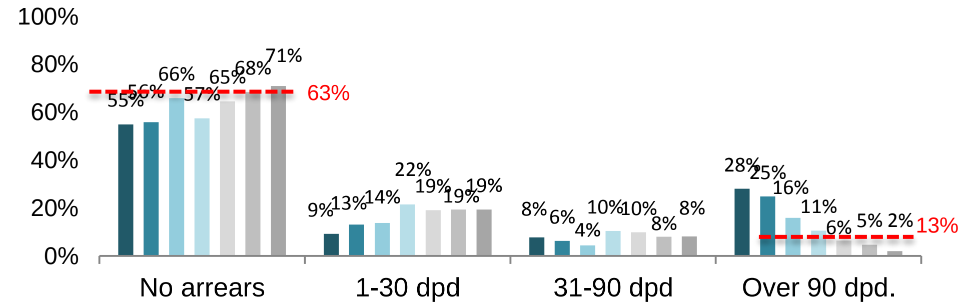
Corporate



SMEs



Retail

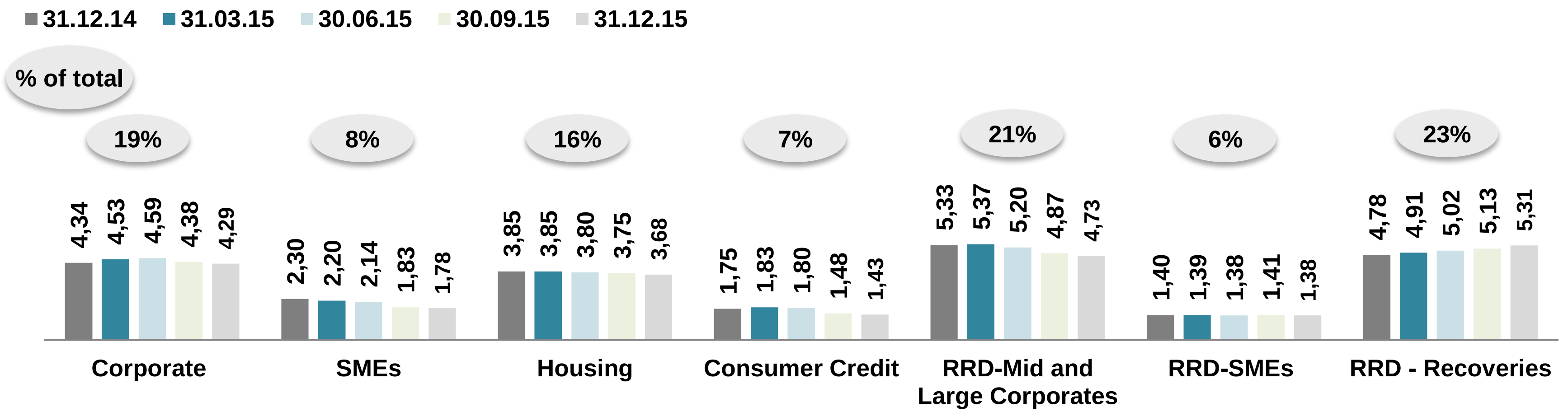


- An analysis performed as at 31 December 2015 indicates that on average 73% of the loans restructured post 31 December 2013 (restructurings performed in 4Q2015 were excluded) for Cyprus operations, have no arrears; The average percentage of restructured loans with arrears more than 90 days stands at 12%
- Corporate restructured loans exhibit the best performance with an average percentage of restructured loans with no arrears of 87%

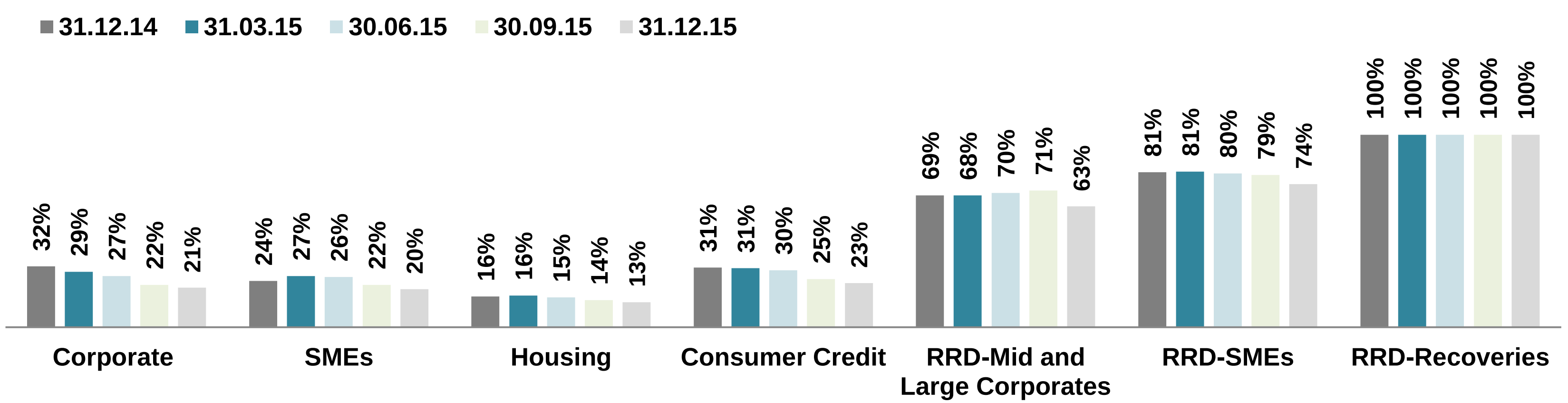
(1) The performance of loans restructured during 4Q2015 is not presented in this graph as it is too early to assess it.

Analysis of Loans and 90+ DPD ratios by Business Line[1]

Gross loans by business line (€ bn)



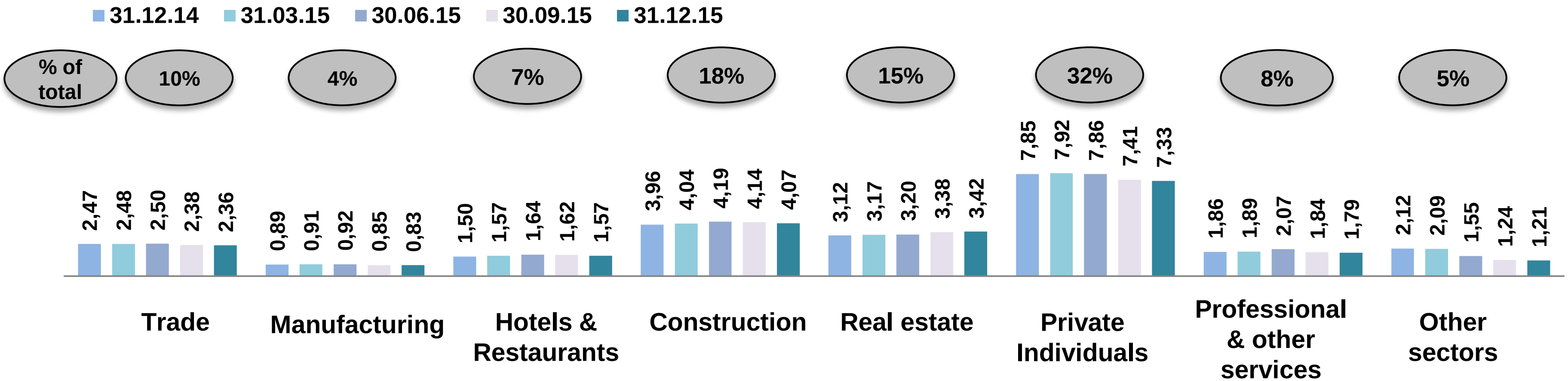
90+ DPD ratios by business line



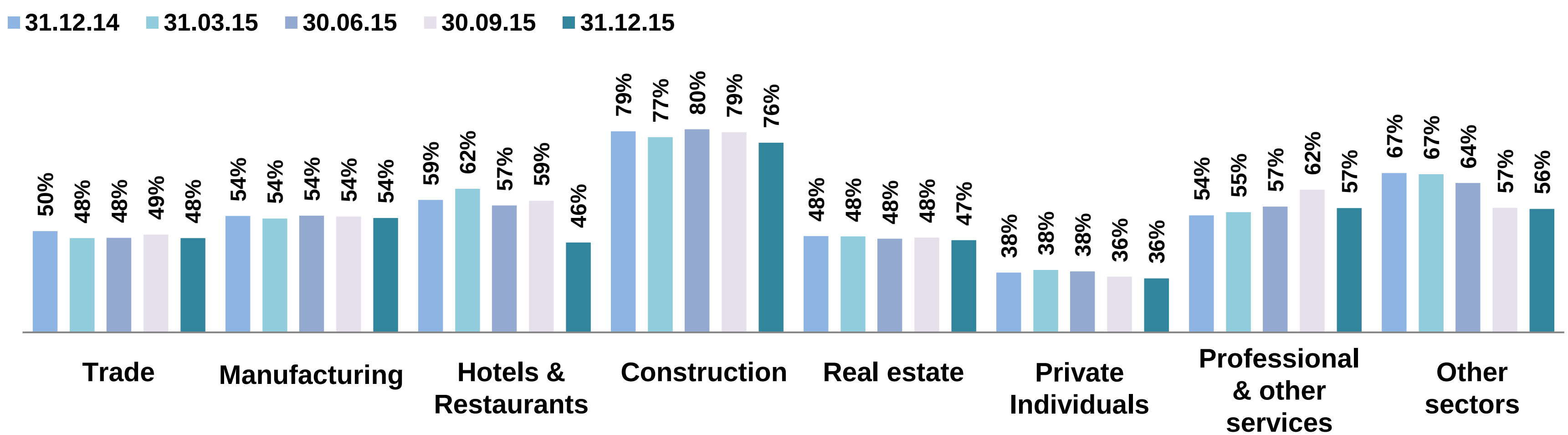
(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the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

Analysis of Loans and 90+ DPD ratios by Economic Activity

Gross loans by economic activity (€ bn)

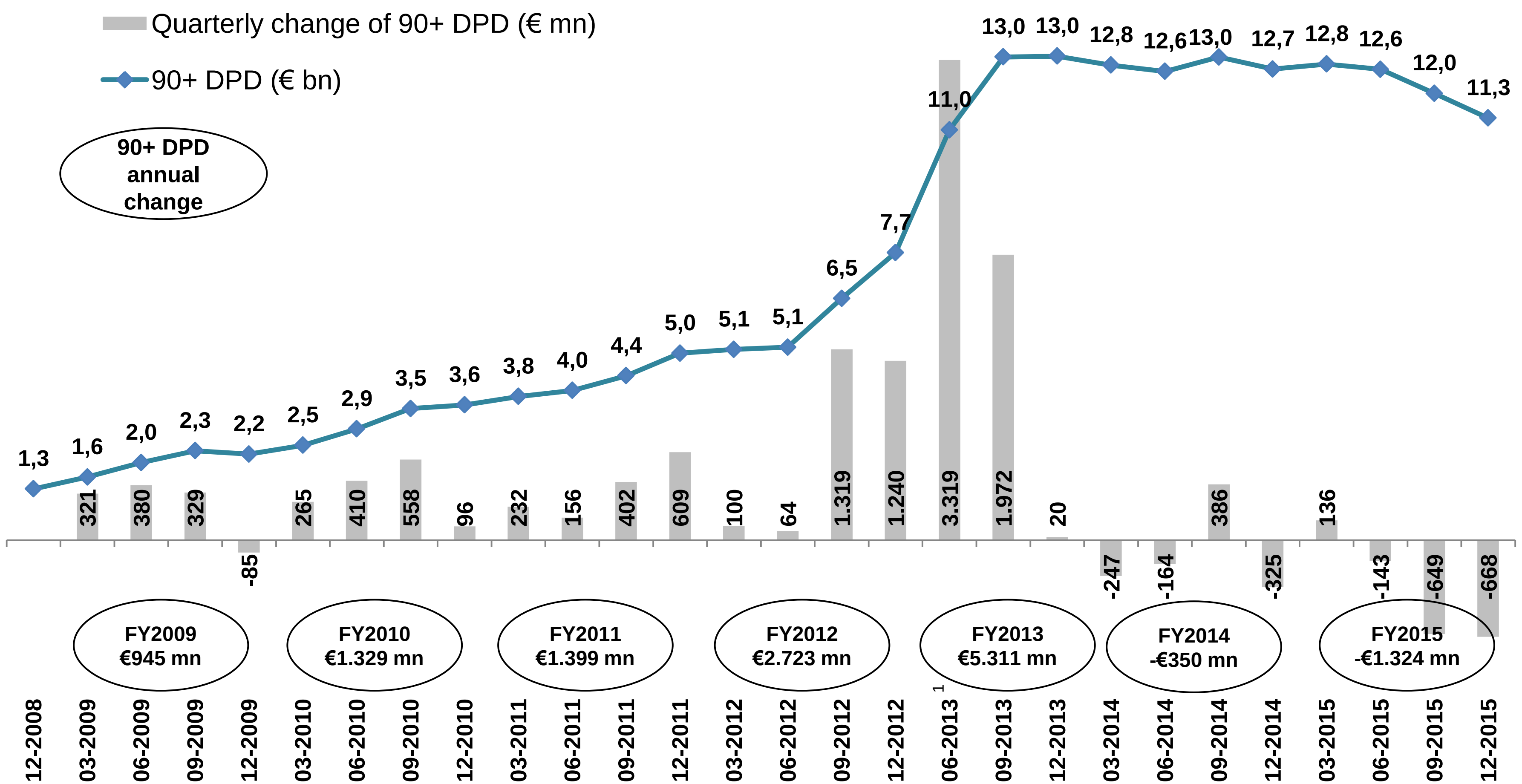


90+ DPD ratios by economic activity



90+ DPD and Quarterly Change of 90+ DPD

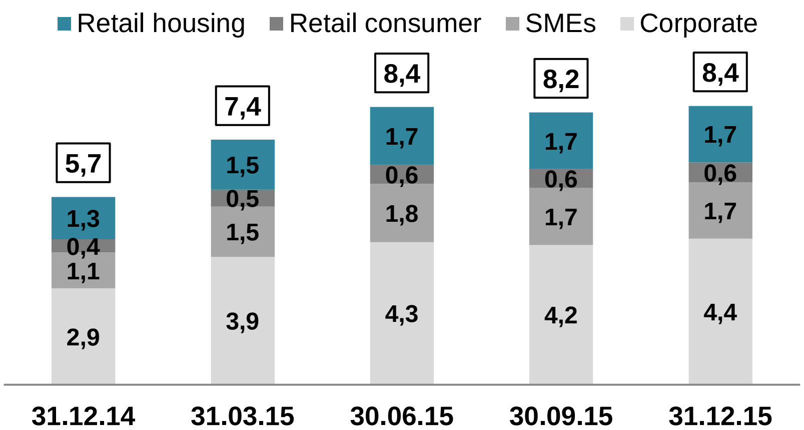
90+ DPD (€ bn) and Quarterly change of 90+ DPD (€ mn)



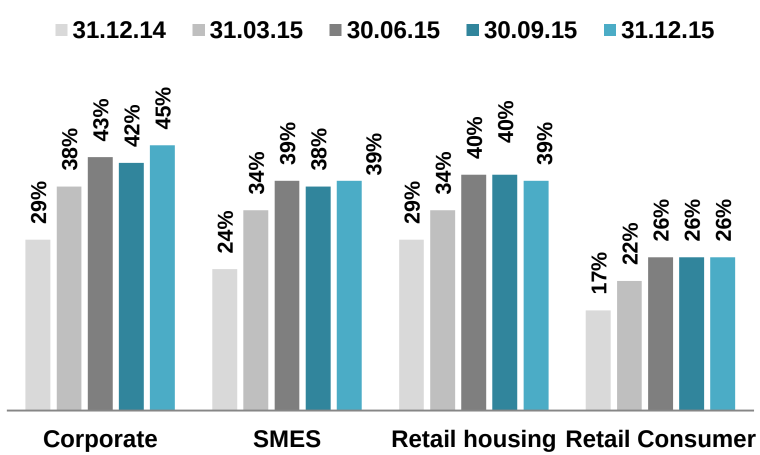
(1) Information for 1Q2013 and 2Q2013 is not available as it has not been possible to publish the financial results for the three months ended 31 March 2013.

Rescheduled Loans for the Cyprus operations

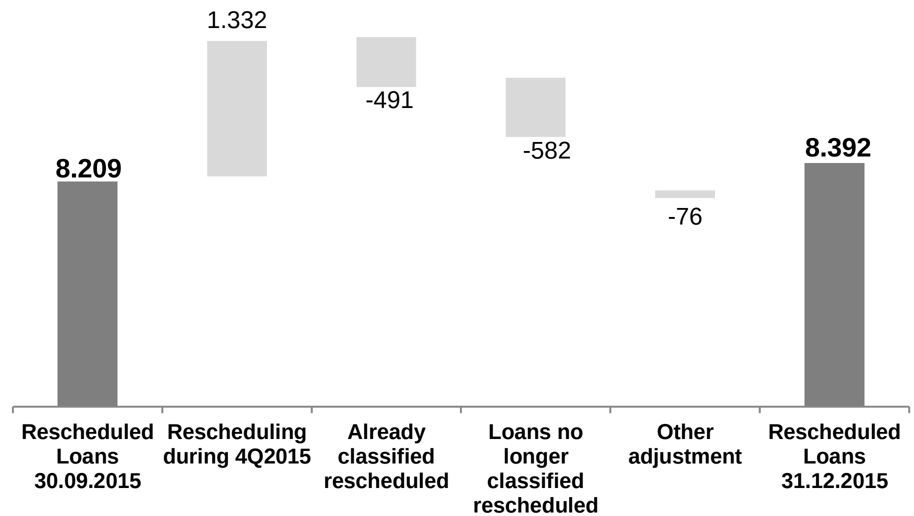
Rescheduled Loans by customer type (€ bn)



Rescheduled loans % gross loans[1] by customer type



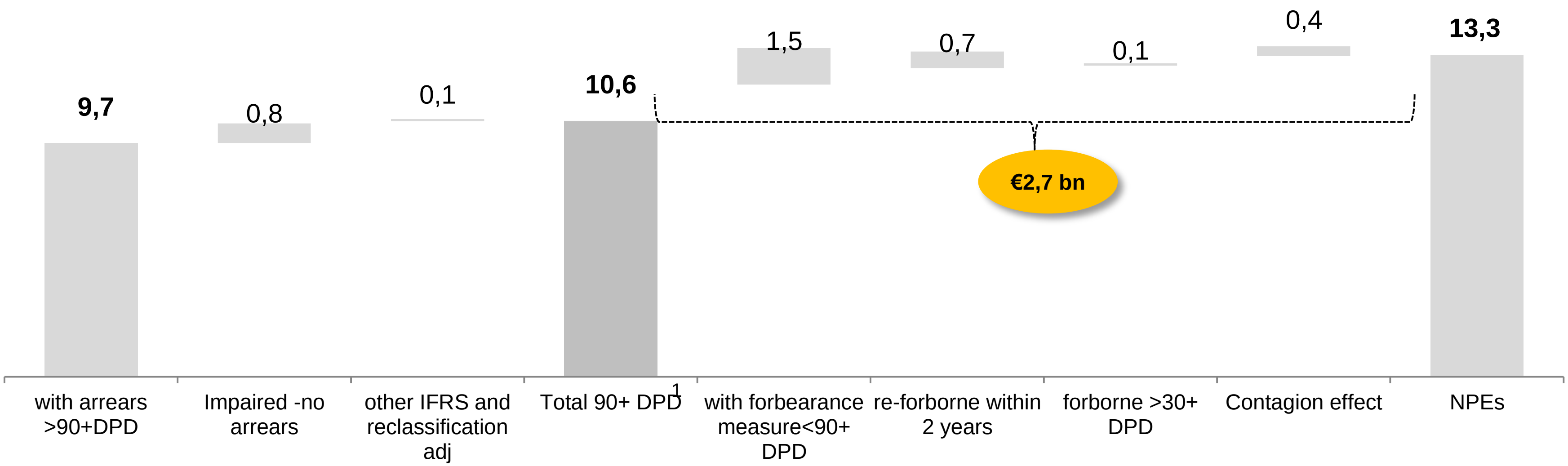
Rescheduled Loans (€ bn)



(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 €1,207 mn for gross loans and to €542 mn for rescheduled loans (compared to €1,266 mn and €548 mn respectively at 30 September 2015), including loans of discontinued operations/disposal group held for sale.

Credit Risk - Analysis of problem loans

Analysis of problem loans - Cyprus operations (€ bn) (Dec-15)

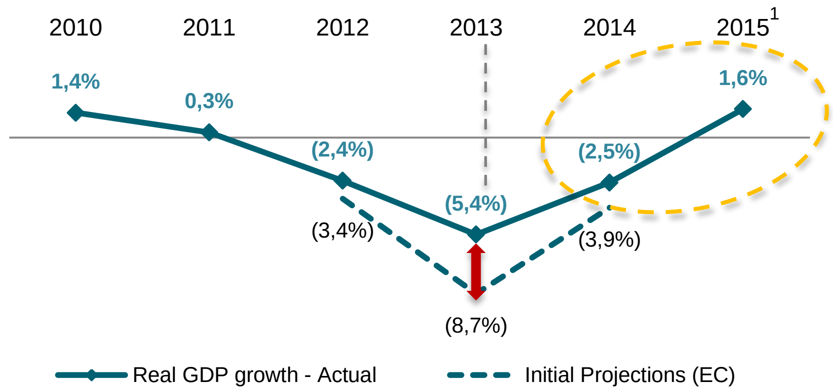


- The Bank is taking targeted action to address the €2,7 bn of NPE exposures that do not present arrears over 90 days
- The Bank's main focus for addressing the problem loans is the active management of the €9,7 bn of loans with arrears over 90+DPD

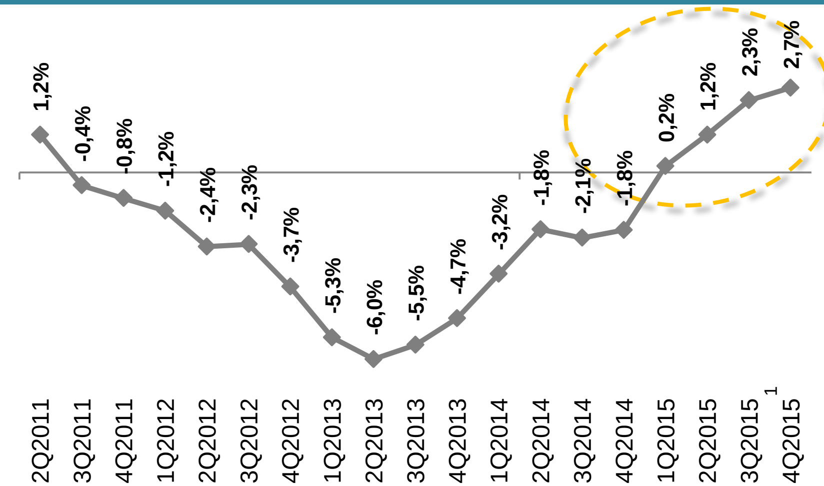
(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days.

Macroeconomic overview

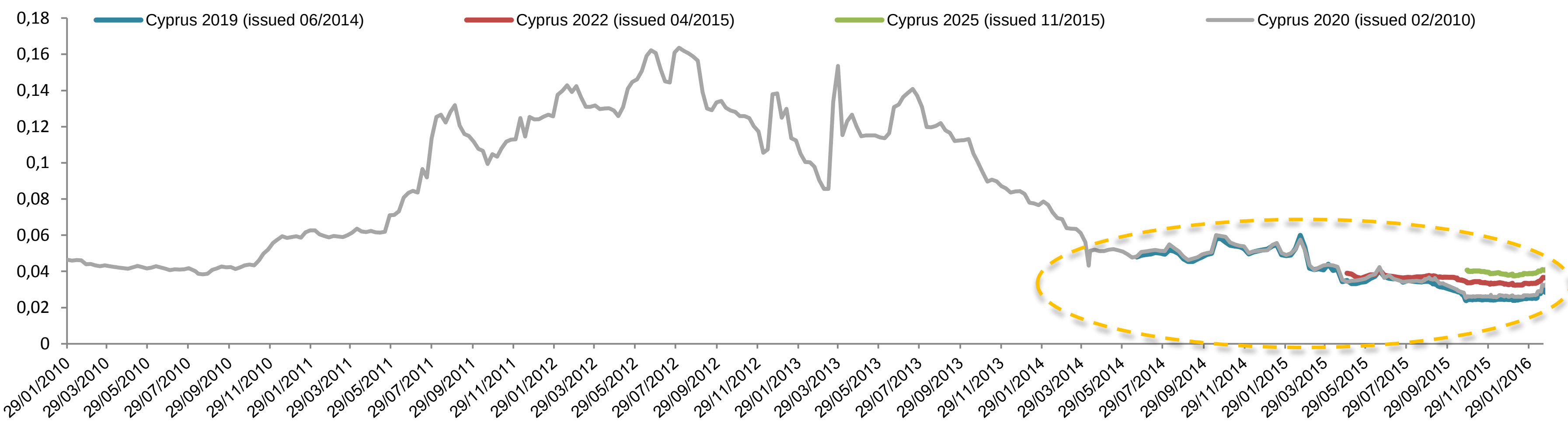
GDP growth expected to be positive from 2015 – faster recovery than other peripheral countries



GDP Growth* (yoy)



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



(1) Based on the Statistical Service of the Republic of Cyprus

SOURCE: Statistical Service of Republic of Cyprus, Bloomberg, IMF and company reports

Non-Performing Loans definition

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

- (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, 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 with a specific provision and loans past-due for more than 90 days.

Disclaimer

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