

Strategy and key drivers

Financial Results

Profitability

Balance Sheet items

Financial Results for the 9 months ended 30 September 2006

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Strategy and key drivers

- **Strengthening and restructuring presence in Cyprus**
- **Benefiting from market leading position in Cyprus**
- **Young Greek network = growth potential**
- **Exploit synergies between Cyprus and Greek operations**
- **Enter new markets: Russia and Romania**
- **Leverage on forthcoming relaxation of liquidity**

Strengthening and restructuring presence in Cyprus

In-house restructuring ...

- **Began in early 2005**
- **Efficiency-boosting programme**
 - flat costs in 2005 and 9M2006 whilst high balance sheet growth
- **Revenue enhancement**
 - introduction of new charges
- **Increase profitability whilst keeping risk low**
 - growth in higher earning retail market with low and well-spread risk
- **More structured and systematic follow-up of arrears**
 - better loan quality and recovery experience
 - ➔ **Improved recovery statistics**
 - ➔ minimum write-back = 5% of liability (forced sale value) which can reach up to 10 - 15%

Strengthening and restructuring presence in Cyprus

... gaining from system restructuring

- **Credit coops disrupted as stricter regulation is introduced**
 - **increase in BOC's lending market share to 26,3% in August'06**
 - from 24,3% in 2004 and 25,6% in 2005
- **Improving loan quality**
 - **stricter tolerance of arrears**
 - introduction of stricter NPL definition and punitive charges is improving repayment habits
 - **improvement in asset pricing and high GDP growth**
 - higher disposable income and improvement in repayment ability
- **Awaiting enactment of speedier property collateral foreclosure procedures**
 - **Positive impact on net interest income and provision charge**

Benefiting from market leading position in Cyprus

Largest customer base in Cyprus provides springboard to

- Promote effective, attractive and flexible products
- Cross-sell
 - increase products per retail customer (currently at 2,5)
- Apply targeted promotion campaigns
 - mortgage transfer from other lenders, mainly credit coops
- Strengthen presence in
 - mortgage lending = lower risk
 - 82% increase in amount of new housing loan disbursements
 - consumer lending = higher margins

Increasing customer satisfaction

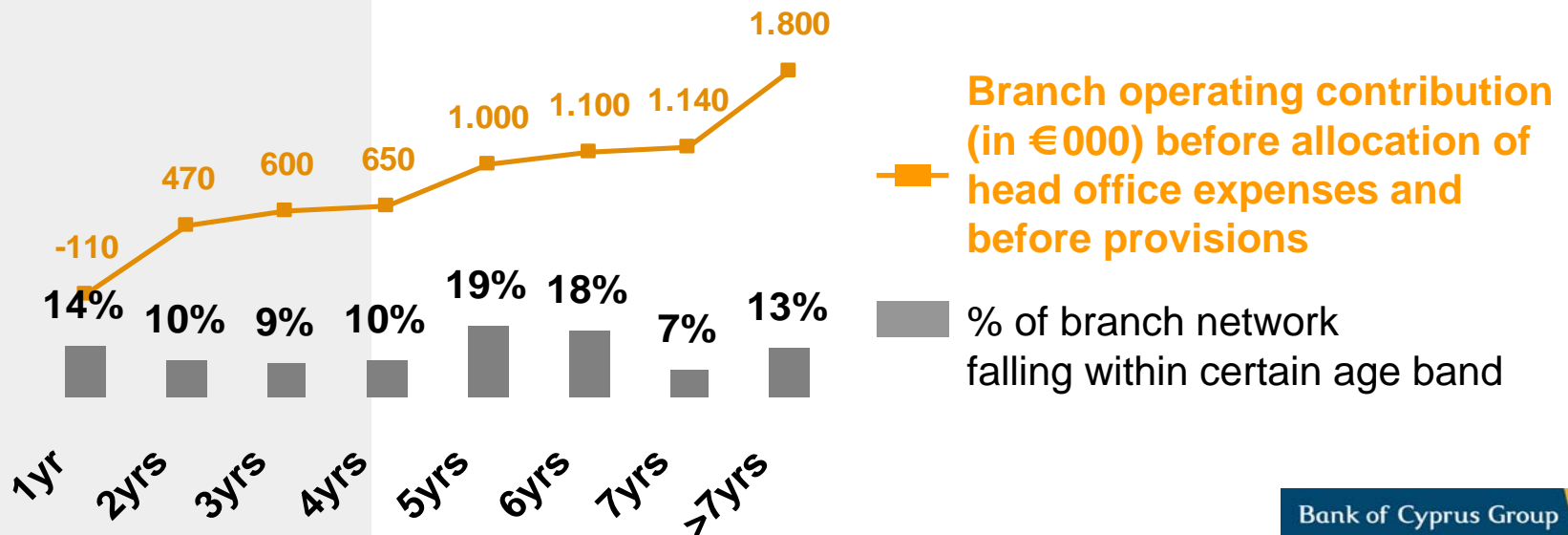
- Specialised service centres (consumer, business, corporate)
 - focus, service, specialisation

Young Greek network = growth potential

Young network = potential for increased income

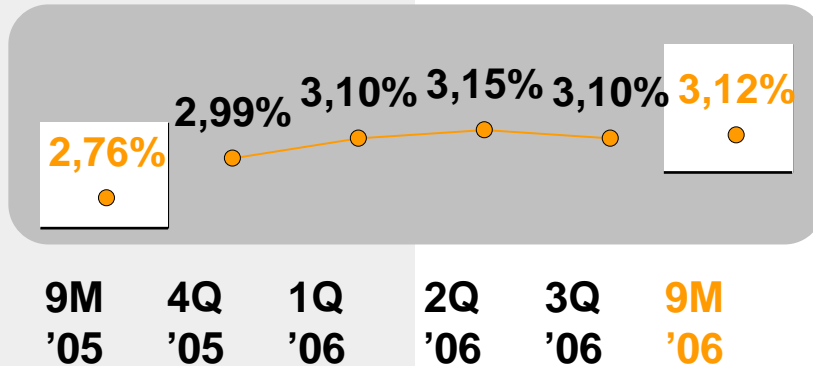
- **Majority of network is still young – c.15 branches to be opened p.a.**
 - under 3 years old 33% of branch network
 - under 5 years old 74% of branch network
 - new branch turns into profit within 18 months and breaks even within 3 years
- **Potential for higher volumes and fee and commission income**

Annual operating contribution of branch network

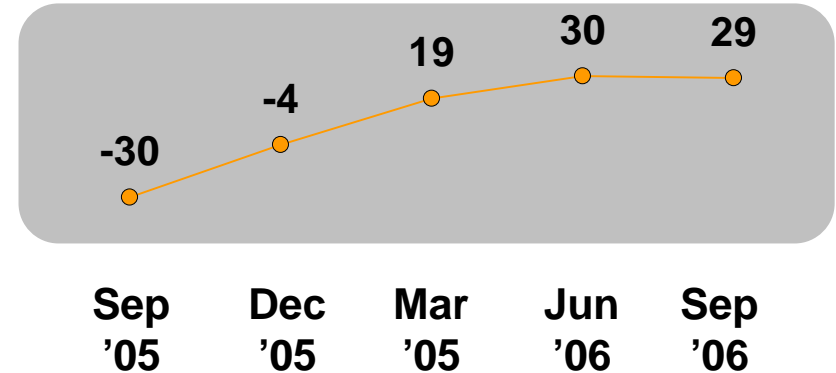


NIM of Greek operations rising

Net interest margin of Greek operations



Deposit spread below Euribor of Greek operations (bp)



- **Rising NIM**
 - widening of deposit spreads
 - tightening of loan spreads
 - increase of loans to deposits ratio (from 79% to 85%)
- **Rising Euro interest rate environment facilitates deposit repricing**
 - widening of deposit spread
 - healthy deposit growth maintained (14% yoy growth)

Exploit synergies between Cyprus and Greek operations

- **Common centralised services for both countries**
- **Common information technology systems**
- **Increase operational efficiency and reduce cost**

Enter new markets

Russia

- **Build on existing customer relationships**
- **Branch in Moscow targeting corporate customers**
- ➔ **Low-risk profitable lending to corporates**

Romania

- **Priority in setting-up leasing operations**
 - less time required
 - use experience gained from leasing operations in Greece
- **Application for a banking license**
- **Focus on SMEs**

Leverage on forthcoming relaxation of liquidity

Relaxation of high liquidity requirement on foreign deposits of Cyprus operations

- **Liquidity requirement of 75% (i.e. can only lend 25%)**
- **Gradual relaxation of high liquidity requirement upon joining Eurozone**
- **57% of deposits of Cyprus operations are in foreign currency**
 - C£3,7 bn earning a low 1,73% Vs a consolidated NIM of 2,76%
 - stable deposit base = international business funds
- **Utilisation for loan growth in Greece = containment of cost of deposits**
- **Utilisation for loan growth in Russia = profitable low-risk lending**

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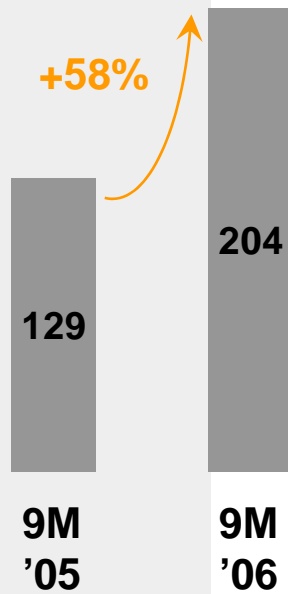
Financial Results

Profitability

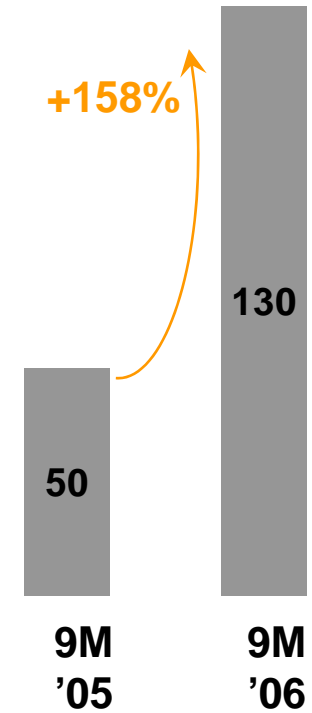
Balance Sheet items

Increased profitability

Profit before provisions (C£ mn)



Profit after tax (C£ mn)



Results for 9 months 2006

Significant profitability increase

- Profit after tax reached C£130 mn (+158%)
- Total income increased by 26%
- Total expenses rate of growth contained to 2%
- Profit from sale and change in fair value of financial instruments C£12 mn
- Lower provision charge (-26%)

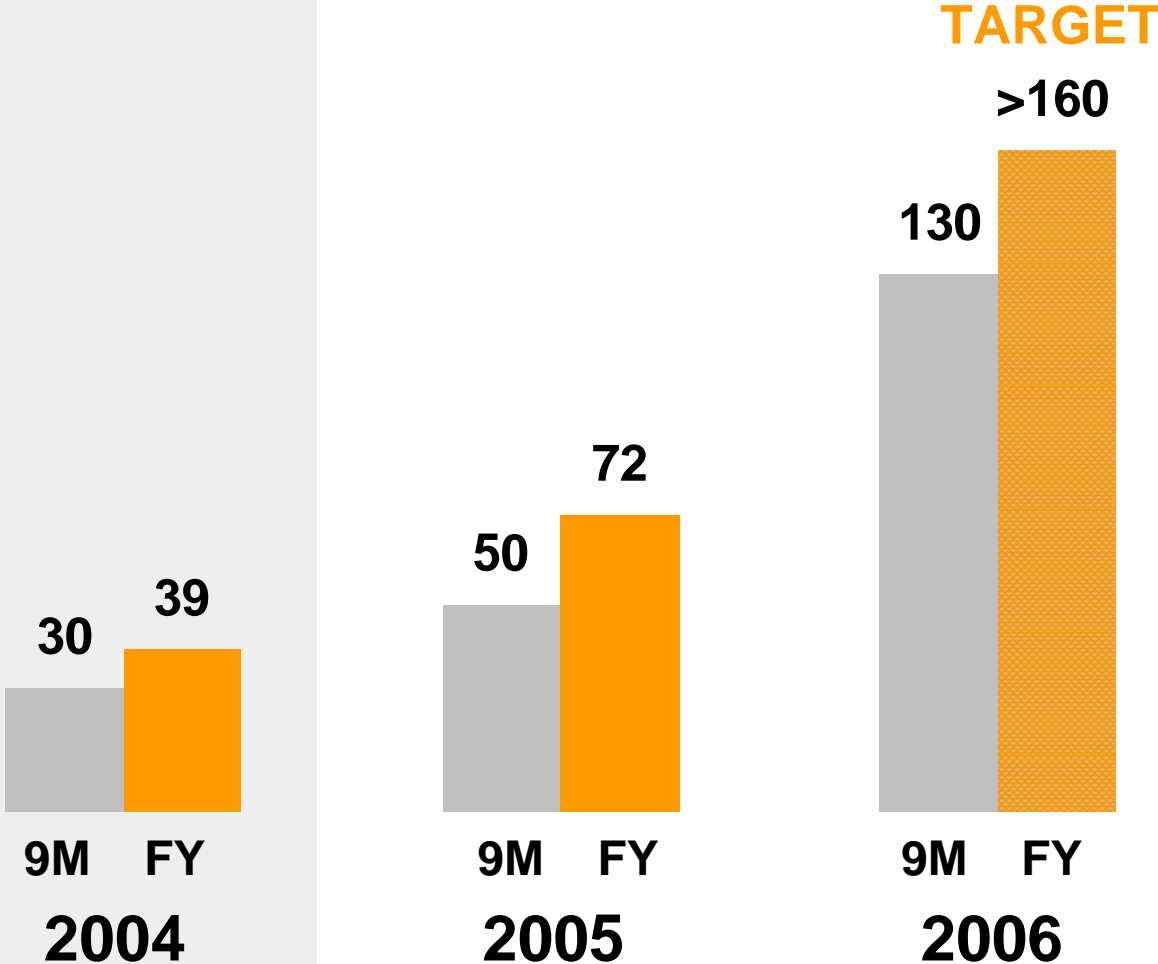
Significant improvement of key performance indicators

- Cost to income ratio improved to 46,9%, (9mth05: 57,8%)
- Return on equity improved to 21,2% (9mth05: 11,3%)

Further expansion of operations

- Significant increase in loans (19%) and deposits (17%)

Evolution and target of profit after tax for 2006 (C£ mn)



Dividend proposed

7 cent (C£0,07) per share

- **Ex-dividend date**
 - **Monday, 27 November 2006**
- **Payment date**
 - **Monday, 11 December 2006**

Dividend reinvestment plan

- **Discount 10%**

Increased profitability

INCOME STATEMENT (C£ mn)	9M '06	9M '05	±	Year '05
Total income	384	305	+26%	419
Total expenses	180	176	+2%	237
Profit before provisions	204	129	+58%	182
Profit before tax	154	62	+149%	91
Profit after tax	130	50	+158%	72
Earnings per share (cent)	23,8	10,1	+136%	14,4

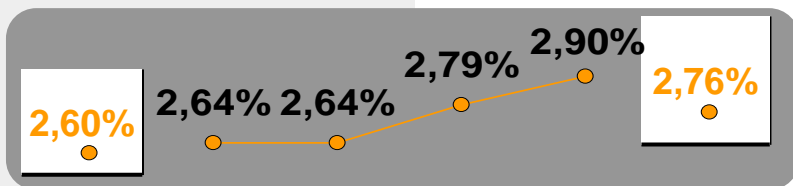
KEY INDICATORS	9M '06	9M '05	±	
Return on equity	21,2%	11,3%	+9,9pp	11,9%
Cost / Income	46,9%	57,8%	-10,9pp	56,7%

pp = percentage points, 1 pp = 1%

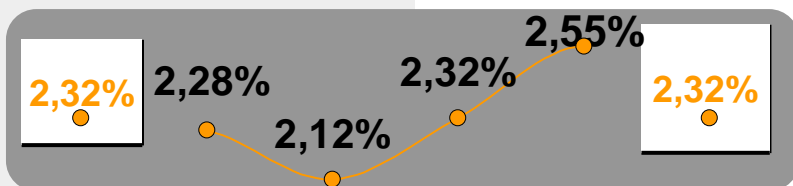
Interest income

Net interest margin

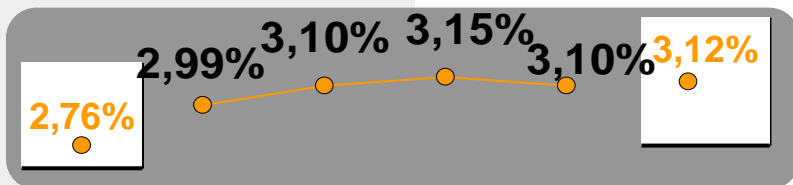
- Group



- Cyprus



- Greece



9M '05 4Q '05 1Q '06 2Q '06 3Q '06 9M '06

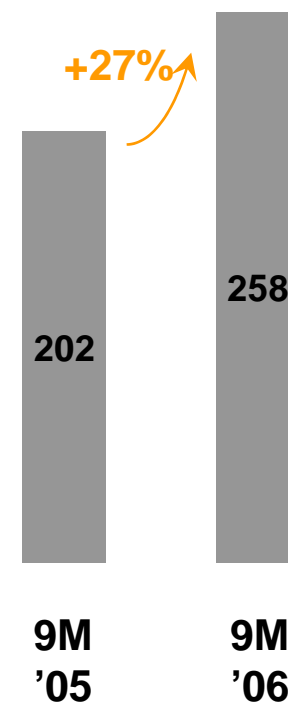
Net interest income (C£ mn)

Reduction in the CYP base rate by 100 b.p.

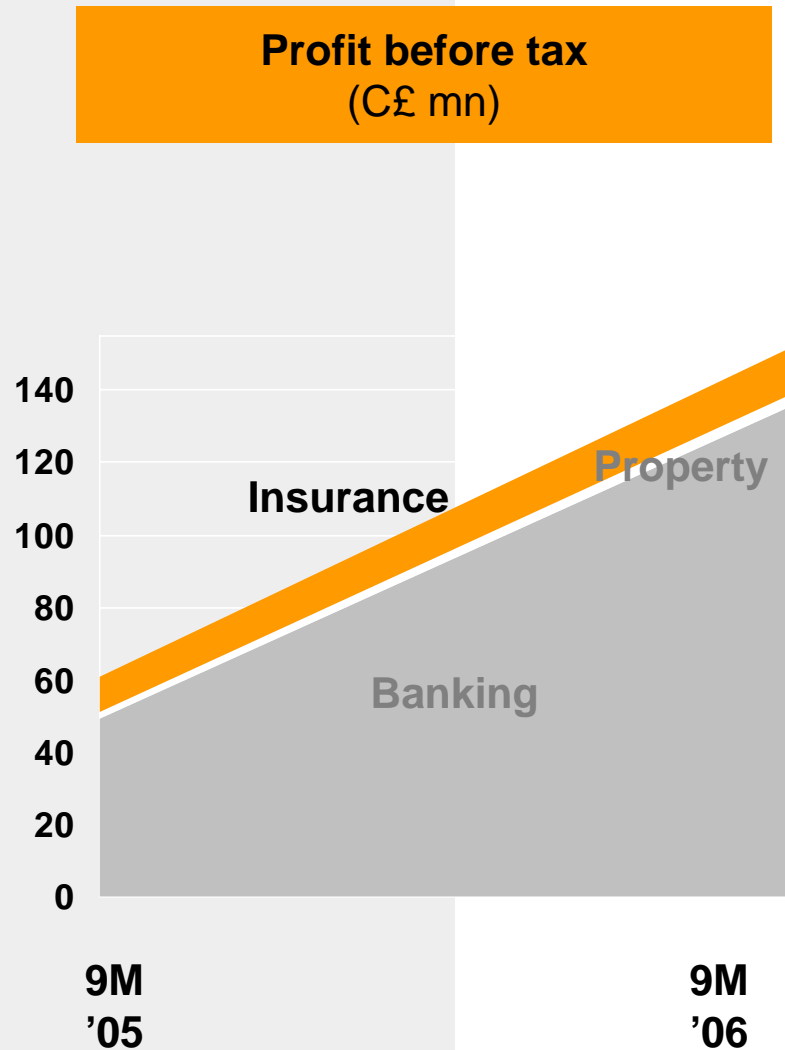
Increase in foreign currency deposits earning lower spread

Favourable adjustment in cost of deposits

Increase in loans to deposits ratio

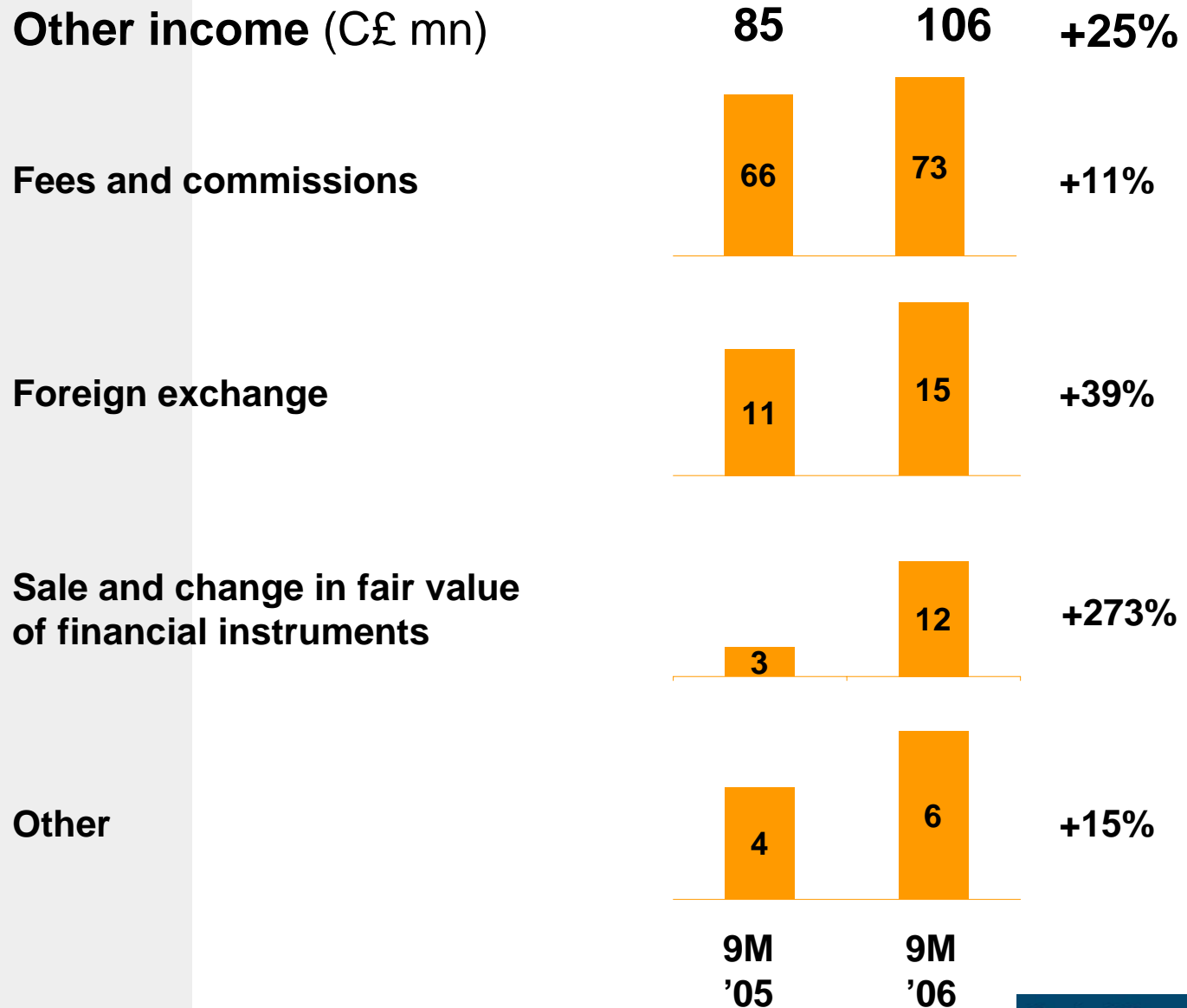


Insurance operations – income and contribution



- **Income from insurance operations**
 - C£20 mn
 - 14% annual increase
- **Profit before tax from insurance operations**
 - C£13 mn
 - 23% annual increase
- **Contribution of insurance operations to Group results**
 - 8% of profit before tax

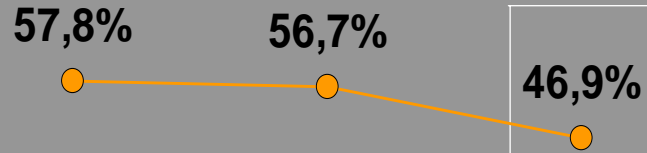
Other income (other than interest and insurance income)



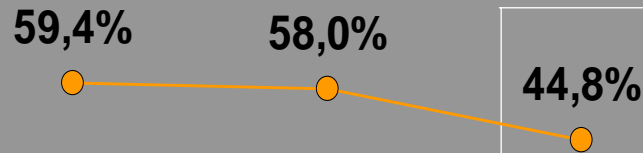
Cost containment

Cost / Income

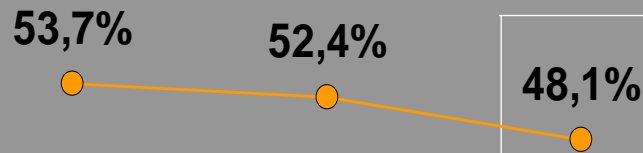
- Group



- Cyprus



- Greece

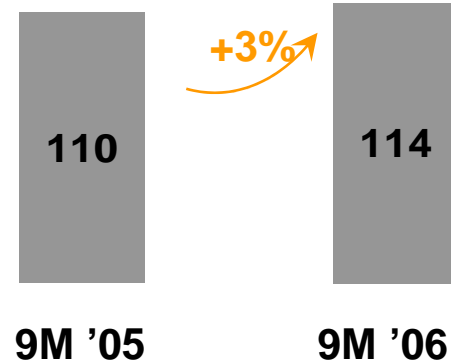


9M
'05

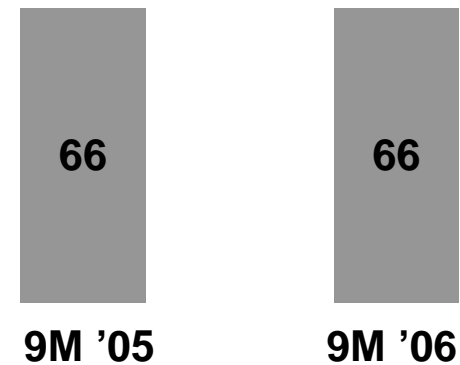
FY
'05

9M
'06

Staff costs (C£ mn)

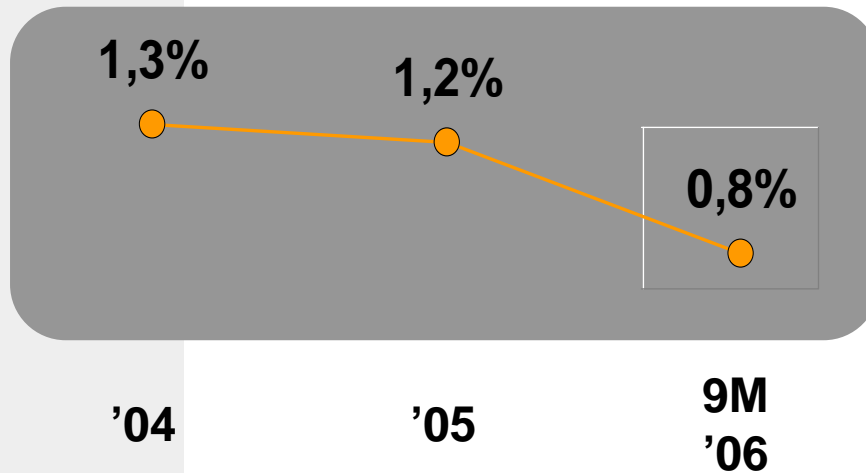


Other operating expenses (C£ mn)



Bad debt provision charge

Provision charge / Total loans



- **Charge for 9M2006: C£50 mn (9M2005: C£67 mn)**

Profitability of Cyprus operations

C£ mn	±	9M '06	9M '05	Year '05
Net interest income	+35%	143	106	149
Fees and commissions	+14%	52	45	62
Income from insurance operations	+11%	18	16	21
Profit from disposal & reval'n of fin. instr.	+192%	12	4	6
Foreign exchange and other income	+51%	18	12	16
Total income	+32%	243	183	254
Staff costs	-1%	(75)	(75)	(103)
Other operating expenses	0%	(34)	(34)	(44)
Total expenses	0%	(109)	(109)	(147)
Profit before provisions	+80%	134	74	107
<i>Contribution</i>		<i>66%</i>	<i>58%</i>	<i>59%</i>
Provision for bad debts	-52%	(21)	(44)	(60)
Profit before tax	+271%	113	30	47
<i>Contribution</i>		<i>73%</i>	<i>49%</i>	<i>51%</i>
Tax	+283%	(13)	(3)	(5)
Profit after tax	+269%	100	27	42
<i>Contribution</i>		<i>77%</i>	<i>54%</i>	<i>58%</i>
Cost / Income		44,8%	59,4%	58,0%
Return on equity		33,4%	10,8%	12,0%

Profitability of Greek operations

C£ mn	±	9M '06	9M '05	Year '05
Net interest income	+24%	101	81	111
Fees and commissions	+3%	17	17	23
Income from insurance operations	+58%	2	1	2
Profit from disposal & reval'n of fin. instr.	+198%	1	-1	1
Foreign exchange and other income	-30%	2	4	3
Total income	+21%	123	102	140
Staff costs	+16%	(31)	(27)	(37)
Other operating expenses	+1%	(28)	(28)	(36)
Total expenses	+8%	(59)	(55)	(73)
Profit before provisions	+36%	64	47	67
<i>Contribution</i>		<i>31%</i>	<i>36%</i>	<i>37%</i>
Provision for bad debts	+26%	(28)	(22)	(31)
Profit before tax	+44%	36	25	36
<i>Contribution</i>		<i>23%</i>	<i>40%</i>	<i>40%</i>
Tax	+46%	(10)	(7)	(11)
Profit after tax	+43%	26	18	25
<i>Contribution</i>		<i>20%</i>	<i>36%</i>	<i>34%</i>
Cost / Income		48,1%	53,7%	52,4%
Return on equity		13,3%	10,6%	11,1%

Profitability of operations in Other countries

C£ mn	±	9M 2006	9M 2005	Year 2005
Net interest income	-7%	14	16	20
Fees and commissions	+9%	5	4	5
Income from insurance operations	-	-	-	-
Profit from disposal & reval'n of fin. instr.	-	0	0	0
Foreign exchange and other income	-	0	0	0
Total income	-5%	19	20	25
Staff costs	0%	(8)	(8)	(11)
Other operating expenses	+4%	(5)	(5)	(6)
Total expenses	+1%	(13)	(13)	(17)
Profit before provisions	-16%	6	7	8
<i>Contribution</i>		<i>3%</i>	<i>6%</i>	<i>5%</i>
Provision for bad debts	-16%	(1)	(1)	(0)
Profit before tax	-16%	5	6	8
<i>Contribution</i>		<i>4%</i>	<i>11%</i>	<i>9%</i>
Tax	-9%	(1)	(1)	(2)
Profit after tax	-17%	4	5	6
<i>Contribution</i>		<i>3%</i>	<i>10%</i>	<i>8%</i>
Cost / Income		67,5%	63,3%	67,2%
Return on equity		11,3%	14,9%	12,9%

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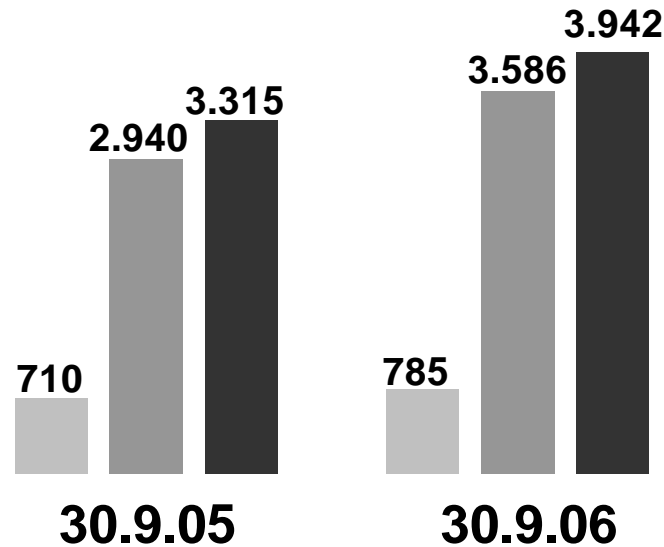
Balance Sheet items

Balance sheet overview

(C£ mn)	09/2006	09/2005	+	12/2005
Cash and balances with central banks	436	378	+15%	612
Placements with banks	2.712	2.286	+19%	2.578
Debt securities, tbills, equity investments	2.311	1.927	+20%	2.035
Net loans to customers	7.854	6.573	+19%	6.984
Other assets (incl. net assets attributable to life insurance policyholders)	693	629	+10%	593
Total assets	14.006	11.794	+19%	12.802
Amounts due to banks	345	301	+15%	178
Customer deposits	11.391	9.712	+17%	10.724
Debt securities in issue	566	320	+77%	318
Other liabilities (incl. liabilities to life insurance policyholders)	509	470	+8%	455
Subordinated loan stock	319	365	-12%	365
Shareholders' equity	876	626	+40%	762

Loans by geographic sector

Sept '05: C£7,0 bn Sept '06: C£8,3 bn
Increase of 19%



**Share in
total Group portfolio**

**Annual
increase %**

■ Cyprus	48%	48%	19%
■ Greece	42%	43%	22%
■ Other countries	10%	9%	11%

Market share in loans

Cyprus operations

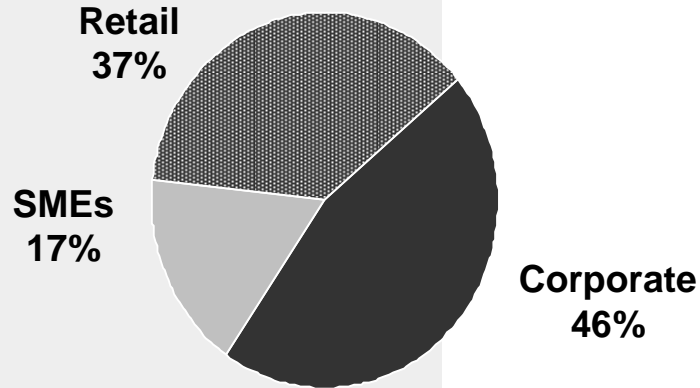
- **Market share increase**
 - **from 24,8% (August '05) to 26,3% (August '06)**

Greek operations

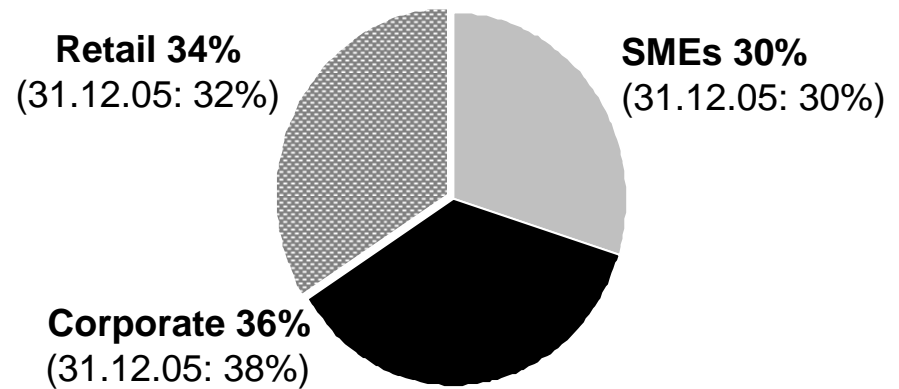
- **Market share**
 - **July '06: 3,6% (July '05: 3,6%)**
- **Increase (Sept '06 - '05)**
 - **Housing loan balances 34%**
 - **Consumer loan balances 31%**

Well diversified loan portfolio

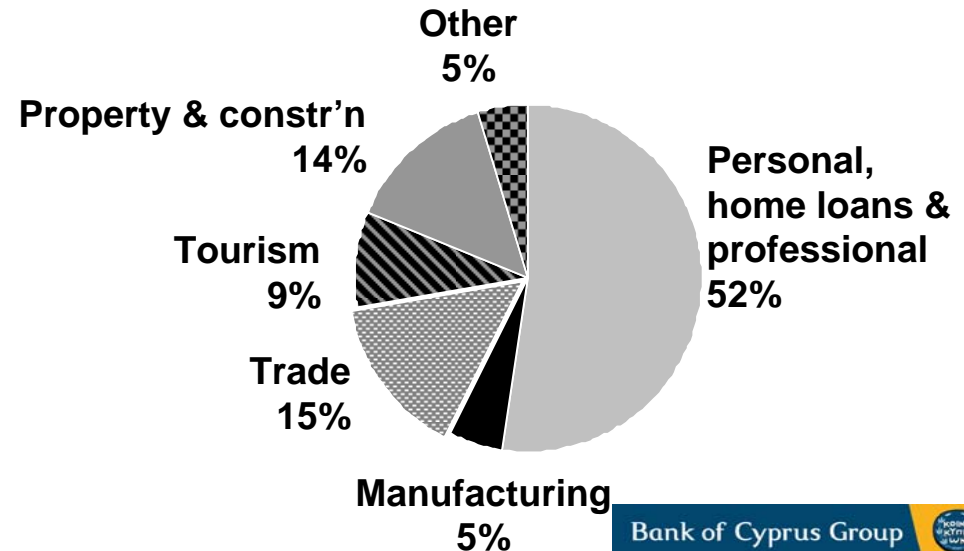
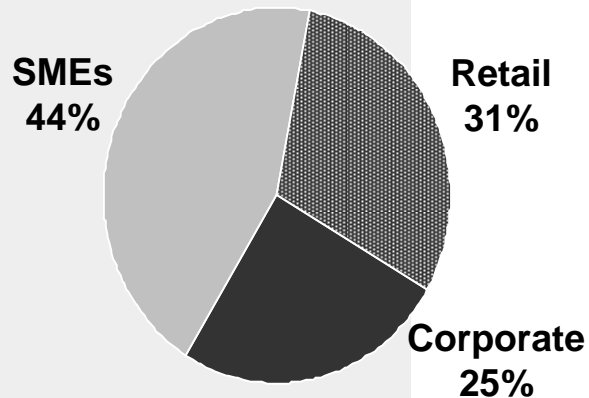
Cyprus



Group

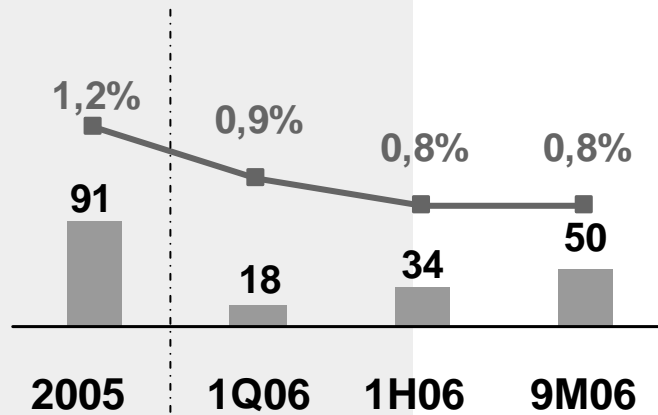


Greece



Development of non-performing loans (NPLs)

Provision Charge (£mn)

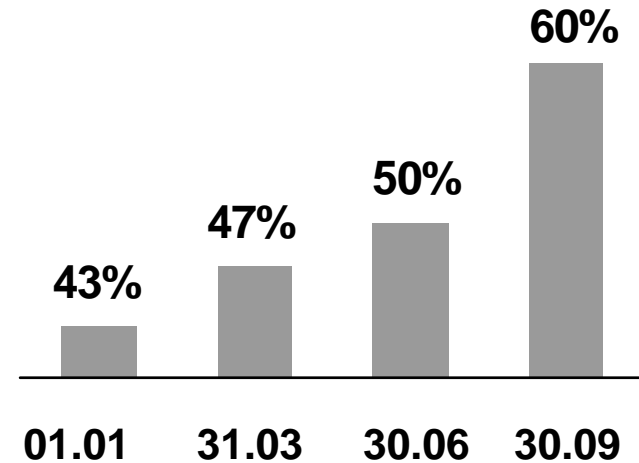


■ % over Gross loans

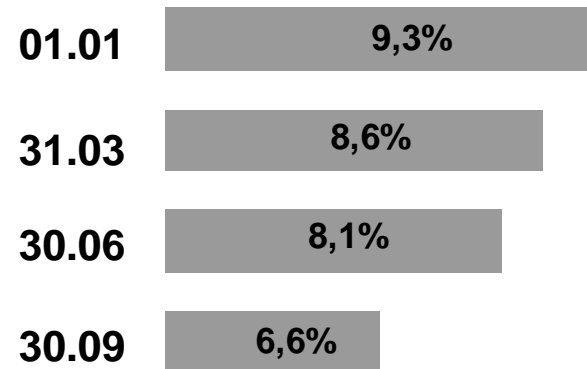
Notes:

- (1) As of 1/1/2006, the criteria for classifying loans as NPLs have changed to include all loans in arrears **for longer than 3 months**. In addition the NPL classification is applied to all other loans of the customers who have a specific facility as non-performing.
- (2) The remainder balance of NPLs is fully covered by tangible collateral

Provision Coverage (%) ⁽²⁾ 2006

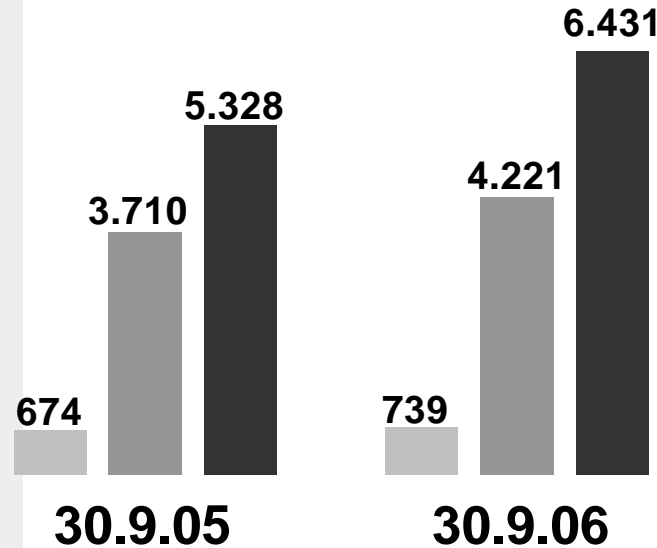


NPLs ⁽¹⁾ / Total Loans 2006



Deposits by geographic sector

Sept '05: C£9,7 bn Sept '06: C£11,4 bn
Increase of 17%



Share in the
Group total %

Annual
increase %

Market
share

■ Cyprus	55%	57%	21%	29,8%
■ Greece	38%	37%	14%	3,7%
■ Other countries	7%	6%	10%	

Operations in Other countries

United Kingdom and Channel Islands

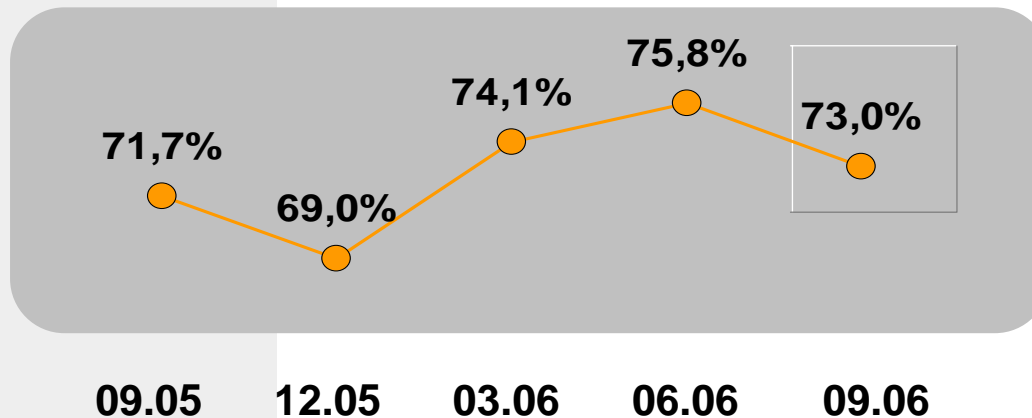
C£ mn	30.9.06	30.9.05	±%
Loans	636	563	+13%
Deposits	614	562	+9%
Profit before provisions	4	5	-14%

Australia

C£ mn	30.9.06	30.9.05	±%
Loans	149	147	+2%
Deposits	125	112	+12%

Group liquidity

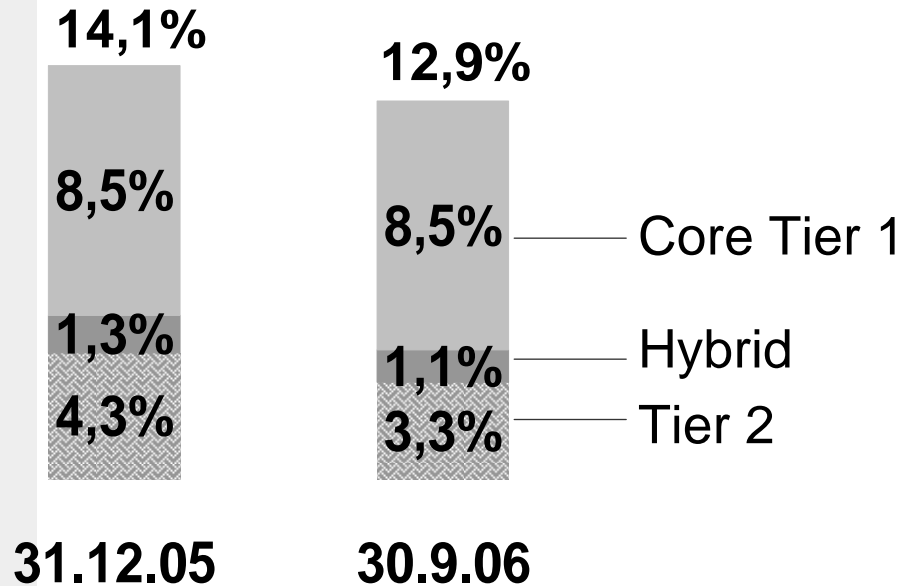
Loans / Deposits (%)



- High liquidity
- Strong deposit base
- Lower liquidity requirement in foreign currency is expected with the entry of Cyprus in the eurozone in 2008
- Increase in net interest margin

Group capital base

Capital adequacy ratio



C£ mn	Sept '06
Tier 1 capital	798
- Core Tier 1	704
Tier 2 capital	270
Total capital	1.068
Risk weighted assets	8.285

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