

**Financial Results 2008 - Highlights**

**Income Statement and B/cce Sheet Review**

**Performance by geographic market**

**Strategic Priorities**

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

## Financial Results 2008

25 February 2009

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# Financial highlights for the year 2008

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## High profitability, growth and high credit quality

- Profit after tax reached €502 mn (+4%)
- Significant loan growth +29%
- Significant deposit gathering +11%
- NPL ratio at 3,8%

## Outstanding key performance indicators

- Cost to income ratio at 44,9%
- Return on equity 25,1%

# Balance Sheet footings

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## Strong Liquidity

- Loans to Deposits 90%
- Limited reliance on wholesale funding (14%)
- 77% of Group's assets funded by customer deposits

## Capital Adequacy

- Capital adequacy at 11,2%
- Tier 1 ratio at 7,2%, Core tier 1 ratio at 6,5%

# Year of safeguarding assets and building strong foundations for the future

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## Successful planning has protected the Group from the financial crisis

- No exposure to high risk derivative products
- Minimal reliance on wholesale funding
- Strong liquidity

## Strong platform for international expansion

- Completed acquisition of Uniastrum bank in Russia
  - 9<sup>th</sup> largest distribution network
- Completed acquisition of AvtoZaZbank in Ukraine

# Continued commitment to dividend policy

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- **Final cash dividend of €0,12 per share**
- **Total dividend of €0,27 per share**  
(incl. interim dividend already paid)
- **Important dates**
  - **Annual General Meeting 13 May 2009**
  - **Ex-dividend date on 21 May 2009**
  - **Payment date on 10 June 2009**
- **Attractive dividend reinvestment plan at 10% discount**

# Convertible Capital Securities Issue (Hybrid Tier 1)

- **Issue size up to €645 mn.**
- **Convertible capital securities will be offered via a priority right to subscribe to all registered shareholders**
  - **in the ratio of €11 Convertible Capital Securities for every 10 shares held as at Record Date (TBA) with consideration paid in cash or in exchange of Convertible Bonds 2013/2018 at par**
- **Unsubscribed capital securities will be offered to other investors including the bondholders of existing Convertible Bonds 2013/2018**
  - **Bondholders of convertible bonds 2013/2018 will be given priority in the distribution of unsubscribed capital securities**

**The issue is subject to EGM approval**



# Convertible Capital Securities Issue (Hybrid Tier 1)

- **Conversion price €5,50**
- **First conversion period  
15-30 September 2010**
- **Last conversion period  
15-31 March 2014**

Interest	
First five years (until 30 June 2014)	Fixed interest rate of 5,5%
30 June 2014	Floating interest rate – 6M Euribor (which will be set at the beginning of each period) plus 3,0%

Strengthening Tier 1 ratio:  
2009 tier 1 ratio estimated at 10% from 7,2% in 2008

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# Income Statement and Balance Sheet Review

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# Profitability increase and outstanding performance indicators

GROUP

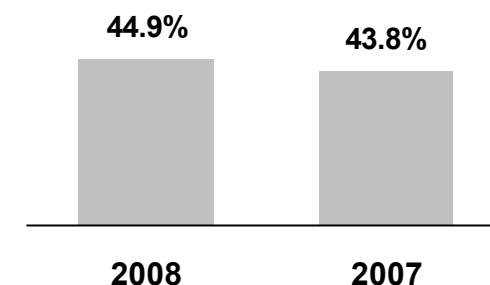
## Income & Expense Analysis

(€mn)	2008	2007	Change
Net interest income	792	752	+5%
Fee & commission income	218	198	+10%
Foreign exchange income	159	47	+240%
Net operating income from insurance operations	61	56	+8%
(Losses)/ gains from financial instruments and other income	(1)	57	
<b>Total income</b>	<b>1.229</b>	<b>1.110</b>	<b>+11%</b>
<b>Total expenses</b>	<b>552</b>	<b>486</b>	<b>+14%</b>
Provisions	92	56	+64%
Share of (loss)/profit of associate	(10)	9	
<b>Profit before tax</b>	<b>575</b>	<b>577</b>	<b>0%</b>
Tax	73	92	-21%
<b>Profit after tax</b>	<b>502</b>	<b>485</b>	<b>+4%</b>

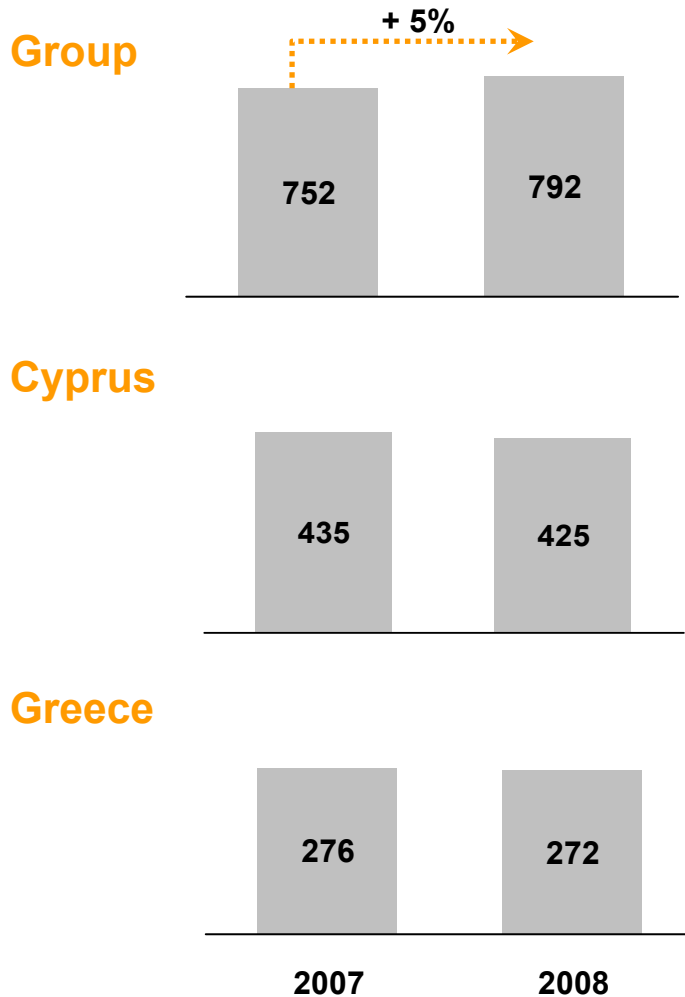
## Return on Equity



## Cost / Income



## Net interest income (€mn)



## Net interest margin

	FY07	3Q08	4Q08	FY08
Group	2,81%	2,47%	2,52%	2,52%
Cyprus	2,53%	2,28%	1,90%	2,19%
Greece	2,87%	2,26%	2,13%	2,35%
Other markets	1,85%	1,89%	4,71%	2,81%

## Evolution of spreads

	FY07	3Q08	4Q08	FY08
<b>Cyprus</b>				
Total spread	4,24%	3,51%	3,15%	3,50%
<b>Greece</b>				
Total spread	3,42%	2,57%	2,43%	2,71%

# Successful planning processes delivered strong growth in non interest income

GROUP

- **Fees and commissions**

- Cyprus operations maintain high level of fees and commissions despite fees foregone from exchange between CYP and €

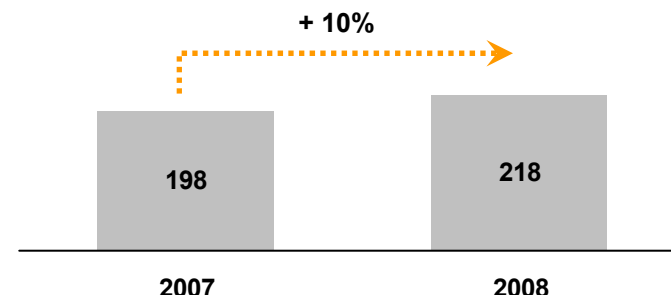
- **Foreign exchange income**

- Increase of gains despite the fact that as of 1 Jan 2008 foreign exchange income does not include income from exchange between CYP and €
- Gains from transactions for hedging foreign exchange risk

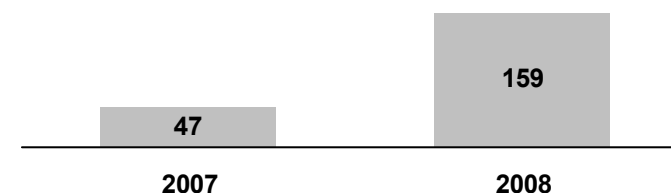
- **Income from insurance business**

- Good production volumes

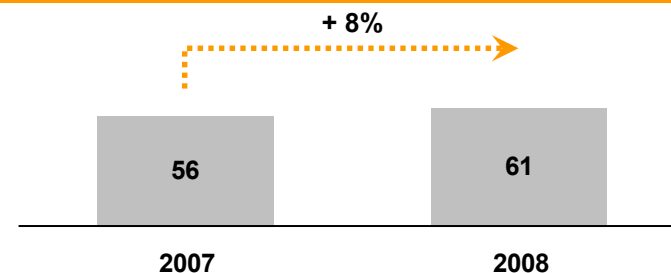
## Fees and commissions (€mn)



## Foreign exchange income (€mn)



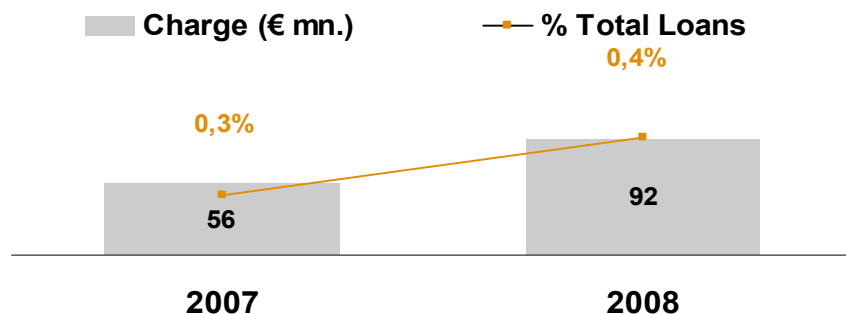
## Income from insurance business (€mn)



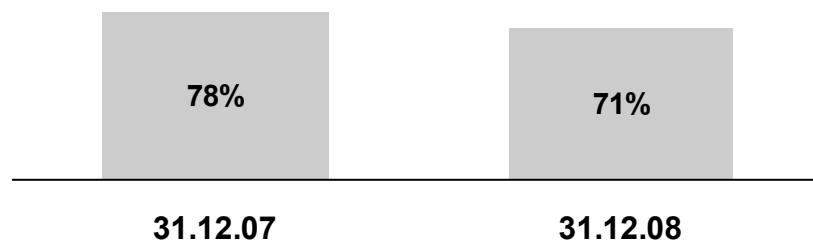
# Provision charges reflect good quality of loan portfolio

GROUP

## Provision charge



## Provision coverage <sup>(1)</sup>



- **High provision coverage**
  - **Specific provisions €452 mn**
  - **Collective provisioning €236 mn (1% of total loans)**

(1) The remainder of the NPLs is fully covered by tangible collateral

# Safeguarding the quality of the loan portfolio

GROUP

## NPLs development

■ % Total Loans



- **Best NPL ratio of all Cypriot banks**
  - Improving Cyprus NPL ratio
- **NPL ratio much better than average of banking system in Greece**

## Cyprus NPLs development

■ % Total Loans



## Greece NPLs development

■ % Total Loans



# Balance Sheet overview

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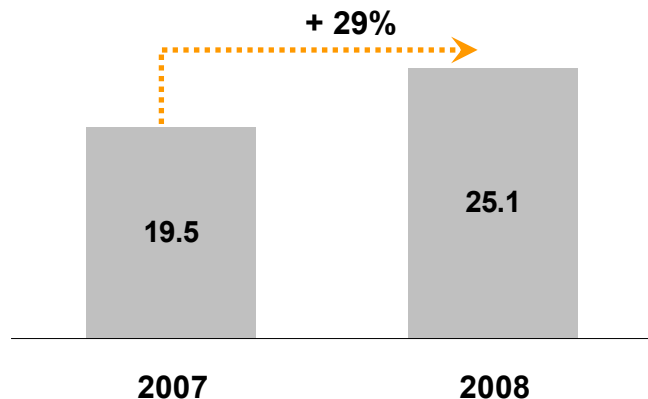
€mn	2008	2007	% growth
Cash and balances with central banks	1.017	1.325	-23%
Placements with banks and reverse repos	4.702	6.158	-24%
Debt securities, T-bills, equity investments	4.241	4.131	+3%
Net loans to customers	24.449	18.921	+29%
Other assets	1.698	1.228	+38%
<b>Total assets</b>	<b>36.107</b>	<b>31.763</b>	<b>+14%</b>
Amounts due to banks & repos	3.137	1.668	+88%
Customer deposits	27.936	25.179	+11%
Debt securities in issue	959	1.254	-23%
Other liabilities	1.085	988	+10%
Subordinated loan stock	934	669	+40%
Minority interest	15	39	-61%
<b>Shareholders' equity</b>	<b>2.041</b>	<b>1.966</b>	<b>+4%</b>



# Spectacular growth in loans supported by significant deposit growth

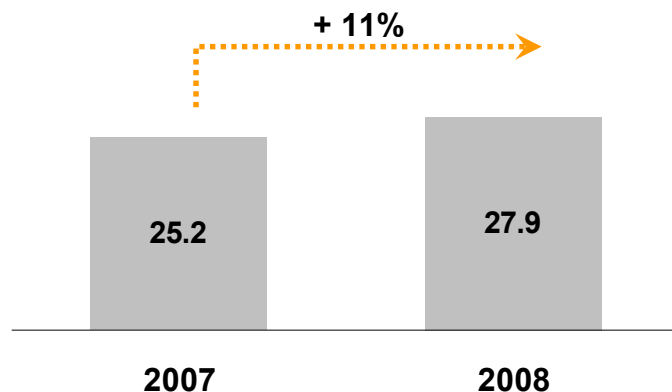
GROUP

## Group Loans (€bn)

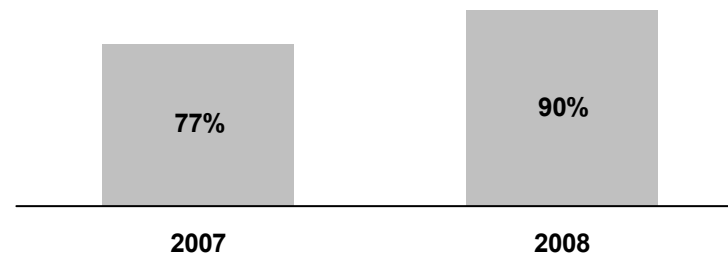


- Lending growth in all geographic markets
- Focus on SME and retail sectors
- Deposit growth remains strong
- High liquidity
  - Loans/deposit ratio 90%

## Group Deposits (€bn)



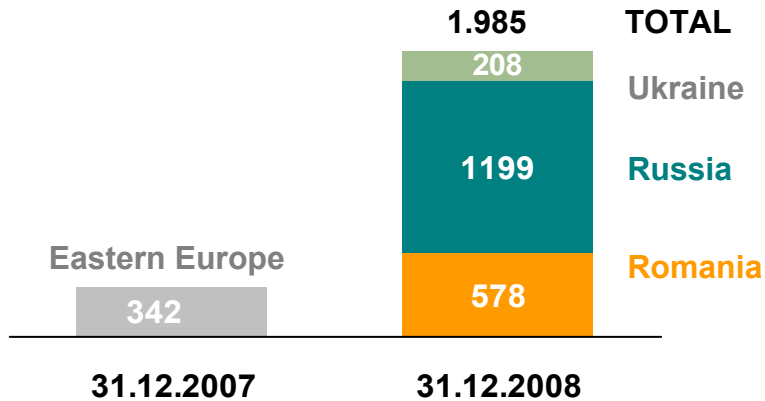
## Loans/deposits ratio



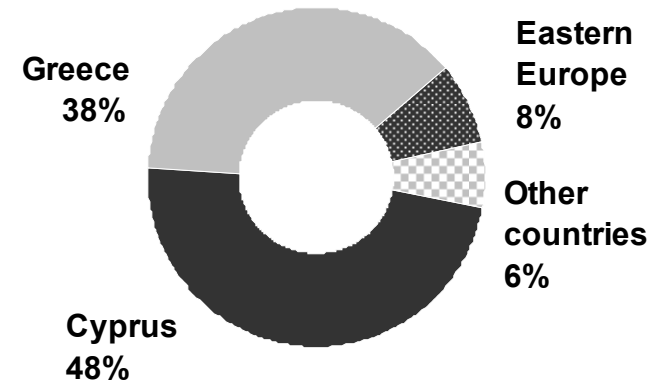
# Eastern Europe growing but still at its infancy

GROUP

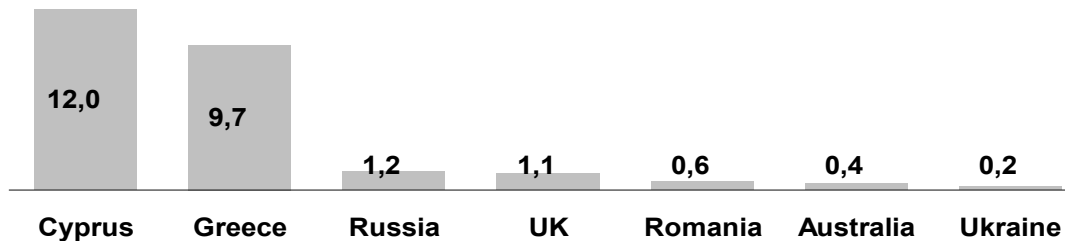
## Eastern Europe loan book (€ mn)



## Eastern Europe as % to total loan book



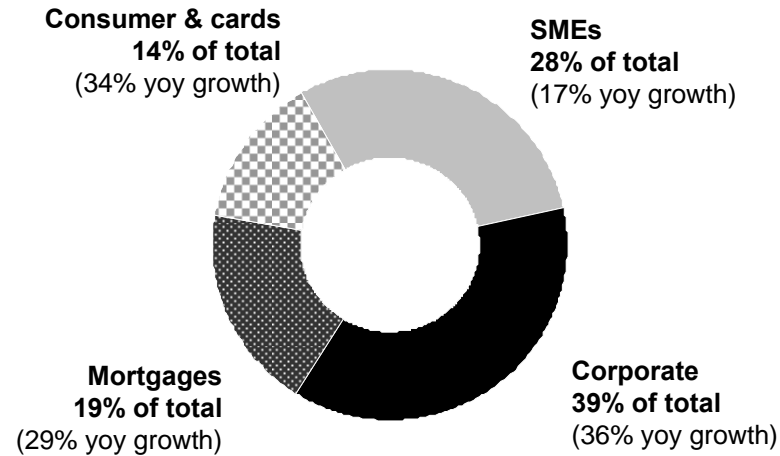
## Geographical breakdown of loan portfolio (€ bn)



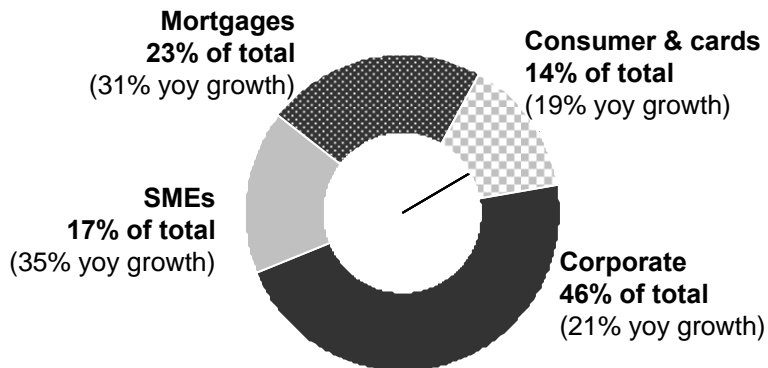
# Loan portfolio segmental diversification

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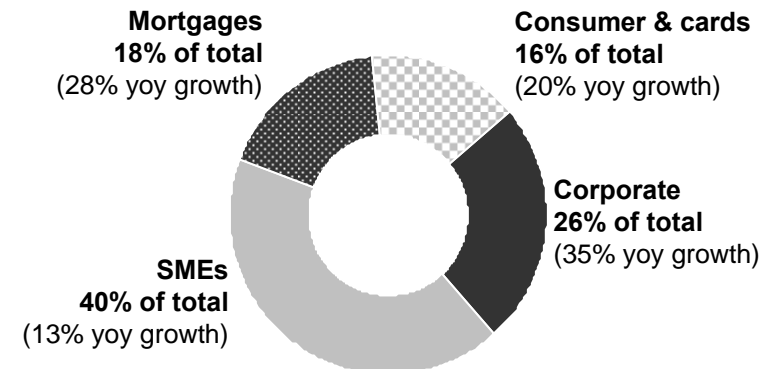
## Group



## Cyprus

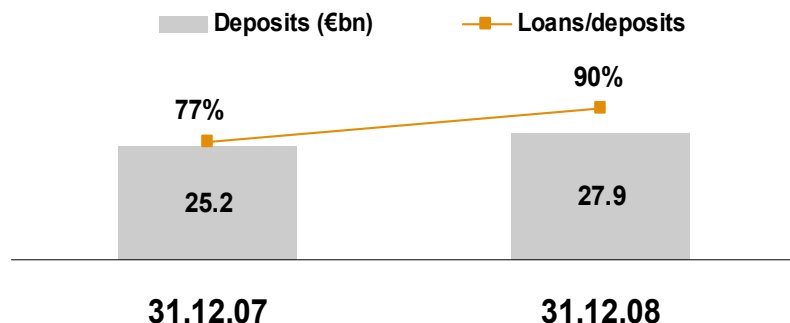


## Greece



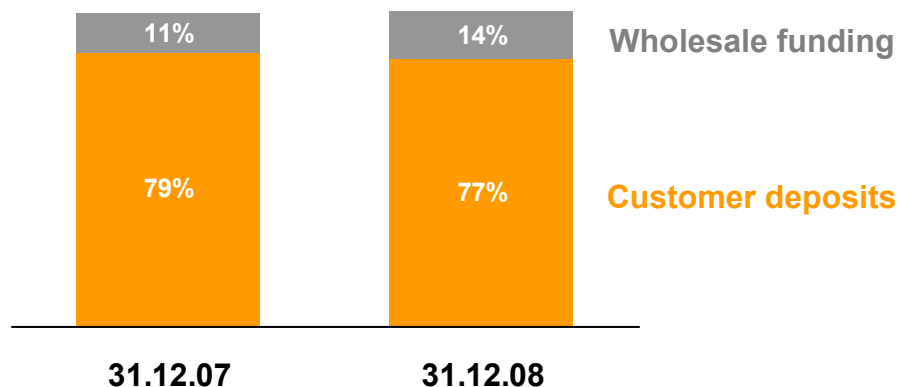
# Loans to deposit ratio and funding

## Loans/Deposits ratio



- Strong deposit base and flows
- High liquidity with loans to deposits ratio at 90% compared to 110% of the Greek banking system

## Funding



- 14% wholesale funding
- 77% of assets funded by retail deposits

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# Performance by geographic market

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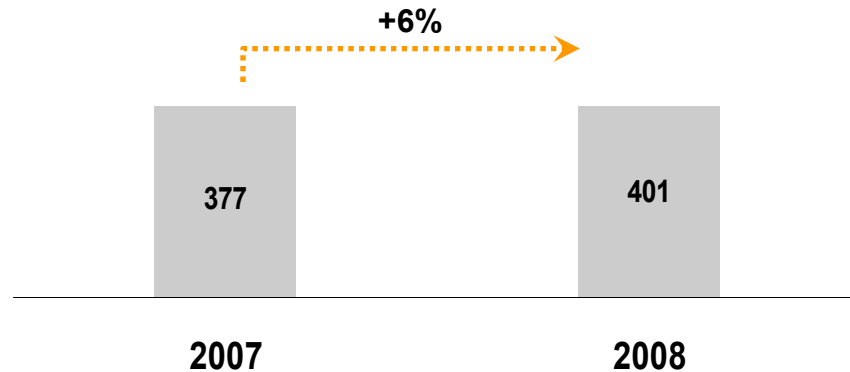
**Income Statement and B/cce Sheet Review**

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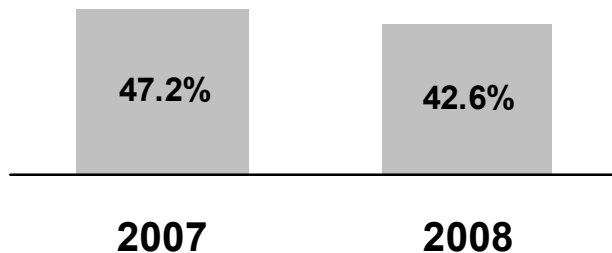
***Appendix 1: Detailed Financial Information***

## Profit after tax (€mn)

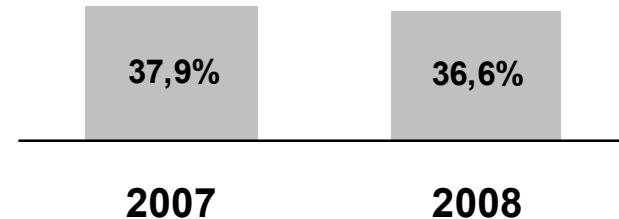


- High profitability (€401 mn)
- Outstanding key performance indicators
  - Return on equity 42,6%
  - Cost/Income ratio at 36,6%
- Improving quality of loan portfolio despite adverse economic conditions

## Return on equity

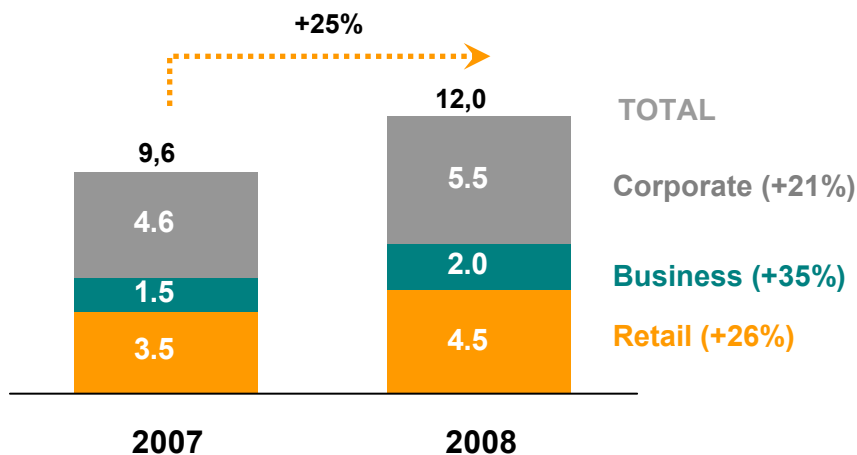


## Cost to income



# Leading financial institution in Cyprus

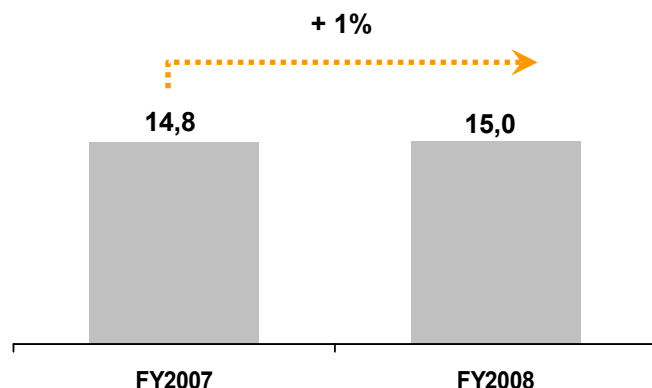
## Cypriot loan book (€bn)



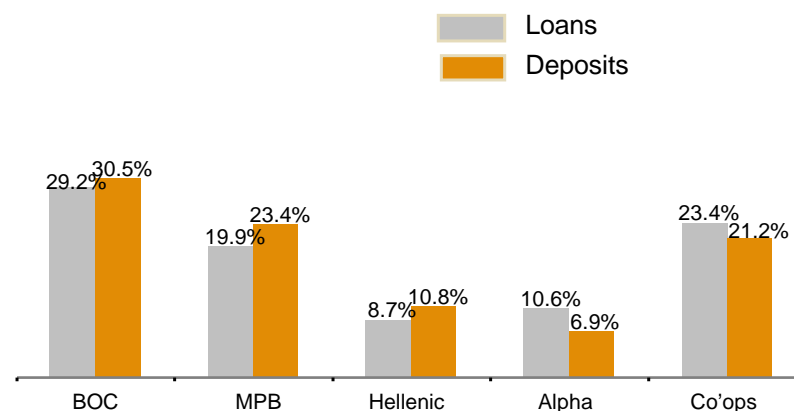
### ➤ Servicing

- 505,000 Retail clients
- 13,000 SME's
- 7,000 Corporates
- 45,000 International companies

## Cyprus deposits (€bn)



## Leading market share

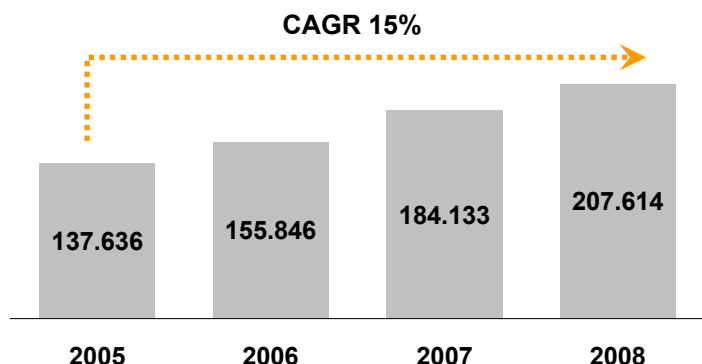


Source: Central Bank of Cyprus (all market shares as of 30 November 2008)

# Market leader in profitable international business sector

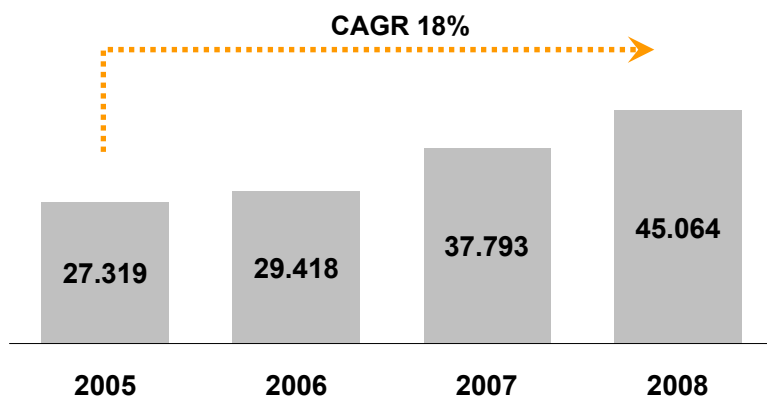
CYPRUS

## Companies registered in Cyprus



Source: Cyprus Registrar of Companies

## Bank of Cyprus Number of IBU customers



## International business sector

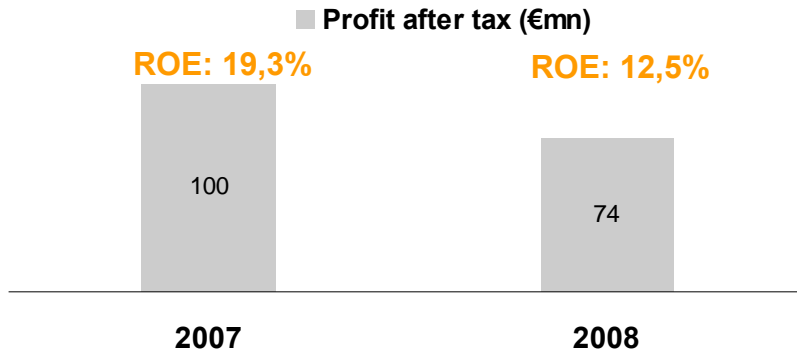
- **Leading market share in foreign currency 43,9%**
- **High quality standard of service & skilled employees coupled with continued sponsorship of introducers**
- **Presence in Eastern Europe to boost international business sector in Cyprus**
  - 7,271 new IBU clients (+19% yoy)
- **Sources of income**
  - Fees on inbound and outbound payments
  - Foreign exchange income
  - Service fees
  - Liquidity management and foreign exchange services
  - Low-cost deposits



# Profitable and growing Greek business

GREECE

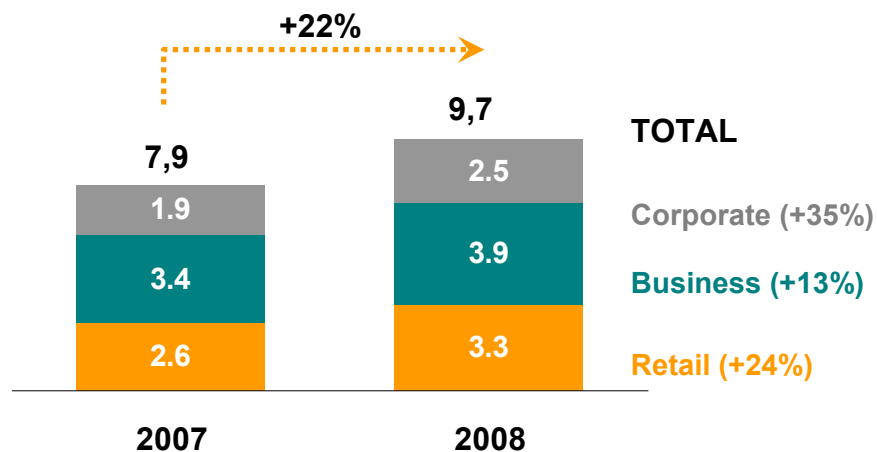
## Greek profitability



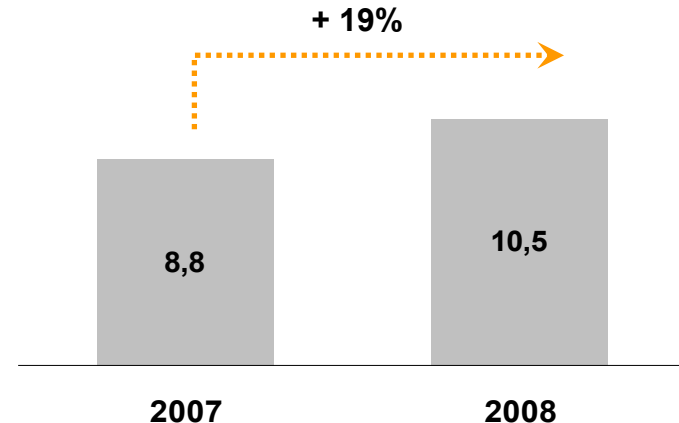
- Maturing branch network achieving **growth rates above the market**

Market Share	2008	2007
Loans	3,80%	3,65%
Deposits	3,80%	3,63%

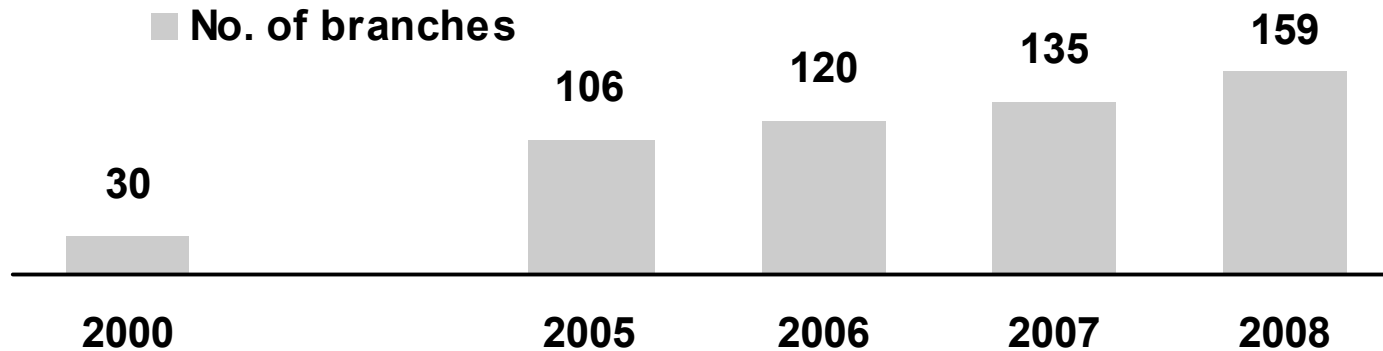
## Greek loan book (€bn)



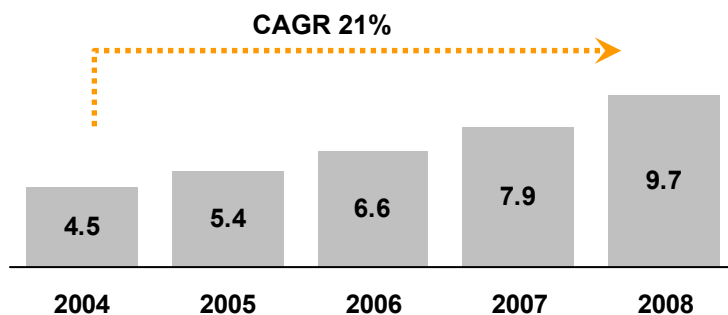
## Greek deposits (€bn)



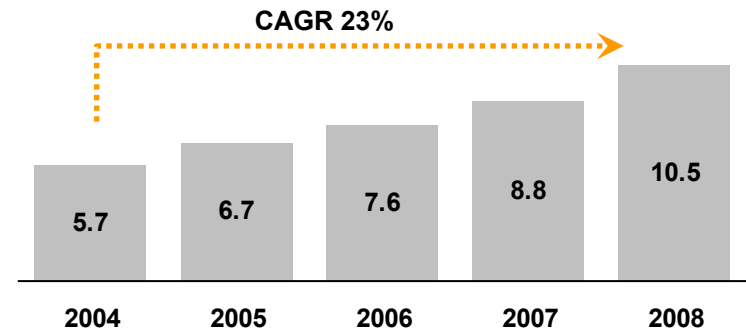
## Branch network evolution



## Loans (€ bn)



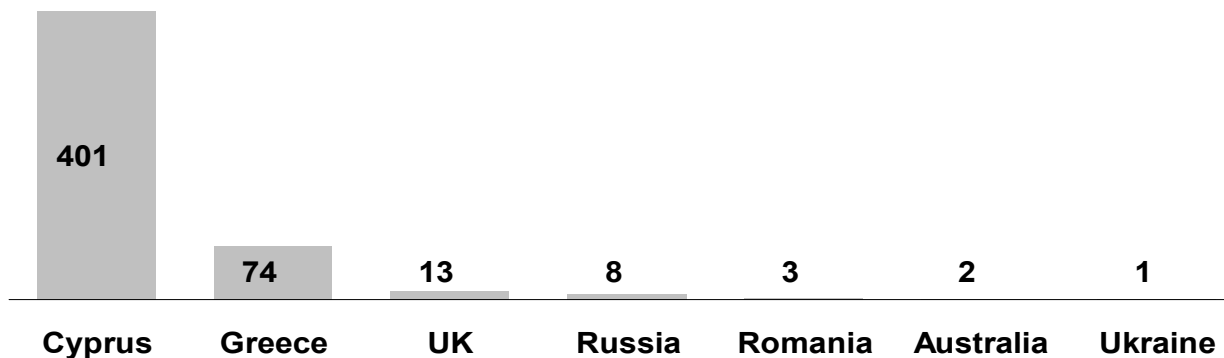
## Deposits (€ bn)



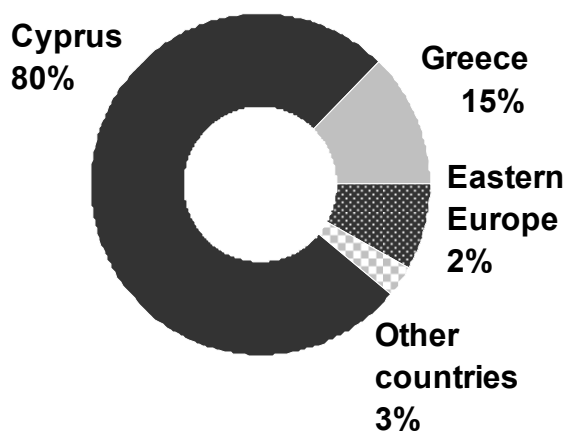
# Geographical breakdown of profit after tax

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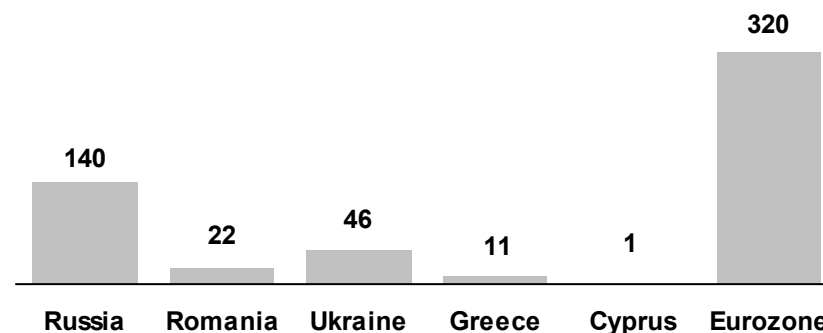
## Geographical breakdown of profit after tax (€ mn)



## Eastern Europe contribution to profit



## Population in each geography (mn)



# First highlights from Uniastrum

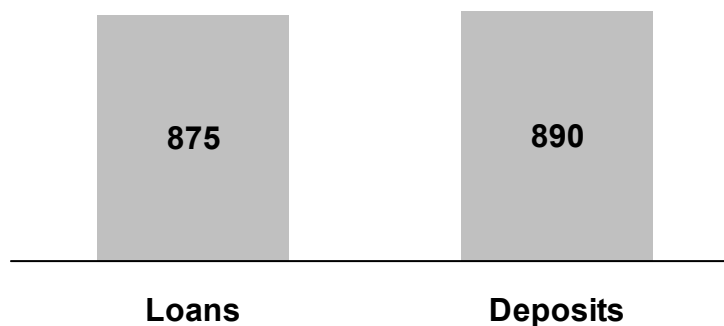
## Positive contribution to profit

Income & Expense Analysis (€mn)	IFRS 2007	IFRS 2008	Δ%
Net interest income	42	83	+97%
Fee & commission income	21	42	+105%
Other operating income	61	19	-69%
Total income	124	144	+16%
Total expenses	-109	-115	+6%
Profit before provisions	15	29	
Provisions	-18	-4	
Profit before tax	-3	25	
Net interest margin	4.2%	6.4%	

# Strong liquidity and solvency

## Strong Liquidity

- Loans to Deposits 98%

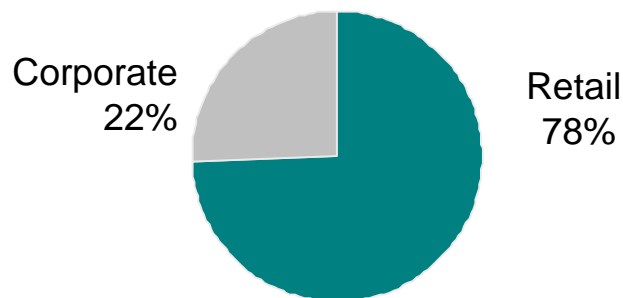


## Capital adequacy

- Capital adequacy at 17%

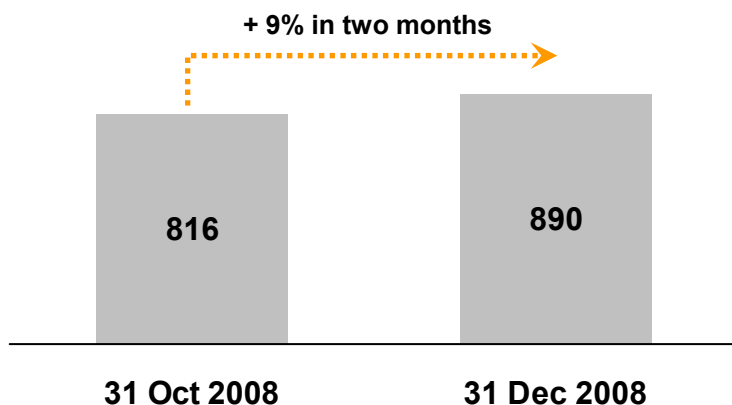
# A dynamic retail bank in an under-penetrated market

## Deposits



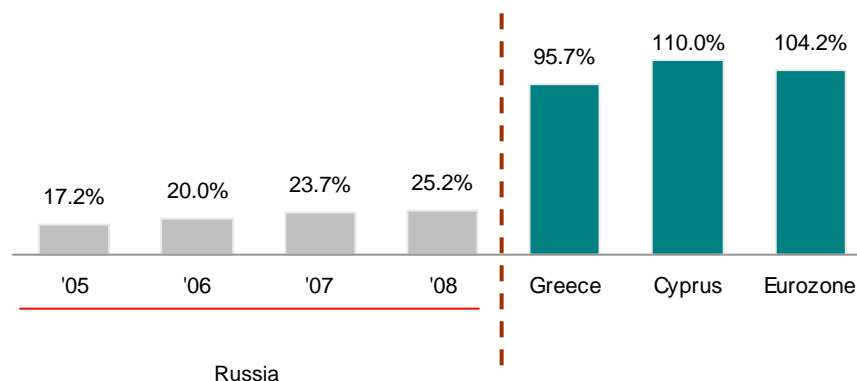
Source: Uniastrum financial statements for the year ended 31 December 2008

## Deposit growth since acquisition

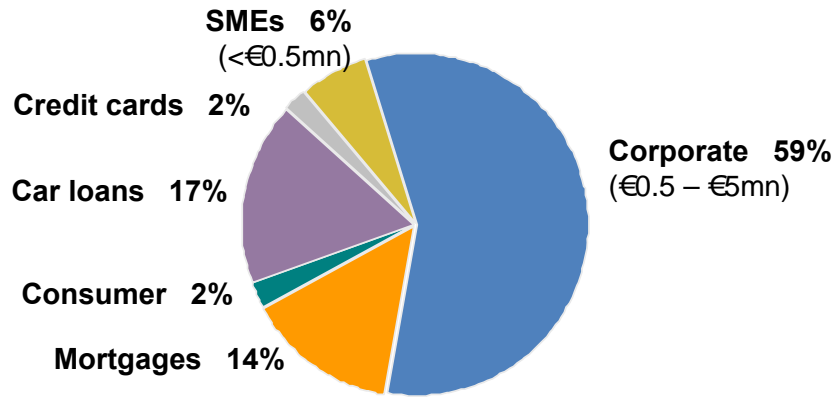


- A systemic bank with good retail deposit gathering capability, supported by high brand awareness
- Increased customer confidence since acquisition by Bank of Cyprus
  - 9% increase in deposits in two months (Dec Vs Oct 08)

## Under-penetrated market Deposits/GDP (%)



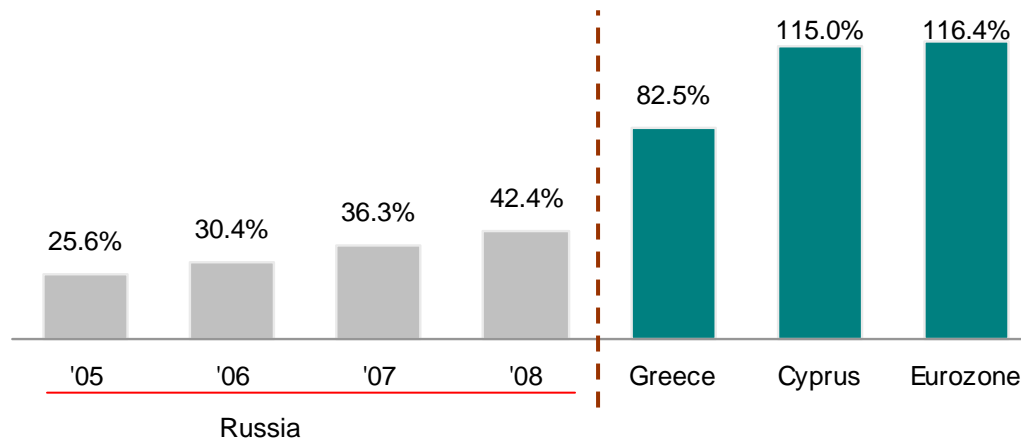
## Loans



- Diversified portfolio
- Implementation of Bank of Cyprus credit policy is a priority
- Excellent potential for further growth
  - 9<sup>th</sup> largest network in the country
  - Infrastructure to support accelerated growth

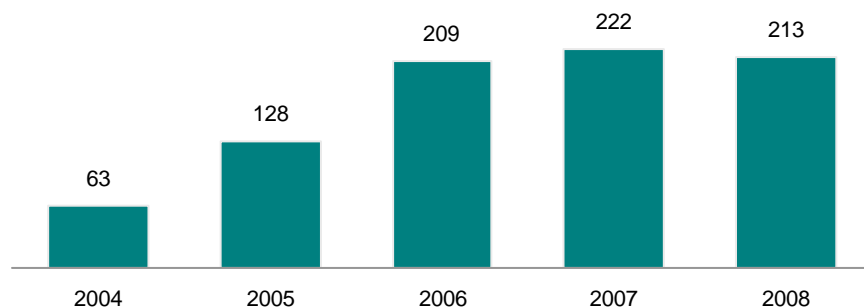
Source: Uniastrum financial statements for the year ended 31 December 2008

## Under-penetrated market Loans/GDP (%)



# Young network = significant potential

## Uniastrum's branch network development

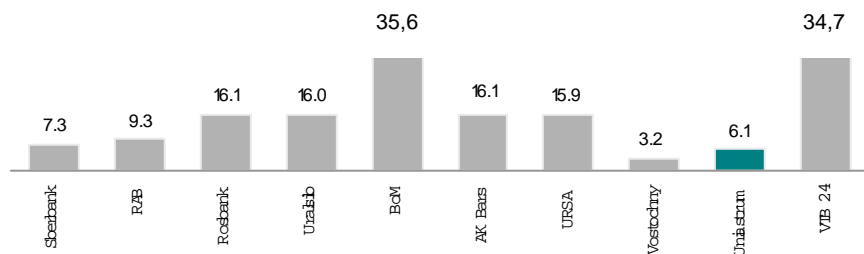


## Young branch network = significant potential

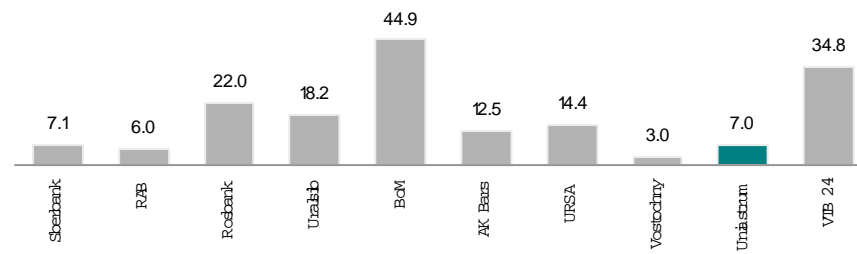
- Network is significantly under-penetrated compared to banks with similar sized networks
  - With the exception of Sberbank and Russian Agricultural bank (with very large number of small offices in rural areas), the branch penetration of Russian banks is 2 to 3 times that of Uniastrum's current level
- Significant scope to leverage Uniastrum's branch network and transform it into a much larger bank in Russia in terms of market share

## Russian Banks branch penetration

### Loans/branch as of Dec-07 (US\$mm)



### Deposits/branch as of Dec-07 (US\$mm)





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# Strategic Priorities

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# Strategic priorities going forward

## Solid foundations



## Strategic priorities

**Safeguard strong liquidity position**

**Improve capital adequacy**

**Disciplined expansion**

**Manage risk effectively**

Maximise value for our shareholders

# Analysis of Strategic priorities for 2009

## Safeguard strong liquidity position

- **Healthy loans/deposits ratio**
  - **Emphasis on balanced growth to maintain healthy position**
- **Low reliance on wholesale funding**
- **Further potential to**
  - **Leverage on €7 bn net liquid assets**
    - **>50% of liquid assets in cash**
    - **Low utilization of repo facility**
  - **Enhance liquidity via securitization**

## Improve capital adequacy

- **Strong capital ratios given**
  - **Healthy balance sheet**
  - **Risk profile of the Group**
- **Further potential to strengthen**
  - **Tier 1 ratio to 10%**
    - **Issue convertible bonds**
  - **Core Tier 1 ratio to 7%**

# Analysis of Strategic priorities for 2009

## Manage risk effectively

- **Continuous monitoring of**
  - Credit risk
  - Market risk
  - Liquidity risk
- **Uniform adoption of Group credit policy criteria and procedures**
  - Ensure high quality of loan portfolio
- **Continuous monitoring of the developments in the economic environment**
  - 2008 performance reaffirms that the Group has managed to guard itself and limit the impact of the economic crisis on its financial performance through sound planning

## Disciplined expansion

- **Selective and targeted growth in new markets**
- **Uniastrum**
  - Loan portfolio diversification
  - Strict lending criteria
  - Leverage on existing network
    - 9<sup>th</sup> largest distribution network
    - Small balance sheet
- **Emphasis on improving efficiency**
  - Re-engineering of operations
  - Merging of Russian operations and achieving economies of scale

# Contacts

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## Website

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

**Financial Results 2008 - Highlights**

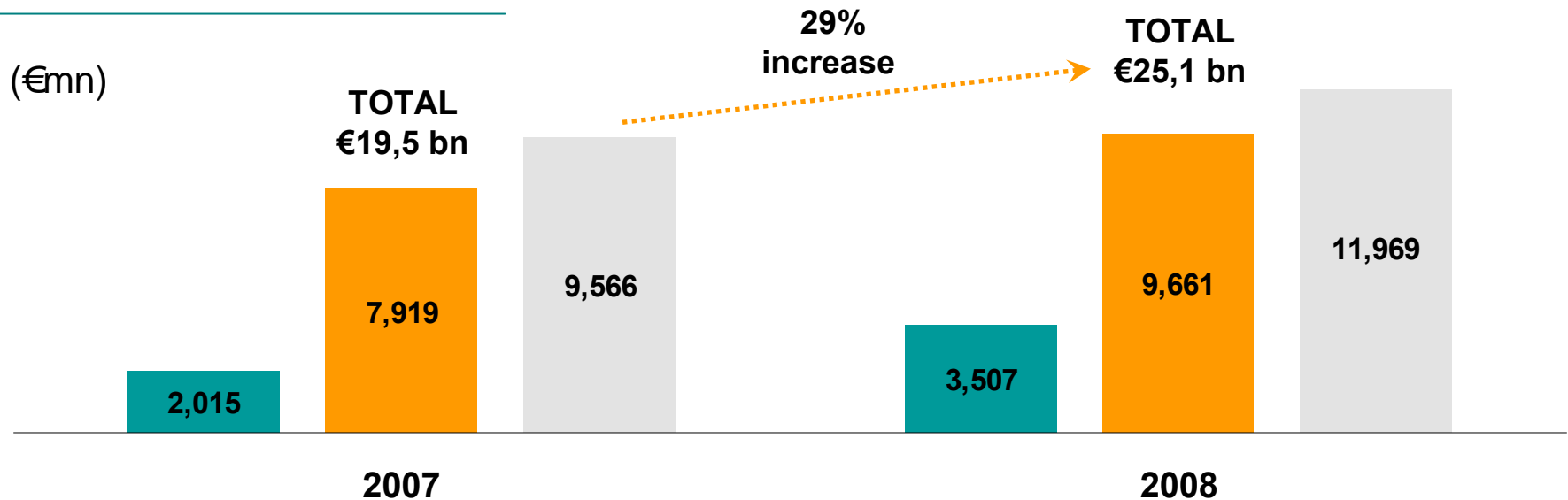
**Income Statement and B/cce Sheet Review**




**Performance by geographic market**

**Strategic Priorities**

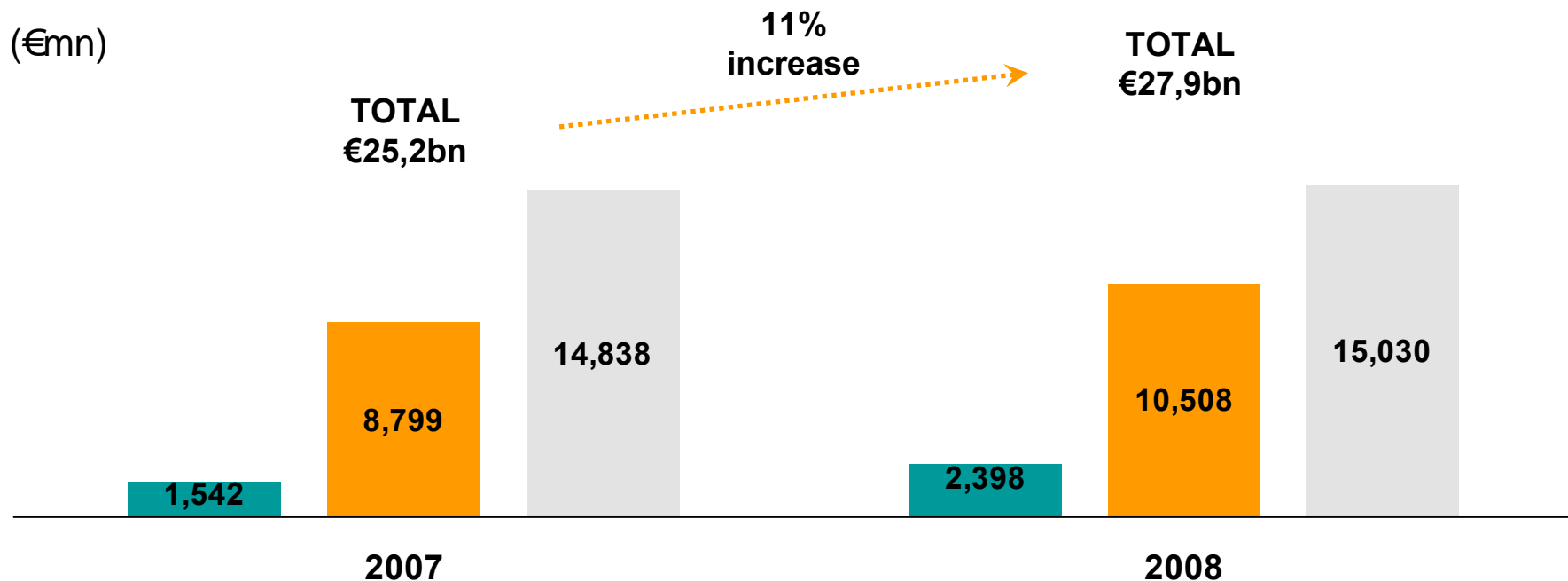
***Appendix 1: Detailed Financial Information***

# Loans by geographic sector



	Share in the Group total 2007	Share in the Group total 2008	Annual Increase	Market share
 Cyprus	49%	48%	25%	29,2%
 Greece	41%	38%	22%	3,8%
 Other countries	10%	14%	74%	
- United Kingdom	€1.271 mn	€1.111 mn		
- Australia	€401 mn	€411 mn		
- Romania	€298 mn	€578 mn		
- Russia	€44 mn	€1.199 mn		
- Ukraine	-	€208 mn		

# Deposits by geographic sector



	Share in the Group total		Annual increase	Market share
	2007	2008		
■ Cyprus	59%	54%	1%	26,8%
■ Greece	35%	38%	19%	3,8%
■ Other countries	6%	8%	56%	



# Cyprus operations profitability

(€mn)	FY08	FY07	% growth	4Q08	3Q08	% growth
Net interest income	425	435	-2%	98	111	-12%
Fees and commissions	132	135	-2%	35	33	+5%
Foreign exchange income	142	43	+231%	95	34	+184%
Income from insurance operations	51	47	+9%	10	16	-35%
Other operating income	19	55	-65%	(10)	2	
<b>Total income</b>	<b>769</b>	<b>715</b>	<b>+8%</b>	<b>228</b>	<b>196</b>	<b>+16%</b>
Staff costs	(185)	(181)	+2%	(49)	(47)	+3%
Other operating expenses	(97)	(89)	+8%	(30)	(23)	+31%
<b>Total expenses</b>	<b>(282)</b>	<b>(270)</b>	<b>+4%</b>	<b>(79)</b>	<b>(70)</b>	<b>+12%</b>
Provisions for impairment of loans and advances	(12)	(25)	-51%	(8)	(2)	+262%
Share of (loss)/ profit of associate	(10)	9		(3)	(2)	+70%
Profit before tax	465	429	+9%	138	122	+13%
Tax	(64)	(52)	+25%	(25)	(13)	+87%
Minority Interest	-	-		-	-	
<b>Profit after tax</b>	<b>401</b>	<b>377</b>	<b>+6%</b>	<b>113</b>	<b>109</b>	<b>+4%</b>
Net Interest Margin	2,19%	2,53%	-34 b.p.			
Return on Equity	42,6%	47,2%	-4,6 p.p.			
Cost/Income	36,6%	37,9%	-1,3 p.p.			

# Greek operations profitability

(€mn)	FY08	FY07	% growth	4Q08	3Q08	% growth
Net interest income	272	276	-1%	66	67	-1%
Fees and commissions	58	51	+14%	12	15	-23%
Foreign exchange income	3	4	-13%	0	1	-12%
Income from insurance operations	10	9	+6%	3	3	+12%
Other operating income	(16)	0		(13)	(9)	+46%
<b>Total income</b>	<b>327</b>	<b>340</b>	<b>-4%</b>	<b>68</b>	<b>77</b>	<b>-11%</b>
Staff costs	(105)	(92)	+14%	(29)	(26)	+9%
Other operating expenses	(79)	(81)	-2%	(21)	(20)	+10%
<b>Total expenses</b>	<b>(184)</b>	<b>(173)</b>	<b>+6%</b>	<b>(50)</b>	<b>(46)</b>	<b>+9%</b>
Provision for bad debts	(65)	(30)	+117%	(31)	(10)	+208%
Profit before tax	78	137	-43%	(13)	21	-162%
Tax	(4)	(37)	-89%	14	(3)	-568%
Profit after tax	74	100	-26%	1	18	-95%
Net Interest Margin	2,35%	2,87%	-52 b.p.			
Return on Equity	12,5%	19,3%	-6,8 p.p.			
Cost/Income	56,3%	50,9%	+5,4 p.p.			

# Other countries profitability

(€mn)	FY08	FY07	% growth	4Q08	3Q08	% growth
Net interest income	95	41	+130%	51	17	+206%
Fees and commissions	27	12	+126%	17	4	+316%
Foreign exchange income	14	0		11	0	
Other operating income	(4)	1	-840%	(4)	0	-403%
<b>Total income</b>	<b>132</b>	<b>54</b>	<b>+143%</b>	<b>75</b>	<b>21</b>	<b>+248%</b>
Staff costs	(41)	(22)	+82%	(19)	(8)	+141%
Other operating expenses	(45)	(20)	+126%	(27)	(7)	+299%
<b>Total expenses</b>	<b>(86)</b>	<b>(42)</b>	<b>+103%</b>	<b>(46)</b>	<b>(15)</b>	<b>+214%</b>
Provision for bad debts	(14)	(1)		(12)	(2)	+602%
Profit before tax	32	11	+178%	17	4	+228%
Tax	(5)	(3)	+37%	(3)	(0)	+375%
Profit after tax	27	8	+247%	14	4	+208%
<b>Net Interest Margin</b>	<b>2,81%</b>	<b>1,85%</b>	<b>+96 b.p.</b>			
<b>Return on Equity</b>	<b>14,7%</b>	<b>6,9%</b>	<b>+7,8 p.p.</b>			
<b>Cost/Income</b>	<b>64,7%</b>	<b>77,5%</b>	<b>-12,8 p.p.</b>			

# Capital adequacy under Basle II

(€mn)	FY08
Shareholders' equity	2.041
Core Tier I Capital	1.366
Hybrid Capital (Tier I)	174
Tier I Capital	1.540
Tier II Capital	839
Total Regulatory Capital	2.379
Risk weighted assets	21.179
Core Tier I ratio	6,5%
Tier I ratio	7,2%
Total capital ratio	11,2%