

Cyprus

Resilience and Reform Deliver Economic Growth

March 2016 was an important milestone for Cyprus as it proudly exited the European bailout programme it entered three years earlier. The IMF's President, Christine Lagarde, led the praise for Cyprus on its "accomplishments under the economic adjustment programme, which has delivered an impressive turnaround," under the leadership of President Nicos Anastasiades' government.

Cyprus is now a success story of economic recovery. The combination of the resilience of the productive sectors of its economy with a very determined effort of economic reform and fiscal consolidation was key to this success. The Cypriot economy is now emerging from its most challenging period to date and is poised to be a model of growth within the Eurozone.

"The last three years are a prime example of what can be achieved with vision, detailed planning and prudence. It is my belief that hard work and the common effort of the public and the private sectors can turn an economy in distress towards stability and prosperity," says Cypriot President, Nicos Anastasiades.

Looking ahead, the President is confident that Cyprus' economy will be on solid ground into the medium and long-term. Major goals of the Government for 2016 are to entrench growth and create conditions for sustainable development. Its key policy priorities include: macroeconomic and financial stability, the promotion of structural reforms (including inter alia the reform of the public service administration, health system, social policy) and a policy of privatisation, as well as the promotion of investments.

Cyprus has benefitted from the resilience of the integral pillars of its economy such as, tourism, shipping and professional services and the restructuring of its all-important banking sector. Significantly it will now further benefit from the potential of its recent hydrocarbon discovery and the investment that it will stimulate.



“Given the catalytic role played by foreign investment for economic growth and prosperity, we are focusing on attracting foreign investment to further stimulate economic activity. We have a vision to transform Cyprus and to unlock its full potential.”

Nicos Anastasiades
President of Cyprus

The country could benefit even further if reunification talks are successful. As President Anastasiades assures, "finding a lasting solution to the Cyprus problem will be the most significant growth reform that we can achieve."

"I believe that it will act as a catalyst for our economic development for decades to come, with huge potential benefits for many sectors of the economy. Only then will we allow Cyprus to utilise its full potential; by relieving Cyprus of all the political barriers that prevent the full exploitation of its unique geographical position," he adds.

The fall in unemployment over the last 18 months is also adding to political and business confidence in Cyprus. Figures published in early April 2016 show that unemployment dropped from 16.6% in February 2015 to 12.6% in February 2016, with the annual unemployment rate dropping from 16.1% in 2014 to 15% in 2015. Total employment in 2015 reached 361,700 compared to 358,600 in 2014, which amounts to the first increase in total employment figures since 2011.

Cyprus has worked hard to deliver reform and growth and the President of the Cyprus Chamber of Commerce and Industry, Phidias Piliides, is equally confident about the island's future. "Not only have large organisations not abandoned Cyprus, many have strengthened their presence here. Now the future looks positive as many more new investors are looking to make Cyprus their base."

Energy Partner of Choice

A leader of natural gas development
in the Eastern Mediterranean

Energizing the World,
Bettering People's Lives®
nobleenergyinc.com

noble
energy



Cyprus

Confidence Restored for Banking and Finance

Three years since a banking crisis led Cyprus into recession and a European bailout programme, the country has become the fourth to successfully exit the process, while its banks are returning to confidence as they continue on their restructuring mission.

In 2013 Cyprus' banking sector needed immediate resuscitation. At the height of the crisis, Cyprus became the fifth EU member state to request a financial assistance package from the European Commission, the ECB and the International Monetary Fund – collectively known as the Troika.

The 2013 bailout captured the attention of the world, as it was the first and only bailout with a condition to impose a, previously thought of as unconceivable, bail-in of bank deposits.

Cyprus has once again made headlines by exiting the process early and by only using around 70% of the funds that were available to it. It is a fast and successful turnaround that has brought praise from the Managing Director of the European Stabilisation Fund, Klaus Regling. "The country has managed to restore economic growth and repair public finances much faster than expected," he said when congratulating the government and people of Cyprus as the exit announcement was made in March 2016.

Risky expansion strategies, imprudent lending and weak bank governance can all be attributed to the 2013 crisis. However, the most significant internal cause was at a national policy level and failure to recognise potential shocks and the risk of running a large bank industry with low supervision.

However, those pre-2013 mistakes will not be repeated and given the new regulatory conditions and fresh equity capital injected into the banking system, Cypriot banks are now well positioned to create value both for their shareholders and their customers.

"We had a very determined economic policy of reform, aggressive fiscal consolidation and ambitious bank restructuring and we exceeded targets, we exceeded expectations and we have delivered," explains Harris Georgiadis, Minister of Finance.

The turnaround cannot be overstated; the overall performance of the economy has beaten all expectations the Troika had for Cyprus. The economy grew by 1.5% in 2015, a figure that will be equaled this year and extended to 2% in 2017. Credit ratings agencies have also upgraded their long-term sovereign credit ratings.

“*We have come a long way. It is a completely different and much improved situation, but we can do even better. We will continue on the path of reform and consolidation well after this successful exit.***”**

Harris Georgiadis
Minister of Finance

While good news and praise is well deserved, it is widely recognised that Cyprus still needs to deal with a high proportion of non-performing loans (NPLs) and there is nobody more experienced than John Hourican, CEO of Bank of Cyprus, at wiping this stain from the economy.

"Curtailling the ballooning NPLs was the first thing we had to do," he explains adding, "we did it pretty rapidly and we stabilised the stock of non-performance through 2014 into 2015. What has happened in the recent quarters is all of the effort being expended by our deliberate focus on separation of non-performance from performing books is that they started to fall. So, in the third quarter we reduced the stock of non-performing loans by almost €700 million; by the fourth quarter we reduced it by a similar number and we think that's the beginning of a trend, a slow but steady march back to safety."

Despite the impressive reduction in NPLs, Hourican knows there is more to do, but he has certainly steadied the ship and is navigating it into calmer waters.

"Deposits are growing. At Bank of Cyprus we saw a 12% growth during the last 12 months and the conditions of cash generation in the economy, the conditions of management at policy level as well as at the bank's level, have all given rise to the confidence we all felt in exiting the bailout," clarifies Hourican, who understands that restoring confidence in the Bank of Cyprus also restores confidence in Cyprus.



Halfway through the bailout programme, Cyprus raised \$1 billion of fresh equity for its banking system. That investment was the largest in the country's history. The Bank of Cyprus therefore had played a vital role in re-establishing the country as an investable proposition for sophisticated international investors.

“*If you look at our investor base now we have some of the world's most sophisticated investors, from New York, London and various other parts of the world, who have looked at Cyprus and the Bank of Cyprus as a way to play that recovery, as a real investment; they put real money in and our obligation is to make them a return on that money.***”**

John Hourican
CEO of Bank of Cyprus

Widely credited with bringing the lender back from the brink and returning it to its Cypriot roots, Hourican can now turn his attention to the next target; listing the bank on a major European stock exchange before the end of the year.

"We're carrying the country's name, we are a flagship brand and for us to demonstrate not just compliance, but great corporate governance with a premium listing, with an investor base that is international and sophisticated, carrying the Cyprus name on to a major financial exchange can only be positive for the country," he believes.

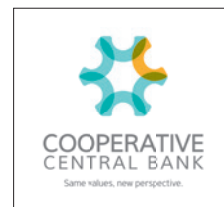
Cooperative banks were also hard hit by the crisis and the message from the CEO of the Cooperative Central Bank, Nicholas Hadjiyiannis, is clear, "we have to deal with the NPLs, but there is optimism. It requires time, continuous progress and benchmarking."

He believes that Cyprus and the Cooperative Bank could be a testing ground for new ideas and new technology in tackling NPLs. "80% of our restructured loans remain performing and if we continue at this pace we will have dealt with the issue within a few years."

He is also preparing the bank to become an investable retail banking institution and aims to be listed on the stock exchange by 2018.

Another company using technology to improve its business is JCC Payment Systems. It was kept busy during the 2013 crisis when Cyprus' banks were closed. Their own network of ATMs had to be constantly replenished to allow Cypriots access to funds.

JCC now promotes innovation and new technologies to grow its relationships with merchants, cardholders and Cypriot banks. "We will continue down this path so we can be as effective and as efficient as possible for all of our clients and consumers as a whole," says General Manager Michael Ioannides.



Cyprus

Invest in Cyprus, Invest in Potential

Cyprus continues to be an attractive investment destination with numerous competitive advantages. Substantial reforms and new incentives will boost the economy and attract further investment, both in traditional sectors such as investment funds, shipping and tourism, as well as in emerging sectors such as technology and innovation.

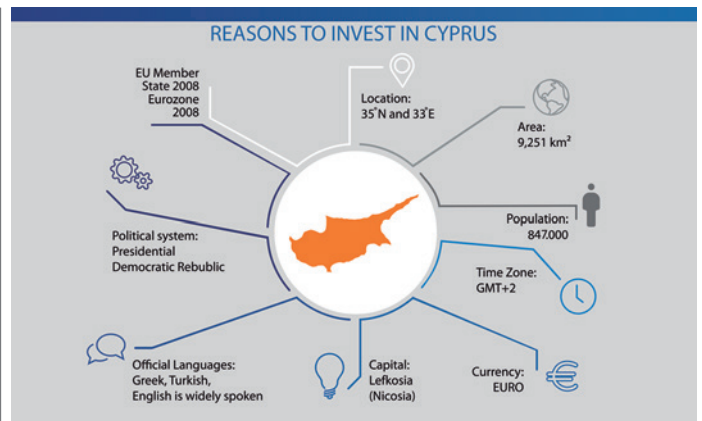
The Cyprus Investment Promotion Agency (CIPA) is responsible for attracting and catering to new investors to the island and its Chairman, Christodoulos E. Angastiniotis, explains why Cyprus is an ideal investment destination in a number of different sectors.

"There are so many new opportunities here. Some of these were actually borne out of the recent financial crisis and Cyprus' quick and successful recovery. In less than three years following the crisis, Cyprus has successfully exited the EU MoU with a restructured, flexible and well-regulated banking sector, significant measures for reform and innovation and reinforced competitive advantages. Collectively, these positive developments have generated more investor interest than ever. We haven't seen this much interest in investing in Cyprus for a long time," he explains.

“ We are now talking about a solid, modernised and forward-looking Cyprus and the reasons to invest here are clear: strong foundations, reliable systems and significant potential.”

Christodoulos Angastiniotis
Chairman of CIPA

"Aside from the solid foundations and legal pillars that Cyprus offers, we have a beneficial tax framework with almost 60 double tax treaties, excellent professional services, a high quality of life and a superior support package in an English-speaking environment. Being an EU member state, strategically located at the crossroads of three continents, Cyprus represents an ideal gateway," the Chairman adds.



Recent governmental reforms have curtailed bureaucracy, streamlined procedures and created a more business-friendly environment. Now, with major infrastructure projects in the pipeline, new privatisation plans and a restructured and stronger banking sector, it is clear why so many international investors have recognised Cyprus' investment potential.

"Along with a newly vibrant financial services market, energy, tourism and investment funds are some of the most interesting areas for foreign investors," says Angastiniotis, also stressing the opportunities in large-scale projects, such as the development of luxury marinas, golf courses and multi-use residential complexes.

Research and private education is also a growing sector that CIPA hopes will transform the island into a major regional educational centre. Cyprus is also fast developing into a popular Health and Wellness destination, with high quality medical centres and private hospitals that cater to the growing market of medical tourism.

"We are now talking about a solid, modernised and forward-looking Cyprus and the reasons to invest here are clear: strong foundations, reliable systems and significant potential," concludes Angastiniotis.



Invest in Cyprus Invest in Us

Timing is everything.

Timing often makes all the difference. Get it right! Cyprus offers untapped investment opportunities with attractive growth prospects along with a long list of investment advantages:

- Strategic location
- Attractive and transparent tax system
- Robust legal and regulatory framework
- Quality professional services
- Advanced transport & telecommunications infrastructure
- Highly qualified and multilingual workforce
- Envious quality of life

Cyprus Investment Promotion Agency



www.investcyprus.org.cy

Invest
Cyprus

Cyprus

A Construction Renaissance

A year on from recording the largest drop in production for an EU member state, Cyprus' construction sector is back on the path to growth, while property sales and prices have undergone a dramatic turn around; in December 2015 sales and prices rose by 13% and 2.5% respectively, when compared to December 2014. By February of this year, sales were an impressive 54% higher than February 2015.



“*My long-term outlook is very positive and all analysis leads me to believe that by 2018 the construction sector will enjoy considerable growth. Demand is slowly but gradually picking up and even before the end of 2016 we will see significant growth.*”



Nicholas Lois
Managing Director of Lois Builders

The construction sector has undergone a period of stabilisation and now that trust has been restored to the economy and incentives put in place to attract international investors, while property legislation has increased buyer protection, both construction bosses and real estate agents are feeling bullish.

“My long-term outlook is very positive and all analysis leads me to believe that by 2018 the construction sector will enjoy considerable growth. Demand is slowly but gradually picking up and even before the end of 2016 we will see significant growth,” says Nicholas Lois, Managing Director of Lois Builders, one of Cyprus' largest construction companies.

Tofarco's Towers of the Future

Construction and development company Tofarco was established in 1977. Since then the company has been determined to change the urban environment in Cyprus by creating modern and efficient buildings. The company has evolved into one of the most credible land developers on the island.

TOFARCO has successfully completed and delivered over 90 projects within Cyprus and Greece exceeding 250,000m² in buildable area. Now engaged in its flagship project, Tofarco looks set to change the skyline in downtown Nicosia.

The Lord Byron Towers will be the tallest twin tower building complex in Cyprus at 100 metres high. With more than 10,000m² of prime office space, this prestigious development will offer a fully landscaped piazza and will be the largest commercial office development in Cyprus. “With this project we aim to bring 21st century office development as it should be,” says Tofarco's Managing Director, Nicholas Tofarides.

The company also has another two commercial projects in the capital and in total it is developing more than 30,000 m² of office development, proving that the construction sector is on the right track. According to Tofarides, “the demand for office units will increase dramatically and I foresee another development boom.”

Partner of Choice for Citizenship

Branding itself as ‘Your full service international law firm in Cyprus’, L Papaphilippou & Co LLC has been in business for more than half a century and is one of the leading law firms in Cyprus.

70% of its business comes from international clients, an income stream that started back in the 1970s with the emergence of the importance of the Cypriot flag in the shipping industry. Although the firm has grown and diversified and now represents governments, local and international financial institutions, multinationals and high-net-worth individuals.

More importantly, the firm is now the partner of choice for individuals choosing Cyprus' Citizenship By Investment Programme, in which Papaphilippou & Co has been particularly active with Chinese individuals.

“We were the first firm to successfully complete citizenship applications for Chinese nationals,” says Managing Partner Leandros Papaphilippou. Assisting more Chinese nationals in the Programme is his primary target and 50% of the applications have come from China. “We have already completed around 50 applications and there are another 30 pending. Half of these have come from China and people would actually welcome a Chinatown in Cyprus,” he adds.

Certainly applicants using Papaphilippou & Co are in good hands; the firm has won numerous accolades, including Cypriot Immigration Law Firm of the Year in 2015, which it was awarded by local news organisation Corporate Livewire.

Despite the economic challenges that have faced the country Papaphilippou remains steadfastly optimistic; “we continue to see growth in our business because Cyprus is a reliable and resilient international business centre with a strong legal framework, which is why we can offer strong cross-border legal and wealth management solutions to Chinese clients and those from other markets, such as Russia, the UAE and the UK.”

L PAPAPHILIPPOU & CO LLC

LEADING. EVOLVING. ACHIEVING. SINCE 1963

Lois Builders is the company behind the major renovations of Eleftheria Square, the Municipality Building in Nicosia. The late Zaha Hadid was the architect for the project, which is an inspiring idea to reconnect the ancient city's walls with the modern city beyond them. Her renowned vision and Lois Builders' development expertise have come together to create a bold statement for the city. Such projects are now leading the way in reinvigorating the construction sector, along with residential complexes, office buildings and tourism resorts. Cypriots and visitors to Cyprus will witness much more beguiling architecture and developments as the country's construction sector continues its regeneration.

ABSOLUTE CONSISTENCY

TOFARCO was established in 1977 with an aim to create a philosophy of its own, which is expressed in one simple phrase “Absolute Consistency”. Now, it is one of the most credible land development companies with activities covering all fields of real estate construction and investment in Cyprus.

TOFARCO

www.tofarco.com

Cyprus

Ayia Napa Marina Targets a Discerning Clientele

Ayia Napa Marina boasts an unparalleled location on the sun kissed coast of Cyprus. The marina is located on the southeastern part of Cyprus, on one of the island's most beautiful stretches of coastline, offering individuals the opportunity to immerse themselves in the indulgence of vibrant island living.

Poised to become the next premier yachting and lifestyle destination in the Mediterranean, the new Ayia Napa Marina will be an integrated marina development combining a portfolio of private luxury residences and yachting facilities with lifestyle options such as retail boutiques, waterfront dining venues, nightlife experiences and a beach club.

Commenting on the vision for the project, Ayia Napa Marina's lead investor, Naguib Sawiris says, "the marina has been designed for luxury boats and high-end, quality tourism. We want to attract high-end shops, high-end restaurants and clubs. And we want to provide the best service for boat owners, in terms of facilities and in terms of services."

A boat owner himself, Sawiris understands the needs of Ayia Napa Marina's target clientele, with the development set to provide a complete repertoire of services and amenities. Plans are in place for 350 fully-equipped wet slips enhanced with the latest berthing facilities and modern infrastructure, able to accommodate for mega-yachts of up to 60m, as well as another 220 spaces on a Dry Stack Storage facility, for boats up to 10m in length.

The year round sunshine and seductive sub-tropical climate of Cyprus is set to complement the beachfront residential opportunities available. The portfolio comprises 190 apartments in two high-rise towers and 29 luxury beachfront villas and marina villas. The latter, feature their own private berths directly in front of the residence.

Indeed, the island's favourable weather conditions, as well as the project's prime position on the spectacular East coast of the island, both serve as additional motivating factors for the selection of Cyprus as the destination for this multi-million-euro investment.

"Another advantage of Cyprus is the weather," comments Sawiris. I have been here in November and the weather is like spring. It's nearly a ten-month season and I am sure that this project, when finished, will bring Ayia Napa into the limelight of tourism again."

“*The marina has been designed for luxury boats and high-end, quality tourism. We want to attract high-end shops, high-end restaurants and clubs. And we want to provide the best service for boat owners when they come, in terms of facilities and in terms of services.*”

Naguib Sawiris

Ayia Napa Marina's Lead Investor

Amongst the wide and varied target markets for the marina, the development is hoping to appeal to the interests of investors, boaters and discerning visitors from surrounding countries in Europe, the Middle East and North Africa, for whom the trip over to their beach villa in Ayia Napa Marina is quick and easy.

Further commenting on the additional benefits and incentives for investors, the co-owner and CEO of M.M. Makronisos Marina Limited, Stavros Caramondanis says: "Cyprus offers several advantages to foreign investors, such as very low corporate tax rate of 12.5%, citizenship and residency programmes, capital gains tax exemption, low VAT and most importantly, an exceptional and attractive business infrastructure. Potential clients looking to invest in the marina can avail themselves of all these benefits. The marina and Cyprus both offer ease of life, a high standard of living; sunshine and of course complete safety, security and privacy."



Cyprus

Energy is the New Boom Industry

Cyprus' energy sector has been transformed by the discovery of significant hydrocarbon reserves in the country's Exclusive Economic Zone (EEZ), while new impetus from the government and investors will make Cyprus a key energy player in the region.

The sector could now go on to be a game changer for the island's economy and will be one of the biggest opportunities for international investment in the coming years.

According to Minister of Energy, Commerce, Industry and Tourism, Yiorgos Lakkotrypīs, "There is great momentum in the sector right now and our significant deposits of natural gas will redefine our economy."

The Minister goes on to explain, "We are already seeing significant interest in investing from international oil and gas companies and our response has been to announce the third licensing round of four exploration blocks within our EEZ. This will be launched in the near future."

“*There is certainly great excitement at the moment with the recent decision of BG Group to acquire a 35% stake in Cyprus' offshore Block 12, following an agreement with concession holder and operator Noble Energy – who made the initial natural gas discovery in 2011.*”

Yiorgos Lakkotrypīs
Minister of Energy, Commerce, Industry and Tourism

Noble Energy (NYSE:NBL) was the first operator to discover natural gas resources offshore both Cyprus and Israel. Since the company began exploration in the Eastern Mediterranean it has drilled 11 successful exploration and appraisal wells and discovered more than 40 Tcf of natural gas resources in the Levant Basin, four Tcf of which are within the Cypriot EEZ and known as the Aphrodite Field.

"Our significant world-class discoveries in the Eastern Mediterranean provide an exceptional opportunity to deliver energy security and economic development for



Noble Energy is the first operator to discover natural gas resources offshore Cyprus, where this Enso 5006 rig drilled an appraisal well in 2013 to help define the northern area of the company's Aphrodite discovery.

Cyprus, Israel and eventually, through exports, for the wider region," explains Gene Kornegay, Country Manager and Vice President of Noble Energy.

Noble Energy has successfully and efficiently moved from discovery to execution of large scale projects in the region and has an opportunity to match its low-cost, abundant supply with a large regional demand. Despite the current global hydrocarbon price point, this will undoubtedly have the potential to transform the island's economy.

"We are now focused on working with the government and our partners to finalise the Aphrodite Field Development Plan," adds Kornegay.

In late 2015 Noble Energy announced a game changing partnership with British multinational BG International. The farm-out agreement for a 35% interest in Block 12, which includes the Aphrodite discovery, will bring substantial technical, financial and marketing capacity to the project.

Now is the time to start lining up the customer base and ensure both Noble Energy and the Cypriot economy can reap the rewards. "Our next step will be the marketing effort to identify potential customers so that we can support the development economics of the project," concludes Noble Energy CEO, David Stover.

Neocleous Continues to Lead Legal Services Market in Cyprus

Forward-looking law firm Andreas Neocleous & Co LLC is the largest law firm in Cyprus and a market leader in the South-Eastern Mediterranean region. With a focus on serving high-net-worth individuals, market leading multinationals and prominent international organisations, Neocleous has achieved consistent year on year growth ever since it was established in 1965.

Recognised as a top tier firm, Neocleous is well known for winning awards and dominating the Cyprus legal rankings. The latest Chambers Global ratings, which cover more than 190 countries, were published in March 2016 and for the fifth successive year Neocleous was ranked in the top category in both practice areas covered by the ratings; corporate and commercial and dispute resolution.

It is a sustained record of success that demonstrates the firm's determination to deliver results in complex mergers and acquisitions and in litigation and arbitration cases. "It is very gratifying to be recognised by such a respected organisation as Chambers Guides, and I should like to thank my colleagues for their efforts in achieving this success and our clients for entrusting us with their business. There is no room for complacency in today's fast-changing business world: we are committed to renewing our clients' trust in us every day by constantly striving to improve and providing them with the best possible service," explains Andreas Neocleous, Founder and Chairman of the board.

Vice-Chairman Elias Neocleous concurs about not being complacent, "our goal and ambition is to provide world-class legal services and our constant focus is on two areas of huge importance in the changing and rapidly evolving global legal environment: human capital and technology. This allows us to make use of new tools, reduce costs and overheads and give the quality advice that clients are looking for."

However, the Vice Chairman prefers to see his firm's relationship with others as one of co-operation rather than outright competition. "Of course we compete with other law firms but we also have a common interest in ensuring that our

products and services match the quality benchmark set by the best law firms in the world, and that is the challenge", he adds.

Elias Neocleous is a strong advocate of Cyprus' strategic location and its business friendly legal regime, but he is also clear that the country constantly needs to aim higher. "In this era of increased regulation and transparency we do not want to be associated with "brass plate" operations but rather Cyprus should move up in the market and attract companies with economic and business substance. If, as a nation, we focus on integrity and professionalism, we will have a very good future as an intermediary jurisdiction," he explains.

“

"Our goal and ambition is to provide world-class legal services and... give the quality advice that clients are looking for."

Elias Neocleous
Vice-Chairman, Andreas Neocleous & Co LLC

As the island ramps up its efforts in attracting increased investment in property development, shipping and even energy, Neocleous is strengthening its resources to deal with the anticipated upturn in business.

"It is very easy for the international legal community and investors to understand our laws and to structure investments in or through Cyprus and they can count on our expertise," he concludes.

As the Cyprus economy now moves into a period of consolidation and change, the country's legal industry and its product offering are also set for a transformation and will aim to attract businesses with more substance and quality.

Done.

Your business
taken care of

10:13 Arrivé

DATE	TIME	ORIGIN
28-11	16:10	AL LUBAYH
28-11	16:10	AL LUBAYH
29-11	02:10	PARIS CDG
29-11	02:10	PARIS CDG
29-11	17:10	PARIS CDG
29-11	17:10	PARIS CDG

AR

PORT LIEGE AIRPORT LIEGE AIRPORT

International
Banking Services

Fast | Secure | Efficient | Bespoke

ibs@bankofcyprus.com
www.bankofcyprus.com.cy/ibs

Bank of Cyprus

