Bank of Cyprus Holdings

Announcement

Group Financial Results for the quarter ended 31 March 2022

Nicosia, 19 May 2022

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

Key Highlights for the quarter ended 31 March 2022

Supportive Macro, Reflected in Volume Growth

- +5.6%[1] GDP growth in 1Q2022; expected to slow down to +2.7%[2] in FY2022 due to geopolitical risks
- Loan momentum building up; performing book increased by 2% in 1Q2022 with record new lending of €618 mn

Resilient Underlying Profitability

- Total income of €146 mn, up 7% yoy with net fee and commission income up 13% yoy and NII down 7% yoy, as expected, reflecting the impact of NPE trades
- Resilient profit after tax and before non-recurring items of €27 mn, up 65% yoy; underlying ROTE of 6.7%
- Profit after tax of €21 mn for 1Q2022 vs €8 mn in 1Q2021

Operating Efficiency

- Total operating expenses[3] of €86 mn for 1Q2022, up 4% yoy
- Cost to income ratio[3] at 59% for 1Q2022, down 1 p.p. yoy

Strong Capital and Liquidity

- CET1 ratio of 15.2%[4,5] and Total Capital ratio of 20.3%[4,5]; impacted by the phasing-in of IFRS 9
- Deposits at €17.7 bn up 1% qoq; significant surplus liquidity of €6.4 bn

Mid - Single Digit NPE Ratio[5]

- NPE ratio reduced to 6.5%[5] (2.7%[5,6] net) down 1 p.p. qoq
- Coverage at 60%[5]; cost of risk at 44 bps

1. Source: Cyprus Statistical Service, Ministry of Finance
2. Source: Stability Programme 2022-2025 published on 2 May 2022 by Ministry of Finance http://mof.gov.cy/assets/modules/wnp/articles/202205/1115/docs/stability_programme_22_25_en_final.pdf
3. Excluding special levy on deposits and other levies/contributions
4. Allowing for IFRS 9 and temporary treatment for certain FVOCI instruments transitional arrangements
5. Pro forma for HFS
6. Calculated as NPEs net of provisions over net loans

Group Chief Executive Statement

"The first quarter of the year has been characterised by economic growth, which we have supported, evidenced by a record €618 mn of new loans extended. This has marked the third consecutive quarter of accelerating loan growth. New lending reached higher levels than the equivalent period pre-pandemic, whilst maintaining strict lending criteria. Economic growth is however expected to slow down to 2.7% for the year, impacted by heightened geopolitical risks, before accelerating to 3.8% in 2023, both in accordance with the Ministry of Finance Stability Programme 2022-2025. Increasing energy prices resulting in inflationary pressures and global supply chain disruptions have been further exacerbated following the outbreak of the war in Ukraine.

During the first quarter of the year, we generated total income of €146 mn and a positive operating result of €50 mn. Despite inflationary pressures, we kept our total operating expenses (excluding levies and contributions) broadly flat in the quarter at €86 mn, reflecting our on-going efforts to contain costs. Our quarterly cost of risk increased modestly to 44 bps in the quarter, reflecting the update in the macroeconomic outlook, but remaining well within our normalised target range. We delivered a resilient profit after tax and before non-recurring items of €27 mn, with a corresponding return on tangible equity of 6.7%. The reported result for the quarter was a net profit of €21 mn.

The Bank's capital position remains strong and comfortably in excess of our regulatory requirements. As at 31 March 2022, our Total Capital ratio was 20.3% and our CET1 ratio was 15.2%, on both a transitional and pro forma basis. Our liquidity position also remains strong and we continue to operate with over €6 bn surplus liquidity and an LCR at 296%. Deposits on our balance sheet increased by 1% in the quarter to €17.7 bn.

Balance sheet normalisation continued in the first quarter with further c.€100 mn of organic NPE reduction, reducing our NPE ratio to 6.5%, pro forma for NPE sales. We remain on track to achieve our target NPE ratio of c.5% by the end of this year and less than 3% by the end of 2025.

Our plan for the future is clear. We have a dynamic strategy in place, leveraging our strong customer base and customer trust, our market leadership position, and further developing digital knowledge and infrastructure. As a consequence, we have a clear focus on creating shareholder value and providing the foundations for a return to dividend distributions. Since we shared our updated medium term guidance in February this year, the external environment has changed. As a result, we now expect to deliver a higher return on tangible equity (ROTE) each year starting in 2023, and to achieve a ROTE in excess of 10% a year ahead of plan."

Panicos Nicolaou

A. Group Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	1Q2022	1Q2021	4Q2021	(1Q2022 vs 4Q2021) ±%	yoy ±%
Net interest income	71	76	73	-2%	-7%
Net fee and commission income	44	39	44	0%	13%
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates	6	2	10	-47%	124%
Insurance income net of claims and commissions	16	13	18	-11%	24%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	5	2	5	13%	116%
Other income	4	4	4	2%	13%
Total income	**146**	**136**	**154**	-5%	7%
Staff costs	(50)	(50)	(50)	-2%	-1%
Other operating expenses	(36)	(32)	(37)	-3%	11%
Special levy on deposits and other levies/contributions	(10)	(9)	(12)	-16%	8%
Total expenses	**(96)**	**(91)**	**(99)**	-4%	5%
Operating profit	**50**	**45**	**55**	-7%	12%
Loan credit losses	(12)	(20)	(9)	24%	-41%
Impairments of other financial and non-financial assets	(5)	(5)	(23)	-77%	-4%
(Provisions)/net reversals for litigation, claims, regulatory and other matters	(0)	(1)	8	-	-72%
Total loan credit losses, impairments and provisions	**(17)**	**(26)**	**(24)**	-26%	-34%
Profit before tax and non-recurring items	**33**	**19**	**31**	7%	76%
Tax	(6)	(2)	(2)	233%	193%
(Profit)/loss attributable to non-controlling interests	0	(0)	(2)	-	-
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**27**	**17**	**27**	0%	65%
Advisory and other restructuring costs – organic	(1)	(3)	(3)	-56%	-52%
Profit after tax – organic (attributable to the owners of the Company)	**26**	**14**	**24**	7%	87%
Provisions/net loss relating to NPE sales[1]	(1)	(2)	(1)	-43%	-33%
Restructuring and other costs relating to NPE sales[1]	(1)	(4)	3	-	-86%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(3)	-	(16)	-81%	-
Profit after tax (attributable to the owners of the Company)	**21**	**8**	**10**	110%	162%

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Income Statement – Key Performance Ratios

Key Performance Ratios[2]	**1Q2022**	**1Q2021**	**4Q2021**	(1Q2022 vs 4Q2021) ±%	yoy ±%
Net Interest Margin (annualised)	1.32%	1.63%	1.34%	-2 bps	-31 bps
Cost to income ratio	66%	67%	65%	+1 p.p.	-1 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	59%	60%	57%	+2 p.p.	-1 p.p.
Operating profit return on average assets (annualised)	0.8%	0.8%	0.9%	-0.1 p.p.	-
Basic earnings per share attributable to the owners of the Company (€ cent)	4.78	1.83	2.27	2.51	2.95
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	6.20	3.75	6.19	0.01	2.45
Return on tangible equity (ROTE) after tax and before non-recurring items (annualised)	6.7%	4.1%	6.6%	+0.1 p.p.	+2.6 p.p.

1. 'Provisions/net loss relating to NPE sales' refer to the net loss on transactions completed during the year/period and the net loan credit losses on transactions under consideration, whilst 'Restructuring and other costs relating to NPE sales' refer mainly to the costs relating to these trades. For further details please refer to Section A.2.4. 2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	31.03.2022	31.12.2021	±%
Cash and balances with central banks	9,330	9,231	1%
Loans and advances to banks	313	292	7%
Debt securities, treasury bills and equity investments	2,066	2,139	-3%
Net loans and advances to customers	10,004	9,836	2%
Stock of property	1,083	1,112	-3%
Investment properties	102	118	-14%
Other assets	1,866	1,876	0%
Non-current assets and disposal groups held for sale	353	359	-2%
Total assets	**25,117**	**24,963**	**1%**
Deposits by banks	533	457	17%
Funding from central banks	2,962	2,970	0%
Customer deposits	17,660	17,531	1%
Loan stock	611	643	-5%
Other liabilities	1,260	1,281	-2%
Total liabilities	**23,026**	**22,882**	**1%**

Shareholders' equity	**1,849**	**1,839**	**1%**
Other equity instruments	220	220	-
Total equity excluding non-controlling interests	**2,069**	**2,059**	**1%**
Non-controlling interests	22	22	-1%
Total equity	**2,091**	**2,081**	**0%**
Total liabilities and equity	**25,117**	**24,963**	**1%**

Key Balance Sheet figures and ratios	**31.03.2022** (pro forma)[1]	**31.03.2022** (as reported)[2]	**31.12.2021** (as reported)[2]	±[2]
Gross loans (€ mn)	**10,389**	**10,964**	10,856	1%
Allowance for expected loan credit losses (€ mn)	**406**	**734**	792	-7%
Customer deposits (€ mn)	**17,660**	**17,660**	17,531	1%
Loans to deposits ratio (net)	**57%**	**58%**	57%	+1 p.p.
NPE ratio	**6.5%**	**11.4%**	12.4%	-1 p.p.
NPE coverage ratio	**60%**	**59%**	59%	-
Leverage ratio	**7.6%**	**7.6%**	7.6%	-
Capital ratios and risk weighted assets	**31.03.2022** (pro forma)[1]	**31.03.2022** (as reported)[2]	**31.12.2021** (as reported)[2]	±[2]
Common Equity Tier 1 (CET1) ratio (transitional)[3]	**15.2%**	**14.6%**	15.1%	-50 bps
Total capital ratio	**20.3%**	**19.6%**	20.0%	-40 bps
Risk weighted assets (€ mn)	**10,214**	**10,559**	10,694	-1 %

1. Pro forma for HFS (please refer to 'Commentary on Underlying Basis'). 2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant. 3. The CET1 fully loaded ratio as at 31 March 2022 amounts to 13.9% and 14.5% pro forma for HFS (compared to 13.7% and 14.3% pro forma for HFS as at 31 December 2021). p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

A. Group Financial Results – Underlying Basis (continued)

Commentary on Underlying Basis

The financial information presented in this Section provides an overview of the Group financial results for the quarter ended 31 March 2022 on the 'underlying basis', which the management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and one-off items.

Reconciliations between the statutory basis and the underlying basis are included in Section F.1 'Reconciliation of interim income statement between statutory and underlying basis' and in Section H. 'Definitions & Explanations', to facilitate the comparability of the underlying basis to the statutory information.

Please note the following in relation to the disclosure of pro forma figures and ratios throughout this announcement.

References to pro forma figures and ratios as at 31 March 2022 (and 31 December 2021) refer to Project Helix 3 and Project Sinope. They are based on 31 March 2022 (and 31 December 2021) underlying basis figures respectively, unless otherwise stated, and assume their completion, currently expected to occur in 2H2022 and 2Q2022 respectively, which remain subject to customary regulatory and other approvals. As at 31 March 2022 (and 31 December 2021), the portfolios of loans, as well as the real estate properties included in Project Helix 3 and Project Sinope, were classified as disposal groups held for sale.

Any references to pro forma figures and ratios as at 31 March 2021 refer to Project Helix 2. As at 31 March 2021, the portfolios of loans included in Project Helix 2 were classified as a disposal group held for sale.

Where numbers are provided on a pro forma basis, this is stated and referred to as 'Pro forma for held for sale' or 'Pro forma for HFS'.

Project Helix 2 refers to the sale of portfolios of loans with a total gross book value of €1.3 bn on completion, secured over real estate collateral, to funds affiliated with Pacific Investment Management Company LLC ("PIMCO"), the agreements for which were announced on 3 August 2020 and on 18 January 2021. **Project Helix 2 sale was completed in June 2021.**

Project Helix 3 refers to the agreement the Group reached in November 2021 with funds affiliated with PIMCO, for the sale of a portfolio of NPEs with gross book value of €568 mn, as well as real estate properties with book value of c.€120 mn, as at 30 September 2021.

Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn, as well as properties in Romania with carrying value €0.6 mn, as at 31 December 2021.

Further details on the NPE trades are provided in Section A.1.5 'Loan portfolio quality'.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis

A.1.1 Capital Base

Total equity excluding non-controlling interests totalled €2,069 mn at 31 March 2022, compared to €2,059 mn at 31 December 2021. Shareholders' equity totalled €1,849 mn at 31 March 2022, compared to €1,839 mn at 31 December 2021.

The **Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 14.6% as at 31 March 2022 and 15.2% pro forma for held for sale portfolios (referred to as 'pro forma for HFS'), compared to 15.1% as at 31 December 2021 (and 15.8% pro forma for HFS). During 1Q2022, the CET1 ratio was positively affected mainly by the pre-provision income and the decrease in risk-weighted assets (RWA), and negatively affected mainly by the phasing-in of IFRS 9 and other transitional arrangements, provisions and impairments and other movements. Throughout this announcement, the capital ratios (and pro forma capital ratios) as at 31 March 2022 include unaudited/unreviewed profits for 1Q2022, unless otherwise stated.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually. The amount added back to CET1 each year decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed at the end of the five years. The impact on the capital position for year 2018 was 5% of the impact on the impairment amount from the initial application of IFRS 9, increased to 15% (cumulative) for year 2019, 30% (cumulative) for year 2020, 50% (cumulative) for year 2021 and 75% (cumulative) for year 2022. This will be fully phased-in (100%) by 1 January 2023. The phasing-in of the impairment amount from the initial application of IFRS 9 had a negative impact of c.60 bps on the CET1 ratio on 1 January 2022.

The **CET1 ratio on a fully loaded basis** amounted to 13.9% as at 31 March 2022 and 14.5% pro forma for HFS, compared to 13.7% as at 31 December 2021 (and 14.3% pro forma for HFS). On a transitional basis and on a fully phased-in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

The **Total Capital ratio** stood at 19.6% as at 31 March 2022 (and 20.3% pro forma for HFS), compared to 20.0% as at 31 December 2021 (and 20.8% pro forma for HFS).

The Group's capital ratios are above the Supervisory Review and Evaluation Process (SREP) requirements.

In the context of the annual SREP conducted by the European Central Bank (ECB) in 2021, and based on the **final 2021 SREP Decision** received in February 2022, the Pillar II requirement has been set at 3.26%, compared to the previous level of 3.00%. The additional Pillar II requirement add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the Pillar II requirement add-on takes into consideration Project Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, the Central Bank of Cyprus (CBC) is the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the **O-SII buffer requirement** for these systemically important banks. The Bank has been designated as an O-SII and the O-SII buffer was initially set by the CBC at 2.00%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% every year thereafter, until being fully implemented (2.00%). In April 2020, the CBC decided to delay the phasing-in (0.50%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022 as originally set. In November 2021, the Bank received notification from the CBC that the total O-SII buffer is reduced by 50 bps to 1.50%, therefore the phasing-in of the O-SII buffer on 1 January 2022 and 1 January 2023 has been revised to 0.25% for each period.

As a result, the Group's minimum phased-in CET1 capital ratio has been set at **10.08%** compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's Total Capital requirement was set at **15.01%** compared to the previous level of 14.50% (comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time. The new SREP requirements are effective as from 1 March 2022. **The Group's CET1 and Total Capital ratio remain above the new requirements.**

Own funds held for the purposes of P2G cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

Based on the SREP decision of prior years, the Company (Bank of Cyprus Holdings PLC) and the Bank are under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2021. Following the final 2021 SREP Decision received in February 2022, the Company and the Bank still remain under equity dividend distribution prohibition for 2022. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital. No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company or the Bank. Following the final 2021 SREP Decision, the previous restriction on variable pay was lifted.

The ECB, as part of its supervisory role, completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings related to a prudential charge which will decrease based on the Bank's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021. There is no significant movement in the amount deducted since 31 December 2021. As a result of the prudential charge deducted from own funds as at 31 March 2022, the impact on the Group's CET1 ratio is 36 bps.

The Group is participating in the 2022 ECB supervisory Climate Risk Stress Test and participated in the 2021 ECB SREP Stress Test. For further information please refer to the 'Additional Risk and Capital Management Disclosures' of the 'Annual Financial Report 2021'.

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, known as Project Helix 3. Further details are provided in Section A.1.5 'Loan portfolio quality'.

The capital impact of Project Helix 3 on the Group's CET1 ratio was an increase of 8 bps as at 30 September 2021. Overall, by completion (currently expected to occur in 2H2022), and including the positive impact already recorded in the income statement for 3Q2021, the transaction is expected to have a total positive impact of c.70 bps on the Group's CET1 ratio on the basis of 31 March 2022 figures.

Pro forma calculations are based on 31 March 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

Project Helix 2

In June 2021, the Company completed Project Helix 2 (Portfolios A and B), which refers to the sale of portfolios of loans with a total gross book value of €1,331 mn on completion (of which €1,305 mn relate to non-performing exposures), secured over real estate collateral, the agreements for which were announced on 3 August 2020 and on 18 January 2021. Further details are provided in Section A.1.5 'Loan portfolio quality'.

The capital impact of Project Helix 2 on the Group's CET1 ratio during 2Q2021 was an increase of c.20 bps, of which c.10 bps arose on completion. Post completion, upon the full payment of the deferred consideration, the transaction was expected to have an additional positive capital impact of c.64 bps on the Group's CET1 ratio on the basis of 30 June 2021 figures and without taking into consideration any positive impact from the earnout, thus making the transaction overall capital accretive. The first instalment of the deferred consideration was received in December 2021.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

Tier 2 Capital Notes

In April 2021, the Company issued €300 mn unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes').

Immediately after, the Company and the Bank entered into an agreement pursuant to which the Company on-lent to the Bank the entire €300 mn proceeds of the issue of the New T2 Notes (the 'Tier 2 Loan') on terms substantially identical to the terms and conditions of the New T2 Notes. The Tier 2 Loan constitutes an unsecured and subordinated obligation of the Bank.

The New T2 Notes were priced at par with a fixed coupon of 6.625% per annum, payable annually in arrears and resettable on 23 October 2026. The maturity date for the New T2 Notes is 23 October 2031. The Company will have the option to redeem the New T2 Notes early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents.

At the same time, the Bank invited the holders of its €250 mn Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by the Bank at a price of 105.50%, after which Old T2 Notes of €43 mn remained outstanding.

On 19 January 2022, the Bank exercised its option and redeemed the outstanding €43 mn Old T2 Notes.

Following the highly successful Tier 2 refinancing in 2021, the Group continues to monitor opportunities for the optimisation of its capital position, including Additional Tier 1 capital.

Legislative amendments for the conversion of DTA to DTC

Legislative amendments allowing for the conversion of specific deferred tax assets (DTA) into deferred tax credits (DTC) became effective in March 2019. The law amendments cover the utilisation of income tax losses transferred from Laiki Bank to the Bank in March 2013. The introduction of Capital Requirements Directive (CRD) IV in January 2014 and its subsequent phasing-in led to a more capital-intensive treatment of this DTA for the Bank. With this legislation, institutions are allowed to treat such DTAs as 'not relying on profitability', according to CRD IV and as a result not deducted from CET1, hence improving a credit institution's capital position.

The Group understands that, in response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government is considering the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already acknowledged, to maintain the conversion of such DTAs into tax credits.

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10 mn per year, and also allowing for a higher amount to be charged in the year the amendments are effective. The Group estimates that such increased fees could range up to €5.3 mn per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. In this respect, an amount of €5.3 mn was recorded in 4Q2021 and FY2021, bringing the total amount provided by the Group for such increased fee to €21 mn.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.2. Regulations and Directives

A.1.2.1 Revised rules on capital and liquidity (CRR II and CRD V)

On 27 June 2019, the revised rules on capital and liquidity (Regulation (EU) 2019/876 (Capital Requirements Regulation, CRR II) and Directive (EU) 2019/878 (CRD V)) came into force. As this was an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Being a Regulation, CRR II is directly applicable in each member state. Member states were required to transpose the CRD V into national law. CRD V was transposed and implemented in Cyprus law in early May 2021. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities, MREL), and most changes became effective as of June 2021. The key changes introduced consist of, among others, changes to qualifying criteria for CET1, AT1 and Tier 2 instruments, introduction of MREL requirements and binding Leverage Ratio (as defined in the CRR) and Net Stable Funding Ratio (NSFR) requirements.

Some of the amendments were introduced in June 2020 as part of the "CRR quick-fix" which brought forward certain CRR II changes in light of the challenges posed to the banking sector by the COVID-19 pandemic. The key measures in the CRR quick fix include an extension of the IFRS 9 transitional arrangements for the dynamic component by 2 years, the introduction of a prudential filter on exposures to central governments, regional governments or local authorities at FVOCI, the acceleration of CRR II amendments to exempt certain software assets from capital deduction and to revise the SME discount factors.

A.1.2.2 The 2021 Banking Package (CRR III and CRD VI and BRRD)

In October 2021, the European Commission adopted legislative proposals for further amendments to Capital Requirements Regulation (CRR), CRD IV and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

A.1.2.3 Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank Recovery and Resolution Directive (BRRD) requires that from January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019, as part of the reform package for strengthening the resilience and resolvability of European banks, the BRRD II came into effect and was required to be transposed into national law. BRRD II was transposed and implemented in Cyprus law in early May 2021. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019 as part of the reform package and took immediate effect.

In December 2021, the Bank received notification from the Single Resolution Board (SRB) of the final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank, determined as the preferred resolution point of entry. **As per the decision, the final MREL requirement was set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, an interim requirement to be met by 1 January 2022 was set at 14.94% of risk weighted assets and 5.91% of LRE.** The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

In June 2021, the Bank executed its inaugural MREL transaction issuing €300 mn of senior preferred notes (the "SP Notes"). The SP Notes were priced at par with a fixed coupon of 2.50% per annum, payable annually in arrears and resettable on 24 June 2026. The maturity date of the SP Notes is 24 June 2027 and the Bank may, at its discretion, redeem the SP Notes on 24 June 2026, subject to meeting certain conditions as specified in the Terms and Conditions, including applicable regulatory consents. The SP Notes comply with the criteria for MREL and contribute towards the Bank's MREL requirements.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.2. Regulations and Directives (continued)

A.1.2.3 Bank Recovery and Resolution Directive (BRRD) (continued)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL) *(continued)*

The MREL ratio of the Bank as at 31 March 2022, calculated according to the SRB's eligibility criteria currently in effect and based on the Bank's internal estimate, stood at 18.69% of risk weighted assets (RWA) and at 9.54% of LRE. Pro forma for HFS, the MREL ratio of the Bank as at 31 March 2022, calculated on the same basis, stood at 19.53% of risk weighted assets. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stood at 3.5% until 31 December 2021, increased to 3.75% on 1 January 2022 and is expected to increase to 4.0% on 1 January 2023. Throughout this announcement, the MREL ratios (and MREL ratios pro forma for HFS) as at 31 March 2022 include unaudited/unreviewed profits for 1Q2022, unless otherwise stated.

The successful Tier 2 capital refinancing in April 2021 and the inaugural issuance of MREL-compliant senior notes in June 2021 mark the foundation for the Bank's plan to meet applicable MREL requirements. The interim MREL requirement as at 1 January 2022 has been satisfied, and the Bank will continue to evaluate opportunities to advance the build-up of its MREL liabilities.

A.1.3 Funding and Liquidity

Funding

Funding from Central Banks

At 31 March 2022, the Bank's funding from central banks amounted to €2,962 mn, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,970 mn as at 31 December 2021.

In June 2021 the Bank borrowed an amount of €300 mn under the eighth TLTRO III operation, increasing the borrowing under TLTRO III to €3.0 bn, as the Bank had already borrowed an amount of €1.7 bn under the seventh TLTRO III operation in March 2021 and an amount of €1 bn under the fourth TLTRO III operation in June 2020, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements.

The Bank exceeded the benchmark net lending threshold in the period 1 March 2020 - 31 March 2021 and qualified for the beneficial rate of -1% for the period from June 2020 to June 2021. The NII benefit from its TLTRO III borrowing for the period from June 2020 to June 2021 stood at c.€7 mn and was recognised over the respective period in the income statement.

Based on internal estimations (subject to confirmation from the CBC), the Bank has also exceeded the benchmark net lending threshold in the period 1 October 2020 - 31 December 2021 and is therefore expected to qualify for a beneficial rate for the period from June 2021 to June 2022. The Bank estimates the NII benefit from its TLTRO III borrowing for the period from June 2021 to June 2022 at c.€15 mn, recognised over the respective period in the income statement.

Deposits

Customer deposits totalled €17,660 mn at 31 March 2022 (compared to €17,531 mn at 31 December 2021) and increased by 1% in the first quarter.

The Bank's deposit market share in Cyprus reached 35.8% as at 31 March 2022, compared to 34.8% as at 31 December 2021. Customer deposits accounted for 70% of total assets and 77% of total liabilities at 31 March 2022 (at the same levels as at 31 December 2021).

The net Loans to Deposits (L/D) ratio stood at 58% as at 31 March 2022 (compared to 57% as at 31 December 2021 on the same basis). Pro forma for HFS, the L/D ratio as at 31 March 2022 stood at 57%.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.3 Funding and Liquidity (continued)

Funding (continued)

Loan Stock

At 31 March 2022, the Group's loan stock (including accrued interest) amounted to €611 mn (compared to €643 mn at 31 December 2021) and relates to unsecured subordinated Tier 2 Capital Notes and senior preferred notes.

For further information please refer to Sections A.1.1 'Capital Base' and A.1.2.3 'Bank Recovery and Resolution Directive (BRRD) / Minimum Requirement for Own Funds and Eligible Liabilities (MREL)', respectively.

Liquidity

At 31 March 2022, the Group Liquidity Coverage Ratio (LCR) stood at 296% (compared to 298% at 31 December 2021), above the minimum regulatory requirement of 100%. The liquidity surplus in LCR at 31 March 2022 amounted to €6.4 bn (compared to €6.3 bn at 31 December 2021). The increase in 1Q2022 is mainly driven by the increase in customer deposits.

At 31 March 2022, the Group Net Stable Funding Ratio (NSFR) stood at 145% (compared to 147% at 31 December 2021), above the minimum regulatory requirement of 100%, enforced in June 2021 as per CRR II.

A.1.4 Loans

Group **gross loans** (inclusive of those classified as held for sale) totalled €10,964 mn at 31 March 2022, compared to €10,856 mn at 31 December 2021, increased by 1% since the beginning of the year.

New lending granted in Cyprus reached a record €618 mn for 1Q2022 (compared to €471 mn for 4Q2021 and €487 mn for 1Q2021) up by 31% qoq and 27% yoy, reaching higher levels than the equivalent period pre-pandemic (1Q2019), whilst maintaining strict lending criteria. The qoq increase is driven by increases in lending activity across corporate, shipping and international, SME and non-housing retail. New lending in 1Q2022 comprised €254 mn of corporate loans, €196 mn of retail loans (of which €128 mn were housing loans), €64 mn of SME loans and €104 mn of shipping and international loans. New corporate loans in 1Q2022 have increased by 18% qoq, as the economic activity continues to improve.

At 31 March 2022, the Group net loans and advances to customers (excluding those classified as held for sale) totalled €10,004 mn (compared to €9,836 mn at 31 December 2021).

In addition, at 31 March 2022 net loans and advances to customers of €248 mn were **classified as held for sale** in line with IFRS 5 of which €241 mn related to Project Helix 3 and €7 mn to Project Sinope (see below), compared to €250 mn as at 31 December 2021 of which €243 mn related to Project Helix 3 and €7 mn to Project Sinope.

The Bank is the single largest credit provider in Cyprus with a market share of 41.9% at 31 March 2022, compared to 38.8% at 31 December 2021. The increase in 1Q2022 is mainly due to a reduction in loans in the banking system.

A.1.5 Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and normalising the cost of risk and other impairments.

The loan credit losses for 1Q2022 totalled €12 mn (excluding 'Provisions/net loss relating to NPE sales'), compared to €9 mn for 4Q2021 and €20 mn for 1Q2021. Further details regarding loan credit losses are provided in Section A.2.3 'Profit before tax and non-recurring items'.

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable under COVID-19 remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers. In addition, the Group has enhanced its monitoring to sectors, such as tourism, that are impacted from the consequences of the Ukrainian crisis (as further discussed in the Section B. Operating Environment and Section C. Business Overview below).

The Group will continue to monitor the situation, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 disease due to virus mutations, and the persistent positive effect of fiscal and monetary policy, are timely captured.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality (continued)

Loan moratorium

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. The payment holiday for all these loans expired on 31 December 2020.

Performing loans as at 31 March 2022 under expired payment deferrals amounted to €4.51 bn (compared to €4.60 bn as at 31 December 2021), of which €4.49 bn had an instalment due by 11 May 2022 with a strong performance; 96% presented no arrears (of which c.€0.73 bn have been restructured until 11 May 2022) and only 4% (€190 mn) are in arrears (of which €180 mn are less than 30 days-past-due). 65% of restructurings took place in 1H2021.

In 1Q2022, net reclassifications of €35 mn of loans under expired payment deferrals were made from Stage 2 to Stage1, mainly due to improved performance and updated financial information. In addition, net reclassifications of c.€5 mn of loans under expired payment deferrals were made mainly from Stage 2 to Stage 3 in 1Q2022. References made to 'loans under expired payment deferrals' in this paragraph include current accounts and overdrafts.

Following continuing signs of recovery, the majority of COVID-19 related management overlays applied until 30 June 2021 were subsequently removed in 2H2021, as a result of stronger than expected economic performance. The cost of risk for 4Q2021 and 1Q2022 did not include any charge or reversal of loan impairments relating to COVID-19 overlays. Overall, a net reversal of loan impairments relating to COVID-19 (including related impact on macroeconomic assumptions) amounting to c.€5 mn (4 bps) are included in FY2021 loan credit losses of €66 mn (annualised cost of risk of 0.57%). The cost of risk for 1Q2022 of 44 bps (€12 mn) includes 20 bps (c.€5 mn) reflecting the update in macroeconomic outlook and management overlays on sectors (such as tourism and private individuals) expected to be impacted by the crisis in Ukraine and the heightened inflationary pressures. Further details on the cost of risk are provided in Section A.2.3 'Profit before tax and non-recurring items'.

Close monitoring of the credit quality of these loans continues and customers with early arrears are offered solutions. The Bank has a **strong track record in dealing with restructurings**. Targeted restructuring solutions are offered to alleviate pandemic-related short-term cash flow burden, following rigorous assessment of repayment ability. To date, most restructurings relate to the tourism sector.

As at 31 March 2022, the Group's non-legacy loan book exposure to **tourism** was limited to €1.17 bn (out of a total non-legacy loan book of €9.75 bn), of which c.€0.87 bn of performing loans as at 31 March 2022 were under expired payment deferrals. 99% of those had an instalment due by 11 May 2022 and of those almost all presented no arrears (of which c.€350 mn have been restructured until 11 May 2022 and 80% of these restructurings took place in 1H2021).

Tourism performance in 2021 was better than initially anticipated. There was a steady monthly recovery of tourist arrivals, as the tourism season extended until October 2021. Tourist arrivals in 1Q2022 reached 70% of corresponding levels in 1Q2019. It is important to note, that the majority of 'accommodation' customers entered the crisis with significant liquidity, following strong performance in recent years and that 98% of the tourism sector portfolio is secured by property.

The crisis in Ukraine may have an adverse impact on the Cypriot economy, partly due to a negative impact on tourism. This impact will depend on the duration and severity of the crisis which remain uncertain at this stage. In response, the Government is working to replace one third of the expected lost tourist arrivals from Russia and Ukraine (which amounted to c.20% of 2019 levels) with arrivals from other markets, such as Belgium, Switzerland and Scandinavia. Close monitoring of exposures to the tourism sector is enhanced and the Group remains in close contact with customers to offer solutions as necessary. For further details on the Ukrainian crisis, please refer to Section C. 'Business Overview'.

For further information please refer to the presentation for the Group Financial Results for the quarter ended 31 March 2022 (slide 37).

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality (continued)

Non-performing exposure reduction

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €96 mn, or 7%, in 1Q2022 (compared to a reduction of €105 mn in 4Q2021) to €1,247 mn at 31 March 2022 (compared to €1,343 mn at 31 December 2021). **Pro forma for HFS, NPEs are reduced by a further €572 mn to €675 mn** on the basis of 31 March 2022 figures.

The NPEs account for 11.4% of gross loans as at 31 March 2022, compared to 12.4% as at 31 December 2021, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. **Pro forma for HFS, the NPE ratio is reduced to 6.5%** on the basis of 31 March 2022 figures.

The NPE coverage ratio stands at 59% at 31 March 2022, at the same level as at 31 December 2021 on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. **Pro forma for HFS, NPE coverage ratio is 60%** on the basis of 31 March 2022 figures.

As of 1 January 2021, the new regulation on Definition of Default was implemented, affecting NPE exposures and the calculation of Days-Past-Due (please refer to Section H. Definitions & Explanations for the changes in the definition).

	31.03.2022 Pro forma for HFS		**31.03.2022**		31.12.2021 Pro forma for HFS		31.12.2021	
	€ mn	% gross loans	€ mn	% gross loans	€ mn	% gross loans	€ mn	% gross loans
NPEs as per EBA definition	675	6.5%	1,247	11.4%	771	7.5%	1,343	12.4%
Of which, in pipeline to exit:								
-NPEs with forbearance measures, no arrears[1]	138	1.3%	148	1.4%	142	1.4%	152	1.4%

1. The analysis is performed on a customer basis.

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), known as Project Helix 3. This portfolio of loans had a contractual balance of €993 mn as at the reference date of 31 May 2021 and comprises c.20,000 loans, mainly to retail clients. As at 31 March 2022 and 31 December 2021, this portfolio of loans, as well as the real estate properties included in Helix 3, were classified as a disposal group held for sale. At completion, currently expected to occur in 2H2022, the Bank will receive gross cash consideration of c.€385 mn.

This portfolio of loans (as well as the real estate properties included in Helix 3) will be transferred to a licensed Cypriot Credit Acquiring Company (the "CyCAC") by the Bank. The shares of the CyCAC will then be acquired by certain funds affiliated with Pacific Investment Management Company LLC (PIMCO), the purchaser of the portfolio.

Following a transitional period where servicing will be retained by the Bank, it is intended that the servicing of the portfolio of loans and the real estate properties included in Helix 3 will be carried out by a third party servicer selected and appointed by the purchaser.

Project Helix 3 represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. Pro forma for HFS, the Group's NPE ratio is in mid-single digit. Helix 3 reduced the stock of NPEs by 46% to €675 mn pro forma on the basis of 31 March 2022 figures, and its NPE ratio by c.5 p.p., to 6.5% pro forma on the basis of 31 March 2022 figures.

All relevant figures and pro forma calculations are based on 31 March 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality (continued)

Project Helix 2

In June 2021, the Company completed Project Helix 2 (Portfolios A and B), which refers to the sale of portfolios of loans with a total gross book value of €1,331 mn as at the completion date (of which €1,305 mn relate to non-performing exposures) (Portfolios A and B) secured over real estate collateral, and stock of properties with carrying value amounting to €73 mn, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), the agreements for which were announced on 3 August 2020 and on 18 January 2021. The Bank retained the servicing of these Portfolios for a transitional period to the end of 3Q2021, against a servicing fee.

The consideration for the sale amounts to c.€560 mn, of which c.€165 mn were received in cash by completion. The remaining amount is payable in four instalments up to December 2025 without any conditions attached, of which c.€85 mn were received in December 2021. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios.

Project Helix 2 represents another milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs. Project Helix 2 (Portfolios A and B) reduced the NPE ratio by c.9 percentage points, on the basis of 30 June 2021 figures.

Project Sinope

In December 2021, the Bank entered into an agreement for the sale of a portfolio of NPEs, with a contractual balance of €146 mn and a gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021 (known as 'Project Sinope'). The sale is subject to the necessary approvals and is expected to be completed by the end of 2Q2022. The portfolio has been classified as held for sale since 31 December 2021.

Overall, since the peak in 2014 and pro forma for HFS, the stock of NPEs has been reduced by €14.3 bn or 95% to less than €0.7 bn and the NPE ratio by over 56 percentage points, from 63% to 6.5%.

The Group has an NPE ratio in mid-single digit and is on track to achieve a target NPE ratio of c.5% by the end of 2022 and less than 3% by the end of 2025.

A.1.6 Real Estate Management Unit (REMU)

The **Real Estate Management Unit (REMU)** is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2017 amount to €1.42 bn and exceed properties on-boarded for the same period of €1.33 bn.

The Group completed disposals of €44 mn in 1Q2022 (compared to €33 mn in 4Q2021 and €24 mn in 1Q2021), resulting in a profit on disposal of c.€6 mn for 1Q2022 (compared to a profit on disposal of €4 mn for 4Q2021 and €3 mn for 1Q2021), following the relaxation of restrictive measures. Asset disposals are across all property classes, with two thirds of sales by value in 1Q2022 relating to land.

As at 31 March 2022 the carrying value of assets held by REMU transferred to "non-current assets and disposal groups held for sale" amounted to €94 mn (compared to €98 mn as at 31 December 2021). They relate to Project Helix 3 and Project Sinope and comprise stock of property of €89 mn and investment property of €5 mn as at 31 March 2022 (compared to stock of property of €93 mn and investment properties of €5 mn as at 31 December 2021).

During 1Q2022, the Group executed sale-purchase agreements (SPAs) for disposals of 161 properties (with contract value of €51 mn), compared to SPAs for disposals of 164 properties (with contract value of €28 mn) for 1Q2021.

In addition, the Group had a strong pipeline of €105 mn by contract value as at 31 March 2022, of which €54 mn related to SPAs signed (compared to a pipeline of €109 mn as at 31 December 2021, of which €47 mn related to SPAs signed).

REMU on-boarded €8 mn of assets in 1Q2022 (compared to additions of €5 mn in 4Q2021 and €11 mn in 1Q2021), via the execution of debt for asset swaps and repossessed properties.

Details with respect to the prudential charge relating to the onsite inspection findings are provided in Section A.1.1 'Capital Base'.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.6 Real Estate Management Unit (REMU) (continued)

Assets held by REMU

As at 31 March 2022, assets held by REMU (excluding assets classified as held for sale) had a carrying value of €1,174 mn (comprising properties of €1,083 mn classified as 'Stock of property' and €91 mn as 'Investment properties'), compared to €1,215 mn as at 31 December 2021 (comprising properties of €1,112 mn classified as 'Stock of property' and €103 mn as 'Investment properties').

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €11 mn as at 31 March 2022 (compared to €15 mn as at 31 December 2021) are not managed by REMU. These relate mainly to legacy properties held by the Group before the set-up of REMU in January 2016 and to assets classified as 'Investment properties' following a change in use.

Assets held by REMU (Group) € mn	**1Q2022**	**1Q2021**	**4Q2021**	qoq ±%	yoy ±%
Opening balance	**1,215**	1,457	1,264	-4%	-17%
On-boarded assets	**8**	11	5	-69%	-30%
Sales	**(44)**	(24)	(33)	34%	81%
Net impairment loss	**(5)**	(6)	(20)	-76%	-21%
Transfer to non-current assets and disposal groups held for sale	**-**	(5)	(1)	-	-
Closing balance	**1,174**	1,433	1,215	-3%	-18%

Analysis by type and country 31 March 2022 (€ mn)	**Cyprus**	**Greece**	**Romania**	**Total**
Residential properties	**79**	**22**	**0**	**101**
Offices and other commercial properties	**203**	**19**	**-**	**222**
Manufacturing and industrial properties	**52**	**24**	**0**	**76**
Hotels	**25**	**0**	**-**	**25**
Land (fields and plots)	**499**	**5**	**0**	**504**
Golf courses and golf-related property	**246**	**-**	**-**	**246**
Total	**1,104**	**70**	**0**	**1,174**

31 December 2021 (€ mn)	Cyprus	Greece	Romania	Total
Residential properties	82	23	0	105
Offices and other commercial properties	208	23	0	231
Manufacturing and industrial properties	54	24	0	78
Hotels	25	-	-	25
Land (fields and plots)	524	5	1	530
Golf courses and golf-related property	246	-	-	246
Total	1,139	75	1	1,215

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis

A.2.1 Total income

€ mn	1Q2022	1Q2021	4Q2021	(1Q2022 vs 4Q2021) ±%	yoy +%
Net interest income	**71**	**76**	**73**	-2%	-7%
Net fee and commission income	44	39	44	0%	13%
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates	6	2	10	-47%	124%
Insurance income net of claims and commissions	16	13	18	-11%	24%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	5	2	5	13%	116%
Other income	4	4	4	2%	13%
Non-interest income	**75**	**60**	**81**	-8%	24%
Total income	**146**	**136**	**154**	-5%	7%
Net Interest Margin (annualised)[1]	1.32%	1.63%	1.34%	-2 bps	-31 bps
Average interest earning assets (€ mn)[1]	21,942	18,978	21,613	2%	16%

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Net interest income (NII) for 1Q2022 amounted to €71 mn, broadly flat qoq. Net interest income (NII) for 1Q2022 was down by 7% yoy, mainly reflecting the foregone interest income on the Helix 2 portfolios.

Quarterly average interest earning assets (AIEA) for 1Q2022 amounted to €21,942 mn, up by 16% yoy driven by the increase in liquid assets following the increase in the borrowing under TLTRO III, as well as the increase in deposits by €1.3 bn yoy. Quarterly average interest earning assets for 1Q2022 increased by 2% qoq, mainly due to the increase in liquid assets following the increase in customer deposits by c.€130 mn.

Net interest margin (NIM) for 1Q2022 amounted to 1.32% (compared to 1.34% for 4Q2021 and 1.63% for 1Q2021) negatively impacted by the corresponding decrease in NII and the increase in average interest earning assets.

Non-interest income for 1Q2022 amounted to €75 mn (compared to €81 mn for 4Q2021, down by 8% qoq and compared to €60 mn for 1Q2021, up by 24% yoy), comprising net fee and commission income of €44 mn, net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €6 mn, net insurance income of €16 mn, net gains from revaluation and disposal of investment properties and on disposal of stock of properties of €5 mn and other income of €4 mn. The qoq decrease is mainly due to higher revaluation gains on financial instruments in the previous quarter. The yoy increase is mainly due to an increase in net fee and commission income and net insurance income, as 1Q2021 was affected by the pandemic-related lockdown.

Net fee and commission income for 1Q2022 amounted to €44 mn, flat qoq, following the introduction of a revised price list in February 2022 and the extension of liquidity fees to a wider customer group in March 2022, offset by seasonally lower transactional income. Net fee and commission income for 1Q2022 of €44 mn was up 13% yoy (compared to €39 mn for 1Q2021), due to lower transactional fees in 1Q2021 impacted by the pandemic-related lockdown.

Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €6 mn for 1Q2022 (comprising mainly net foreign exchange gains), compared to €10 mn for 4Q2021 (down 47% qoq) and to €2 mn for 1Q2021. The decrease qoq is mainly due to higher revaluation gains from financial instruments in the previous quarter. The increase yoy is mainly due to the lower net foreign exchange gains in 1Q2021, impacted by the lockdown.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.1 Total income (continued)

Net insurance income of €16 mn for 1Q2022, compared to €13 mn for 1Q2021 and €18 mn for 4Q2021. The decrease of 11% qoq is mainly due to a lower level of positive changes in valuation assumptions and seasonally lower premiums, partially offset by lower insurance claims.

Net gains from revaluation and disposal of investment properties and on disposal of stock of properties for 1Q2022 amounted to €5 mn (comprising net gains on disposal of stock of properties of c.€5.5 mn, net gains on disposal of investment properties of c.€0.5 mn and net losses from revaluation of investment properties of c.€1 mn), flat qoq and compared to €2 mn in 1Q2021 which was impacted by the lockdown. REMU profit remains volatile.

Total income for 1Q2022 amounted to €146 mn, compared to €154 mn for 4Q2021 (down 5% qoq) and to €136 mn for 1Q2021 (up 7% yoy), mainly driven by the changes in the non-interest income as explained above.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses

€ mn	1Q2022	1Q2021	4Q2021	(1Q2022 vs 4Q2021) ±%	yoy +%
Staff costs	(50)	(50)	(50)	-2%	-1%
Other operating expenses	(36)	(32)	(37)	-3%	11%
Total operating expenses	**(86)**	**(82)**	**(87)**	-2%	4%
Special levy on deposits and other levies/contributions	(10)	(9)	(12)	-16%	8%
Total expenses	**(96)**	**(91)**	**(99)**	-4%	5%
Cost to income ratio[1]	66%	67%	65%	+1 p.p.	-1 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions[1]	59%	60%	57%	+2 p.p.	-1 p.p.

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale".
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Total expenses for 1Q2022 were €96 mn (compared to €99 mn for 4Q2021 and €91 mn for 1Q2021, down by 4% qoq and up by 5% yoy), 52% of which related to staff costs (€50 mn), 38% to other operating expenses (€36 mn) and 10% (€10 mn) to special levy on deposits and other levies/contributions. The yoy increase of 5% is driven by the 11% yoy increase in other operating expenses. The qoq decrease of 4% is driven by the 16% qoq decrease in special levy on deposits and other levies/contributions. Further details are provided below.

Total operating expenses for 1Q2022 were €86 mn, compared to €87 mn for 4Q2021 (down by 2% qoq) and to €82 mn for 1Q2021 (up by 4% yoy).

Staff costs for 1Q2022 were €50 mn, flat qoq and yoy, resulting from the combined impact of the voluntary staff exit plans, the renewal of the collective agreement, and despite the inflation in 1Q2022.

In July 2021, the Bank reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement related to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Bank and are in line with market best-practice. The expected impact of the renewal was an increase in staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years.

The Group employed 3,395 persons as at 31 March 2022, compared to 3,438 persons as at 31 December 2021. In 1Q2022, the Group, through one of its subsidiaries, completed a voluntary staff exit plan (VEP), through which a small number of its employees were approved to leave at a total cost of €3 mn, recorded in the consolidated income statement in 1Q2022 as a non-recurring item in the underlying basis (compared to a VEP with a total cost of €16 mn recorded in 4Q2021, through which c.100 of the Group's full time employees were approved to leave, with gross annual savings estimated at c.3% of staff costs).

Other operating expenses for 1Q2022 were €36 mn, compared to €37 mn in 4Q2021 (down 3% qoq mainly due to lower marketing expenses) and to €32 mn in 1Q2021 (up 11% yoy, reflecting the lockdown in 1Q2021).

Special levy on deposits and other levies/contributions for 1Q2022 amounted to €10 mn (compared to €12 mn for 4Q2021 and €9 mn for 1Q2021) and includes the contribution of the Bank to the Deposit Guarantee Fund (DGF) of €3 mn which relates to 1H2022 and was recorded in 1Q2022. The 4Q2021 charge includes a levy in the form of an annual guarantee fee relating to the expected revised Income Tax legislation of €5.3 mn (see Section A.1.1 'Capital Base').

As from 1 January 2020 and until 3 July 2024 the Bank is subject to contribution to the Deposit Guarantee Fund (DGF) on a semi-annual basis. The contributions are calculated based on the Risk Based Methodology (RBM) as approved by the management committee of the Deposit Guarantee and Resolution of Credit and Other Institutions Schemes (DGS) and is publicly available on the CBC's website. In line with the RBM, the contributions are broadly calculated on the covered deposits of all authorised institutions and the target level is to reach at 0.8% of these deposits by 3 July 2024.

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 1Q2022 was 59%, compared to 57% for 4Q2021 and 60% for 1Q2021. The qoq increase of 2 p.p. is driven by the qoq decrease in total income.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.3 Profit before tax and non-recurring items

€ mn	1Q2022	1Q2021	4Q2021	(1Q2022 vs 4Q2021) ±%	yoy +%
Operating profit	**50**	**45**	**55**	-7%	12%
Loan credit losses	(12)	(20)	(9)	24%	-41%
Impairments of other financial and non-financial assets	(5)	(5)	(23)	-77%	-4%
(Provisions)/net reversals for litigation, claims, regulatory and other matters	(0)	(1)	8	-	-72%
Total loan credit losses, impairments and provisions	**(17)**	**(26)**	**(24)**	-26%	-34%
Profit before tax and non-recurring items	**33**	**19**	**31**	7%	76%
Cost of risk (annualised)[1]	**0.44%**	**0.66%**	**0.35%**	+9 bps	-22 bps

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale".
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Operating profit for 1Q2022 was €50 mn, compared to €55 mn for 4Q2021 (down by 7% qoq, driven by the decrease in total income qoq) and to €45 mn for 1Q2021 (up by 12% yoy, as 1Q2021 was impacted by the lockdown).

Loan credit losses for 1Q2022 totalled €12 mn, compared to €9 mn for 4Q2021 (up by 24% qoq) and to €20 mn for 1Q2021 (down by 41% yoy).

The annualised loan credit losses charge (**cost of risk**) for 1Q2022 amounted to 44 bps (€12 mn), compared to a cost of risk of 35 bps (€9 mn) for 4Q2021 and 66 bps (€20 mn) for 1Q2021. The cost of risk for 1Q2022 includes 20 bps (c.€5 mn) reflecting the update in macroeconomic outlook and management overlays on sectors (such as tourism and private individuals) expected to be impacted by the crisis in Ukraine and the heightened inflationary pressures. The cost of risk for 4Q2021 of 35 bps (€9 mn) included a reversal of 46 bps (€12 mn) from Stages 1 and 2 mainly due to improved cash collections and updated financial information. The cost of risk for 1Q2021 of 66 bps (€20 mn) included 29 bps reflecting loan impairments relating to COVID-19. Further details are provided in Section A.1.5 'Loan portfolio quality'.

At 31 March 2022, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to Section H. 'Definitions & Explanations' for definition) totalled €734 mn (compared to €792 mn at 31 December 2021) and accounted for 6.7% of gross loans including portfolios held for sale (compared to 7.3% of gross loans including portfolios held for sale at 31 December 2021 respectively).

Impairments of other financial and non-financial assets for 1Q2022 amounted to €5 mn, at the same level as for 1Q2021 and compared to €23 mn for 4Q2021 (which was driven by impairments of non-financial assets of €20 mn relating mainly to specific, large, illiquid REMU assets).

Provisions for litigation, claims, regulatory and other matters for 1Q2022 were minimal, compared to €1 mn for 1Q2021 and compared to reversals net of provisions for 4Q2021 of €8 mn, which resulted from revised estimates for cases and matters provided for.

Profit before tax and non-recurring items for 1Q2022 totalled €33 mn, compared to €31 mn for 4Q2021 (up by 7% qoq) and to €19 mn for 1Q2021 (up by 76% yoy).

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.4 Profit after tax (attributable to the owners of the Company)

€ mn	1Q2022	1Q2021	4Q2021	(1Q2022 vs 4Q2021) ±%	yoy +%
Profit before tax and non-recurring items	**33**	**19**	**31**	7%	76%
Tax	(6)	(2)	(2)	233%	193%
(Profit)/loss attributable to non-controlling interests	0	(0)	(2)	-	-
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**27**	**17**	**27**	0%	65%
Advisory and other restructuring costs – organic	(1)	(3)	(3)	-56%	-52%
Profit after tax – organic (attributable to the owners of the Company)	**26**	**14**	**24**	7%	87%
Provisions/net loss relating to NPE sales[1]	(1)	(2)	(1)	-43%	-33%
Restructuring and other costs relating to NPE sales[1]	(1)	(4)	3	-	-86%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(3)	-	(16)	-81%	-
Profit after tax (attributable to the owners of the Company)	**21**	**8**	**10**	110%	162%

The **tax charge** for 1Q2022 is €6 mn, compared to €2 mn for 4Q2021 and for 1Q2021.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 1Q2022 was €27 mn at the same levels as for 4Q2021 and compared to €17 mn for 1Q2021. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 6.7% for 1Q2022, compared to 6.6% for 4Q2021 and to 4.1% for 1Q2021.

Advisory and other restructuring costs - organic for 1Q2022 amounted to €1 mn, compared to €3 mn for 4Q2021 and for 1Q2021.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 1Q2022 amounted to €26 mn, compared to €24 mn for 4Q2021 and to €14 mn for 1Q2021.

Provisions/net loss relating to NPE sales for 1Q2022 was €1 mn relating to Helix 3, compared to €1 mn for 4Q2021 and to €2 mn for 1Q2021.

Restructuring and other costs relating to NPE sales for 1Q2022 was €1 mn, compared to a credit of €3 mn for 4Q2021 (relating to the agreements for the sale of portfolios of NPEs) and to costs of €4 mn for 1Q2021.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €3 mn for 1Q2022, compared to €16 mn for 4Q2021 and Nil for 1Q2021. For further details please refer to Section A.2.2 'Total expenses'.

Profit after tax attributable to the owners of the Company for 1Q2022 was €21 mn, compared to €10 mn for 4Q2021 and to €8 mn for 1Q2021.

B. Operating Environment

The outlook of the global economy has changed profoundly as a result of the war in Ukraine and sanctions imposed on Russia and related entities. The war is prolonged, and sanctions will likely remain in place for a long period of time, thus decoupling Russia from the west. Russia is expected to have to go through a deep restructuring of its economy and reorient it eastward. The west is expected to adjust their commodity supply chains away from Russia. The result will be more uncertainty for longer.

Consumer inflation has been accelerating from the third quarter of 2021 onward, as a result of supply chain disruptions, the resulting higher energy and food prices, and other shortages in commodities and industrial goods. The harmonised index of consumer prices increased by 7.5% in the Euro area in April after rising by 6.1% in the first quarter. In Cyprus inflation accelerated to 8.6% in April after rising by 5.7% in the first quarter. Prices for energy and unprocessed food in the first quarter of 2021 increased respectively by 26.6% and 18.7% in Cyprus. Inflation was 3.5% when energy is excluded and 2.6% when both energy and unprocessed foods are excluded. This core inflation is considerably lower than headline inflation, but still higher than in previous periods.

The war and the energy crisis it generated, changes the monetary landscape abruptly. The energy price shock is effectively a terms of trade shock which is simultaneously inflationary and recessionary. The higher cost of energy imports means that the terms of trade deteriorate. More domestic production will be required for the same quantity of imports than before. The resulting inflation leads to a drop in real disposable income. Thus, tightening monetary policy and raising the cost of money, will tend to slow the growth of aggregate demand. There are inflation and recessionary forces operating at the same time, which means there are large monetary policy trade-offs. To reduce inflation interest rates will have to rise which will be slowing economic activity.

The ECB in their April meetings of the Governing Council, decided to end its asset purchase programme in the third quarter, faster than anticipated. This suggests that the Governing Council sees the downside growth risks being less pronounced than the inflation risks. The ECB thus can be expected to start raising interest rates later in the year and to continue raising them through 2023. The ECB will be more cautious than other central banks like the Federal Reserve and the Bank of England, both having already raised their policy rates by 75 basis points. Financing conditions across Europe will tighten through 2022 but will remain largely favourable. Long-term interest rates are rising largely reflecting increased inflation expectations. Real yields continue to be negative.

The role of the ECB in maintaining financial stability has been instrumental in recent years. The ECB has been the most prominent buyer of sovereign bonds through its asset purchase programmes. Through these purchases the ECB was able to absorb market pressures and to prevent the fragmentation of bond markets. The ECB will keep the volume of its asset holdings unchanged until the end of 2024, thus refinancing maturing bonds. The ECB is mindful of the uncertainties and will be data driven in its decisions and promised to act with 'optionality' and 'flexibility' to limit the risk of fragmentation.

Cyprus received the first disbursement from the Recovery and Resilience Facility of €157 mn in September 2021 following the approval of the national recovery plan the previous July. This was pre-financing for 13% of total disbursements over the period 2021-2026. As a reminder, the allocation in grants and loans amount to €1.2 bn in total (€1 bn in grants and €200 mn in loans) and will be conditional on the implementation of the reforms agreed in the national recovery plan. The plan allocates 41% of the funds to green investments and an additional 23% to digital investments. Reforms include increasing the efficiency of the public sector and local government; improving the governments of state-owned enterprises; improving the efficiency of the judicial system; and accelerating anti-corruption reforms.

In the banking sector there has been significant progress since the 2013 financial crisis. Banks have reduced their foreign exposure; the regulatory framework and prudential oversight have been strengthened; a new legal framework for foreclosures and insolvencies has been implemented. Non-performing exposures have been reduced from €28.4 bn in 2014 to €3 bn as at the end of January 2022. The ratio of non-performing exposures to gross loans dropped from 47.8% to 11.7% in the same period and the coverage ratio of provisions to non-performing exposures was 49.5%. The ratio of non-performing exposures still remains elevated when compared with an EU average of just over 2%. Total loans to the private sector also declined steeply in the same period. Loans to residents excluding the government, dropped to €22.8 bn at the end of March 2022, including the non-performing loans, which is 97% of GDP in 2021.

The recovery in 2021 underpinned a significant increase in general government revenue and a relative drop in government spending. As a result, the budget deficit narrowed to 1.7% of GDP from a deficit of 5.7% of GDP in 2020 reflecting government measures to support the economy amidst a deep recession induced from the COVID-19 pandemic. The public debt to GDP ratio dropped to 104% in 2021 from a bloated 115% in 2020. As long as interest payments on public debt remain low in relation to GDP growth, the debt to GDP ratio will continue its downward trajectory.

The economic recovery following the country's financial crisis of 2012-2014 was strong with real GDP growing by 5.3% annually on average in the period 2015-2019. This compares with the previous growth period of 1996-2008, when real GDP was growing at an annual average pace of 4.4%. However, there were distinct qualitative differences in the two growth periods. Growth in the latter period had stronger base effects after the 11% cumulative contraction that had occurred in the period 2009-2014. The pandemic led to a deep recession in 2020, and real GDP dropped by 5%. However, the contraction was less severe than the 6.3% drop in the Eurozone despite Cyprus' high dependence on tourism that was particularly hit by the pandemic. Tourist arrivals and revenues dropped by about 85% in 2020. The economy recovered swiftly in 2021 and real GDP increased by 5.5% to its pre-pandemic levels in 2021.

B. Operating Environment (continued)

The war in Ukraine and the sanctions on Russia will cut growth substantially in 2022. Reliance on Russia has dropped significantly since the home financial crisis of 2012-2014, but total linkages remained large. The export services trade on a net basis, and after adjusting for special purpose entities, was a little less than 5% of GDP in 2021. This consisted of tourism services, shipping, and business services to local subsidiaries of Russian companies which may be affected by the sanctions. Cyprus will also be affected by the higher inflation fuelled by high oil and commodity prices including wheat. Russian tourists in a normal year would make about 20% of total arrivals. In the first quarter of the year, real GDP increased by 5.6% year-on-year seasonally adjusted, compared with an increase of 5.1% in the Euro area. However, real GDP growth is expected to slow in 2022 to 2.7%, before accelerating to 3.8% in 2023, both in accordance with the Ministry of Finance Stability Programme 2022-2025.

Sovereign ratings

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting reduced banking sector risks, and improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system. Public debt remains high in relation to GDP but large-scale asset purchases from the ECB ensure favourable funding costs for Cyprus and ample liquidity in the sovereign bond market.

Most recently, in March 2022, **Fitch Ratings** affirmed Cyprus' Long-Term Issuer Default rating at investment grade BBB- since November 2018 and stable outlook. The stable outlook reflects the view that despite Cyprus' exposure to Russia through its tourism and investment linkages, near-term risks are mitigated by a strengthened government fiscal position, and continued normalisation of spending after the pandemic shock. Meanwhile, medium-term growth prospects remain positive on the back of the government's Recovery and Resilience Plan (RRP).

Also in March 2022, **S&P Global Ratings** affirmed Cyprus' investment grade rating of BBB- and positive outlook. The positive outlook reflects the view that Cyprus' sovereign rating could be upgraded within the next 24 months if the country's economic and budgetary performance continues to strengthen, supported by the Government's implementation of structural reforms. While the crisis in Ukraine weighs on Cyprus' economic performances via the sanctions imposed on Russia, medium-term economic prospects remain solid according to S&P.

In July 2021, **Moody's Investors Service** upgraded the Government of Cyprus' long-term issuer and senior unsecured ratings to Ba1 from Ba2 (since July 2018) and changed the outlook from positive to stable. The primary driver for the upgrade was the material improvement in the underlying credit strength of the domestic banking system, which also reduces the risks of a systemic banking crisis. In a credit opinion published in April 2022 the rating agency affirmed Cyprus rating and outlook citing increased macroeconomic uncertainty stemming from the war in Ukraine.

In April 2022, **DBRS Morningstar** upgraded the Republic of Cyprus's Long-Term Foreign and Local Currency – Issuer Ratings from BBB (low) to BBB and changed the trend from Positive to Stable. The rating upgrades reflect Cyprus' stronger-than-anticipated economic and public finance performance during 2021 and the expectation of DBRS Morningstar that medium term conditions remain supportive of Cyprus' debt reduction efforts, despite risks posed by Russia's invasion of Ukraine and the pandemic.

C. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In February 2022, **Standard and Poor's** affirmed their long-term issuer credit rating on the Bank of B+, maintaining the positive outlook. In December 2021, **Moody's Investors Service** upgraded the Bank's long-term deposit rating to Ba3 from B1, maintaining the positive outlook. The upgrade reflects significant ongoing improvement in the Bank's asset quality following the agreement reached in Project Helix 3 in November 2021. In December 2021, **Fitch Ratings** affirmed the Bank's long-term issuer default rating of B- and revised the outlook to positive from negative. The revision of the outlook reflects significant improvement in asset quality following the agreement reached in Project Helix 3, as well as in organically reducing problem assets since the end of 2019, despite an adverse operating environment in Cyprus, together with an expectation that this trend will continue in the near future.

Strategic priorities for the medium term

The Group is a diversified, leading, financial and technology hub in Cyprus. In February 2022, the Group updated its medium term strategic targets with an increased focus on creating shareholder value and increased its medium term return on tangible equity (ROTE) target to over 10% (2025), providing the foundations for a return to dividend distributions, subject to performance and relevant approvals. **Since then, the external environment has changed. As a result, a higher return on tangible equity (ROTE) is now expected for each year starting in 2023, and a ROTE in excess of 10% is expected in 2024, a year ahead of plan.**

The Bank's medium term strategic priorities are clear, with a renewed focus on **growing revenues in a more capital efficient way,** whilst striving for a **leaner operating model.** In addition, the Group continues to focus on **further strengthening its asset quality, whilst maintaining a good capital position,** in order to continue to play a vital role in supporting the recovery of the Cypriot economy. Moreover, the Group has set the foundations **to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda** and continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities. Delivery on the Bank's medium term strategic priorities is enabled by the Group's **transformation plan**.

Growing revenues in a more capital efficient way

The Group has a renewed focus on growing revenues in a more capital efficient way. It aims to grow its high quality new lending, drive growth in niche areas for further market penetration and diversify through non-banking services, such as insurance and digital products.

The Group has continued to provide high quality new loans via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries more in line with the Bank's target risk profile. During 1Q2022, new lending amounted to €618 mn, increased by 27% compared to 1Q2021, reaching higher levels than the equivalent period pre-pandemic, whilst maintaining strict lending criteria. Demand for new loans is picking up, as economic activity continues to improve. Aiming at supporting investments by SMEs and Mid-Caps, the Bank continues its collaboration with the European Investment Bank (EIB), the European Investment Fund (EIF) and the Cyprus Government.

Separately, the Group aims to increase revenues over the medium term through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. In 1Q2022, a revised price list for charges and fees was implemented and liquidity fees were extended to a wider customer group.

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's **insurance companies,** EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, further diversifying the Group's income streams. The insurance income net of claims and commissions for 1Q2022 contributed to 22% of non-interest income and amounted to €16 mn, up 24% yoy, as 1Q2021 had been impacted by the lockdown. Specifically, Eurolife increased its total regular income by 26% yoy, whilst GIC increased its gross written premiums by 10% yoy. Furthermore, there are initiatives underway to further enhance the value of the insurance companies by business growth supported by digitisation and a lean operating structure. For information on IFRS 17 please refer to the relevant subsection below.

C. Business Overview (continued)

Strategic priorities for the medium term (continued)

Growing revenues in a more capital efficient way (continued)

Finally, the Group aims to introduce the **Digital Economy Platform (Jinius)** to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. This platform is expected to allow the Bank to enhance the engagement of its customer base, attract new customers, optimise the cost of the Bank's own processes, and position the Bank next to the customer at the point and time of need.

Lean operating model

Striving for a **lean operating model** is a key strategic pillar for the Group in order to deliver shareholder value in the medium term, whilst funding its digital transformation and investing in the business. Management also expects that **restructuring costs will be effectively eliminated** as balance sheet de-risking is largely complete.

Management remains focused on **further improvement in efficiency**, through for example further branch footprint optimisation and further exit solutions to release full time employees. Specifically, further branch restructuring is currently underway with an aim to achieve a reduction in the number of branches of over 25% in the first six months of 2022. In relation to further exit solutions to release full time employees, one of the Bank's subsidiaries completed a small-scale targeted voluntary staff exit plan (VEP) in 1Q2022, through which a small number of full-time employees were approved to leave at a total cost of €3 mn. Additionally, the workforce is expected be substantially streamlined in 2022 with a target to reduce the number of employees by c.15%.

The **cost to income ratio** is expected to rise in 2022 as revenues remain under pressure and operating expenses increase due to higher IT/digitisation investment costs, **before improving to 50%-55% by FY2025**.

Transformation plan

The Group continues to work towards becoming a more customer centric organisation. **A transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as internal operations**. The holistic transformation aims to (i) shift to a more customer-centric operating model by defining customer segment strategies, (ii) redefine our distribution model across existing and new channels, (iii) digitally transform the way we serve our customers and operate internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

Digital transformation

The Bank's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

The Bank continued to invest in its digital offerings in 1Q2022, enhancing its competitive advantage even further. MoneyFit, Bank of Cyprus' new innovative solution that gives consumers a better view and insights over their finances, is now available to clients via the BoC mobile app. In addition, towards the end of the quarter, 1bank launched its renewed internet banking platform. Through the new platform the Bank has the ability to offer enhanced services and products to the bank's customers. Furthermore, the bank's digital onboarding functionality has been improved to better accommodate IBU (International Business Unit) customers through a new flow and expansion to four new countries. Finally, the Bank's youth product is now provided to customers aged 18 to 25 who onboard digitally.

The adoption of digital products and services continued to grow and gained momentum in the first quarter of 2022 and beyond. As at the end of April 2022, 92.5% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 26.1 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 79.6% of individual customers were digitally engaged (up by 19.4 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of April 2022, active mobile banking users and active QuickPay users have grown by 22.3% and 40.0% respectively in the last 12 months. The highest number of QuickPay users to date was recorded in April 2022 with 138 thousand active users. Likewise, the highest number of QuickPay payments was recorded in April 2022 with 402 thousand transactions. New features, such as managing fixed deposits accounts, as well as depositing a cheque via Mobile app and the opening of new lending products entirely through the Group's digital channels will soon be available to customers.

Strategic priorities for the medium term (continued)

Strengthening asset quality

Ensuring the Bank's loan portfolio quality remains healthy is a priority for the Group. Whilst maintaining high quality new lending, the Bank aims to complete legacy de-risking, normalise cost of risk and reduce (other) impairments.

Balance sheet normalisation continued in the first quarter with further c.€100 mn of organic NPE reduction, reducing the Group's NPE ratio to 6.5%, pro forma for NPE sales. During 2021, the Group completed Project Helix 2 and agreed on Project Helix 3. Overall, in the 15 months since the beginning of 2021, and including organic NPE reductions of c.€500 mn, the Group reduced its NPEs by 78% and its NPE ratio from 25.2% to 6.5%, on a pro forma basis. For further information please refer to Section A.1.5 'Loan portfolio quality'.

The Group has a mid-single digit NPE ratio and is on track to achieve a target ratio of c.5% by the end of 2022 and less than 3% by the end of 2025.

Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda

Moving to a sustainable economy is the challenge of our time. As part of its vision to be the leading financial hub in Cyprus, the Bank is determined to **lead the transition of Cyprus to a sustainable future.**

The Group has set the foundations **to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda** and continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

In 2022, the Company received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. In 2020, the Bank received a rating of A in the MSCI ESG Ratings assessment.

In 2021, the first ESG strategy of the Group was formulated, whereby, in addition to maintaining its leading role in the social and governance pillars, there will be a shift of focus on increasing the Bank's positive impact on the environment by transforming not only its own operations, but also of its client chain.

The Bank has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Bank' strategy:

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the extended EXCO) by 2030

The Board composition of the Company and the Bank is diverse, with one third of the Board members being female as at 31 March 2022. The Board displays a strong skill set stemming from broad international experience. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies (defined as the EXCO and the Extended EXCO) by 2030. As at 31 March 2022, there is a 24% representation of women in Group's management bodies and 41% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager A).

C. Business Overview (continued)

Ukrainian crisis

In light of the recent developments in respect of the Russian invasion of Ukraine that started at the end of February 2022, the Group is closely monitoring the developments and utilising dedicated governance structures including a Crisis Management Committee as required.

In response to the crisis in Ukraine, the EU, UK and the US, in a coordinated effort joined by several other countries, imposed a variety of new sanctions with respect to Russia, Belarus and certain regions of Ukraine, as well as various related entities and individuals.

Direct impact

The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has a legacy net exposure of less than €5 mn as at 31 March 2022 in Russia which is being run down.
The Group has no exposure to Russian bonds or banks which are the subject of sanctions.

The Group has limited direct exposure to loans related to Ukraine, Russia and Belarus, representing c.0.4% of total assets or c.1% of net loans as at 31 March 2022. The net book value of these loans stood at c.€100 mn as at 31 March 2022, of which c.€90 mn are performing, whilst the remaining were classified as NPEs well before the current crisis. The portfolio is granular and secured mainly by real estate properties in Cyprus.

Customer deposits related to Ukrainian, Russian and Belarusian customers account for only 6% of total customer deposits as at 31 March 2022. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €6.4 bn (LCR ratio of 296%) as at 31 March 2022.

Only c.3% of the Group's 2021 net fee and commission income is derived from Ultimate Beneficiary Owners (UBOs) from Ukraine, Russia or Belarus.

Indirect impact

Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in international banking services.

At this stage, it is considered that the impact on the Cypriot economy is expected to come from higher inflation and a consequential slowdown in economic activity, with the tourist sector to be likely most impacted. In response, the Government is working to replace one third of the expected lost tourist arrivals from Russia and Ukraine (which amounted to c.20% of 2019 levels) with arrivals from other markets, such as Belgium, Switzerland and Scandinavia. Close monitoring of exposures to the tourism sector is enhanced and the Group remains in close contact with customers to offer solutions as necessary.

Cyprus is not an importer of Russian oil or gas, however it is indirectly affected by the intensifying pricing pressures in the international energy markets. Cyprus mainly imports oil from other countries, such as Greece, Italy, the Netherlands.

Professional services account for c.10% of GDP (based on FY2020) of which some relate to Russia or Ukraine and thus expected to be adversely impacted. There is however no credit risk exposure as the sector is not levered.

Between 2018-2020, Cyprus recorded net foreign direct investment (FDI) outflow to Russia. While Russian gross FDI flows in and out of Cyprus may be quite large, these often reflect the typical set-up of Special Purpose Entities, with limited actual impact on the Cypriot economy, hence likely to have limited impact on domestic activity levels.

Conclusion

Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage.

The Group will continue to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

C. Business Overview (continued)

IFRS 17

IFRS 17, an accounting standard that will be effective from 1 January 2023, impacts the phasing of profit recognition for insurance contracts. Upon implementation, the Group's insurance-related retained earnings will be restated and the reporting of insurance new business revenue will be spread over time, as the Group provides service to its policyholders (versus recognised up front under current accounting standards), with the quantum and timing of the impact dependent on, inter alia, the amount and mix of new business and extent of assumption changes in any given year following implementation. As highlighted in our 2021 Annual Financial Report, IFRS 17 requires a number of key changes compared with our current accounting policies for insurance.

- Under IFRS 17, there will be no present value of in-force insurance contracts ('PVIF') asset recognised. Instead, the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under IFRS 17.
- IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities hence insurance liabilities and related assets will be adjusted to reflect IFRS 17 measurement requirements.
- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in operating expenses.

The Group is in the process of implementing IFRS 17, and industry practice and interpretation of the standard are still developing. Additionally, the impact on the forecast future returns of our insurance business is dependent on the growth, duration and composition of our insurance contract portfolio. These estimates are subject to change in the period up to adoption of the standard.

For the purposes of planning the Group's financial resources, our initial estimate is that the accounting changes will result in:

a) the removal of value in force from the Insurance business (including associated deferred tax liability) of c.€110 mn which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and

b) the remeasurement of insurance liabilities and the creation of a contractual service margin (CSM) liability which will increase both the insurance business and Group equity by an amount c.€50 mn, predominantly relating to the life business of the Group.

The adoption of IFRS 17 may result in a modest annual negative impact on the contribution to profits of the Group's insurance business in the near term and is incorporated in the Group business plan.

The day 1 benefit from IFRS 17 arising from the net remeasurement of insurance liabilities of c.€50 mn (including the creation of the CSM liability), referred to (b) above, enables an equivalent dividend distribution to the Bank which would benefit Group regulatory capital by an equivalent amount (upon the payment of dividend by the subsidiary), enhancing CET1 ratio by c.50 bps.

D. Strategy and Outlook

The strategic objectives for the Group are to become **a stronger, safer and a more efficient institution capable of supporting the recovery of the Cypriot economy** and delivering appropriate shareholder returns in the medium term.

The key pillars of the Group's strategy are to:

- **Grow revenues in a more capital efficient way;** by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital Economy)
- **Improve operating efficiency;** by achieving leaner operations through digitisation and automation
- **Strengthen asset quality;** maintaining high quality new lending, completing legacy de-risking, normalising cost of risk and reducing (other) impairments
- **Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda;** by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

KEY STRATEGIC PILLARS	ACTION TAKEN IN 1Q2022 and to date	PLAN OF ACTION
Growing revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital Economy)	• A revised price list for charges and fees was implemented in February 2022 • Liquidity fees were extended to a wider customer group in March 2022 • *For further information, please refer to Section C. 'Business Overview'*	• **Grow net performing book** and increase in new lending over the medium term. • **Enhance fee and commission income**, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of **Digital Economy Platform** • **Profitable insurance business with further opportunities to grow,** e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by digital transformation
Improving operating efficiency; by achieving leaner operations through digitisation and automation	• Completion of a small-scale targeted voluntary staff exit plan (VEP) in 1Q2022, by one of the Bank's subsidiaries, through which a small number of the Group's full-time employees were approved to leave at a total cost of €3 mn • Further developments in the Transformation Plan and the digitisation of the Bank • *For further information, please refer to Section C. 'Business Overview'*	• Offer exit solutions to release full time employees, with a target to reduce the workforce by c.15% in 2022 • Achieve further branch footprint rationalization, to achieve a reduction in number of branches of over 25% in 1H2022 • Effectively eliminate restructuring costs as de-risking is largely complete • Enhance procurement control • Cost to income ratio (excluding special levy on deposits and other levies/contributions) expected to rise in 2022 as revenues remain under pressure and operating expenses increase due to higher IT/digitisation investment costs, before improving to 50%-55% by FY2025

D. Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN 1Q2022 and to date	PLAN OF ACTION
Strengthening asset quality	• Balance sheet normalisation continued in 1Q2022 with further c.€100 mn of organic NPE reduction • NPE ratio (pro forma for HFS) reduced to mid-single digit of 6.5% as at 31 March 2022 • *For further information, please refer to Section A.1.5 'Loan portfolio quality' and Section C. 'Business Overview'*	• The Group is on track to achieve a target NPE ratio of **c.5% by the end of 2022 and of less than 3% by the end of 2025.**
Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda; by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities	• Initiation of decarbonisation of the Group's operations and portfolio • Approval of Green Lending Policy based on the Green Loan Principles (GLPs) • Environmental products launched e.g. under the Fil-eco product scheme • *For further information, please refer to Section C. 'Business Overview'* • *Please refer to slide 62 of the 1Q2022 Group Financial Results Presentation*	• **Implement ESG strategy** with a shift of focus on environment • **Embed ESG sustainability in the Bank's culture** • Continuous enhancement of structure and corporate governance • Invest in people and promote talent

In February 2022, the Group updated its medium term strategic targets with an increased focus on **creating shareholder value** and increased its medium term return on tangible equity (ROTE) target to over 10% (2025), providing the foundations for a return to dividend distributions from 2023 onwards, subject to performance and relevant approvals.

Since then, the external environment has changed. The macroeconomic environment is now characterised by higher inflation and slower economic growth in the near term, offset by a significant positive shift in most interest rate curves.

The net effect of these changes on the Group is positive on both financial performance and capital.

The Group's total income is expected to benefit from higher net interest margins from 2023, more than offsetting an expected slow down in volume and net fee and commission income. Higher inflation may lead to modestly higher costs; there are however plans in place to mitigate this impact. Some upward pressure on the cost of risk is expected in the near term, but the normalised cost of risk target of 40-50 bps remains unchanged.

Overall, as a result, a higher return on tangible equity (ROTE) is now expected for each year starting in 2023, and a ROTE in excess of 10% is expected in 2024, a year ahead of plan.

Also, higher profitability will be positive for the Group's CET1 ratio, which is expected to be further increased following the adoption of IFRS 17 on 1 January 2023. Specifically, we estimate a day 1 benefit from IFRS 17 on Group regulatory capital by c.€50 mn, thereby enhancing Group CET1 ratio by c.50 bps.

As a result, there is increasing confidence in resuming meaningful dividends earlier, subject to regulatory approvals.

D. Strategy and Outlook (continued)

The Group's medium term strategic targets are set out below

Key Metrics		1Q2022	2023	Medium Term Strategic Targets 2025	Progress
Profitability	Return on Tangible Equity (ROTE)[1]	5.5% (6.7% recurring)	**Mid-single digit** **On trajectory to consider dividend distribution[4]**	**>10%**	• **Uplift in ROTE each year starting in 2023** • **Currently expect to achieve a ROTE >10% from 2024, a year ahead of plan**
	Cost to income ratio[2]	59%		**50%-55%**	• **On track**
Asset Quality	NPE ratio	6.5%[3]	**<5%**	**<3%**	• **On track**
	Cost of risk	44 bps		**40-50 bps**	• **Some upward pressure in the near term, normalised cost of risk remains unchanged**
Capital	CET1 ratio	15.2%[3] transitional (14.5%[3] FL)	**Supported by CET1 ratio of 13.5%-14.5%**		• **Increased confidence in resuming meaningful dividends earlier, subject to regulatory approvals**
Paving the way for dividend distribution from 2023 onwards[4]					

1. Return on Tangible Equity (ROTE) is calculated as Profit after Tax (annualised) divided by Shareholders' equity minus intangible assets.
2. Calculated using total operating expenses which comprise staff costs and other operating expenses. Total operating expenses do not include the special levy on deposits or other levies/contributions and do not include any advisory or other restructuring costs.
3. Pro forma for HFS
4. Subject to performance and relevant approvals

E. Financial Results – Statutory Basis

Unaudited Interim Consolidated Income Statement

	Three months ended 31 March	
	2022	2021
	€000	€000
Turnover	**201,133**	189,420
Interest income	**89,143**	88,602
Income similar to interest income	**4,606**	10,629
Interest expense	**(18,391)**	(13,229)
Expense similar to interest expense	**(4,011)**	(9,646)
Net interest income	**71,347**	76,356
Fee and commission income	**45,953**	40,412
Fee and commission expense	**(2,227)**	(1,865)
Net foreign exchange gains	**5,502**	3,630
Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	**(2,267)**	(647)
Insurance income net of claims and commissions	**16,327**	13,159
Net losses from revaluation and disposal of investment properties	**(527)**	(857)
Net gains on disposal of stock of property	**5,400**	3,111
Other income	**4,073**	3,606
	143,581	136,905
Staff costs	**(52,851)**	(50,049)
Special levy on deposits and other levies/contributions	**(9,857)**	(9,104)
Other operating expenses	**(38,167)**	(39,740)
	42,706	38,012
Net (losses)/gains on derecognition of financial assets measured at amortised cost	**(237)**	1,465
Credit losses to cover credit risk on loans and advances to customers	**(10,708)**	(24,128)
Credit losses of other financial instruments	**(282)**	(280)
Impairment net of reversals of non-financial assets	**(4,822)**	(5,015)
Profit before share of profit from associates	**26,657**	10,054
Share of profit from associates	**-**	137
Profit before tax	**26,657**	10,191
Income tax	**(5,505)**	(1,878)
Profit after tax for the period	**21,152**	8,313
Attributable to:		
Owners of the Company	**21,329**	8,153
Non-controlling interests	**(177)**	160
Profit for the period	**21,152**	8,313
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	**4.8**	1.8

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2022	2021
	€000	€000
Profit for the period	**21,152**	8,313
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods		
Fair value reserve (debt instruments)		
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)	**(5,932)**	858
Transfer to the consolidated income statement on disposal	**(488)**	-
	(6,420)	858
Foreign currency translation reserve		
Profit/(loss) on translation of net investment in foreign branches and subsidiaries	**4,089**	(3,204)
(Loss)/profit on hedging of net investments in foreign branches and subsidiaries	**(4,079)**	2,160
Transfer to the consolidated income statement on dissolution of foreign subsidiary	**-**	(26)
	10	(1,070)
Total OCI that may be reclassified in the consolidated income statement in subsequent periods	**(6,410)**	(212)
OCI not to be reclassified in the consolidated income statement in subsequent periods		
Fair value reserve (equity instruments)		
Net gains on investments in equity instruments designated at FVOCI	**43**	27
Property revaluation reserve		
Deferred tax	**-**	(40)
Actuarial gains/(losses) on the defined benefit plans		
Remeasurement gains on defined benefit plans	**515**	4,945
Total OCI not to be reclassified in the consolidated income statement in subsequent periods	**558**	4,932
Other comprehensive (loss)/income for the period net of taxation	**(5,852)**	4,720
Total comprehensive income for the period	**15,300**	13,033

Attributable to:		
Owners of the Company	**15,477**	12,888
Non-controlling interests	**(177)**	145
Total comprehensive income for the period	**15,300**	13,033

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Balance Sheet

	31 March 2022	31 December 2021
Assets	**€000**	€000
Cash and balances with central banks	**9,329,711**	9,230,883
Loans and advances to banks	**312,967**	291,632
Derivative financial assets	**11,706**	6,653
Investments	**882,731**	879,005
Investments pledged as collateral	**1,182,653**	1,260,158
Loans and advances to customers	**10,004,197**	9,836,405
Life insurance business assets attributable to policyholders	**547,333**	551,797
Prepayments, accrued income and other assets	**616,617**	616,219
Stock of property	**1,083,314**	1,111,604
Deferred tax assets	**265,481**	265,481
Investment properties	**101,813**	117,745
Property and equipment	**248,537**	252,130
Intangible assets	**177,612**	184,034
Non-current assets and disposal groups held for sale	**352,638**	358,951
Total assets	**25,117,310**	24,962,697
Liabilities		
Deposits by banks	**532,516**	457,039
Funding from central banks	**2,962,100**	2,969,600
Derivative financial liabilities	**22,495**	32,452
Customer deposits	**17,659,505**	17,530,883
Insurance liabilities	**719,869**	736,201
Accruals, deferred income, other liabilities and other provisions	**368,683**	361,977
Pending litigation, claims, regulatory and other matters	**103,569**	104,108
Loan stock	**611,137**	642,775
Deferred tax liabilities	**45,892**	46,435
Total liabilities	**23,025,766**	22,881,470
Equity		
Share capital	**44,620**	44,620
Share premium	**594,358**	594,358
Revaluation and other reserves	**203,025**	213,192
Retained earnings	**1,007,284**	986,623
Equity attributable to the owners of the Company	**1,849,287**	1,838,793
Other equity instruments	**220,000**	220,000
Total equity excluding non-controlling interests	**2,069,287**	2,058,793
Non-controlling interests	**22,257**	22,434
Total equity	**2,091,544**	2,081,227
Total liabilities and equity	**25,117,310**	24,962,697

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	**44,620**	**594,358**	**(21,463)**	**986,623**	**80,060**	**23,285**	**113,651**	**17,659**	**1,838,793**	**220,000**	**22,434**	**2,081,227**
Profit/(loss) for the period	-	-	-	21,329	-	-	-	-	**21,329**	-	(177)	**21,152**
Other comprehensive income/ (loss) after tax for the period	-	-	-	515	-	(6,377)	-	10	**(5,852)**	-	-	**(5,852)**
Total comprehensive income/(loss) after tax for the period	-	-	-	21,844	-	(6,377)	-	10	**15,477**	-	(177)	**15,300**
Decrease in value of in-force life insurance business	-	-	-	4,343	-	-	(4,343)	-	**-**	-	-	**-**
Tax on decrease in value of in-force life insurance business	-	-	-	(543)	-	-	543	-	**-**	-	-	**-**
Defence contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
31 March 2022	**44,620**	**594,358**	**(21,463)**	**1,007,284**	**80,060**	**16,908**	**109,851**	**17,669**	**1,849,287**	**220,000**	**22,257**	**2,091,544**

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2021	**44,620**	**594,358**	**(21,463)**	**982,513**	**79,515**	**22,894**	**110,401**	**17,806**	**1,830,644**	**220,000**	**24,410**	**2,075,054**
Profit for the period	-	-	-	8,153	-	-	-	-	**8,153**	-	160	**8,313**
Other comprehensive income/(loss) after tax for the period	-	-	-	4,945	(30)	890	-	(1,070)	**4,735**	-	(15)	**4,720**
Total comprehensive income/(loss) after tax for the period	-	-	-	13,098	(30)	890	-	(1,070)	**12,888**	-	145	**13,033**
Increase in value of in-force life insurance business	-	-	-	(1,828)	-	-	1,828	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	228	-	-	(228)	-	**-**	-	-	**-**
Transfer of OCI reserve upon disposal of investments in equity instruments designated as at FVOCI	-	-	-	(50)	-	50	-	-	**-**	-	-	**-**
31 March 2021	**44,620**	**594,358**	**(21,463)**	**993,961**	**79,485**	**23,834**	**112,001**	**16,736**	**1,843,532**	**220,000**	**24,555**	**2,088,087**

F. Notes

F.1 Reconciliation of interim income statement between statutory and underlying basis

€ million	Underlying basis	NPE Sales	Other	Statutory basis
Net interest income	71	-	-	71
Net fee and commission income	44	-	-	44
Net foreign exchange gains and net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	6	-	(2)	4
Insurance income net of claims and commissions	16	-	-	16
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	5	-	-	5
Other income	4	-	-	4
Total income	**146**	**-**	**(2)**	**144**
Total expenses	**(96)**	**(1)**	**(4)**	**(101)**
Operating profit	**50**	**(1)**	**(6)**	**43**
Loan credit losses	(12)	(1)	2	(11)
Impairments of other financial and non-financial assets	(5)	-	-	(5)
Profit before tax and non-recurring items	**33**	**(2)**	**(4)**	**27**
Tax	(6)	-	-	(6)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**27**	**(2)**	**(4)**	**21**
Advisory and other restructuring costs-organic	(1)	-	1	0
Profit after tax - organic* (attributable to the owners of the Company)	**26**	**(2)**	**(3)**	**21**
Provisions/net loss relating to NPE sales	(1)	1	-	0
Restructuring and other costs relating to NPE sales	(1)	1	-	0
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(3)	-	3	0
Profit after tax (attributable to the owners of the Company)	**21**	**0**	**0**	**21**

*This is the profit after tax (attributable to the owners of the Company), before the provisions/net loss relating to NPE sales, related restructuring and other costs, and restructuring costs related to the Voluntary Staff Exit Plan (VEP).

The reclassification differences between the statutory basis and the underlying basis mainly relate to the impact from 'non-recurring items' and are explained as follows:

NPE sales

- Total expenses include restructuring costs of €1 million relating to the agreements for the sale of portfolios of NPEs and are presented within 'Restructuring and other costs relating to NPE sales ' under the underlying basis.
- Loan credit losses under the statutory basis include the loan credit losses relating to Project Helix 3 of approximately €1 million and are disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis.

Other reclassifications

- Net losses on loans and advances to customers at FVPL of €2 million included in 'Loan credit losses' under the underlying basis are included in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis. Their classification under the underlying basis is done in order to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.
- Advisory and other restructuring costs of approximately €1 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme of BOC PCL.
- Total expenses under the statutory basis include restructuring costs relating to the voluntary staff exit plan (VEP) of JCC Payment Systems Ltd of €3 million and are separately presented under the underlying basis, since they represent one-off items.

F. Notes (continued)

F.2 Customer deposits

The analysis of customer deposits is presented below:

	31 March 2022	31 December 2021
By type of deposit	**€000**	€000
Demand	**9,318,829**	9,221,791
Savings	**2,517,088**	2,423,086
Time or notice	**5,823,588**	5,886,006
	17,659,505	17,530,883
By geographical area		
Cyprus	**12,193,655**	11,992,960
Greece	**1,871,104**	1,906,854
United Kingdom	**758,416**	713,621
Romania	**52,202**	54,306
Russia	**619,219**	661,820
Ukraine	**279,487**	276,248
Belarus	**56,598**	55,738
Other countries	**1,828,824**	1,869,336
	17,659,505	17,530,883

Deposits by geographical area are based on the country of passport of the Ultimate Beneficial Owner

	31 March 2022	31 December 2021
By currency	**€000**	€000
Euro	**15,864,621**	15,736,030
US Dollar	**1,390,888**	1,373,584
British Pound	**316,653**	312,918
Russian Rouble	**11,888**	28,539
Swiss Franc	**13,431**	10,865
Other currencies	**62,024**	68,947
	17,659,505	17,530,883
By customer sector		
Corporate	**1,122,474**	1,117,148
Global corporate	**650,124**	631,002
SMEs	**851,966**	866,860
Retail	**11,211,238**	11,051,397
Restructuring		
– corporate	**22,223**	21,658
– SMEs	**11,944**	13,091
– retail other	**9,201**	9,862
Recoveries		
– corporate	**1,222**	1,383
International banking services	**3,467,506**	3,500,183
Wealth management	**311,607**	318,299
	17,659,505	17,530,883

F. Notes (continued)

F.3 Loans and advances to customers

	31 March 2022	31 December 2021
	€000	€000
Gross loans and advances to customers at amortised cost	**9,976,915**	9,840,535
Allowance for ECL for impairment of loans and advances to customers	**(253,846)**	(285,998)
	9,723,069	9,554,537
Loans and advances to customers measured at FVPL	**281,128**	281,868
	10,004,197	9,836,405

F.4 Credit risk concentration of loans and advances to customers

The credit risk concentration, which is based on industry (economic activity) and by business line, as well as the geographical concentration, is presented in the tables below. The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures, in accordance with which exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

31 March 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	957,718	468	71	2	3,192	67	**961,518**
Manufacturing	310,847	41,525	10	-	1,156	29,722	**383,260**
Hotels and catering	901,800	33,495	36,942	-	-	40,107	**1,012,344**
Construction	573,664	9,083	99	1,998	616	49	**585,509**
Real estate	900,038	96,807	1,928	11,064	-	48,648	**1,058,485**
Private individuals	4,419,056	8,779	98,119	1,213	30,584	67,254	**4,625,005**
Professional and other services	646,425	1,007	5,413	889	15,233	24,923	**693,890**
Other sectors	430,047	6	34	-	2	226,815	**656,904**
	9,139,595	**191,170**	**142,616**	**15,166**	**50,783**	**437,585**	**9,976,915**

The basis of the exposure as disclosed in Section 'C. Business Overview' is expanded compared to the country risk exposure as included in the table above which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries.

F.4 Credit risk concentration of loans and advances to customers (continued)

31 March 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,094,542	9,449	57	-	15,634	109	**2,119,791**
Global corporate	1,426,478	172,748	44,257	11,764	-	359,637	**2,014,884**
SMEs	1,038,066	727	2,358	2,036	4,505	2,294	**1,049,986**
Retail							
- housing	3,123,352	3,272	43,724	867	3,962	26,823	**3,202,000**
- consumer, credit cards and other	900,030	1,091	717	141	202	2,107	**904,288**
Restructuring							
- corporate	51,785	-	526	-	32	61	**52,404**
- SMEs	61,249	-	170	-	166	445	**62,030**
- retail housing	79,644	152	1,731	-	362	704	**82,593**
- retail other	27,543	4	116	1	2	43	**27,709**
Recoveries							
- corporate	34,424	-	4	86	222	260	**34,996**
- SMEs	32,577	-	1,855	59	2,240	2,095	**38,826**
- retail housing	107,286	250	29,921	76	6,393	12,035	**155,961**
- retail other	55,143	27	2,613	4	247	800	**58,834**
International banking services	77,017	2,137	14,567	132	16,816	23,703	**134,372**
Wealth management	30,459	1,313	-	-	-	6,469	**38,241**
	9,139,595	**191,170**	**142,616**	**15,166**	**50,783**	**437,585**	**9,976,915**

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	3,351	146	**981,887**
Manufacturing	303,372	179	-	-	1,212	25,674	**330,437**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	2,108	646	58	**522,853**
Real estate	959,891	125,123	1,950	11,443	-	49,293	**1,147,700**
Private individuals	4,379,843	9,185	121,260	1,057	37,315	73,997	**4,622,657**
Professional and other services	543,424	1,007	5,516	875	16,492	35,142	**602,456**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

F.4 Credit risk concentration of loans and advances to customers (continued)

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	15,778	113	**2,044,406**
Global corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	2,047	4,701	2,345	**1,050,334**
Retail							
- housing	3,068,097	3,466	47,742	629	4,513	26,819	**3,151,266**
- consumer, credit cards and other	884,231	1,101	760	126	237	2,232	**888,687**
Restructuring							
- corporate	60,446	-	526	-	32	1,213	**62,217**
- SMEs	69,501	-	338	-	-	340	**70,179**
- retail housing	80,730	152	3,058	-	392	752	**85,084**
- retail other	32,611	14	132	-	3	238	**32,998**
Recoveries							
- corporate	35,010	-	-	589	219	256	**36,074**
- SMEs	30,505	-	2,557	2	3,699	2,554	**39,317**
- retail housing	109,945	382	45,158	167	9,254	18,213	**183,119**
- retail other	54,959	30	4,356	4	1,557	1,304	**62,210**
International banking services	76,314	2,402	15,211	138	18,639	23,214	**135,918**
Wealth management	36,854	1,334	547	-	-	6,395	**45,130**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 March 2022 of €102,287 thousand (31 December 2021: €100,039 thousand).

The loan and advances to customers reported within 'Other countries' as at 31 March 2022 include exposures of €3,4 million in Ukraine (31 December 2021: €3,6 million).

F. Notes (continued)

F.4 Credit risk concentration of loans and advances to customers (continued)

Loans and advances to customers classified as held for sale

Industry (economic activity), business line and geographical concentration of the Group's gross loans and advances to customers at amortised cost classified as held for sale is presented in the tables below:

31 March 2022	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	57,260	-	522	1	-	**57,783**
Manufacturing	25,097	1	112	-	-	**25,210**
Hotels and catering	15,036	3	283	-	-	**15,322**
Construction	28,460	-	244	-	-	**28,704**
Real estate	4,662	-	9,461	-	-	**14,123**
Private individuals	369,171	1,080	55	817	4,617	**375,740**
Professional and other services	26,701	2	1,477	-	-	**28,180**
Other sectors	11,620	-	69	-	-	**11,689**
	538,007	**1,086**	**12,223**	**818**	**4,617**	**556,751**

31 March 2022	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,568	-	-	**10,568**
SMEs	-	-	247	-	-	**247**
Restructuring						
- corporate	370	-	-	-	-	**370**
- SMEs	5,185	-	-	-	-	**5,185**
- retail housing	17,888	498	-	-	34	**18,420**
- retail other	7,117	-	-	-	-	**7,117**
Recoveries						
- corporate	8,177	-	1,098	-	-	**9,275**
- SMEs	17,647	1	310	779	385	**19,122**
- retail housing	245,761	577	-	38	3,679	**250,055**
- retail other	235,862	10	-	1	519	**236,392**
	538,007	**1,086**	**12,223**	**818**	**4,617**	**556,751**

F. Notes (continued)

F.4 Credit risk concentration of loans and advances to customers (continued)

Loans and advances to customers classified as held for sale (continued)

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,395	-	-	**13,970**
Private individuals	369,182	1,070	55	804	4,087	**375,198**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,441	-	32	**10,473**
SMEs	-	-	231	-	-	**231**
Retail						
- housing	153	-	-	-	-	**153**
- consumer, credit cards and other	2	-	-	-	-	**2**
Restructuring						
- corporate	374	-	-	-	-	**374**
- SMEs	5,301	-	-	-	-	**5,301**
- retail housing	23,769	501	-	-	34	**24,304**
- retail other	12,702	-	-	-	-	**12,702**
Recoveries						
- corporate	8,090	-	1,111	-	-	**9,201**
- SMEs	17,923	1	343	766	381	**19,414**
- retail housing	238,791	566	-	38	3,210	**242,605**
- retail other	230,561	6	-	-	462	**231,029**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

F. Notes (continued)

F.5 Analysis of loans and advances to customers by stage

The following tables present the Group's gross loans and advances at amortised cost before residual fair value adjustment on initial recognition and at amortised cost, by stage.

31 March 2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,712,357	1,699,878	523,228	140,911	**10,076,374**
Residual fair value adjustment on initial recognition	(69,560)	(21,272)	(2,816)	(5,811)	**(99,459)**
Gross loans at amortised cost	**7,642,797**	**1,678,606**	**520,412**	**135,100**	**9,976,915**
Cyprus	7,642,545	1,678,606	498,489	135,100	**9,954,740**
Other countries	252	-	21,923	-	**22,175**
	7,642,797	**1,678,606**	**520,412**	**135,100**	**9,976,915**

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,354	1,721,231	576,873	159,755	**9,946,213**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,695**	**1,699,180**	**573,343**	**149,317**	**9,840,535**
Cyprus	7,418,432	1,699,180	545,327	149,317	**9,812,256**
Other countries	263	-	28,016	-	**28,279**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

Loans and advances to customers classified as held for sale

31 March 2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,960	476,622	96,261	**575,843**
Residual fair value adjustment on initial recognition	-	(62)	(2,218)	(16,812)	**(19,092)**
Gross loans at amortised cost	**-**	**2,898**	**474,404**	**79,449**	**556,751**
Cyprus	-	2,898	474,157	79,449	**556,504**
Other countries	-	-	247	-	**247**
	-	**2,898**	**474,404**	**79,449**	**556,751**

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,132	476,538	96,209	**574,879**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,459**	**79,255**	**555,789**
Cyprus	-	2,075	463,774	79,255	**545,104**
Other countries	-	-	10,685	-	**10,685**
	-	**2,075**	**474,459**	**79,255**	**555,789**

F. Notes (continued)

F.5 Analysis of loans and advances to customers by stage (continued)

The following tables present the Group's gross loans and advances to customers at amortised cost by stage and by business line concentration:

31 March 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,637,888	436,810	21,854	23,239	**2,119,791**
Global corporate	1,452,059	484,240	56,829	21,756	**2,014,884**
SMEs	834,784	193,220	11,441	10,541	**1,049,986**
Retail					
- housing	2,813,424	335,206	41,381	11,989	**3,202,000**
- consumer, credit cards and other	749,548	117,430	21,264	16,046	**904,288**
Restructuring					
- corporate	10,733	29,039	12,459	173	**52,404**
- SMEs	13,706	15,492	28,727	4,105	**62,030**
- retail housing	3,344	18,510	57,076	3,663	**82,593**
- retail other	1,681	4,515	20,449	1,064	**27,709**
Recoveries					
- corporate	-	-	29,179	5,817	**34,996**
- SMEs	-	-	34,796	4,030	**38,826**
- retail housing	-	-	133,357	22,604	**155,961**
- retail other	72	-	49,220	9,542	**58,834**
International banking services	88,279	43,557	2,380	156	**134,372**
Wealth management	37,279	587	-	375	**38,241**
	7,642,797	**1,678,606**	**520,412**	**135,100**	**9,976,915**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,569,699	430,865	22,357	21,485	**2,044,406**
Global corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	812,211	215,012	12,522	10,589	**1,050,334**
Retail					
- housing	2,769,274	320,473	49,633	11,886	**3,151,266**
- consumer, credit cards and other	732,154	116,983	23,361	16,189	**888,687**
Restructuring					
- corporate	6,092	35,613	14,255	6,257	**62,217**
- SMEs	14,016	16,417	34,083	5,663	**70,179**
- retail housing	3,075	15,528	62,934	3,547	**85,084**
- retail other	1,409	5,701	24,838	1,050	**32,998**
Recoveries					
- corporate	-	-	29,600	6,474	**36,074**
- SMEs	-	-	35,685	3,632	**39,317**
- retail housing	-	-	154,469	28,650	**183,119**
- retail other	114	-	51,672	10,424	**62,210**
International banking services	92,193	40,715	2,775	235	**135,918**
Wealth management	43,908	781	-	441	**45,130**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

F. Notes (continued)

F.5 Analysis of loans and advances to customers by stage (continued)

Loans and advances to customers classified as held for sale

The following tables present the Group's gross loans and advances to customers at amortised cost classified as held for sale by stage and by business line concentration.

31 March 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,568	-	**10,568**
SMEs	-	-	247	-	**247**
Restructuring					
- corporate	-	-	370	-	**370**
- SMEs	-	1,552	2,897	736	**5,185**
- retail housing	-	797	16,663	960	**18,420**
- retail other	-	549	5,997	571	**7,117**
Recoveries					
- corporate	-	-	8,576	699	**9,275**
- SMEs	-	-	17,637	1,485	**19,122**
- retail housing	-	-	210,857	39,198	**250,055**
- retail other	-	-	200,592	35,800	**236,392**
	-	**2,898**	**474,404**	**79,449**	**556,751**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,470	3	**10,473**
SMEs	-	-	231	-	**231**
Retail					
- housing	-	-	153	-	**153**
- consumer, credit cards and other	-	-	2	-	**2**
Restructuring					
- corporate	-	-	374	-	**374**
- SMEs	-	718	3,842	741	**5,301**
- retail housing	-	804	22,113	1,387	**24,304**
- retail other	-	553	11,543	606	**12,702**
Recoveries					
- corporate	-	-	8,507	694	**9,201**
- SMEs	-	-	17,653	1,761	**19,414**
- retail housing	-	-	204,956	37,649	**242,605**
- retail other	-	-	194,615	36,414	**231,029**
	-	**2,075**	**474,459**	**79,255**	**555,789**

F. Notes (continued)

F.6 Credit losses to cover credit risk on loans and advances to customers

	Three months ended 31 March	
	2022	2021
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**14,132**	23,327
Recoveries of loans and advances to customers previously written off	**(4,066)**	(2,370)
Changes in expected cash flows	**912**	2,787
Financial guarantees and commitments	**(270)**	384
	10,708	24,128

The movement in ECL of loans and advances to customers, including the loans and advances to customers held for sale, and the analysis of the balance by stage is as follows:

	Three months ended 31 March	
	2022	2021
	€000	€000
1 January	**591,417**	1,652,635
Foreign exchange and other adjustments	**(840)**	58
Write offs	**(45,959)**	(73,554)
Interest (provided) not recognised in the income statement	**4,012**	20,994
Charge for the period	**14,132**	23,327
31 March	**562,762**	1,623,460
Stage 1	**16,630**	25,954
Stage 2	**28,852**	38,097
Stage 3	**456,473**	1,357,549
POCI	**60,807**	201,860
31 March	**562,762**	1,623,460

The allowance for ECL, included above, for loans and advances to customers held for sale as at 31 March 2022 amounted to €308,916 thousand (31 March 2021: €822,767 thousand).

The charge on loans and advances to customers, including the loans and advances to customers held for sale, by stage for the period is presented in the table below:

	Three months ended 31 March	
	2022	2021
	€000	€000
Stage 1	**(1,215)**	(2,777)
Stage 2	**(48)**	(5,247)
Stage 3	**15,395**	31,351
	14,132	23,327

During the three months ended 31 March 2022 the total non-contractual write-offs recorded by the Group amounted to €36,921 thousand (three months ended 31 March 2021: €51,219 thousand). The contractual amount outstanding on financial assets (including loans and advances to customers classified as held for sale) that were written off during the three months ended 31 March 2022 and that are still subject to enforcement activity is €348,911 thousand (31 December 2021: €984,329 thousand).

F.6 Credit losses to cover credit risk on loans and advances to customers (continued)

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties supplemented by management judgement where necessary given the difficulty in differentiating between short term impacts and long-term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices, and these are capped to zero, for all scenarios, in case of any future projected increase, whereas any future projected decrease is taken into consideration.

At 31 March 2022 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (31 December 2021: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers, excluding those classified as held for sale, has been estimated to be on average seven years under the baseline scenario (31 December 2021: average seven years).

For the calculation of individually assessed allowances for ECL, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case.

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively.

For Stage 3 customers, the base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional more favourable or more adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario. Under the favourable scenario, applied haircuts are decreased by 5%, with no change in the operational cash flows and in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures. In the case of loans and advances to customers held for sale the Group has taken into consideration the timing of the expected sale and the estimated sale proceeds in determining the ECL. Amounts previously written off which are expected to be recovered through sale are included in 'Recoveries of loans and advances to customers previously written off'.

The above assumptions are also influenced by the ongoing regulatory dialogue BOC PCL maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of allowance for ECL.

Any changes in these assumptions or differences between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Overlays in the context of COVID-19 and the Ukraine crisis
The majority of COVID-19 pandemic related management overlays that were applied up to the first six months of 2021 were removed in the third quarter of 2021, except for the overlay for exposures in the hotel and catering industry, which applies stricter customers' credit ratings thresholds for customers in this industry sector, which remains in place.

In addition, the Group has enhanced provisioning for exposures that could be impacted from the consequences of the Ukrainian crisis, by establishing two new overlays, in the collectively assessed population, to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact in the domestic cost of living. The impact on the ECL from the application of these overlays was approximately a €3m charge in the first quarter of 2022.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 March 2022. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 pandemic due to virus mutations, are timely captured.

F. Notes (continued)

F.6 Credit losses to cover credit risk on loans and advances to customers (continued)

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. The selection criteria were further enhanced during the three months ended 31 March 2022, to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries.

F.7 Rescheduled loans and advances to customers

The below table presents the Group's rescheduled loans and advances to customers by stage, excluding those classified as held for sale.

	31 March 2022	31 December 2021
	€000	€000
Stage 1	**-**	6,883
Stage 2	**821,997**	828,849
Stage 3	**326,075**	348,385
POCI	**30,521**	39,613
	1,178,593	1,223,730

F.8 Pending litigation, claims, regulatory and other matters

The Group, in the ordinary course of business, is involved in various disputes and legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent restructuring of BOC PCL in 2013 as a result of the bail-in Decrees, BOC PCL is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the bail-in Decrees. There are also situations where the Group may enter into a settlement agreement. This may occur only if such settlement is in BOC PCL's interest (such settlement does not constitute an admission of wrongdoing) and only takes place after obtaining legal advice and all approvals by the appropriate bodies of management.

Provisions have been recognised for those cases where the Group is able to estimate probable losses. Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters as at 31 March 2022 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group. Details on the material ongoing cases are disclosed within the 2021 Annual Financial Report.

The Association for the Protection of Bank Borrowers (CYPRODAT) filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that BOC PCL and another bank have concerted in practices regarding the recent revisions of their commissions and charges. It also filed an application for an interim order which, if successful, would essentially freeze the implementation of the revised commissions and charges. The application for interim order was rejected by the CPC, however, the CPC reverted in April 2022 to inform BOC PCL of the initiation of an investigation with respect to this matter. This investigation is currently at a very early stage to predict its outcome.

G. Additional Risk & Capital Management disclosures

G.1 Additional Credit risk disclosures

The tables below present the analysis of loans and advances to customers in accordance with the EBA standards.

31 March 2022	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which NPEs			Total exposures with forbearance measures	Of which on NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**47,524**	**-**	-	-	**34**	**-**	-	-
Other financial corporations	**160,168**	**3,598**	11,586	3,469	**4,522**	**1,546**	1,671	1,444
Non-financial corporations	**5,315,131**	**266,452**	1,015,983	205,241	**142,704**	**116,205**	87,096	79,127
Of which: Small and Medium sized Enterprises[3](SMEs)	***4,202,199***	***117,419***	*729,967*	*65,973*	***79,479***	***58,558***	*35,742*	*29,771*
Of which: Commercial real estate[3]	***3,945,007***	***157,068***	*888,216*	*125,956*	***93,769***	***78,546***	*67,161*	*62,146*
Non-financial corporations by sector								
Construction	***576,899***	***28,025***			***22,734***			
Wholesale and retail trade	***944,739***	***35,785***			***24,879***			
Accommodation and food service activities	***1,157,721***	***4,298***			***4,594***			
Real estate activities	***1,123,074***	***103,789***			***32,283***			
Manufacturing	***379,496***	***15,802***			***8,842***			
Other sectors	***1,133,202***	***78,753***			***49,372***			
Households	**4,753,135**	**380,226**	380,275	220,005	**124,501**	106,179	63,902	57,710
Of which: Residential mortgage loans[3]	***3,739,377***	***321,182***	*329,433*	*192,014*	***85,084***	*77,337*	*49,514*	*45,458*
Of which: Credit for consumption[3]	***570,915***	***51,636***	*57,083*	*30,323*	***27,463***	*20,779*	*12,779*	*11,138*
	10,275,958	**650,276**	**1,407,844**	**428,715**	**271,761**	**223,930**	**152,669**	**138,281**
Loans and advances to customers classified as held for sale	**556,751**	**553,780**	**245,561**	**242,804**	**308,916**	**308,022**	**119,661**	**118,803**
Total on-balance sheet	**10,832,709**	**1,204,056**	**1,653,405**	**671,519**	**580,677**	**531,952**	**272,330**	**257,084**

[1] Excluding loans and advances to central banks and credit institutions.
[2] The residual fair value adjustment on initial recognition (which relates mainly to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired and bears a negative balance) is considered as part of the gross loans, therefore decreases the gross balance of loans and advances to customers.
[3] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

G. Additional Risk & Capital Management disclosures (continued)

G.1 Additional Credit risk disclosures (continued)

31 December 2021	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[4,5]	Of which NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which NPEs	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which on NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**45,357**	-	-	-	**29**	-	-	-
Other financial corporations	**127,889**	4,771	12,759	4,487	**3,393**	1,909	1,948	1,658
Non-financial corporations	**5,209,599**	277,309	1,009,094	215,157	**144,252**	115,869	86,847	79,329
Of which: Small and Medium sized Enterprises[6]	***4,052,571***	*123,558*	*734,362*	*71,269*	***83,757***	*60,892*	*39,263*	*32,499*
Of which: Commercial real estate[6]	***3,968,375***	*171,215*	*900,697*	*136,257*	***100,301***	*82,872*	*69,309*	*64,282*
Non-financial corporations by sector								
Construction	***512,952***	*28,418*			***21,224***			
Wholesale and retail trade	***964,891***	*40,457*			***28,586***			
Accommodation and food service activities	***1,137,443***	*4,323*			***3,351***			
Real estate activities	***1,210,664***	*106,841*			***31,821***			
Manufacturing	***326,535***	*14,354*			***8,094***			
Other sectors	***1,057,114***	*82,916*			***51,176***			
Households	**4,755,100**	434,041	430,007	238,066	**153,865**	136,902	70,667	64,589
Of which: Residential mortgage loans[6]	***3,734,448***	*369,147*	*372,141*	*208,387*	***112,711***	*105,764*	*56,145*	*52,219*
Of which: Credit for consumption[6]	***581,197***	*54,238*	*61,824*	*31,165*	***28,824***	*22,167*	*13,290*	*11,430*
	10,137,945	**716,121**	**1,451,860**	**457,710**	**301,539**	**254,680**	**159,462**	**145,576**
Loans and advances to customers classified as held for sale	**555,789**	**553,619**	**245,452**	**243,495**	**305,419**	**304,665**	**118,094**	**117,377**
Total on-balance sheet	**10,693,734**	**1,269,740**	**1,697,312**	**701,205**	**606,958**	**559,345**	**277,556**	**262,953**

[4] Excluding loans and advances to central banks and credit institutions.
[5] The residual fair value adjustment on initial recognition (which relates mainly to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired and bears a negative balance) is considered as part of the gross loans, therefore decreases the gross balance of loans and advances to customers.
[6] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain healthy capital adequacy ratios to cover the risks of its business and support its strategy and maximise shareholders' value.

The capital adequacy framework, as in force, was incorporated through the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) which came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD transposed the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions. It is directly applicable in all EU member states. CRD governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, member states were required to transpose the CRD into national law and national regulators were allowed to impose additional capital buffer requirements.

On 27 June 2019, the revised rules on capital and liquidity (Regulation (EU) 2019/876 (CRR II) and Directive (EU) 2019/878 (CRD V)) came into force. As an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities (MREL)), but most changes became effective as of June 2021. The key changes introduced consist of, among others, changes to qualifying criteria for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) instruments, introduction of requirements for MREL and a binding Leverage Ratio requirement (as defined in the CRR) and a Net Stable Funding Ratio (NSFR).

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020.

In October 2021, the European Commission adopted legislative proposals for further amendments to CRR, CRD IV and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package includes:

- a proposal for a Regulation (sometimes known as 'CRR III') to make amendments to CRR with regard to (amongst other things) requirements on credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;
- a proposal for a Directive (sometimes known as 'CRD VI') to make amendments to CRD IV with regard to (amongst other things) requirements on supervisory powers, sanctions, third-country branches and ESG risks; and
- a proposal for a Regulation to make amendments to CRR and the BRRD with regard to (amongst other things) requirements on the prudential treatment of G-SII groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the MREL requirements.

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The CET1 ratio of the Group as at 31 March 2022 stands at 14.64% and the Total Capital ratio at 19.56% on a transitional basis. The ratios as at 31 March 2022 include unaudited/un-reviewed profits for the three months ended 31 March 2022.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management (continued)

Minimum CET1 Regulatory Capital Requirements	2022	2021
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.83%	1.69%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum CET1 Regulatory Requirements	**10.08%**	**9.69%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	2022	2021
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.26%	3.00%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum Total Capital Regulatory Requirements	**15.01%**	**14.50%**

** Fully phased in as of 1 January 2019*

The minimum Pillar I total capital requirement ratio is 8.00% and may be met, in addition to the 4.50% CET1 requirement, with up to 1.50% by AT1 capital and with up to 2.00% by T2 capital.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). Applicable Regulation allows a part of the said Pillar II Requirements (P2R) to be met also with AT1 and T2 capital and does not require solely the use of CET1.

The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer (P2G).

In the context of the annual SREP conducted by the ECB in 2021 and based on the final 2021 SREP decision received in February 2022, the P2R was set at 3.26%, compared to the previous level of 3.00%. The additional P2R add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the P2R add-on takes into consideration Project Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are effective from 1 March 2022.

The Group is subject to a 3% Pillar I Leverage Ratio requirement.

The above minimum ratios apply for both BOC PCL and the Group.

The capital position of the Group and BOC PCL as at 31 March 2022 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CCyB rates in accordance with the methodology described in this law. The CBC has set the level of the CCyB rate for risk weighted exposures in Cyprus at 0.00% for the year 2021 as well as for the six months up to June 2022. The CCyB for the Group as at 31 March 2022 has been calculated at 0.00%.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the CBC initially set the O-SII Buffer at 2.00%, revised to 1.50% in November 2021 with effect from 1 January 2022. This buffer is being phased in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% every year thereafter, until being fully implemented. In April 2020, the CBC decided to delay the phasing in of the O-SII Buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, and following the revision to 1.50%, the O-SII Buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set, by 0.25% each year.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management (continued)

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA also announced that banks are temporarily allowed to operate below the level of capital defined by Pillar II Guidance (P2G), the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the CBR until end of 2022, without automatically triggering supervisory actions. In February 2022, the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated UCITS management company of the Group, BOC Asset Management Ltd, complies with the regulatory capital requirements of the Cyprus Securities & Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company. Class 2 IFs are subject to the new IFR/IFD regime in full.

The capital position of the Group and BOC PCL as at the reporting date (after applying the transitional arrangements) is presented below:

Regulatory capital	Group		BOC PCL	
	31 March 2022[7]	31 December 2021[8]	**31 March 2022[7]**	31 December 2021[8]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[9]	**1,545,521**	1,619,559	**1,528,089**	1,592,455
Transitional Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,065,521**	2,139,559	**2,048,089**	2,112,455
Risk weighted assets – credit risk[10]	**9,543,190**	9,678,741	**9,570,794**	9,697,351
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,015,488**	1,015,488	**995,450**	995,450
Total risk weighted assets	**10,558,678**	10,694,229	**10,566,244**	10,692,801
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**14.64**	15.14	**14.46**	14.89
Total Capital ratio	**19.56**	20.01	**19.38**	19.76
Leverage ratio	**7.12**	7.45	**7.05**	7.35

[7] Includes unaudited/un-reviewed profits for the three months ended 31 March 2022.

[8] As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.

[9] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €28,921 thousand for the Group and €25,221 thousand for BOC PCL as at 31 March 2022 (31 December 2021: €30,032 thousand for the Group and €26,452 thousand for BOC PCL). As at 31 March 2022 an amount of €14,669 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2021: €15,394 thousand).

[10] Includes Credit Valuation Adjustments (CVA).

G. Additional Risk & Capital Management (continued)

G.2 Capital management (continued)

The capital ratios of the Group and BOC PCL as at the reporting date on a fully loaded basis are presented below:

Fully loaded	Group		BOC PCL	
	31 March 2022[7,11]	31 December 2021[8,11]	**31 March 2022[7,11]**	31 December 2021[8,11]
	%	%	**%**	%
Common Equity Tier 1 ratio	**13.92**	13.75	**13.74**	13.49
Total capital ratio	**18.88**	18.69	**18.70**	18.43
Leverage ratio	**6.79**	6.80	**6.72**	6.70

During the three months ended 31 March 2022 CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2022, provisions and impairments and other movements, and was positively affected by pre-provision income and the decrease in risk-weighted assets. As a result, the CET1 ratio has decreased by 50 bps during the three months ended 31 March 2022.

The ECB, as part of its supervisory role, completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on BOC PCL's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021. There was no significant movement in the amount deducted since 31 December 2021. As a result of the prudential charge deducted from own funds as at 31 March 2022, the impact on the Group's CET1 ratio is 36 bps.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes. At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL, after which Old T2 Notes of €43 million remained outstanding.

At a meeting held on 30 November 2021, the Board of Directors resolved to exercise BOC PCL's option to redeem the remaining nominal amount outstanding of the Old T2 Notes. The outstanding Old T2 Notes were redeemed on 19 January 2022.

Transitional arrangements
The Group has elected in prior years to apply the 'static-dynamic' approach in relation to the transitional arrangements for the initial application of IFRS 9 for regulatory capital purposes, where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The cumulative impact on the capital position as at 31 December 2021 was 50% and as at 31 March 2022 was 75% of the impact on the impairment amounts from the initial application of IFRS 9. This will be fully phased in (100%) by 1 January 2023.

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

[11] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management (continued)

In relation to the temporary treatment of unrealized gains and losses for certain exposures measured at fair value through other comprehensive income, Regulation EU 2020/873 allows institutions to remove from their CET1 the amount of unrealized gains and losses accumulated since 31 December 2019, excluding those of financial assets that are credit-impaired. The relevant amount is removed at a scaling factor of 100% from January to December 2020, reduced to 70% from January to December 2021 and to 40% from January to December 2022. The Group applies the temporary treatment from the third quarter of 2020.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

In December 2021, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply by 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities.

The MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 18.69% of RWAs as at 31 March 2022 and at 9.54% of LRE as at 31 March 2022. The ratios as at 31 March 2022 include unaudited/un-reviewed profits for the three months ended 31 March 2022. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount which stood at 3.75% as at 31 March 2022 and is expected to increase to 4.00% on 1 January 2023.

The MREL requirement is in line with BOC PCL's expectations and funding plans.

G.3 Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP)

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2021 have been completed and submitted to the ECB at the end of April 2022 following approval by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results (with reference date 30 June and 30 September) as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy. Both the annual ICAAP for 2021 and the quarterly ICAAP reviews, undertaken in 2021, indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under a baseline and stress conditions scenarios.

The Group also undertakes a quarterly review for the ILAAP through quarterly stress tests submitted to the ALCO and the Risk Committee of the Board of Directors. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review identifies whether the Group has an adequate liquidity buffer to cover the stress outflows. The Group's ILAAP analysis demonstrates that the volume and capacity of liquidity resources available to the Group are adequate. Both the annual ILAAP for 2021 and the quarterly ILAAP reviews, undertaken in 2021, indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

The ECB, as part of its supervisory role, has been conducting the SREP and other inspections (onsite/ off-site/ targeted reviews/ deep-dives) on the Group. SREP is a holistic assessment of, amongst other things, the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of the SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. As a result of these supervisory processes, additional capital and other requirements could be imposed on the Group, including a revision of the level of Pillar II add-ons as the Pillar II add-ons capital requirements are a point-in-time assessment and therefore subject to change over time.

The Group is participating in 2022 in the ECB supervisory Climate Risk Stress Test that will assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. ECB considers the test as a learning exercise for banks and supervisors alike. It aims to identify vulnerabilities, best practices and challenges banks face when managing climate-related risk. This is not a pass-or-fail exercise, nor does it have direct implications for banks' capital levels. The results will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative point of view.

G. Additional Risk & Capital Management disclosures (continued)

G.4 Liquidity regulation

The Group has to comply with provisions on the Liquidity Coverage Ratio (LCR) under CRD IV/CRR (as supplemented by Delegated Regulations (EU) 2015/61), with the limit set at 100%. The Group has to also comply with the Net Stable Funding Ratio (NSFR) calculated as per the Capital Requirements Regulation II (CRR II), with the limit set at 100%.

The LCR is designed to promote the short-term resilience of a Group's liquidity risk profile by ensuring that it has sufficient high-quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

As at 31 March 2022, the Group was in compliance with all regulatory liquidity requirements. As at 31 March 2022, the LCR stood at 296% for the Group (compared to 298% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%. As at 31 March 2022 the Group's NSFR was 145% (compared to 147% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%.

G.5 Liquidity reserves

The below table sets out the Group's liquidity reserves:

Composition of the liquidity reserves	31 March 2022			31 December 2021		
	Internal Liquidity reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible		Internal Liquidity reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible	
		Level 1	Level 2A		Level 1	Level 2A
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	**9,163,111**	**9,163,111**	**-**	9,064,840	9,064,840	-
Placements with banks	**105,865**	**-**	**-**	118,752	-	-
Liquid investments	**511,099**	**358,882**	**97,699**	500,930	304,758	147,562
Available ECB Buffer	**44,851**	**-**	**-**	80,786	-	-
Total	**9,824,926**	**9,521,993**	**97,699**	9,765,308	9,369,598	147,562

Internal Liquidity Reserves present the total liquid assets as defined in BOC PCL's Liquidity Policy. Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 present the liquid assets as per the definition of the aforementioned regulation i.e. High-Quality Liquid Assets (HQLA).

Under Liquidity reserves as per LCR, balances in Nostro accounts and placements with banks are not included, as they are not considered HQLA (they are part of the LCR Inflows).

Liquid investments under the Liquidity reserves as per LCR are shown at market values reduced by standard weights as prescribed by the LCR regulation. Liquid investments under Internal Liquidity Reserves include additional unencumbered liquid bonds and are shown at market values net of haircuts based on ECB methodology and haircuts.

Current available ECB buffer is not part of the Liquidity reserves as per LCR.

Following the outbreak of COVID-19, the ECB has adopted a broad set of policy measures to mitigate the economic impact of the crisis and to ensure that its directly supervised banks can continue to fulfill their role in funding the real economy. A high-level description of the main measures which have a direct or indirect impact on the liquidity position of banks is set out below.

One of the measures announced, was that ECB would allow banks to operate below the defined level of 100% of the LCR. This measure was abolished at the end of 2021. The set of collateral easing measures adopted, resulted in increasing BOC PCL's borrowing capacity from the ECB operations and improving the liquidity buffers due to the lower haircuts applied to the ECB eligible collateral, that comprises of bonds and Additional Credit Claims (ACC). In relation to existing collateral, the ECB announced changes in collateral rules, temporarily accepting collaterals with a rating below investment grade, setting however a minimum acceptable rating level. The collateral easing packages are designed as temporary measures, with the exception of part of the haircut reduction on ACCs which is permanent. In March 2022, the ECB announced the steps for the gradual phasing out of the temporary pandemic collateral easing measures. The phasing out will be concluded in three steps starting from July 2022 and will be completed by March 2024.

G.5 Liquidity reserves (continued)

The package also contained measures that provided liquidity support to the euro area financial system, such as significant favourable amendments in the terms and characteristics of TLTRO III. The favourable TLTRO III borrowing terms are not expected to be extended post June 2022. Furthermore, a new series of additional longer-term refinancing operations, called Pandemic Emergency Longer-Term Refinancing Operations (PELTROs), was introduced. The last TLTRO III and PELTROs operations took place in December 2021.

H. Definitions & Explanations

Reconciliations of Alternative Performance Measures

Reconciliations between the calculations of non-IFRS performance measures and the most directly comparable IFRS measures which allow for the comparability of the underlying basis to statutory information are disclosed below:

1. (a) Reconciliation of Gross loans and advances to customers

	31 March 2022	31 December 2021
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined below)	**10,964,417**	10,856,660
Reconciling items:		
Residual fair value adjustment on initial recognition *(Note 1 below)*	**(99,459)**	(105,678)
Gross loans and advances to customers at amortised cost classified as held for sale	**(556,751)**	(555,789)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*)	**(19,092)**	(19,090)
Loans and advances to customers measured at fair value through profit or loss (Section F.3)	**(281,128)**	(281,868)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(31,072)**	(53,700)
Gross loans and advances to customers at amortised cost as per Section F.3	**9,976,915**	9,840,535

1. (b) Reconciliation of Gross Loans and advances to customers classified as held for sale

	31 March 2022	31 December 2021
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**575,843**	574,879
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*)	**(19,092)**	(19,090)
Loans and advances to customers classified as held for sale as per Section F.4	**556,751**	555,789

H. Definitions & Explanations (continued)

Reconciliations of Alternative Performance Measures (continued)

2. (a) Reconciliation of Allowance for expected credit losses on loans and advances to customers (ECL)

	31 March 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined below)	**734,060**	791,830
Reconciling items:		
Residual fair value adjustment on initial recognition *(Note 1 below)*	**(99,459)**	(105,678)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(31,072)**	(53,700)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Section F.6)	**(308,916)**	(305,419)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*)	**(19,092)**	(19,090)
Provisions for financial guarantees and commitments	**(21,675)**	(21,945)
Allowance for ECL for impairment of loans and advances to customers as per Section F.3	**253,846**	285,998

2. (b) Reconciliation of Allowance for expected credit losses on loans and advances to customers classified as held for sale (ECL)

	31 March 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**328,008**	324,509
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*)	**(19,092)**	(19,090)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per Section F.6	**308,916**	305,419

3. Reconciliation of NPEs

	31 March 2022	31 December 2021
	€000	€000
NPEs as per the underlying basis (as defined below)	**1,247,315**	1,343,308
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(553,780)**	(553,619)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale *(Note 3 below)*	**(19,029)**	(19,030)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(99,093)**	(122,972)
POCI (NPEs) *(Note 4 below)*	**(52,185)**	(70,814)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(2,816)**	(3,530)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**520,412**	573,343
NPE ratio		
NPEs (as per table above) (€000)	**1,247,315**	1,343,308
Gross loans and advances to customers (as per table above) (€000)	**10,964,417**	10,856,660
Ratio of NPE/Gross loans (%)	**11.4%**	12.4%

3. **Reconciliation of NPEs** (continued)

Note 1: *Residual fair value adjustment*
The residual fair value adjustment mainly relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balance of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balance of loans and advances to customers.

Note 2: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €474,404 thousand Stage 3 loans (31 December 2021: €474,459 thousand Stage 3 loans) and an amount of €79,376 thousand POCI - Stage 3 loans (out of a total of €79,449 thousand POCI loans) (31 December 2021: €79,160 thousand POCI - Stage 3 loans (out of a total of €79,255 thousand POCI loans)), as disclosed in Section F.5.

Note 3: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €2,218 thousand for Stage 3 loans (31 December 2021: €2,079 thousand for Stage 3 loans) and an amount of €16,811 thousand POCI – Stage 3 loans (out of a total of €16,812 thousand POCI loans) (31 December 2021: €16,951 thousand for POCI – Stage 3 loans (out of a total of €16,954 thousand POCI loans)), as disclosed in Section F.5.

Note 4: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €52,185 thousand POCI - Stage 3 loans (out of a total of €140,911 thousand POCI loans) (31 December 2021: €70,814 thousand POCI - Stage 3 loans (out of a total of €159,755 thousand POCI loans)) as disclosed in Section F.5.

4. **Reconciliation of Gross Loans – Pro forma**

	31 March 2022	31 December 2021
	€000	€000
Gross loans and advances to customers (as per table 1 (a) above)	**10,964,417**	10,856,660
Gross loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (as per table 1 (b) above)	**(575,843)**	(574,879)
Gross loans and advances to customers – pro forma	**10,388,575**	10,281,781

5. **Reconciliation of NPEs – Pro forma**

	31 March 2022	31 December 2021
	€000	€000
NPEs (as per table 3 above)	**1,247,315**	1,343,308
Reconciling items:		
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 2 of table 3 above*)	**(553,780)**	(553,619)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 3 of table 3 above*)	**(19,029)**	(19,030)
NPEs - pro forma	**674,506**	770,659

NPE ratio – Pro forma	**31 March 2022**	31 December 2021
	€000	€000
NPEs - Pro forma (as per table above) (€000)	**674,506**	770,659
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,388,575**	10,281,781
Ratio of NPE/Gross loans – Pro forma (%)	**6.5%**	7.5%

H. Definitions & Explanations (continued)

Ratios Information

1. Net Interest Margin

	Three months ended 31 March	
	2022	2021
1.1. Reconciliation of Net interest income	**€000**	€000
Net interest income as per the underlying basis/Unaudited Interim Consolidated Income Statement	**71,347**	76,356
Net interest income used in the calculation of NIM (annualised)	**289,352**	309,666

1.2. Interest earning assets	**31 March 2022**	31 December 2021
	€000	€000
Cash and balances with central banks	**9,329,711**	9,230,883
Loans and advances to banks	**312,967**	291,632
Loans and advances to customers	**10,004,197**	9,836,405
Loans and advances to customers held for sale	**247,836**	250,370
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP')	**302,036**	299,766
Investments		
Debt securities	**1,860,853**	1,930,388
Less: Investments which are not interest bearing	**(5,790)**	(5,534)
Total interest earning assets	**22,051,810**	21,833,910
1.3. Quarterly average interest earning assets (€000)		
- as at 31 March 2022	**21,942,860**	
- as at 31 March 2021	18,978,032	

1.4. Net interest margin	Three months ended 31 March	
	2022	2021
Net interest income (annualised) (as per table 1.1. above) (€000)	**289,352**	309,666
Quarterly average interest earning assets (as per table 1.3. above) (€000)	**21,942,860**	18,978,032
NIM (%)	**1.32%**	1.63%

H. Definitions & Explanations (continued)

Ratios Information (continued)

2. Operating profit return on average assets

The various components used in the determination of the operating profit return on average assets are provided below:

	31 March 2022	31 December 2021
	€000	€000
Total assets used in the computation of the operating profit return on average assets per the Unaudited Interim Consolidated Balance Sheet	**25,117,310**	24,962,697

	31 March 2022	31 March 2021
Annualised operating profit (€000)	**203,802**	181,875
Quarterly average total assets (€000)	**25,040,003**	22,278,861
Operating profit return on average assets (annualised) (%)	**0.8%**	0.8%

2. Return on tangible equity (ROTE) after tax and before non-recurring items

The various components used in the determination of 'Return on tangible equity (ROTE) after tax and before non-recurring items' are provided below:

	31 March 2022	31 March 2021
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis (annualized) (€000)	**112,201**	67,914
Quarterly average tangible total equity (as per table 3.2 below) (€000)	**1,663,217**	1,652,342
ROTE after tax and before non-recurring items (annualised) (%)	**6.7%**	4.1%

3.1 Tangible total equity	31 March 2022	31 December 2021
	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**1,849,287**	1,838,793
Less: Intangible assets (as per the statutory basis)	**(177,612)**	(184,034)
Tangible total equity	**1,671,675**	1,654,759
3.2 Quarterly average tangible total equity (€000)		
- as at 31 March 2022	**1,663,217**	
- as at 31 March 2021	1,652,342	

H. Definitions & Explanations (continued)

Advisory and other restructuring costs	Comprise mainly (a) fees of external advisors in relation to: (i) disposal of operations and non-core assets, and (ii) customer loan restructuring activities, and (b) the cost of the tender offer for the Old T2 Capital Notes, where applicable.
Allowance for expected loan credit losses (previously 'Accumulated provisions')	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale), (iii) allowance for expected credit losses for off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities, and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
AT1	AT1 (Additional Tier 1) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Basic earnings/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company)	Basic earnings/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company) is the Profit/(loss) after tax and before non-recurring items (as defined below) (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the period, excluding treasury shares.
Carbon neutral	The reduction and balancing (through a combination of offsetting investments or emission credits) of greenhouse gas emissions **from own operations**.
CET1 capital ratio (transitional basis)	CET1 capital ratio (transitional basis) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
CET1 fully loaded (FL) ratio	The CET1 fully loaded (FL) ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Cost to Income ratio	Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined).
Data from the Statistical Service	The latest data from the Statistical Service of the Republic of Cyprus, Cyprus Statistical Service, was published on 17 May 2022.
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
ECB	European Central Bank

H. Definitions & Explanations (continued)

Gross loans	Gross loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €149 mn at 31 March 2022 (compared to €178 mn at 31 December 2021). Additionally, gross loans include loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment of €312 mn at 31 March 2022 (compared to €336 mn at 31 December 2021).
Group	The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or the "Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries.
Legacy exposures	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company minus intangible assets.
Leverage Ratio Exposure (LRE)	Leverage Ratio Exposure (LRE) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended.
Loan credit losses (PL) (previously 'Provision charge')	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the reporting period/year.
Loan credit losses charge (previously 'Provisioning charge') (cost of risk)	Loan credit losses charge (cost of risk) (year to date) is calculated as the annualised 'loan credit losses' (as defined) divided by average gross loans. The average gross loans are calculated as the average of the opening balance and the closing balance, for the reporting period/year.
Market Shares	Both deposit and loan market shares are based on data from the CBC. The Bank is the single largest credit provider in Cyprus with a market share of 41.9% at 31 March 2022, compared to 38.8% at 31 December 2021. The increase in 1Q is mainly due to a reduction in loans in the banking system.
MSCI ESG Rating	The use by the Company and the Bank of any MSCI ESG Research LLC or its affiliates ('MSCI') data, and the use of MSCI Logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation or promotion of the Company or the Bank by MSCI. MSCI Services and data are the property of MSCI or its information providers and are provided "as-is" and without warranty. MSCI Names and logos are trademarks or service marks of MSCI.
Net fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits.

H. Definitions & Explanations (continued)

Net Stable Funding Ratio (NSFR)	The NSFR is calculated as the amount of “available stable funding” (ASF) relative to the amount of “required stable funding” (RSF). The regulatory limit, enforced in June 2021, has been set at 100% as per the CRR II.
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year to date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), Insurance income net of claims and commissions, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.
Non-performing exposures (NPEs)	As per the European Banking Authorities (EBA) standards and European Central Bank’s (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), non-performing exposures (NPEs) are defined as those exposures that satisfy one of the following conditions: (i) The borrower 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. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy. (iii) Material exposures as set by the CBC, which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/RTS/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter. For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing. For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing. Material arrears/excesses are defined as follows: (a) Retail exposures: Total arrears/excess amount greater than €100, (b) Exposures other than retail: Total arrears/excess amount greater than €500 and the amount in arrears/excess in relation to the customer’s total exposure is at least 1%. For further information please refer to the Annual Financial Report 2021.

H. Definitions & Explanations (continued)

Non-recurring items	Non-recurring items as presented in the 'Unaudited Interim Condensed Consolidated Income Statement – Underlying basis' relate to the following items, as applicable: (i) Advisory and other restructuring costs - organic, (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs relating to the Voluntary Staff Exit Plan.
NPE coverage ratio (previously 'NPE Provisioning coverage ratio')	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
NPE sales	NPE sales refer to sales of NPE portfolios completed, as well as contemplated and potential future sale transactions, irrespective of whether or not they met the held for sale classification criteria at the reporting dates.
Operating profit	The operating profit comprises profit before Total loan credit losses, impairments and provisions (as defined), tax, (profit)/loss attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Phased-in Capital Conservation Buffer (CCB)	In accordance with the legislation in Cyprus which has been set for all credit institutions, the applicable rate of the CCB is 1.25% for 2017, 1.875% for 2018 and 2.5% for 2019 (fully phased-in).
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined).
Profit/(loss) after tax – organic (attributable to the owners of the Company)	This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined, except for the 'advisory and other restructuring costs – organic').
Pro forma for HFS (held for sale)	References to pro forma figures and ratios as at 31 March 2022 (and 31 December 2021) refer to Project Helix 3 and Project Sinope. They are based on 31 March 2022 (and 31 December 2021) underlying basis figures and assume their completion, currently expected to occur in 2H2022 and 2Q2022 respectively, which remain subject to customary regulatory and other approvals. References to pro forma figures and ratios as at 31 March 2021 (and 31 December 2020) refer to Project Helix 2, which was completed in June 2021.
Project Helix	Project Helix refers to the sale of a portfolio of loans with a gross book value of €2.8 bn completed in June 2019.
Project Helix 2	Project Helix 2 refers to the sale of portfolios of loans with a total gross book value of €1.3 bn completed in June 2021. For further information please refer to section A.1.5 'Loan portfolio quality'.
Project Helix 3	Project Helix 3 refers to the agreement the Group reached in November 2021 for the sale of a portfolio of NPEs with gross book value of €568 mn, as well as real estate properties with book value of c.€120 mn as at 30 September 2021. For further information please refer to section A.1.5 Loan portfolio quality.
Project Sinope	Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021. For further information please refer to section A.1.5 'Loan portfolio quality'.

H. Definitions & Explanations (continued)

Quarterly average interest earning assets	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. Average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable. Interest earning assets include: cash and balances with central banks (including cash and balances with central banks classified as non-current assets held for sale), plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus 'deferred consideration receivable' included within 'other assets', plus investments (excluding equities and mutual funds).
Qoq	Quarter on quarter change
Special levy on deposits and other levies/contributions	Relates to the special levy on deposits of credit institutions in Cyprus, contributions to the Single Resolution Fund (SRF), contributions to the Deposit Guarantee Fund (DGF), as well as the DTC levy, where applicable.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy on deposits and other levies/contributions. It does not include (i) 'advisory and other restructuring costs-organic', (ii) restructuring costs relating to NPE sales, or (iii) restructuring costs relating to the Voluntary Staff Exit Plan. (i) 'Advisory and other restructuring costs-organic' amounted to €1 mn for 1Q2022 (compared to €3 mn for 4Q2021 and €3 mn for 1Q2021), (ii) Restructuring costs relating to NPE sales for 1Q2022 amounted to €1 mn (compared to €0.2 mn for 4Q2021 and €4 mn for 1Q2021), and (iii) Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) for 1Q2022 amounted to €3 mn (compared to €16 mn for 4Q2021).
Total income	Total income comprises net interest income and non-interest income (as defined).
Total loan credit losses, impairments and provisions	Total loan credit losses, impairments and provisions comprises loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus (provisions)/net reversals for litigation, claims, regulatory and other matters.
Underlying basis	This refers to the statutory basis after being adjusted for certain items as explained in the Basis of Presentation.
Write offs	Loans together with the associated loan credit losses are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.
Yoy	Year on year change

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings” or “the Company”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” or “BOC PCL”, and together with the Bank’s subsidiaries, the “Group”, for the quarter ended 31 March 2022.

At 31 December 2016, the Bank was listed on the Cyprus Stock Exchange (CSE) and the Athens Exchange. On 18 January 2017, BOC Holdings, incorporated in Ireland, was introduced in the Group structure as the new holding company of the Bank. On 19 January 2017, the total issued share capital of BOC Holdings was admitted to listing and trading on the LSE and the CSE.

Financial information presented in this announcement is being published for the purposes of providing an overview of the Group financial results for the quarter 31 March 2022.

The financial information in this announcement does not constitute statutory financial statements of BOC Holdings within the meaning of section 340 of the Companies Act 2014. The Group statutory financial statements for the year ended 31 December 2021, upon which the auditors have given an unqualified report, were published on 30 March 2022 and are expected to be delivered to the Registrar of Companies of Ireland within 56 days of 30 September 2022. The Board of Directors approved the Group statutory financial statements for the quarter ended 31 March 2022 on 18 May 2022.

Statutory basis: Statutory information is set out on pages 33-37. However, a number of factors have had a significant effect on the comparability of the Group’s financial position and performance. Accordingly, the results are also presented on an underlying basis.

Underlying basis: The financial information presented under the underlying basis provides an overview of the Group financial results for the quarter ended 31 March 2022, which the management believes best fits the true measurement of the financial performance and position of the Group. For further information, please refer to ‘Commentary on Underlying Basis’ on page 7. The statutory results are adjusted for certain items (as described on page 38) to allow a comparison of the Group’s underlying financial position and performance, as set out on pages 4-6.

The financial information included in this announcement is neither reviewed nor audited by the Group’s external auditors.

This announcement and the presentation for the Group Financial Results for the quarter ended 31 March 2022 have been posted on the Group’s website www.bankofcyprus.com (Group/Investor Relations/Financial Results).

Definitions: The Group uses definitions in the discussion of its business performance and financial position which are set out in section H, together with explanations.

The Group Financial Results for the quarter ended 31 March 2022 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

Forward Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as "expect", "should be", "will be" and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Group's near term, medium term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments, information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic and ongoing challenges and uncertainties posed by the COVID-19 pandemic for businesses and governments around the world. The Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has already caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects to the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.

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The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing 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. At 31 March 2022, the Bank of Cyprus Group operated through a total of 86 branches in Cyprus, of which 11 operated as cash offices. Bank of Cyprus also has representative offices in Russia, Ukraine and China. At 31 March 2022, the Group's Total Assets amounted to €25.1 bn and Total Equity was €2.1 bn. The Bank of Cyprus Group employed 3,395 staff worldwide. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.