Bank of Cyprus Holdings

Announcement

Group Financial Results for the six months ended 30 June 2024

Nicosia, 8 August 2024

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014, (including, as it forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018 of the United Kingdom).

Key Highlights for the six months ended 30 June 2024

Strong economic growth continues

- GDP projected to grow by c. 2.9%[1] in 2024 outpacing Euro area average
- Strong new lending of €1.2 bn, up 10% yoy
- Gross performing loan book at €10.1 bn, up 3% since December 2023

Delivered ROTE of 23.7% in 1H2024

- NII at €420 mn in 1H2024 up 17% yoy; 2Q2024 NII at €207 mn, down 3% qoq mainly reflecting increased hedging activity
- Total operating expenses[2] up 4% yoy to €167 mn, impacted by inflation; cost to income ratio[2] at 30% down 2 p.p. yoy
- Profit after tax of €270 mn up 23% yoy, of which €137 mn in 2Q2024 up 4% qoq
- Basic earnings per share of €0.61 for 1H2024 (vs €0.49 for 1H2023)

Liquid and resilient balance sheet

- NPE ratio at 2.8% (0.4% on a net basis) down 60 bps qoq
- NPE coverage at 85%; cost of risk at 31 bps
- Retail funded deposit base at €19.7 bn, up 3% yoy and 2% qoq
- Highly liquid balance sheet with €7.3 bn placed at the ECB; TLTRO fully repaid in June 2024
- In compliance with 2024 final MREL target post successful issuance of €300 mn Green Senior Preferred Notes in April 2024

Robust capital and shareholder focus

- CET1 ratio and Total Capital ratio at 18.3% and 23.3% respectively
- CET1 generation[3] of 214 bps in 1H2024; of which 129 bps in 2Q2024
- Tangible book value per share of €5.27[4] as at 30 June 2024 up 21% yoy
- Distribution yield at 8%[5]; €112 mn cash dividend paid in June 2024 and €25 mn buyback launched in April 2024

Long-term deposit rating upgraded by Moody's to Baa1 in July 2024; 2 notches above investment grade

1. Source: Cyprus' Ministry of Finance; projections as of May 2024
2. Excluding special levy on deposits and other levies/contributions
3. Increase in CET1 ratio (pre-distribution)
4. Shareholder's equity (excluding other equity instruments) minus intangible assets/ divided by the number of ordinary shares less the shares held as treasury as at the quarter end
5. Based on the share price as at the date of the announcement of distribution on 20 March 2024

*Key Highlights are based on the financial results on an 'Underlying Basis'.

Group Chief Executive Statement

"We are pleased to announce that we delivered another quarter of strong profitability, demonstrating the sustainability of our business model. For the sixth consecutive quarter, we achieved a ROTE of over 20%, comfortably exceeding our 2024 targets set in February 2024. This strong performance was the outcome of resilient net interest income evolution, continued cost discipline amid inflationary pressures and a low cost of risk. Overall, we recorded earnings per share of €0.61 during the first half, delivering strong shareholder value creation, with tangible book value per share improving by 21% year on year to €5.27.

Our capital position remains robust; rapid capital build-up drove our CET1 ratio to 18.3% and Total Capital ratio to 23.3% net of distribution accrual[1] as at 30 June 2024. Our asset quality is healthy and continues to improve with the NPE ratio falling below 3% for the first time.

The Cypriot economy continues to display strength and resilience against the backdrop of geopolitical uncertainty. In 2024, GDP is forecast to grow by c.2.9%[2] and is expected to outpace the Eurozone average.

Our strong financial and operational performance is also being reflected in higher credit ratings, with recent upgrades from Moody's, Fitch and S&P. This includes a two-notch upgrade from Moody's to the Bank's long-term deposit rating to Baa1, two notches above investment grade, representing the highest long-term deposit rating for the Bank since 2011.

Capitalising on this strong performance, and on the back of a supportive macroeconomic environment we are upgrading today our 2024 and 2025 financial targets. We now expect that reported ROTE will exceed 19% for 2024, and be mid-teens in 2025, facilitating strong CET1 generation of over 300 bps per annum before distributions.

Our commitment to delivering sustainable shareholder returns is demonstrated by the distribution of €137 mn in respect of 2023 earnings comprising a cash dividend of €112 mn that was paid in June 2024 and a share buyback of up to €25 mn that was launched in April 2024. Looking forward, we are now targeting a distribution towards the higher end of our payout ratio range (i.e 50%) for 2024, subject to market conditions and required approvals. Given our strong capital generation, we will review our distribution policy alongside full year 2024 results in the context of prevailing market conditions.

At Bank of Cyprus we regularly evaluate how best to position the Group to deliver sustainable value to shareholders. One of the matters we have been assessing is how best to enhance the Group's market visibility, making it more accessible to a new pool of investors. In this spirit, the Board has reached the view that a listing on the Athens Stock Exchange (ATHEX) in conjunction with a delisting from the London Stock Exchange (LSE), will yield a number of long-term strategic and capital market benefits. In the coming weeks we will outline why we are recommending the above, with a proposal to be put to shareholders at a forthcoming EGM to be convened in due course.

We are pleased with the progress we have made so far but remain focused on delivering for all our key stakeholders. We continue to execute our strategy, solidifying our position of strength with a clear focus on supporting our customers, delivering shareholder value and supporting the growth of the Cypriot economy."

Panicos Nicolaou

1. In line with Commission Delegated Regulation (EU) No 241/2014 principles. The distribution accrual does not constitute an approval or a decision by the Bank with respect to distribution payments for 2024.
2. Source: Cyprus' Ministry of Finance; projections as of May 2024

A. Group Financial Results – Statutory Basis

Interim Consolidated Income Statement for the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	€000	€000
Interest income	**504,330**	403,852
Income similar to interest income	**67,456**	22,172
Interest expense	**(87,237)**	(56,083)
Expense similar to interest expense	**(64,666)**	(11,599)
Net interest income	**419,883**	358,342
Fee and commission income	**89,872**	93,879
Fee and commission expense	**(3,657)**	(4,275)
Net foreign exchange gains	**13,034**	15,839
Net gains on financial instruments	**729**	5,680
Net gains on derecognition of financial assets measured at amortised cost	**1,106**	5,861
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**(311)**	263
Net insurance service result	**34,949**	34,086
Net reinsurance service result	**(11,863)**	(9,788)
Net (losses)/gains from revaluation and disposal of investment properties	**(1,257)**	788
Net gains on disposal of stock of property	**2,584**	3,906
Other income	**5,218**	12,200
Total operating income	**550,287**	516,781
Staff costs	**(96,135)**	(93,043)
Special levy on deposits and other levies/contributions	**(18,784)**	(18,236)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	**(2,562)**	(14,148)
Other operating expenses	**(70,989)**	(70,456)
Operating profit before credit losses and impairment	**361,817**	320,898
Credit losses on financial assets	**(17,471)**	(36,772)
Impairment net of reversals on non-financial assets	**(24,760)**	(23,206)
Profit before tax	**319,586**	260,920
Income tax	**(48,203)**	(39,768)
Profit after tax for the period	**271,383**	221,152
Attributable to:		
Owners of the Company	**270,353**	220,247
Non-controlling interests	**1,030**	905
Profit for the period	**271,383**	221,152
Basic profit per share attributable to the owners of the Company (€ cent)	**60.6**	49.4
Diluted profit per share attributable to the owners of the Company (€ cent)	**60.4**	49.3

A. Group Financial Results – Statutory Basis

Interim Consolidated Balance Sheet as at 30 June 2024

	30 June 2024	31 December 2023
Assets	**€000**	€000
Cash and balances with central banks	**7,287,221**	9,614,502
Loans and advances to banks	**384,112**	384,802
Reverse repurchase agreements	**1,014,858**	403,199
Derivative financial assets	**67,112**	51,055
Investments at FVPL	**119,201**	135,275
Investments at FVOCI	**410,437**	443,420
Investments at amortised cost	**3,429,116**	3,116,714
Loans and advances to customers	**10,084,967**	9,821,788
Life insurance business assets attributable to policyholders	**722,582**	649,212
Prepayments, accrued income and other assets	**596,292**	584,919
Stock of property	**763,913**	826,115
Investment properties	**55,614**	62,105
Deferred tax assets	**202,717**	201,268
Property and equipment	**282,342**	285,568
Intangible assets	**45,686**	48,635
Total assets	**25,466,170**	26,628,577
Liabilities		
Deposits by banks	**405,438**	471,556
Funding from central banks	**-**	2,043,868
Derivative financial liabilities	**21,966**	17,980
Customer deposits	**19,722,692**	19,336,915
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**(7,261)**	-
Insurance contract liabilities	**702,196**	658,424
Accruals, deferred income, other liabilities and other provisions	**563,284**	469,265
Provisions for pending litigations, claims, regulatory and other matters	**111,470**	131,503
Debt securities in issue	**970,790**	671,632
Subordinated liabilities	**313,009**	306,787
Deferred tax liabilities	**32,934**	32,306
Total liabilities	**22,836,518**	24,140,236
Equity		
Share capital	**44,481**	44,620
Share premium	**594,358**	594,358
Revaluation and other reserves	**88,628**	89,920
Retained earnings	**1,659,916**	1,518,182
Equity attributable to the owners of the Company	**2,387,383**	2,247,080
Other equity instruments	**220,000**	220,000
Non-controlling interests	**22,269**	21,261
Total equity	**2,629,652**	2,488,341
Total liabilities and equity	**25,466,170**	26,628,577

B. Group Financial Results – Underlying Basis

Interim Consolidated Income Statement

€ mn	1H2024	1H2023	2Q2024	1Q2024	qoq +%	yoy +%
Net interest income	420	358	207	213	-3%	17%
Net fee and commission income	86	90	44	42	5%	-4%
Net foreign exchange gains and net gains on financial instruments	13	21	6	7	-20%	-38%
Net insurance result	23	25	13	10	30%	-7%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	2	5	1	1	39%	-72%
Other income	5	12	2	3	-22%	-57%
Total income	**549**	**511**	**273**	**276**	**-1%**	**7%**
Staff costs	(96)	(93)	(48)	(48)	1%	3%
Other operating expenses	(71)	(69)	(38)	(33)	15%	4%
Special levy on deposits and other levies/contributions	(19)	(18)	(8)	(11)	-38%	3%
Total expenses	**(186)**	**(180)**	**(94)**	**(92)**	**1%**	**4%**
Operating profit	**363**	**331**	**179**	**184**	**-2%**	**9%**
Loan credit losses	(16)	(24)	(9)	(7)	28%	-36%
Impairments of other financial and non-financial assets	(25)	(30)	(17)	(8)	90%	-16%
Provisions for pending litigations, regulatory and other matters (net of reversals)	(3)	(14)	7	(10)	-174%	-82%
Total loan credit losses, impairments and provisions	**(44)**	**(68)**	**(19)**	**(25)**	**-29%**	**-37%**
Profit before tax and non-recurring items	**319**	**263**	**160**	**159**	**2%**	**21%**
Tax	(48)	(40)	(23)	(25)	-7%	21%
Profit attributable to non-controlling interests	(1)	(1)	0	(1)	-22%	14%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**270**	**222**	**137**	**133**	**4%**	**22%**
Advisory and other transformation costs – organic	-	(2)	-	-	-	-100%
Profit after tax (attributable to the owners of the Company)	**270**	**220**	**137**	**133**	**4%**	**23%**

B. Group Financial Results – Underlying Basis (continued)

Interim Consolidated Income Statement- Key Performance Ratios

Key Performance Ratios	1H2024	1H2023	2Q2024	1Q2024	qoq±%	yoy±%
Net Interest Margin (annualised)	3.66%	3.17%	3.68%	3.70%	-2 bps	49 bps
Net Interest Margin (annualised) excluding TLTRO III	3.79%	3.48%	3.70%	3.90%	-20 bps	31 bps
Cost to income ratio	34%	35%	34%	33%	1 p.p.	-1 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	30%	32%	32%	29%	3 p.p.	-2 p.p.
Operating profit return on average assets (annualised)	2.8%	2.6%	2.9%	2.9%	-	0.2 p.p.
Basic earnings per share attributable to the owners of the Company (€ cent)[1]	0.61	0.49	0.31	0.30	0.01	0.12
Return (annualised) on tangible equity (ROTE)	23.7%	24.0%	23.7%	23.6%	0.1 p.p.	-0.3 p.p.
Return (annualised) on tangible equity (ROTE) on 15% CET1 ratio[2]	29.6%	25.3%	29.9%	29.1%	0.8 p.p.	4.3 p.p.
Tangible book value per share[3] (€)	5.27	4.34	5.27	5.23	0.04	0.93
Tangible book value per share excluding cash dividend	5.27	4.34	5.27	4.98	0.29	0.93

1. The diluted earnings per share attributable to the owners of the Company for 2Q2024 amounted to €0.31 and €0.60 for 1H2024
2. Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised - (based on year - to - date days), divided by the quarterly average of Shareholders' equity minus intangible assets and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible shareholders' equity
3. Tangible book value per share is calculated based on number of shares in issue at the end of the period, excluding treasury shares

p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Commentary on Underlying Basis

The financial information presented in this Section provides an overview of the Group financial results for the six months ended 30 June 2024 on the 'underlying basis' which management believes best fits the true measurement of the performance and position of the Group, as this presents separately any non-recurring items and also includes certain reclassifications of items, other than non-recurring items, which are done for presentational purposes under the underlying basis for aligning the presentation with items of a similar nature.

Reconciliations between the statutory basis and the underlying basis to facilitate the comparability of the underlying basis to the statutory information, are included in Section B.1 'Reconciliation of Interim Consolidated Income statement for the six months ended 30 June 2024 between statutory and underlying basis' and in 'Alternative Performance Measures' of the Interim Financial Report 2024.

B. Group Financial Results– Underlying Basis (continued)

Interim Consolidated Balance Sheet

€ mn	30.06.2024	31.12.2023	±%
Cash and balances with central banks	**7,287**	**9,615**	-24%
Loans and advances to banks	**384**	**385**	0%
Reverse repurchase agreements	**1,015**	**403**	152%
Debt securities, treasury bills and equity investments	**3,959**	**3,695**	7%
Net loans and advances to customers	**10,085**	**9,822**	3%
Stock of property	**764**	**826**	-8%
Investment properties	**56**	**62**	-10%
Other assets	**1,916**	**1,821**	5%
Total assets	**25,466**	**26,629**	**-4%**
Deposits by banks	**405**	**472**	-14%
Funding from central banks	**-**	**2,044**	-100%
Customer deposits	**19,723**	**19,337**	2%
Debt securities in issue	**971**	**672**	45%
Subordinated liabilities	**313**	**307**	2%
Other liabilities	**1,425**	**1,309**	9%
Total liabilities	**22,837**	**24,141**	**-5%**

Shareholders' equity	**2,387**	**2,247**	**6%**
Other equity instruments	220	220	**-**
Total equity excluding non-controlling interests	**2,607**	**2,467**	**6%**
Non-controlling interests	22	21	**5%**
Total equity	**2,629**	**2,488**	**6%**
Total liabilities and equity	**25,466**	**26,629**	**-4%**

Key Balance Sheet figures and ratios	30.06.2024	31.12.2023	±
Gross loans (€ mn)	**10,318**	**10,070**	2%
Allowance for expected loan credit losses (€ mn)	**251**	**267**	-6%
Customer deposits (€ mn)	**19,723**	**19,337**	2%
Loans to deposits ratio (net)	**51%**	**51%**	-
NPE ratio	**2.8%**	**3.6%**	-80 bps
NPE coverage ratio	**85%**	**73%**	+12 p.p.
Leverage ratio	**10.1%**	**9.1%**	+100 bps
Capital ratios and risk weighted assets	**30.06.2024 (Regulatory)[1]**	**31.12.2023 (Regulatory)[2]**	**±**
Common Equity Tier 1 (CET1) ratio (transitional)	**18.3%**	**17.4%**	+80 bps
Total capital ratio (transitional)	**23.3%**	**22.4%**	+90 bps
Risk weighted assets (€ mn)	**10,580**	**10,341**	+2%

1. Includes reviewed profits for 1H2024 net of distribution accrual (refer to B.2.1 'Capital Base'). Any recommendation for a distribution is subject to regulatory approval
2. Includes profits for the year ended 31 December 2023 net of distribution at 30% payout ratio, following ECB approval in March 2024 (refer to section B.2.1)
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

B. Group Financial Results– Underlying Basis (continued)

B.1 Reconciliation of Interim Consolidated Income Statement for the six months ended 30 June 2024 between the statutory and underlying basis

€ million	**Underlying basis**	**Other**	**Statutory basis**
Net interest income	420	-	420
Net fee and commission income	86	-	86
Net foreign exchange gains and net gains on financial instruments	13	-	13
Net gains on derecognition of financial assets measured at amortised cost	-	1	1
Net insurance result*	23	-	23
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	2	-	2
Other income	5	-	5
Total income	**549**	**1**	**550**
Total expenses	**(186)**	**(3)**	**(189)**
Operating profit	**363**	**(2)**	**361**
Loan credit losses	(16)	16	-
Impairment of other financial and non-financial assets	(25)	25	-
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(3)	3	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(42)	(42)
Profit before tax and non-recurring items	**319**	**-**	**319**
Tax	(48)	-	(48)
Profit attributable to non-controlling interests	(1)	-	(1)
Profit after tax (attributable to the owners of the Company)	**270**	**-**	**270**

* Net insurance result per underlying basis comprises the aggregate of captions '*Net insurance finance income/(expense) and net reinsurance finance income/(expense)', 'Net insurance service result'* and *'Net reinsurance service result'* per the statutory basis.

The reclassification differences between the statutory basis and the underlying basis are explained below:

- '*Net gains on derecognition of financial assets measured at amortised cost*' of €1 million under the statutory basis comprise net gains on derecognition of loans and advances to customers included in '*Loan credit losses*' under the underlying basis as to align their presentation with the loan credit losses on loans and advances to customers.

- Provisions for pending litigations, claims, regulatory and other matters amounting to €3 million presented within '*Operating profit before credit losses and impairment*' under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

- '*Credit losses on financial assets' and 'Impairment net of reversals on non-financial assets'* under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €17 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial assets of €0.3 million and impairment net of reversals of non-financial assets of €25 million, which are included in 'Impairment of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

B.2 Balance Sheet Analysis

B.2.1 Capital Base

Total equity excluding non-controlling interests totalled €2,607 mn as at 30 June 2024 compared to €2,601 mn as at 31 March 2024 and to €2,467 mn as at 31 December 2023. Shareholders' equity totalled to €2,387 mn as at 30 June 2024 compared to €2,381 mn as at 31 March 2024 and to €2,247 mn as at 31 December 2023.

The **regulatory Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 18.3% as at 30 June 2024 compared to 17.1% as at 31 March 2024 (or 17.6% when including retained earnings and after distribution accrual for 1Q2024) and to 17.4% as at 31 December 2023. Throughout this announcement, the regulatory capital ratios as at 30 June 2024 include reviewed profits for the six months ended 30 June 2024 in line with the ECB Decision (EU) (2015/656) on the recognition of interim or year-end profits in CET1 capital in accordance with Article 26(2) of the CRR, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles (such ratios are referred to as regulatory). As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual in respect of 2024 earnings does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made. Since September 2023, a charge is deducted from own funds in relation to the ECB prudential expectations for NPEs, which amounted to 26 bps as at 30 June 2024, compared to 32 bps as at 31 March 2024 and as at 31 December 2023. A prudential charge in relation to an onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which was 7 bps on Group's CET1 ratio as at 30 June 2024 (compared to 10 bps on Group's CET1 ratio as at 31 March 2024 and to 12 bps as at 31 December 2023). In addition, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 30 June 2024, the impact of these requirements was 47 bps on Group's CET1 ratio, compared to 41 bps as at 31 March 2024 and to 24 bps as at 31 December 2023. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

The **regulatory Total Capital ratio on a transitional basis** stood at 23.3% as at 30 June 2024 compared to 22.0% as at 31 March 2024 (or 22.5% when including retained earnings and after distribution accrual for 1Q2024) and to 22.4% as at 31 December 2023.

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

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from 30 November 2023. Further, in June 2023, the CBC announced an additional increase of 0.50% in the CcyB of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from June 2024, increasing the CcyB to 1.00%. As a result, the CcyB for the Group as at 30 June 2024 amounted to c.0.94%.

The Bank has been designated as an Other Systemically Important Institution (O-SII) by the Central Bank of Cyprus (CBC) in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015 and the relevant buffer increased by 37.5 bps to 1.875% on 1 January 2024. In April 2024, following a revision by the CBC of its policy for the designation of credit institutions that meet the definition of O-SII institutions and the setting of O-SII buffer to be observed, the Group's O-SII buffer has been reduced to 2.00% on 1 January 2026 (from the previous assessment of 2.25% on 1 January 2025) to be phased by 6.25 bps annually, to 1.9375% on 1 January 2025 and 2.00% as of 1 January 2026 from the current level of 1.875%.

As at 30 June 2024, the Group's minimum phased-in CET1 capital ratio requirement is set at **11.36%**, comprising a 4.50% Pillar I requirement, a 1.55% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and CcyB of c.0.94%. Likewise, the Group's minimum phased-in Total Capital ratio requirement is set at **16.06%,** 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 2.75% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and the CcyB of c.0.94%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to previous year.

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.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.1 Capital Base (continued)

The Group's minimum phased-in CET1 capital ratio requirement as at 31 December 2023 was set at **10.72%**, comprising a 4.50% Pillar I requirement, a 1.73% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%. The Group's minimum phased-in Total Capital ratio requirement was set at **15.56%**, 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 3.08% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%. Following the annual SREP performed by the ECB in 2022, ECB has also maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) for 2023 unchanged compared to 2022.

Distributions

In April 2023, the Company obtained the approval of the ECB to pay a dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. This was the first dividend payment after 12 years underpinning the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

In March 2024, the Company obtained the approval of the ECB to pay a cash dividend and to conduct a share buyback (together the 'Distribution'). The Distribution corresponded to a 30% payout ratio of FY2023 adjusted recurring profitability and amounted to €137 mn in total, comprising a cash dividend of €112 mn and a share buyback of up to €25 mn. The proposed final dividend of €0.25 per ordinary share was declared at the Annual General Meeting ('AGM') which was held on 17 May 2024. The dividend was paid in cash on 14 June 2024.

In April 2024, the Group launched its inaugural programme to buy back ordinary shares in the Company for an aggregate consideration of up to €25 mn (the 'Programme'). The purpose of the Programme is to reduce the Company's share capital and therefore shares purchased under the Programme will be cancelled. The Company has entered into non-discretionary agreements with Numis Securities Limited (trading as 'Deutsche Numis') and The Cyprus Investment and Securities Corporation Ltd ('CISCO') acting as joint lead managers, to conduct the Programme and to repurchase Shares on the Company's behalf and to make trading decisions under the Programme independently of the Company in accordance with certain pre-set parameters. The Programme takes place on both the London Stock Exchange and the Cyprus Stock Exchange and may continue until 14 March 2025 subject to market conditions, the ongoing capital requirements of the business and early termination rights customary for a transaction of this nature. The implementation of the share buyback programme complies with the Company's general authority to repurchase the Company's ordinary shares as approved by shareholders at the Company's AGM on 17 May 2024, and with the terms of the approval received from the ECB. The maximum number of shares that may be repurchased under the ECB approval is 1.6% of the total outstanding shares as at 31 December 2023 (i.e. up to 7,343,249 Shares).

The Distribution in respect of 2023 earnings was equivalent to c.130 bps on CET1 ratio as at 31 December 2023.

Distribution policy

The Group aims to provide a sustainable return to shareholders. Distributions are expected to be in the range of 30-50% payout ratio of the Group's adjusted recurring profitability, including cash dividends and buybacks, with any distribution being subject to regulatory approval. Group adjusted recurring profitability is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon. In line with the Group's distribution policy, the Group is committed to delivering sustainably growing distributions through a combination of cash dividend and share buybacks while maintaining a robust capital base to support profitable growth and prudently prepare for upcoming potential regulatory changes. Supported by its continued progress towards its strategic targets, the Group intends to move towards the top-end of the 30%-50% range of its distribution policy (i.e 50% payout ratio) for 2024, subject to required approvals. Any proposed distribution quantum, as well as envisaged allocation between dividend and buyback, will take into consideration market conditions as well as the outcome of its ongoing capital and liquidity planning exercises at the time. Given the strong capital generation, the Group's distribution policy is expected to be reviewed with the full year 2024 financial results in the context of prevailing market conditions.

Share Capital

As at 30 June 2024, there were 444,812,058 issued ordinary shares with a nominal value of €0.10 each, compared to 446,199,933 issued ordinary shares as at 31 March 2024 and 31 December 2023. The reduction since the beginning of the year relates to the share buyback programme that was launched in April 2024. For further details please refer to Section B.2.1 'Capital Base'.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.1 Capital Base (continued)

Other equity instruments

At 30 June 2024, the Group's other equity instruments relate to Additional Tier 1 Capital Securities (the "AT1 securities") and amounted to €220 mn, flat on prior quarter.

The Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities constitute unsecured and subordinated obligations of the Company, are perpetual and are issued at par. They carry an initial coupon of 11.875% per annum, payable semi-annually and resettable on 21 December 2028 and every 5 years thereafter.

The Company will have the option to redeem these capital securities from, and including, 21 June 2028 to, and including, 21 December 2028 and on each interest payment date thereafter, subject to applicable regulatory consents and the relevant conditions to redemption.

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 legislative amendments cover the utilisation of income tax losses transferred from Laiki Bank to the Bank in March 2013. The introduction of the Capital Requirements Regulation (CRR) and 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 future profitability', according to CRR/CRD IV and as a result not deducted from CET1, hence improving a credit institution's capital position. The Law provides that a guarantee fee on annual tax credit is payable annually by the credit institution to the Government.

Following certain modifications to the Law in May 2022, the annual guarantee fee is to be determined by the Cyprus Government on an annual basis, providing however that such fee to be charged is set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10 mn per year.

The Group estimates that such fees could range up to c.€5 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.

B.2.2 Regulations and Directives

B.2.2.1 The 2021 Banking Package (CRR III and CRD VI and BRRD)

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD 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. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. In December 2023, the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most provisions of the CRR III will become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

B.2.2.2 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 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 were immediately effective.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.2.2 Bank Recovery and Resolution Directive (BRRD) (continued)

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

In January 2024, the Bank received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.0% of risk weighted assets (or 30.3% of risk weighted assets taking into account the expected prevailing CBR as at 31 December 2024 which needs to be met with own funds on top of the MREL) and 5.91% of Leverage Ratio Exposure (as defined in the CRR) and must be met by 31 December 2024.

The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

In April 2024, the Bank proceeded with an issue of €300 million green senior preferred notes (the 'Green Notes'). The Green Notes comply with the MREL criteria and contribute towards the Bank's MREL requirement. For further details, please refer to section 'B.2.3'.

The MREL ratio as at 30 June 2024, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 33.4% of RWAs (including capital used to meet the CBR) and at 14.0% of LRE (based on the regulatory Total Capital as at 30 June 2024). The CBR stood at 5.31% as at 30 June 2024 (compared to 4.86% as at 31 March 2024 and to 4.48% as at 31 December 2023), reflecting the increase of the CcyB from c.0.49% to c.0.94% in June 2024.

The CBR is expected to increase further as a result of the phasing in of O-SII buffer from 1.875% to 1.9375% on 1 January 2025 and to 2.00% on 1 January 2026.

Throughout this announcement, the MREL ratios as at 30 June 2024 include profits for the six months ended 30 June 2024 in line with the ECB Decision (EU) (2015/656) on the recognition of interim or year-end profits in CET1 capital in accordance with Article 26(2) of the CRR, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles.

B.2.3 Funding and Liquidity

Funding

Funding from Central Banks

Following the repayment of €1.7 bn under the seventh TLTRO III operation in March 2024 and €0.3 bn under the eighth TLTRO III operation in June 2024, the Bank's funding from central banks was reduced to nil as at 30 June 2024, compared to €310 mn as at 31 March 2024 and to €2,044 mn as at 31 December 2023.

Deposits

Customer deposits totalled €19,723 mn at 30 June 2024 (compared to 19,260 mn at 31 March 2024 and to €19,337 mn at 31 December 2023) up by 2% on prior quarter and since the beginning of the year. Customer deposits are mainly retail-funded and c.57% of deposits are protected under the deposit guarantee scheme as at 30 June 2024.

The Bank's deposit market share in Cyprus reached 37.5% as at 30 June 2024, compared to 37.5% as at 31 March 2024 and to 37.7% as at 31 December 2023. Customer deposits accounted for 77% of total assets and 86% of total liabilities at 30 June 2024 (compared to 73% of total assets and 80% of total liabilities as at 31 December 2023). The increase since the beginning of the year relates to the repayment of €2.0 bn TLTRO and the 2% increase in customer deposits.

The net loans to deposits (L/D) ratio stood at 51% as at 30 June 2024 (compared to 52% as at 31 March 2024 and to 51% as at 31 December 2023 on the same basis), flat since the beginning of the year.

Subordinated liabilities

At 30 June 2024, the carrying amount of the Group's subordinated liabilities amounted to €313 mn (compared to €309 mn at 31 March 2024 and to €307 mn at 31 December 2023) and relate to unsecured subordinated Tier 2 Capital Notes ('T2 Notes').

The 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 of the T2 Notes is 23 October 2031. The Company will have the option to redeem the T2 Notes early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory approvals.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.3 Funding and Liquidity (continued)

Funding (continued)

Debt securities in issue

At 30 June 2024, the carrying value of the Group's debt securities in issue amounted to €971 mn (compared to €673 mn at 31 March 2024 and to €672 mn at 31 December 2023) and relate to senior preferred notes. The increase of 45% since the beginning of the year relates to the issuance of €300 mn green senior preferred notes ('Green Notes') in April 2024.

In April 2024, the Bank successfully launched and priced an issuance of €300 mn green senior preferred notes. The Green Notes were priced at par with a fixed coupon of 5% per annum, payable in arrear, until the Option redemption date i.e. 2 May 2028. The maturity date of the Green Notes is 2 May 2029; however, the Bank may, at its discretion, redeem the Green Notes on the Optional Redemption Date subject to meeting certain conditions (including applicable regulatory consents) as specified in the Terms and Conditions. If the Green Notes are not redeemed by the Bank, the coupon payable from the Optional Redemption Date until the Maturity Date will convert from a fixed rate to a floating rate and will be equal to 3-month Euribor + 197.1 bps, payable quarterly in arrear.

The issuance was met with strong demand, attracting interest from more than 120 institutional investors, with a final orderbook over 4 times over-subscribed at €1.3 bn and final pricing 50 basis points tighter than the initial pricing indication. The transaction represents the Bank's inaugural green bond issuance in line with the Group's Beyond Banking approach, aimed at creating a stronger, safer and future-focused Bank and leading the transition of Cyprus to a sustainable future. An amount equivalent to the net proceeds of the Green Notes will be allocated to Eligible Green Projects as described in the Bank's Sustainable Finance Framework, which include Green Buildings, Energy Efficiency, Clean Transport and Renewable Energy.

Post this issuance, the Bank finalized its MREL build-up and created a comfortable buffer over the final requirements of 25% of RWAs (or 30.3% of RWAs taking into account the prevailing CBR as at 31 December 2024) and 5.91% of LRE which the Bank must meet by 31 December 2024. For further details, please refer to section B.2.2.2 Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

In July 2023, the Bank successfully launched and priced an issuance of €350 mn of senior preferred notes (the "Notes"). The Notes were priced at par with a fixed coupon of 7.375% per annum, payable annually in arrear, until the Optional Redemption Date i.e. 25 July 2027. The maturity date of the Notes is 25 July 2028; however, the Bank may, at its discretion, redeem the Notes on the Optional Redemption Date subject to meeting certain conditions (including applicable regulatory consents) as specified in the Terms and Conditions. If the Notes are not redeemed by the Bank, the coupon payable from the Optional Redemption Date until the Maturity Date will convert from a fixed rate to a floating rate and will be equal to 3-month Euribor + 409.5 bps, payable quarterly in arrear. The Notes comply with the criteria for the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") and contribute towards the Bank's MREL requirements.

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.

Liquidity

At 30 June 2024, the Group Liquidity Coverage Ratio (LCR) stood at 304% (compared to 315% at 31 March 2024 and to 359% at 31 December 2023), well above the minimum regulatory requirement of 100%. The LCR surplus as at 30 June 2024 amounted to €7.5 bn (compared to €7.3 bn at 31 March 2024 and to €9.1 bn at 31 December 2023) up 3% qoq as the issuance of €300 mn of the green senior preferred notes in April 2024 and the increase of 2% qoq in customer deposits partially offset the impact from the repayment of the remaining TLTRO III of €300 mn in June 2024.

At 30 June 2024, the Group Net Stable Funding Ratio (NSFR) stood at 156% (compared to 155% as at 31 March 2024 and to 158% at 31 December 2023), well above the minimum regulatory requirement of 100%.

B.2.4 Loans

Group **gross loans** totalled €10,318 mn at 30 June 2024, compared to €10,276 mn at 31 March 2024 and to €10,277 mn at 30 June 2023) flat on prior year.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.4 Loans (continued)

New lending granted in Cyprus reached €551 mn for 2Q2024 (compared to a seasonally strong new lending of €676 mn for 1Q2024 and €462 mn for 4Q2023) down by 18% qoq. New lending in 2Q2024 comprised €210 mn of corporate loans, €209 mn of retail loans (of which €137 mn were housing loans), €59 mn of SME loans and €73 mn of shipping and international loans. New lending for 1H2024 totalled €1,227 mn, up 10% yoy driven mainly by corporate demand.

At 30 June 2024, the Group net loans and advances to customers totalled €10,085 mn (compared to €10,028 mn at 31 March 2024 and to €9,822 mn at 31 December 2023) up 3% since the beginning of the year.

The Bank is the largest credit provider in Cyprus with a market share of 43.2% at 30 June 2024, compared to 42.9% at 31 March 2024 and to 42.2% at 31 December 2023.

In December 2023, the Bank entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of c.€58 mn with reference date 31 December 2022 (the 'Transaction'). The Transaction was broadly neutral to the Group's income statement and capital position. The Transaction was completed in March 2024.

B.2.5 Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. The Group's priorities focus mainly on maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration.

The loan credit losses for 2Q2024 amounted to €9 mn, compared to €7 mn for 1Q2024 and totalled €16 mn for 1H2024. Further details regarding loan credit losses are provided in Section B.3.3 'Profit before tax and non-recurring items'.

Non-performing exposures

The high interest rate environment as well as inflationary pressures are expected to weigh on customers behaviour. Despite these elements, there are no material signs of asset quality deterioration to date. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the macroeconomic environment 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.

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €53 mn, or 15% in 2Q2024, compared to a net decrease of €18 mn in 1Q2024, to €294 mn at 30 June 2024 (compared to €347 mn at 31 March 2024 and €365 mn at 31 December 2023).

As a result, the NPEs reduced to 2.8% of gross loans as at 30 June 2024, compared to 3.4% of gross loans as at 31 March 2024 and 3.6% of gross loans as at 31 December 2023.

The NPE coverage ratio stands at 85% at 30 June 2024, compared to 77% at 31 March 2024 and to 73% at 31 December 2023. When taking into account tangible collateral at fair value, NPEs are fully covered.

Overall, since the peak in 2014, the stock of NPEs has been reduced by €14.7 bn or 98% to c.€0.3 bn and the NPE ratio by c.60 p.p. from 63% to below 3%.

Mortgage-To-Rent Scheme ("MTR")

In July 2023, the Mortgage-to-Rent Scheme ('MTR') was approved by the Council of Ministers and aims for the reduction of NPEs backed by primary residence and simultaneously protect the primary residence of vulnerable borrowers. The eligible criteria include:

- Borrowers that were non-performing as at 31 December 2021, remained non-performing as at 31 December 2022 and who also received government allowances during the period January 2021 to December 2022, with facilities backed by primary residence with Open Market Value up to €250k;
- Borrowers that had a fully completed application to Estia Scheme and were assessed as eligible but not viable with a primary residence of up to €350k Open Market Value; and
- all applicants that were approved under Estia Scheme but their inclusion was terminated.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.5 Loan portfolio quality (continued)

Mortgage-To-Rent Scheme ("MTR") (continued)

Under the MTR, eligible property owners will voluntarily surrender ownership of their residence to Cyprus Asset Management Company ('KEDIPES') which has been approved by the Government to provide and manage social housing and will be exempted from their mortgage loan, as the state will be covering fully the required rent on their behalf. KEDIPES will carry out a new valuation and a technical due diligence for the eligible applicants' property and if satisfied will approve the application and pay to the banks an amount equal to 65% of the Open Market Value of the primary residence in exchange for the mortgage release, the write off of the NPE loan and the transfer of the property title deeds.

The eligible applicants will be able to acquire the primary residence after 5 years at a favourable price, below the Open Market Value.

The scheme has been launched in December 2023; it is expected to act as another tool to address NPEs in the Retail sector.

B.2.6 Fixed income portfolio

Fixed income portfolio amounts to €3,828 mn as at 30 June 2024, compared to €3,743 mn as at 31 March 2024 and €3,178 mn as at 30 June 2023, increased by 2% on the prior quarter and by 20% on prior year. As at 30 June 2024, the portfolio represents 15% of total assets and comprises €3,429 mn (90%) measured at amortised cost and €399 mn (10%) at fair value through other comprehensive income ('FVOCI').

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has high average rating at Aa3. The amortised cost fixed income portfolio as at 30 June 2024 has an unrealised fair value loss of €29 mn, equivalent to c.30 bps of CET1 ratio (compared to an unrealised fair value loss of €14 mn as at 31 March 2024) due to increase in the bond yields.

B.2.7 Reverse repurchase agreements

Reverse repurchase agreements amount to €1,015 mn as at 30 June 2024, compared to €708 mn as at 31 March 2024 and €403 mn as at 31 December 2023. The increase since the beginning of the year relates to the additional hedging activities the Group is carrying out in order to reduce its net interest income sensitivity. The average yield of reverse repurchase agreements is c.3.0% p.a. and the average duration is estimated at c.2.5 years.

B.2.8 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 of repossessed assets since the beginning of 2019 amount to c.€1.0 bn and exceed properties on-boarded in the same period of €0.5 bn.

REMU completed disposals (and transfers) of €57 mn in 1H2024 (compared to €68 mn in 1H2023), resulting in a profit on disposal of c.€3 mn for 1H2024 (compared to a profit of c.€4 mn for 1H2023). Asset disposals are across all property classes, with almost two thirds in gross sale value in 1H2024 relating to land.

During the six-months ended 30 June 2024, REMU executed sale-purchase agreements (SPAs) for disposals of 258 properties with contract value of €65 mn (including transfers of €3 mn), compared to SPAs for disposals of 273 properties with contract value of €78 mn for 1H2023.

In addition, REMU had a pipeline of €49 mn by contract value as at 30 June 2024, of which €18 mn related to SPAs signed (compared to a pipeline of €66 mn as at 30 June 2023, of which €38 mn related to SPAs signed).

REMU on-boarded €14 mn of assets in 1H2024 (compared to additions of €6 mn in 1H2023), via the execution of debt for asset swaps and repossessed properties.

As at 30 June 2024, repossessed properties held by REMU had a carrying value of €790 mn, compared to €836 mn as at 31 March 2024 and €973 mn as at 30 June 2023 and remains on track to achieve its target of reducing this portfolio to c.€0.5 bn by end-2025.

B. Group Financial Results – Underlying Basis (continued)

B.2 Balance Sheet Analysis (continued)

B.2.8 Real Estate Management Unit (REMU) (continued)

Assets held by REMU

Repossessed Assets held by REMU (Group) € mn	**1H2024**	**1H2023**	**2Q2024**	**1Q2024**	qoq ±%	yoy ±%
Opening balance	**862**	**1,079**	836	862	-3%	-20%
On-boarded assets	**14**	**6**	9	5	98%	186%
Sales	**(57)**	**(68)**	(39)	(17)	128%	-16%
Net impairment loss	**(26)**	**(22)**	(16)	(10)	68%	20%
Transfers	**(3)**	**(21)**	-	(3)	-100%	-86%
Closing balance	**790**	**974**	**790**	**836**	-6%	-19%

Analysis by type and country of repossessed properties 30 June 2024 (€ mn)	**Cyprus**	**Greece**	**Total**
Residential properties	**50**	**9**	**59**
Offices and other commercial properties	**105**	**10**	**115**
Manufacturing and industrial properties	**25**	**13**	**38**
Hotels	**13**	**0**	**13**
Land (fields and plots)	**365**	**3**	**368**
Golf courses and golf-related property	**197**	**0**	**197**
Total	**755**	**35**	**790**

31 December 2023 (€ mn)	**Cyprus**	**Greece**	**Total**
Residential properties	**50**	**12**	**62**
Offices and other commercial properties	**110**	**13**	**123**
Manufacturing and industrial properties	**36**	**16**	**52**
Hotels	**17**	**0**	**17**
Land (fields and plots)	**405**	**4**	**409**
Golf courses and golf-related property	**199**	**0**	**199**
Total	**817**	**45**	**862**

B. Group Financial Results – Underlying Basis (continued)

B.3 Income Statement Analysis

B.3.1 Total income

€ mn	1H2024	1H2023	2Q2024	1Q2024	qoq ±%	yoy +%
Net interest income	**420**	**358**	**207**	**213**	**-3%**	**17%**
Net fee and commission income	86	90	44	42	5%	-4%
Net foreign exchange gains and net gains on financial instruments	13	21	6	7	-20%	-38%
Net insurance result	23	25	13	10	30%	-7%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	2	5	1	1	39%	-72%
Other income	5	12	2	3	-22%	-57%
Non-interest income	**129**	**153**	**66**	**63**	**5%**	**-16%**
Total income	**549**	**511**	**273**	**276**	**-1%**	**7%**
Net Interest Margin (annualised)	3.66%	3.17%	3.68%	3.70%	-2 bps	49 bps
Average interest earning assets (€ mn)	23,064	22,781	22,588	23,171	-3%	1%
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point						

Net interest income (NII) for 1H2024 amounted to €420 mn compared to €358 mn for 1H2023, up 17% yoy. The increase yoy is mainly attributed to higher interest rates on liquid assets and loans, partially offset by a moderate increase in time and notice cost of deposits and funding costs as well as higher cost of hedging.

Net interest income (NII) for 2Q2024 amounted to €207 mn, compared to €213 mn for 1Q2024, down 3% qoq. The qoq decrease reflects the continued activity to reduce NII sensitivity via hedging, and the higher funding costs following the issuance of €300 mn green senior preferred notes in April 2024 whilst time and notice cost of deposits remain resiliently low.

Quarterly average interest earning assets (AIEA) for 1H2024 amounted to €23,064 mn, broadly flat yoy.

Quarterly average interest earning assets (AIEA) for 2Q2024 amounted to €22,588 mn, down 3% qoq, impacted mainly by the €2.0 bn TLTRO III repayment.

Net interest margin (NIM) for 1H2024 amounted to 3.66% (compared to 3.17% for 1H2023), up 49 bps yoy, supported mainly by the higher interest rate outlook compared to prior year.

Net interest margin (NIM) for 2Q2024 stood at 3.68% broadly flat qoq. Quarterly net interest margin (NIM) was distorted by the changes in the quarterly average interest earning assets following the repayment of €2.0 bn TLTRO III. When disregarding the impact of TLTRO, NIM is revised to 3.70% for 2Q2024, compared to 3.90% in the previous quarter. The qoq reduction relates mainly to the progress on hedging.

Non-interest income for 1H2024 amounted to €129 mn (compared to €153 mn for 1H2023, down 16% yoy) comprising net fee and commission income of €86 mn, net foreign exchange gains and net gains on financial instruments of €13 mn, net insurance result of €23 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €2 mn and other income of €5 mn. The yoy reduction is mainly due to lower net foreign exchange gains and net gains on financial instruments as well as lower net fee and commission income.

Non-interest income for 2Q2024 amounted to €66 mn (compared to €63 mn for 1Q2024 up 5% qoq) comprising net fee and commission income of €44 mn, net foreign exchange gains and net gains on financial instruments of €6 mn, net insurance result of €13 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €1 mn and other income of €2 mn. The qoq increase is mainly due to higher net insurance result and higher net fee and commission income.

Net fee and commission income for 1H2024 amounted to €86 mn compared to €90 mn in prior year, down 4% yoy, mainly due to lower transactional fees.

Net fee and commission income for 2Q2024 amounted to €44 mn, compared to €42 mn in 1Q2024, up 5% qoq, driven mainly by higher non-transactional and transactional fees.

B. Group Financial Results – Underlying Basis (continued)

B.3 Income Statement Analysis (continued)

B.3.1 Total income (continued)

Net foreign exchange gains and net gains on financial instruments amounted to €13 mn for 1H2024, down 38% yoy due to lower foreign exchange gains on FX swaps and lower revaluation gains in financial instruments (1H2023: c.€5.5 mn).

Net foreign exchange gains and net gains on financial instruments amounted to €6 mn for 2Q2024, compared to €7 mn for 1Q2024, comprising a net foreign exchange gain of c.€6.3 mn and a net loss on financial instruments of c.€0.4 mn. Net foreign exchange gains and net gains on financial instruments are considered volatile profit contributors.

Net insurance result amounted to €23 mn for 1H2024, compared to €25 mn for 1H2023, down 7% yoy, due to negative claim experience in the non-life insurance business, arising from the severe weather-related events occurred in 1Q2024.

Net insurance result amounted to €13 mn for 2Q2024, compared to €10 mn for 1Q2024, reflecting better claims experience and reduction in loss component of the insurance contracts (in line with IFRS 17) in life insurance business.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €2 mn for 1H2024 (comprising net gains on disposal of stock of properties and investment properties of c.€3 mn, and net loss from revaluation of investment properties of c.€1 mn) compared to €5 mn for 1H2023. REMU profit remains volatile.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €1 mn for 2Q2024 flat qoq.

Total income amounted to €549 mn for 1H2024 (compared to €511 mn for 1H2023, up 7% yoy) due to higher net interest income as explained above. Total income amounted to €273 mn for 2Q2024 compared to €276 mn for 1Q2024.

B. Group Financial Results – Underlying Basis (continued)

B.3. Income Statement Analysis (continued)

B.3.2 Total expenses

€ mn	1H2024	1H2023	2Q2024	1Q2024	qoq ±%	yoy +%
Staff costs	(96)	(93)	(48)	(48)	1%	3%
Other operating expenses	(71)	(69)	(38)	(33)	15%	4%
Total operating expenses	**(167)**	**(162)**	**(86)**	**(81)**	**7%**	**4%**
Special levy on deposits and other levies/contributions	(19)	(18)	(8)	(11)	-38%	3%
Total expenses	**(186)**	**(180)**	**(94)**	**(92)**	**1%**	**4%**
Cost to income ratio	34%	35%	34%	33%	1 p.p.	-1 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	30%	32%	32%	29%	3 p.p.	-2 p.p.

p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Total expenses for 1H2024 were €186 mn (compared to €180 mn for 1H2023 up 4% yoy), 52% of which related to staff costs (€96 mn), 38% to other operating expenses (€71 mn) and 10% to special levy on deposits and other levies/contributions (€19 mn). The increase yoy is mainly due to higher staff costs. Total expenses for 2Q2024 were €94 mn (compared to €92 mn for 1Q2024, up 1% qoq), as the 15% qoq increase in other operating expenses was partially offset by the 38% qoq decrease in special levy on deposits and other levies/contributions.

Total operating expenses amounted to €167 mn for 1H2024 (compared to €162 mn for 1H2023, up 4% yoy) mainly due to higher staff costs. Total operating expenses amounted to €86 mn in 2Q2024 compared to €81 mn in 1Q2024.

Staff costs for 1H2024 were €96 mn (compared to €93 mn for 1H2023, up 3% yoy) and include c.€5 mn performance-related pay accrual (compared to c.€3.5 mn performance-related pay accrual and c.€2.8 mn termination cost in 1H2023). Net of these accruals, staff costs increased by 5% yoy, reflecting salary increments and higher cost of living adjustments (COLA) as well as higher employer's contributions. Staff costs for 2Q2024 were €48 mn flat qoq.

The performance-related pay accrual relates to the Short-Term Incentive Plan ('STIP') and the Long-Term Incentive Plan ('LTIP'). The Short-Term Incentive Plan involves variable remuneration to selected employees and will be driven by both, delivery of the Group's strategy as well as individual performance. The LTIP is a share-based compensation plan and provides for an award in the form of ordinary shares of the Company based on certain non-market performance and service vesting conditions.

The LTIP was approved by the 2022 AGM, which took place on 20 May 2022. The LTIP involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. Currently, under the plan, the employees eligible for LTIP awards are the members of the Extended EXCO, including the executive directors. The LTIP stipulates that performance will be measured over a 3-year period and sets financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. In December 2022, the Group granted 819,860 share awards to 22 eligible employees under the LTIP, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three year performance period for 2022-2024 (with all performance conditions being non-market performance conditions). In October 2023, 479,160 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period 2023-2025 (with all performance conditions being non market performance conditions). In April 2024, 403,990 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in April 2024 are subject to a three-year performance period 2024-2026 (with all performance conditions being non market performance conditions).

These shares will then normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date.

As at 30 June 2024, the Group employed 2,860 persons compared to 2,847 persons as at 31 March 2024 and to 2,830 persons as at 31 December 2023.

B. Group Financial Results – Underlying Basis (continued)

B.3 Income Statement Analysis (continued)

B.3.2 Total expenses (continued)

Other operating expenses for 1H2024 amounted to €71 mn, compared to €69 mn for 1H2023, up 4% yoy, impacted mainly by inflationary pressures and marketing expenses. Other operating expenses amounted to €38 mn for 2Q2024 compared to €33 mn for 1Q2024 due to higher professional and marketing expenses.

Special levy on deposits and other levies/contributions for 1H2024 amounted to €19 mn compared to €18 mn for 1H2023, up 3% yoy, driven mainly by the increase of deposits of €0.55 bn yoy. Special levy on deposits and other levies/contributions for 2Q2024 amounted to €8 mn, down by 38% qoq, due to the c.€4 mn contribution of the Bank to the Deposit Guarantee Fund (DGF) relating to 1H2024 which was recorded in 1Q2024 (in line with IFRSs).

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 1H2024 was 30% compared to 32% for 1H2023, benefitting from higher income. The cost to income ratio excluding special levy on deposits and other levies/contributions for 2Q2024 was 32% compared to 29% for 1Q2024.

B. Group Financial Results – Underlying Basis (continued)

B.3 Income Statement Analysis (continued)

B.3.3 Profit before tax and non-recurring items

€ mn	1H2024	1H2023	2Q2024	1Q2024	qoq±%	yoy +%
Operating profit	**363**	**331**	**179**	**184**	**-2%**	**9%**
Loan credit losses	(16)	(24)	(9)	(7)	28%	-36%
Impairments of other financial and non-financial assets	(25)	(30)	(17)	(8)	90%	-16%
Provisions for pending litigations, regulatory and other matters (net of reversals)	(3)	(14)	7	(10)	-174%	-82%
Total loan credit losses, impairments and provisions	**(44)**	**(68)**	**(19)**	**(25)**	**-29%**	**-37%**
Profit before tax and non-recurring items	**319**	**263**	**160**	**159**	**2%**	**21%**
Cost of risk	**0.31%**	**0.48%**	**0.34%**	**0.27%**	**7 bps**	**-17 bps**
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point						

Operating profit for 1H2024 amounted to €363 mn, compared to €331 mn for 1H2023, up by 9% yoy reflecting mainly the significant increase in net interest income. Operating profit of €179 mn for 2Q2024 was down 2% qoq due to lower total income and higher total expenses as explained above.

Loan credit losses for 1H2024 were €16 mn compared to €24 mn for 1H2023, down 36% yoy, supported by the continued robust performance of the credit portfolio and improved macroeconomic assumptions. Loan credit losses for 2Q2024 amounted to €9 mn compared to €7 mn for 1Q2024.

Cost of risk for 1H2024 is equivalent to 31 bps, compared to a cost of risk of 48 bps for 1H2023 (down 17 bps yoy). Cost of risk for 2Q2024 was 34 bps, compared to a cost of risk of 27 bps for 1Q2023, up 7 bps qoq.

At 30 June 2024, 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 F. 'Definitions and Explanations' for definition) totalled €251 mn (compared to €267 mn as at 31 March 2024 and €267 mn at 31 December 2023) and accounted for 2.4% of gross loans (compared to 2.6% as at 31 March 2024 and 2.7% as at 31 December 2023).

Impairments of other financial and non-financial assets for 1H2024 amounted to €25 mn, compared to €30 mn for 1H2023, down 26% yoy and relate mainly to REMU stock properties. Impairments of other financial and non-financial assets for 2Q2024 were €17 mn, compared to €8 mn for 1Q2024 and relate mostly to REMU stock properties due to the ageing of the stock and increased impairments on large, specific, illiquid properties.

Provisions for pending litigations, claims, regulatory and other matters (net of reversals) for 1H2024 amounted to €3 mn, compared to €14 mn for 1H2023. Provisions for pending litigations, claims, regulatory and other matters (net of reversals) amounted to a reversal of €7 mn for 2Q2024, compared to a provision of €10 mn for 1Q2024, relating primarily to a release of a provision on a claim following the closing of the investigation by the Commission of the Protection of Competition.

Profit before tax and non-recurring items for 1H2024 totalled to €319 mn, compared to €263 mn for 1H2023. Profit before tax and non-recurring items for 2Q2024 amounted to €160 mn, broadly flat on prior quarter.

B. Group Financial Results – Underlying Basis (continued)

B.3 Income Statement Analysis (continued)

B.3.4 Profit after tax (attributable to the owners of the Company)

€ mn	**1H2024**	**1H2023**	**2Q2024**	**1Q2024**	qoq +%	yoy +%
Profit before tax and non-recurring items	**319**	**263**	**160**	**159**	-2%	21%
Tax	(48)	(40)	(23)	(25)	-7%	21%
Profit attributable to non-controlling interests	(1)	(1)	0	(1)	-22%	14%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**270**	**222**	**137**	**133**	4%	22%
Advisory and other transformation costs – organic	-	(2)	-	-	-	-100%
Profit after tax (attributable to the owners of the Company)	**270**	**220**	**137**	**133**	**4%**	23%

p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

The **tax charge** for 1H2024 amounted to €48 mn compared to €40 mn for 1H2023. The tax charge for 2Q2024 amounted to €23 mn, compared to €25 mn for 1Q2024.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should have been transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date, however it is expected to be enacted within 2024. The Group expects to be in scope of the legislation and has performed an assessment of the potential impact of Pillar Two income taxes with the current estimate being a charge of approximately 1.5% on profit before tax as at 30 June 2024. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be enacted, the impact of this reform has been estimated to range up to 2% of profit before tax and will be further refined upon the enactment and implementation of relevant legislation.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 1H2024 is €270 mn, compared to €222 mn for 1H2023. Profit after tax and before non-recurring items (attributable to the owners of the Company) for 2Q2024 is €137 mn, compared to €133 mn for 1Q2024.

Advisory and other transformation costs – organic for 1H2024 are nil, compared to €2 mn for 1H2023. Advisory and other transformation costs – organic for 2Q2024 are nil, flat qoq.

Profit after tax attributable to the owners of the Company for 1H2024 amounts to €270 mn corresponding to a ROTE of 23.7%, compared to €220 mn for 1H2023 (and a ROTE of 24.0%). ROTE on 15% CET1 ratio for 1H2024 increases to 29.6%, compared to 25.3% for 1H2023, calculated on the same basis. Profit after tax attributable to the owners of the Company for 2Q2024 amounts to €137 mn, corresponding to a ROTE of 23.7%, compared to a profit of €133 mn for 1Q2024 (and a ROTE of 23.6%). ROTE on 15% CET1 ratio for 2Q2024 increases to 29.9% compared to a ROTE of 29.1% for 1Q2024, calculated on the same basis. The adjusted recurring profitability used for the Group's distribution policy (i.e. defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon which is paid semi-annually) amounted to €124 mn for 2Q2024 compared to €133 mn for 1Q2024 and totals to €257 mn for 1H2024, compared to €201 mn for 1H2023.

C. Operating Environment

Real GDP increased by 3.4% seasonally adjusted in the first quarter of 2024. Overall growth in the quarter returned to about the long-term average, and contributions from the economic sectors returned to their long-term trends. This was true mainly for trade, transport and accommodation, information and communications, professional and administrative services, and also the public related sectors of public administration, education and health. For 2024, the economy is expected to increase by c.2.9% according to the Ministry of Finance (based on May 2024 projections).

Short-term risks are mostly external and to the downside, including a downturn in major tourism markets, an escalation of regional conflicts, and delays in the implementation of the Recovery and Resilience Plan. In the medium-term, risks are from climate change and from possible further deterioration in the global geopolitical outlook. The digital and green transitions remain key challenges.

The unemployment rate, after rising in 2020 and the first half of 2021, has been declining and dropped to 6.0% in the fourth quarter of 2023 and to 5.7% in the first quarter of 2024, seasonally adjusted. The unemployment rate was 6.5% in the Euro area in the first quarter of 2024.

In January-June 2024, harmonised inflation was 2.3% in Cyprus and core inflation was 2.5%. In the Euro area, harmonised inflation was 2.5% and core inflation was 2.9%. The decline in the harmonised inflation was driven by the non-core components of energy and food, while core inflation, defined as total index less energy and food, was stickier. In 2023 total harmonised inflation in Cyprus was 3.9% and consisted of 2.8 percentage points core inflation and 1.1 percentage points non-core inflation. Food prices contributed 1.9 percentage points and energy prices contributed -0.7 percentage points.

Tourist arrivals for the period January-June 2024 were broadly at the same levels as in prior year. Likewise, receipts in January-May 2024 demonstrated a small increase of 3% compared to the same period the year before.

In public finances, there have been significant improvements in budget and debt dynamics including debt affordability indicators. The recovery in 2021 was underpinned by a significant increase in general government revenue and a decrease in government expenditure. The result was a reduction in the budget deficit to -1.8% of GDP, from a deficit of -5.7% of GDP in 2020. In 2022 the budget surplus rose to 2.7% of GDP and 3.1% of GDP in 2023. Gross debt was 114.9% of GDP in 2020 and has dropped successively to 85.6% and 77.3% of GDP in 2022 and 2023 respectively. The budget balance is forecasted to remain in surplus at 2.9% of GDP in 2024 according to the Ministry of Finance Strategic Framework of Fiscal Policy 2025-2028, and gross debt is expected to continue to decline below 60% of GDP in 2026. Debt affordability metrics are favourable and are expected to remain solid in the medium term, as gross financing needs are moderate, and the cash buffer gives the government a high degree of financing flexibility.

Cypriot banks are well capitalized and remain resilient. Despite the high interest rates, asset quality has not deteriorated. Non-performing exposures (NPEs) are by now, largely outside of bank balance sheets, but their resolution is critical for private sector balance sheets. As at 31 May 2024, NPEs in the Cyprus banking system were €1.8 billion or 7.4% of gross loans, compared with 7.9% of gross loans at the end of December 2023, and 9.5% at the end of December 2022, according to the Central Bank of Cyprus. The NPE ratio in the non-financial companies' segment was 6.3% at the end of May 2024 and that of households was 9.2%. About 44% of total NPEs are restructured facilities and the coverage ratio was 54% as at 31 May 2024.

Risks remain to the downside. In the short-term, a slowing of economic activity in main tourism markets and an escalation of regional conflicts could slow Cyprus's efforts to reorient its services exports.

C. Operating environment (continued)

Sovereign ratings

The sovereign risk ratings of the Cypriot government have improved significantly in recent years, reflecting reduced banking sector risks, improved economic resilience and consistent fiscal outperformance. Cyprus has demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system.

In June 2024, **Fitch Ratings** upgraded Cyprus' long-term foreign currency issuer default rating to 'BBB+' from 'BBB' whilst maintaining its outlook on Cyprus positive. The upgrade relates mainly to the reduced vulnerabilities to financial shocks, the continued strengthening of the banking sector's credit profile, the deleveraging of the private sector, the reduction of Cyprus public debt as well as its strong GDP growth.

In addition, in June 2024, **S&P Global Ratings** upgraded Cyprus' long-term local and foreign currency sovereign credit ratings to BBB+ from BBB, whilst maintaining its outlook on Cyprus positive. This one-notch upgrade of Cyprus' rating reflects the progress Cyprus has made in recent years to address fiscal imbalances, amid resilient growth as well as the strengthening financial position of Cypriot banks.

In September 2023, **Moody's Investors Service** upgraded the long-term issuer and senior unsecured ratings of the Government of Cyprus to Baa2 from Ba1. The outlook was revised to stable from positive. This is a two-notch upgrade of Cyprus' ratings, reflecting broad-based and sustained improvements in the country's credit profile as a result of past and ongoing economic, fiscal, and banking reforms. Economic resilience has improved, and medium-term growth prospects remain strong. Fiscal strength has also improved significantly, with a positive debt trend and sound debt affordability metrics. The stable outlook balances the positive credit trends with remaining challenges.

DBRS Ratings GmbH (DBRS Morningstar) confirmed Cyprus' Long-Term Foreign and Local Currency – Issuer Ratings at BBB (high) in March 2024. DBRS Ratings had upgraded the long-term foreign and local currency issuer ratings of Cyprus from BBB to BBB (high) in September 2023. The rating action is stable. The upgrade was driven by the recent decline in government debt and the expectation that public debt metrics will continue to improve over the next few years, while economic growth is expected to remain among the strongest in the euro area. The stable outlook balances the recent favourable fiscal dynamics with downside risks to the economic outlook.

D. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In July 2024, **Moody's Investors Service upgraded** the Bank's long-term deposit rating **to Baa1 from Baa3** and revised the outlook to stable. The upgrade by two notches reflects the ongoing improvements of the Bank's solvency profile, the increased protection afforded to the Bank's depositors, and its strengthened capital. **This is the highest long-term deposit rating for the Bank since 2011**. The stable outlook balances potential further asset quality improvements against lower normalised profitability metrics, a broadly stable operating environment, and stable funding, liquidity and capital metrics. Additionally in July 2024, **Fitch Ratings upgraded** long-term issuer default rating to BB+ from BB, whilst maintaining the positive outlook. The one-notch upgrade reflects a combination of Fitch's improved assessment of the Cypriot operating environment, reduced private sector indebtedness, expectation of continued economic growth, the Bank's strengthened capitalisation and reduced exposure to legacy net problem assets. In June 2024, **S&P Global Ratings upgraded** the long-term issuer credit rating of the Bank to BB+ and maintained a positive outlook. The upgrade by one notch was driven by the reduction of economic imbalances, strengthened capitalisation, supportive economic conditions and the solid profitability stemming from improved efficiency and contained cost of risk.

Financial performance

The Group is a leading, financial and technology hub in Cyprus. During the six months ended 30 June 2024, the Group generated a profit after tax of €270 mn, corresponding to a ROTE of 23.7%, demonstrating the sustainability of its business model. This strong performance was supported by a resiliently strong net interest income, continuous management of its cost base despite inflation and a low cost of risk and was feeding through into strong growth of the Group's tangible book value per share. Since June 2023, the Group's tangible book value per share improved by 21% to €5.27, accelerating shareholder value creation.

Interest rate environment

The structure of the Group's balance sheet remains highly liquid. As at 30 June 2024, cash balances with ECB amounted to c.€7.3 bn whereas the Group's loan portfolio is mainly floating rate, with almost half of the loan portfolio being Euribor based. Net interest income for the six months ended 30 June 2024 stood at €420 mn, up 17% yoy due to higher interest income on loans and liquid assets, underpinned by high interest rates, all of which served to more than offset the higher cost of deposits and funding costs and the continued hedging activity to reduce NII sensitivity.

Overall, the Group intends to increase its hedging position in FY2024 by further €4-5 bn compared to FY2023 (with average duration of 3-4 years), subject to market conditions, via receive fixed interest rate swaps, further investment in fixed rate bonds, additional reverse repos and continuing offering of fixed rate loans.

In the first half of 2024, the Group carried out hedging of €3.4 bn, on track to meet its 2024 target of €4-5 bn. The increase was mainly attributed to the hedging through receive fixed interest rate swaps, investing in fixed rate bonds, entering into reverse repos and offering fixed rate loans. Simultaneously, about a quarter of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 bps) by €27 mn since 31 December 2023.

Growing revenues in a more capital efficient way

The Group remains focused on growing revenues in a more capital efficient way through growth of high-quality new lending and the growth in niche areas, such as insurance and digital products that provide further market penetration and diversify through non-banking operations.

The Group has continued to provide high quality new lending in 1H2024 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the Bank's target risk profile. During the six months ended 30 June 2024, new lending remained strong at €1.2 bn, up 10% on prior year, driven mainly by business demand. Gross performing loan book increased by 3% since the beginning of the year to c.€10.1 bn; loan growth is subdued by repayments.

Fixed income portfolio continued to grow in 1H2024 to €3,828 mn, and currently represents 15% of total assets. This portfolio is mostly measured at amortised cost and is highly rated with average rating at Aa3. The amortised cost fixed income portfolio as at 30 June 2024 has an unrealised fair value loss of €29 mn, equivalent to c.30 bps of CET1 ratio (compared to an unrealized fair value gain of €3 mn as at 31 December 2023) due to increases in the bond yield.

Separately, the Group focuses to continue improving revenues 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. During the six month ended 30 June 2024, non-interest income amounted to €129 mn, covering almost 77% of the Group's total operating expenses.

D. Business Overview (continued)

In the first six months of 2024 net fee and commission income amounted to €86 mn and was down by 4% compared to the previous year, due to lower transactional fees. Net fee and commission income is enhanced by transaction fees from the Group's subsidiary, **JCC Payment Systems Ltd** (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. JCC's net fee and commission income contributed 11% of total non-interest income and amounted to c.€14 mn for 1H2024, up 3% yoy, backed by strong transaction volume. In the context of its wider strategic evaluation, the Group is undertaking a strategic review which may result in a potential disposal of part or all of its holding in JCC, although no decision has been taken at this stage.

The Group's **insurance companies,** EuroLife and GI are respectively leading players in the life and general insurance business in Cyprus, and have been providing recurring and improving income, further diversifying the Group's income streams. The net insurance result for 1H2024 contributed c.18% of non-interest income and amounted to €23 mn; insurance companies remain valuable and sustainable contributors to the Group's profitability.

Finally, the Group through the **Digital Economy Platform (Jinius)** ('the Platform') aims to support the national digital economy by optimising processes in a cost-efficient way, allow the Bank to strengthen its client relationships, create cross-selling opportunities as well as to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The first Business-to-Business services are already in use by clients and include invoice, remittance, tender and ecosystem management. Currently, c.2,200 companies are registered in the platform and over €600 mn cash were exchanged via the platform since 2023 through invoicing and remittance services.

In February 2024, the Business-to-Consumer service was launched, a Product Marketplace aiming to increase the touch points with customers. Currently c.130 retailers were onboarded in fashion, technology, beauty, small appliances, personal care devices and toy sectors and over 160k products were embedded in the Marketplace.

Lean operating model

Striving for a **lean operating model** is a key strategic pillar for the Group in order to deliver shareholder value, without constraining funding its digital transformation and investing in the business.

In 2023, the Group completed a small-scale, targeted VEP through which 50 full-time employees were approved to leave at a total cost of c.€7.5 mn, recorded in staff costs in FY2023. Since the beginning of the year, there was further branch footprint rationalization as the Group reduced the number of branches by 5 to 55, a reduction of 8%.

The Group's total operating expenses for 1H2024 amounted to €167 mn, up 4% on prior year, impacted mainly by inflationary pressures on staff costs. The cost to income ratio excluding special levy on deposits and other levies/contributions for the six months ended 30 June 2024 stood at 30%, down 2 p.p. compared to prior year, supported by strong income. In August 2024 a reward programme through Antamivi Reward scheme' was launched in the context of the new loyalty scheme 'Pronomia' to reward the Group's performing borrowers which is expected to impact total operating expenses by c.€3 mn in the second half of 2024.

Transformation plan

The Group's focus continues on deepening the relationship with its customers as a customer centric organisation. The Group **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 distribution model across existing and new channels, (iii) digitally transform the way the Group serves its customers and operates internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

Digital transformation

In the dynamic world of banking, the Group stands as a pioneer of digital banking innovation in Cyprus, reshaping the banking experience into something more intuitive, more responsive, and more aligned with the contemporary needs of its customers, consistently pushing the boundaries to offer unparalleled banking services. The Group aims to continue to innovate, and simplify the banking journey, providing a unique and personalised experience to each of its customers.

The Group's digital channels continue to grow. As at 30 June 2024, the Group's digital community has increased to 467K active subscribers, both on Internet Banking and the BoC Mobile App, improving by 7% yoy. Likewise, the BoC Mobile App, had 429K active subscribers as at 30 June 2024 and increased by 10% yoy.

D. Business Overview (continued)

Lean operating model (continued)

Digital transformation (continued)

During 2Q2024, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. The Banks loyalty scheme "pronomia" was launched rewarding customers with several benefits such as, additional Antamivi points, lower interest rates and no initial bank fees on new loans and discounts on new insurance policies. Additionally, the ability to request replacement of a card that was lost or stolen has been added in both Mobile App and Internet Banking. Furthermore, the ability to provide the beneficiary details for dividend payments was given to the Bank's shareholders. In July 2024, Bank of Cyprus is the first bank in Cyprus that enabled instant payments via digital channels, providing the ability to the customer to make credit transfers in Euros making the funds available in the beneficiary customer's account within 10 seconds. Instant transfers are applicable for credit payments up to €50k within Cyprus and up to €25k outside Cyprus (to 36 countries in the SEPA Zone).

One of the Group's latest digital innovations, Quickloans, accessible through both the BoC Mobile App and Internet Banking, has transformed the traditional loan process, enabling customers to obtain a credit facility decision instantly, without the need to visit a branch. Since the beginning of the year 2024, over 7k applications were processed, granting €52 mn new loans in 1H2024, equivalent to an increase of 12% compared to 1H2023.

In collaboration with Genikes Insurance, an insurance plan purchase was integrated into the BOC Mobile App, enabling customers to access car or home insurance plans through the app at lower rates than branch prices. Digital insurance sales for the 1H2024 amounted to €291k, compared to €159k for 1H2023, reflecting 925 policies in 1H2024 compared to 541 policies for 1H2023.

Lastly, digital account openings increased by 53% in 1H2024 to 8,291 from 5,423 in 1H2023 and new debit cards increased by 97% yoy to 8,865 in 1H2024 compared to 4,492 during the same period last year.

Asset quality

Balance sheet de-risking was largely completed in 2022; as at 30 June 2024, the Group's NPE ratio stood at 2.8% already achieving the 2024 NPE ratio target. The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration.

Capital market presence

In April 2024, the Bank successfully launched and priced an issuance of €300 mn green senior preferred notes ('Green Notes'). With this issuance, the Bank finalised its MREL build-up and creates a comfortable buffer over the final requirements of 25% of RWAs (or 30.3% of risk weighted assets taking into account the expected prevailing CBR as at 31 December 2024) and 5.91% of LRE which the Bank must meet by 31 December 2024.

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

Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to **lead the transition of Cyprus to a sustainable future**. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual. In 2024, the Bank received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

Reaffirming its strong commitment to sustainability and to the long term value creation for all its stakeholders, in November 2023, the Bank was the first Bank in Cyprus to become an official signatory of the United Nations Principles for Responsible Banking representing a single framework for a sustainable banking industry developed through a collaboration between banks worldwide and the United Nations Environment Programme Finance Initiative (UNEP FI).

In line with the Group's Beyond Banking approach and its commitment to create a stronger, safer and future-focused organisation the Bank proceeded, in 2024, with the issuance of an inaugural green bond. An amount equivalent to the net proceeds of the notes will be allocated to eligible green projects as described in the Bank's sustainable finance framework, which includes green buildings, energy efficiency, clean transport and renewable energy.

The ESG strategy formulated in 2021 is continuously expanding. The Group is maintaining its leading role in the Social and Governance pillars and focus on increasing the Group's positive impacts on the Environment by transforming not only its own operations, but also the operations of its customers.

D. Business Overview (continued)

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

The Group has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Group's 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

For the Group to continue its progress against its primary ESG targets and address the evolving regulatory expectations, it further enhanced in 2024, its ESG working plan which was established in 2022. Progress on the ESG working plan is closely monitored by the Sustainability Committee, the Executive Committee and the Board Committees on a quarterly basis.

Environmental Pillar

The Group has estimated the Scope 1 and Scope 2 greenhouse gas (GHG) emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. The Bank being the main contributor of GHG emissions of the Group, designed in 2022 the strategy to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. For the Group to become carbon neutral by 2030, Scope 1 and Scope 2 emissions should be reduced by 42% by 2030. The Bank, following the implementation of various energy upgrade actions in 2022 and 2023, achieved a c.18% reduction in Scope 1 and Scope 2 GHG emissions in 2023 compared to the baseline of 2021.

The Group plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Group expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Bank achieved a reduction of c.22% in Scope 1 – Stationary Combustion GHG emissions and c.5% in Scope 2 GHG emissions in 1H2024 compared to 1H2023 due to new solar panels connected to energy network in 2023 as well as branch rationalisation during the year as part of the digitalization journey. The Bank achieved an increase of 16% in renewable energy production, from 128,780 Kwh to 149,031 Kwh, in 1H2024 compared to 1H2023.

The Group is gradually integrating climate-related and environmental (C&E) risks into its Business Strategy. The Bank was the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022, and has estimated and published the Financed Scope 3 GHG emissions associated with its loan and investment portfolio as well as Insurance associated GHG emissions using the PCAF standards, methodology and proxies. Following the estimation of Financed Scope 3 GHG emissions of loan portfolio, the Bank established a decarbonization target on Mortgage loan portfolio. The decarbonization target on Mortgage portfolio was established by applying the International Energy Agency's Below 2 Degree Scenario. For the Bank's Mortgage loan portfolio to be aligned with the climate scenario and effectively be associated with lower transition risks, the baseline as at 31 December 2022 of 53.5 $kgCO_2e/m^2$ should be reduced by 43% by 31 December 2030. The carbon intensity of the Mortgage loan portfolio as at 30 June 2024 is estimated at 49.11 $kgCO_2e/m^2$ achieving a c.8% reduction compared to baseline, due to increased installation of solar panels in residential properties in 2023. A Variable Green Housing product was launched at the end of 2023 to support the Bank to meet the decarbonization target on Mortgage loans and effectively limit the level of climate transition risk that is exposed to. The bank is in the process to launch in 3Q2024, a Fixed Green Housing product aligned with Green Loan Principles (GLPs) of Loan Market Association (LMA) which is expected to contribute significantly to the environmentally friendly portfolio of the Bank by the end of 2024. In addition, the Bank has set lending and investment limits on specific carbon intensive sectors which are widely considered to be associated with high climate transition risk. Further, having introduced and implementing a Business Environment Scan process, the Bank developed green/transition new lending targets in certain sectors to support its customer's transition to a low carbon economy and effectively manage climate transition risks.

During 2023, the Bank has made considerable progress in integrating climate-related and environmental risks into its risk management approach and risk culture. The Bank revised and enhanced the Materiality assessment process on C&E risks. The Bank has carried out a comprehensive identification and assessment of C&E risks as drivers of existing financial and non-financial risks considering its business profile and loan portfolio composition. As part of this process, the Bank has identified the risk drivers, both physical and transition, which could potentially have an impact on its risk profile and operations and has assessed the severity of each risk driver for all the existing categories of risks.

D. Business Overview (continued)

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

Environmental Pillar (continued)

In 2024, the Bank introduced the syndicated Synesgy solution (ESG Due Diligence process) across the Cypriot Banking system designed to enhance data collection, score customers on their performance against various aspects around C&E risks and provide guidance on remediation actions. This process involves the utilization of structured ESG questionnaires, through the Synesgy platform, applied at the individual company level to derive an ESG score. The Bank established a structure and detailed Business Environment Scan process to monitor the impact of C&E risks on its business environment in the short, medium and long-term. The results of the preliminary (quarterly) and final (annual) impact assessment have been incorporated in the Materiality assessment of C&E risks as well as informed the Bank's Business Strategy.

The Bank offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. Specifically, the Bank offers loans for energy upgrades of homes, installation of solar panels, acquisition of new hybrid or electric car as well as financing of renewable energy projects. In addition, following the Energy performance certificate gathering exercise, in 2024, the Bank identified a pool of €307.3 mn gross loans, as at 30 June 2024, associated (financing or collateralized) with properties with EPC Category A. The gross amount of environmentally friendly loans (including loans associated with properties with EPC Category A) as at 30 June 2024 was €339.8 mn compared to €272.0 mn as at 31 December 2023.

During 1H2024, in order to enhance the awareness and skillset on ESG matters, the Group performed relevant trainings to control functions and plans to perform trainings to the Board of Directors and Senior Management as well as to other members of staff.

Social Pillar

At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of c.€70 mn since 1998, whilst 55% of diagnosed cancer cases in Cyprus are being treated at the Centre), the immediate and efficient response of Bank of Cyprus' SupportCY network consisting of companies and organisations, to various needs of the society and in cases of crises and emergencies, through the activation of programs, specialized equipment and a highly trained Volunteers Corps, the contribution of the Bank of Cyprus Cultural Foundation in promoting the cultural heritage of the island, and the work of IDEA Innovation Centre.

The Cultural Foundation premises and museums were closed from March to June 2024 for renovation purposes so as to launch the new exhibition 'Cyprus Insula'. The physical attendees of Cultural foundation events remain unchanged from 1Q2024 (4,062 attendees).

The IDEA Innovation Centre, invested c.€4 mn in start-up business creation since its incorporation, supported creation of 95 new companies to date, provided support to 210+ entrepreneurs through its Startup program since incorporation, and provided education to 7,000 entrepreneurs. Staff continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff and capitalising on modern delivery methods. In 1H2024, the Bank's employees attended 23,482 hours of trainings. Moreover, the Group continued its emphasis on staff wellness during 2024 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by c.750 employees through its Well at Work program.

Governance Pillar

The Group continues to operate successfully within a complex regulatory framework of a holding company which is registered in Ireland, listed on two Stock Exchanges and run in compliance with a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group operates within a framework with adequate control environment, which enable risk assessment and risk management based on the relevant policies under the leadership of the Board of Directors. The Group has set up a Governance Structure to oversee its ESG agenda. Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board of Directors. The Sustainability Committee is a dedicated executive committee set up in early 2021 to oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in the Group's business targets. The Group's ESG Governance structure continues to evolve, so as to better address the Group's evolving ESG needs. The Group's regulatory compliance continues to be an undisputed priority.

D. Business Overview (continued)

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

Governance Pillar (continued)

The Group's aspiration to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030, has been reached earlier with 33% representation of women, as at 31 December 2023, in Group's management bodies. Women representation in Group management bodies continue to be 33% as at 30 June 2024. During the transitional phase of Board's composition in 1H2024 two male members, highly experienced in the areas of ESG and technology were appointed leading to the female representation, as at 30 June 2024, being at 37.50%. The Bank is in the process to appoint new members in the Board which will lead to female representation of 42%.

E. Strategy and Outlook

The vision of the Group is to create a lifelong partnership with its customers, guiding and supporting them in an evolving world.

The strategic pillars of the Group remain intact:

- **Grow revenues in a more capital efficient way;** by enhancing revenue generation via growth in high quality new lending, diversification to less capital intensive banking and other financial services (such as insurance and the digital economy) as well as prudent management of the Group's liquidity
- **Achieve a lean operating model;** by ongoing focus on efficiency through further automations facilitated by digitisation
- **Maintain robust asset quality;** by maintaining high quality new lending via strict underwriting criteria, normalising cost of risk and reducing other impairments
- **Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda;** by leading the transition of Cyprus to a sustainable future and building a forward-looking organisation embracing ESG in all aspects.

During the first half of 2024, the Group continued to deliver strong financial and operational results, demonstrating the sustainability of its business model. **Capitalising on its strong performance in 1H2024, the Group has upgraded its 2024 and 2025 financial targets.**

Components of Upgraded Financial Targets

On the back of a more favourable interest rate environment and positive deposit behaviour, the net interest income for 2024 is upgraded from over €670 mn to c.€800 mn. This is mainly due to the fact that the interest rate environment turned out to be more resilient than initially anticipated, with the pace of rate cuts being prolonged. According to market projections of July 2024, the ECB deposit facility rate and 6m Euribor are expected to average to 3.8% and 3.6% respectively for 2024, vis-à-vis 3.4% ECB deposit facility rate and 3.2% 6m Euribor anticipated in February 2024. Other drivers of the upgrade of net interest income guidance include:

- Cost of deposits to average to c.35 bps in 2024, facilitated by the highly liquid banking sector in Cyprus
- Gradual change in deposit mix towards time and notice deposits to c.43% by 31 December 2024;
- Low single-digit loan growth in 2024-2025, supported by GDP growth; loan growth subdued by repayments;
- Hedging activity to continue in 2024 to meet its target of €4-5 bn; already carried out €3.4 bn as at 30 June 2024;
- Fixed income portfolio to continue to grow, subject to market conditions, so that it represents c.17% of total assets by end-2024 (vs 16% previously guided), benefitting also from rollover to higher rates and;
- Higher wholesale funding costs, reflecting the full year impact of the 2023 senior preferred issuance and the April 2024 issuance of green senior preferred notes.

Going forward, the net interest income for 2025 is expected to be lower than 2024 but to remain strong, exceeding €700 mn, based on projections of the ECB deposit facility rate and 6m Euribor to average to c 3.0% respectively, reflecting mainly projected lower interest rates and higher cost of deposits, compared to 2024.

Separately, the Group continues to focus on improving revenues through multiple less capital-intensive initiatives, with a focus on net fee and commission income, insurance and non-banking activities, enhancing the Group's diversified business model further. Non-interest income is an important contributor to the Group's profitability and historically covered on average around 80% of its total operating expenses. The Group reiterated its expectation to continue covering around 70-80% of the Group's total operating expenses, supported by a growing net fee and commission income in line with economic growth for 2024-2025.

Maintaining cost discipline management remains an ongoing focus for the Group. The cost to income ratio excluding special levy on deposits or other levies/contributions is revised downwards to below 35% for 2024 (compared to c.40% previously guided) reflecting mainly the higher income on the back of the improved interest rate environment. For 2025, the cost to income ratio excluding special levy on deposits or other levies/contributions is set at below 40%, reflecting mainly lower income on gradually declining interest rates.

On asset quality, the Group's NPE ratio decreased to 2.8% as at 30 June 2024 indicating that is already aligned with the 2024 NPE ratio target. In this respect, the Group aims at an NPE ratio below 3% by end-2024 and below 2.5% by end-2025. Additionally, due to the continued strong credit portfolio performance, the cost of risk target is revised downwards and is currently expected to be c.40 bps for 2024 and within the normalised range of 40-50 bps for 2025.

E. Strategy and Outlook (continued)

Upgraded ROTE Targets

Overall, the Group expects to deliver a ROTE of over 19% (on a reported basis) which is translated into a ROTE of over 24% on 15% CET1 ratio for 2024. For 2025, the Group expects to deliver a reported ROTE in the range of mid-teens, corresponding to high-teens ROTE on 15% CET1 ratio. This strong performance for 2024 and 2025 will facilitate rapid capital build-up, with the CET1 generation expected to exceed 300 bps p.a. on a pre-distribution level.

Under the normalised interest rate environment (c.2.5%), the Group reiterates its confidence of delivering a mid-teens ROTE.

Distributions

The Group aims to provide a sustainable return to shareholders. Distributions are expected to be in the range of 30-50% payout ratio of the Group's adjusted recurring profitability, including cash dividends and buybacks, with any distribution being subject to regulatory approval. Group adjusted recurring profitability is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon. In line with the Group's distribution policy, the Group is committed to delivering sustainably growing distributions through a combination of cash dividend and share buybacks while maintaining a robust capital base to support profitable growth and prudently prepare for upcoming potential regulatory changes. Supported by its continued progress towards its strategic targets, the Group intends to move towards the top-end of the 30%-50% range of its distribution policy (i.e 50% payout ratio) for 2024, subject to required approvals. Any proposed distribution quantum, as well as envisaged allocation between dividend and buyback, will take into consideration market conditions as well as the outcome of its ongoing capital and liquidity planning exercises at the time. Given the strong capital generation, the Group's distribution policy is expected to be reviewed with the full year 2024 financial results in the context of prevailing market conditions.

Proposal to enhance the Group's market visibility and improve liquidity via ATHEX listing

In the context of evaluating how best to position the Group to achieve its long-term strategic targets and deliver sustainable value to shareholders, the Board of Directors has been assessing how to enhance the liquidity of the ordinary shares of the Group which are currently listed on the London Stock Exchange (LSE) and Cyprus Stock Exchange (CSE). Following extensive communication with the Group's stakeholders, the Board has reached the view that listing the ordinary shares on the Athens Stock Exchange ('ATHEX') in conjunction with a delisting from the LSE will yield a number of long-term strategic and capital market benefits. These include enhancing the Group's profile among the relevant investor base focused on the region, enabling investors to directly compare performance with regional banking peers, attracting long-term institutional holders within the more focused market ecosystem of ATHEX and providing scope for inclusion among indices over time. Taking into account these benefits, the Board of the Group believes that listing the ordinary shares on ATHEX and delisting the ordinary shares from the LSE has the potential to enhance the liquidity of the ordinary shares and may improve the market visibility of the Group for the benefit of shareholders. The ordinary shares of the Group will continue to be listed on the CSE. An Extraordinary General Meeting will be convened to propose a resolution to shareholders to consider the proposed listing on ATHEX; further details will be announced in due course. The effectiveness of the listing on ATHEX will also be subject to and conditional upon, being approved by the ATHEX Listings Committee. Subject to shareholder approval, necessary regulatory approvals and market conditions, the Board expects the listing and delisting to take place in autumn 2024.

F. Definitions and Explanations

Adjusted recurring profitability	The Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.
Advisory and other transformation costs	Comprise mainly of fees of external advisors in relation to: (i) the transformation program and other strategic projects of the Group and (ii) customer loan restructuring activities, 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 where applicable), (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 where applicable), (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 per share (attributable to the owners of the Company)	Basic earnings after tax per share (attributable to the owners of the Company) is the Profit/(loss) after tax (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)	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 30 July 2024.
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.
Diluted earnings per share	Diluted earnings per share is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of ordinary shares in issue adjusted for the ordinary shares that may arise in respect of share awards granted to executive directors and senior management of the Group under the Long-Term Incentive Plans (LTIP)
ECB	European Central Bank

F. Definitions and Explanations (continued)

Green Asset ratio	The proportion of the share of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets.
Green Mortgage ratio	The proportion of the share of a credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgages assets.
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 where applicable) 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 €60 mn as at 30 June 2024 (compared to 67 mn as at 31 March 2024 and €69 mn as at 31 December 2023). 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 €133 mn as at 30 June 2024 (compared to €134 mn as at 31 March 2024 and €138 mn as at 31 December 2023).
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 to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company and Other equity instruments 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 relating to loans and advances to customers 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 of Gross loans (as defined), 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 43.2% as at 30 June 2024 (compared to 42.9% as at 31 March 2024 and to 42.2% as at 31 December 2023). The Bank's deposit market share in Cyprus reached 37.5% as at 30 June 2024 (compared to 37.5% as at 31 March 2024 and to 37.7% as at 31 December 2023).
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 Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).

F. Definitions and Explanations (continued)

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.
Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding net loans included in the legacy exposures (as defined).
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 on financial instruments and (excluding net gains on loans and advances to customers at FVPL), Net insurance result, 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.

F. Definitions and Explanations (continued)

	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%. The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).
Non-recurring items	Non-recurring items as presented in the 'Unaudited Interim Condensed Consolidated Income Statement–Underlying basis' relate to 'Advisory and other transformation costs - organic'.
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).
Operating profit	Operating profit comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, Provisions for pending litigations, claims regulatory and other matters (net of reversals), tax, profit 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 after tax and before non-recurring items (attributable to the owners of the Company)	This refers to the profit 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 transformation costs – organic').
Quarterly average interest earning assets	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. 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 reverse purchase agreements (reverse repos) 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, mutual funds and other non interest bearing investments).

F. Definitions and Explanations (continued)

Qoq	Quarter on quarter change
Return on Tangible equity (ROTE)	Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
Return on Tangible equity (ROTE) on 15% CET1 ratio	Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible book value.
Shareholders' equity	Shareholders' equity comprise total equity adjusted for non-controlling interest and other equity instruments.
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.
Tangible book value per share	Calculated as the total equity attributable to the owners of the Company, (i.e. not including other equity instruments, such as AT1) less intangible assets at each quarter end divided by the number of ordinary shares of the Group (excluding treasury shares) at the period/quarter end.
Tangible book value per share excluding the cash dividend	Calculated as the total equity attributable to the owners of the Company, (i.e. not including other equity instruments, such as AT1) less intangible assets at each quarter/year end and the amounts of cash dividend recommended for distribution in respect of earnings of the relevant year the dividend relates to, divided by the number of ordinary shares (excluding treasury shares) at the period/quarter end.
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 'advisory and other transformation costs-organic', where applicable. 'Advisory and other transformation costs-organic' amounted to nil for 2Q2024 (compared to nil for 1Q2024 and €2 mn for 1H2023).
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 comprise loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus provisions for pending litigations, claims regulatory and other matters net of reversals).
Underlying basis	This refers to the statutory basis after being adjusted for reclassification of 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 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 six months ended 30 June 2024.

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 six months ended 30 June 2024.

The financial information in this announcement is not audited and 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 2023, were published on 28 March 2024, upon which the auditors have given an unqualified opinion are expected to be delivered to the Registrar of Companies of Ireland within 56 days of 30 September 2024. The Board of Directors approved the Group Consolidated Condensed financial statements for the six months ended 30 June 2024 on 7 August 2024.

Statutory basis: Statutory information is set out on pages 4-5. 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 six months ended 30 June 2024, 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 section B.1) to allow a comparison of the Group’s underlying financial position and performance.

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

The Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2024 have not been audited by the Group’s external auditors. The Group’s external auditors have conducted a review of the Consolidated Condensed Interim Financial Statements in accordance with the International Standard on Review Engagements (Ireland) 2410 ‘Review of Interim Financial Information performed by the Independent Auditor of the Entity’.

This announcement and the presentation for the Group Financial Results for the six months ended 30 June 2024 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 F, together with explanations.

The Group Financial Results for the six months ended 30 June 2024 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 and geopolitical developments. 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. Changes in our reporting frameworks and accounting standards, which may have a material impact on the way we prepare our financial statements and may negatively affect the profitability of Group’s insurance business.

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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 30 June 2024, the Bank of Cyprus Group operated through a total of 58 branches in Cyprus, of which 3 operated as cash offices. The Bank of Cyprus Group employed 2,860 staff worldwide. At 30 June 2024, the Group’s Total Assets amounted to €25.5 bn and Total Equity was €2.6 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.