Bank of Cyprus Holdings

Announcement

Group Financial Results for the nine months ended 30 September 2023

Nicosia, 13 November 2023

Key Highlights for the nine months ended 30 September 2023

Resilient economic outlook

- Continued strong economic growth; Cyprus' GDP expanded by 2.3%[1] in 2Q2023, outperforming the Eurozone average
- New lending of c.€1.6 bn, despite the rising interest rate environment
- Gross performing loan book at €9.9 bn broadly flat year on year as repayments continue to offset new lending

Another strong quarterly performance

- NII of €572 mn up 144% year on year; up 9% in 3Q2023 compared to prior quarter
- Non-NII of €224 mn up 5% year on year, covering 90% of total operating expenses[2]
- Total operating expenses[2] up 3% year on year with savings partly offsetting inflationary pressures; cost to income ratio[2] reduced to 31%, down from 54% in prior year
- Profit after tax of €349 mn (vs loss of €19 mn in 9M2022); 3Q2023 profit after tax of €129 mn up 3% on prior quarter
- Earnings per share of €0.78 for 9M2023, of which €0.29 in 3Q2023
- ROTE of 24.6% in 9M2023 and 25.6% in 3Q2023

Liquid and resilient balance sheet

- Asset quality in line with target; NPE ratio at 3.5% (0.8% on net basis) down 6 p.p. year on year
- NPE Coverage at 77%; Cost of risk at 58 bps
- Sticky, retail funded deposit base at €19.3 bn, up 3% year on year and broadly flat quarter on quarter
- Highly liquid balance sheet with €9.6 bn placed at the ECB

Robust capital and shareholder focus

- Regulatory CET1 ratio and Total Capital ratio of 15.2%[3] and 20.4%[3] respectively
- Including 3Q2023 profits net of dividend accrual, CET1 ratio at 15.8%[4] and Total Capital ratio at 21.0%[4]
- Organic capital generation of c.345 bps in 9M2023, of which c.125 bps in 3Q2023

Long Term Deposit rating upgraded to Investment grade by Moody's in October 2023

1. Source: Cyprus' Ministry of Finance
2. Excluding special levy on deposits and other levies/contributions
3. Includes reviewed profits for 1H2023 and a dividend accrual thereon as per the top end of the Group's dividend policy. Any recommendation for a dividend is subject to regulatory approval
4. Includes unaudited/unreviewed profits for 3Q2023 and a dividend accrual thereon as per the top end of the Group's dividend policy. Any recommendation for a dividend is subject to regulatory approval

*On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. Further information on IFRS 17 is provided under the sections "Commentary on Underlying Basis' and to Section F.9 of this announcement.

Group Chief Executive Statement

"We have delivered another quarter of strong profitability, achieving an ROTE of over 20% for the third consecutive quarter, demonstrating the Group's continuing ability to generate sustainable profitability and shareholder value creation. During the nine months of 2023, we recorded a profit after tax of €349 mn, corresponding to a ROTE of 24.6%, facilitated by strong revenues.

Total income amounted to €796 mn, of which €572 mn related to net interest income, more than double last year's level, a reflection of the higher interest rate environment and a well-managed deposit pass-through level. Non-interest income represents a significant and sustainable contributor to the Group's profitability and covers c.90% of total operating expenses. Our cost to income ratio improved further to 31%, driven by higher income, whilst our cost base remains under control, with savings partly offsetting inflationary pressures.

Against the backdrop of geopolitical developments and heightened uncertainty, the Cypriot economy is once again proving resilient with strong economic growth of 2.3% in 2Q2023, outpacing the Eurozone average. As the largest financial group in Cyprus, we continue to support the economy by extending c.€1.6 bn new loans in 9M2023, whilst maintaining prudent underwriting standards.

Our balance sheet is characterised by ample liquidity as well as strong asset quality and a robust capital position. Over one third of our assets are cash balances with central banks, benefitting significantly from higher rates while our deposit base continued to grow. Our NPE ratio stood at 3.5%, in line with our target and our coverage stood at 77%. Our cost of risk at 58 bps remains within our 2023 target range.

In October 2023 Moody's upgraded the Bank's long term deposit rating to investment grade for the first time in 12 years, confirming this new chapter of becoming a strong, diversified well-capitalised and sustainably profitable organisation. With another strong set of results in 3Q2023, the Group's performance is well ahead of 2023 targets and notwithstanding typical 4Q2023 seasonality, we expect to comfortably exceed our 2023 ROTE target of over 17%. We continue to execute strategy, with a clear focus on supporting our customers, delivering shareholder value and assisting the development of the Cypriot economy."

Panicos Nicolaou

A. Group Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq +%	yoy +%
Net interest income	572	234	214	196	9%	144%
Net fee and commission income	135	142	45	46	-1%	-5%
Net foreign exchange gains and net gains/(losses) on financial instruments	29	14	8	8	-13%	110%
Net insurance result	38	34	13	15	-12%	12%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	7	11	2	3	-25%	-34%
Other income	15	12	3	9	-68%	27%
Total income	**796**	**447**	**285**	**277**	**3%**	**78%**
Staff costs	(141)	(139)	(48)	(47)	2%	2%
Other operating expenses	(107)	(102)	(38)	(35)	10%	4%
Special levy on deposits and other levies/contributions	(30)	(27)	(12)	(7)	61%	12%
Total expenses	**(278)**	**(268)**	**(98)**	**(89)**	**10%**	**3%**
Operating profit	**518**	**179**	**187**	**188**	**-1%**	**190%**
Loan credit losses	(44)	(36)	(20)	(13)	49%	24%
Impairments of other financial and non-financial assets	(38)	(20)	(8)	(19)	-57%	88%
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(20)	(3)	(6)	(8)	-18%	-
Total loan credit losses, impairments and provisions	**(102)**	**(59)**	**(34)**	**(40)**	**-14%**	**73%**
Profit before tax and non-recurring items	**416**	**120**	**153**	**148**	**3%**	**247%**
Tax	(63)	(19)	(23)	(22)	5%	238%
Profit attributable to non-controlling interests	(2)	(2)	(1)	0	123%	-9%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**351**	**99**	**129**	**126**	**2%**	**253%**
Advisory and other transformation costs – organic	(2)	(10)	-	(1)	-100%	-77%
Profit after tax – organic (attributable to the owners of the Company)	**349**	**89**	**129**	**125**	**3%**	**290%**
Provisions/net profit/(loss) relating to NPE sales	-	(1)	-	-	-	-100%
Restructuring and other costs relating to NPE sales	-	(3)	-	-	-	-100%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	-	(104)	-	-	-	-100%
Profit/ (loss) after tax (attributable to the owners of the Company)	**349**	**(19)**	**129**	**125**	**3%**	**-**

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Income Statement- Key performance Ratios

Key Performance Ratios	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq+%	yoy+%
Net Interest Margin (annualised)	3.32%	1.39%	3.63%	3.43%	20 bps	193 bps
Cost to income ratio	35%	60%	34%	32%	2 p.p.	-25 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	31%	54%	30%	29%	1 p.p.	-23 p.p.
Operating profit return on average assets (annualised)	2.7%	0.9%	2.9%	3.0%	-0.1 p.p.	1.8 p.p.
Basic earnings per share attributable to the owners of the Company (€)[2]	0.78	(0.04)	0.29	0.28	0.01	0.82
Return on tangible equity (ROTE)	24.6%	(1.4%)	25.6%	26.6%	-1.0 p.p.	26.0 p.p.
Tangible book value per share (€)	4.63	3.81	4.63	4.34	0.29	0.82

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 of this announcement.
2. The diluted earnings per share attributable to the owners of the Company for 3Q2023 amounted to 28.9 cents and 78.2 cents for 9M2023
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 nine months ended 30 September 2023 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 F.1 'Reconciliation of Interim Income statement for the nine months ended 30 September 2023 between statutory basis and underlying basis' and Section H under 'Alternative Performance Measures' and Section I under 'Definitions & Explanations'.

Throughout this announcement, financial information in relation to FY2022 and quarterly 2022 financial information has been restated for the effects of transition to IFRS 17 which was adopted on 1 January 2023 and applied retrospectively. As a result, 2022 financial information, ratios and metrics are presented on a restated basis unless otherwise stated. Further information on the impact of IFRS 17 transition is provided below and in Section F.9 of this announcement.

Throughout this announcement, **the capital ratios as at 31 December 2022 have been restated in order to take into consideration the 2022 dividend declaration**. This refers to the proposal by the Board of Directors to the shareholders of a final dividend in respect of the FY2022 earnings following the approval by the European Central Bank ('ECB'). The proposed final dividend was declared at the Annual General Meeting ('AGM') which was held on 26 May 2023. This dividend amounted to €22.3 mn in total and had a negative impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022. As a result, the 31 December 2022 capital ratios are presented as restated for the 2022 dividend unless otherwise stated. Additionally, throughout this announcement, **the capital ratios as at 30 June 2023 are presented** including 1H2023 reviewed profits and a dividend accrual thereon at the top end of the payout range of the Group's approved dividend policy in compliance with the Capital Requirements Regulation and in line with the ECB Decision EU (2015/656) on the recognition of interim profits in CET1 capital. Further details are provided in Section 'A.1.1 Capital Base'.

Capital ratios including retained earnings are referred to the CET1 ratio and Total capital ratios as at 30 September 2023 which include unaudited/unreviewed profits for the quarter ended 30 September 2023 and a dividend accrual thereon at the top end of the Group's dividend policy.

Transition to IFRS 17

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' ('IFRS 17') which replaced IFRS 4 'Insurance contracts. IFRS 17 is an accounting standard that was implemented on 1 January 2023, with retrospective application and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, investment contracts with discretionary participation features issued and reinsurance contracts held. In substance, IFRS 17 impacts the phasing of profit recognition for insurance contracts as profitability is spread over the lifetime of the contract compared to being recognised substantially up-front under IFRS 4. This new accounting standard **does not change the economics of the insurance contracts but decreases the volatility of the Group's insurance companies profitability.**

Commentary on Underlying Basis (continued)

Transition to IFRS 17 (continued)

The Group's total equity as at 31 December 2022 as restated for IFRS 17 compared to IFRS 4, was reduced by overall €52 mn (predominantly relating to the life insurance business of the Group) from the below changes:

- The removal of the present value of in-force life insurance contracts ('PVIF') asset including the associated deferred tax liability, resulting in a reduction of c.€101 mn in the Group's total equity.
- The remeasurement of insurance assets and liabilities (including the impact of the contractual service margin('CSM')) resulting in an increase in the Group's equity by €49 mn.

The estimated future profit of insurance contracts is included in the measurement of the insurance contract liabilities as the contractual service margin ('CSM') and this will be gradually recognised in revenue, as services are provided over the duration of the insurance contract. A contractual service margin liability of c.€42 mn was recognised as at 31 December 2022 (reflected in the impact from the remeasurement of insurance liabilities mentioned above).

With regards to the Group's income statement for the year ended 31 December 2022, as restated for IFRS 17, **the profit after tax (attributable to the owners of the Company) was reduced by €14 mn to €57 mn (vs €71 mn under IFRS 4) reflecting mainly**:

- Profit is deferred and held as CSM liability as mentioned above to be recognised in the income statement over the contract service period.
- The impact of assumption changes relating to the future service is also deferred through CSM liability and is recognised in the income statement over the contract service period.
- There is increased use of current market values in the measurement of insurance assets and liabilities (for unit-linked business) and market volatility on unit-linked business is deferred to the CSM, thereby reducing the volatility in the income statement.

The transition to IFRS 17 had no impact on the Group's regulatory capital. However, as a result of the benefit arising from the remeasurement of the insurance assets and liabilities, the life insurance subsidiary distributed €50 mn as dividend to the Bank in February 2023, which benefited Group regulatory capital by an equivalent amount on the same date, enhancing CET1 ratio by c.50 bps. Going forward, meaningful dividend generation from the insurance business is expected to continue.

A. Group Financial Results– Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	30.09.2023	31.12.2022 IFRS 17[1]	±%
Cash and balances with central banks	**9,565**	**9,567**	0%
Loans and advances to banks	**410**	**205**	100%
Debt securities, treasury bills and equity investments	**3,636**	**2,704**	34%
Net loans and advances to customers	**9,910**	**9,953**	0%
Stock of property	**922**	**1,041**	-11%
Investment properties	**71**	**85**	-16%
Other assets	**1,838**	**1,734**	6%
Total assets	**26,352**	**25,289**	**4%**
Deposits by banks	**443**	**508**	-13%
Funding from central banks	**2,023**	**1,977**	2%
Customer deposits	**19,267**	**18,998**	1%
Debt securities in issue	**644**	**298**	116%
Subordinated liabilities	**315**	**302**	4%
Other liabilities	**1,294**	**1,157**	12%
Total liabilities	**23,986**	**23,240**	**3%**
Shareholders' equity	**2,114**	**1,807**	**17%**
Other equity instruments	**228**	**220**	**4%**
Total equity excluding non-controlling interests	**2,342**	**2,027**	**16%**
Non-controlling interests	**24**	**22**	**8%**
Total equity	**2,366**	**2,049**	**15%**
Total liabilities and equity	**26,352**	**25,289**	**4%**

Key Balance Sheet figures and ratios		30.09.2023	31.12.2022[1]	±
Gross loans (€ mn)		**10,167**	**10,217**	0%
Allowance for expected loan credit losses (€ mn)		**275**	**282**	-3%
Customer deposits (€ mn)		**19,267**	**18,998**	1%
Loans to deposits ratio (net)		**51%**	**52%**	-1 p.p.
NPE ratio		**3.5%**	**4.0%**	-50 bps
NPE coverage ratio		**77%**	**69%**	+8 p.p.
Leverage ratio		**8.7%**	**7.8%**	+90 bps
Capital ratios and risk weighted assets	**30.09.2023 (Basel III)**	**30.09.2023 (including Retained Earnings[3])**	**31.12.2022[2]**	**±**
Common Equity Tier 1 (CET1) ratio (transitional)	**15.2%**	**15.8%**	**15.2%**	60 bps
Total capital ratio (transitional)	**20.4%**	**21.0%**	**20.4%**	60 bps
Risk weighted assets (€ mn)	**10,264**	**10,264**	**10,114**	1%

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. Please refer to Section F.9 of this announcement.
2. The capital ratios have been restated to take into consideration the dividend in respect of FY2022 earnings. For further details please refer to section A.1.1.
3. Includes unaudited/unreviewed profits for 3Q2023 net of dividend accrual (refer to section A.1.1 'Capital Base'). Any recommendation for a dividend is subject to regulatory approval. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis

A.1.1 Capital Base

Total equity excluding non-controlling interests totalled €2,342 mn as at 30 September 2023 compared to €2,220 mn as at 30 June 2023 and to €2,027 mn as at 31 December 2022. Shareholders' equity totalled to €2,114 mn as at 30 September 2023 compared to €1,984 mn as at 30 June 2023 and to €1,807 mn as at 31 December 2022.

The **regulatory Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 15.2% as at 30 September 2023, compared to 15.6% as at 30 June 2023 and 15.2% as at 31 December 2022, as restated. Throughout this announcement, the capital ratios as at 30 September 2023 include reviewed profits for the six months ended 30 June 2023 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 and an accrual thereon of dividend at the top end of the Group's approved dividend policy in line with the principles of Commission Delegated Regulation EU No241/2014 (such ratios are referred as regulatory or Basel III and do not include 3Q2023 profits). As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. Including the profits for 3Q2023 of c.125 bps, net of dividend accrual at the top end of the Group's approved dividend policy of c.60 bps, the CET1 ratio on a transitional basis (including retained earnings) increases to 15.8% as at 30 September 2023. From 3Q2023, the amount corresponding to the Pillar II add-on requirement relating to ECB's prudential provisioning expectations of 33 bps is deducted from CET1 capital and therefore it is expected to be eliminated from the Pillar II SREP capital requirements as of 1 January 2024.

The Group had elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios was phased-in gradually, with the impact being fully phased-in (100%) by 1 January 2023. The final phasing-in of the impact of the impairment amount from the initial application of IFRS 9 was c.65 bps on the CET1 ratio on 1 January 2023. In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 14 bps on Group's CET1 ratio as at 30 September 2023.

The **regulatory Total Capital ratio on a transitional basis** stood at 20.4% as at 30 September 2023, compared to 20.7% as at 30 June 2023 and to 20.4% as at 31 December 2022, as restated. Including the profits for 3Q2023 of c.125 bps, net of dividend accrual at the top end of the Group's approved dividend policy of c.60 bps, the total capital ratio (including retained earnings) increases to 21.0%.

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

In the context of the annual SREP performed by the ECB in 2022 and based on the **final SREP decision** received in December 2022, effective from 1 January 2023, the Pillar II requirement has been revised to 3.08%, compared to the previous level of 3.26%. The Pillar II requirement includes a revised Pillar II requirement add-on of 0.33% relating to ECB's prudential provisioning expectations. When disregarding the Pillar II add-on relating to ECB's prudential provisioning expectations, the Pillar 2 requirement has been reduced from 3.00% to 2.75%. From 30 September 2023, the Pillar II add-on of 0.33% relating to ECB's prudential provisioning expectations is being deducted from capital and therefore the Pillar 2 requirement is expected to decrease to 2.75% as of 1 January 2024.

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 currently it stands at 1.50%. In October 2023, the CBC concluded its reassessment 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 revised to 2.25% (from 1.50%), to be phased in annually by 37.5 bps, to 1.875% on 1 January 2024 and to 2.25% on 1 January 2025.

The Group's minimum phased-in CET1 capital ratio requirement as at 30 September 2023 is set at **10.27%**, 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.0.04%. The Group's minimum phased-in Total Capital ratio requirement is set at **15.12%**, 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.0.04%. The ECB has also maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) unchanged compared to the 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.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

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. The new rate of 0.50% must be observed as 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 to be observed from June 2024, increasing the CcyB to 1.00%.

Following the annual SREP performed by the ECB in 2023, and based on the draft SREP decision received in October 2023, effective from 1 January 2024 (subject to ECB final confirmation), the Group's minimum phased-in CET1 capital ratio and Total Capital ratio requirements are expected to decrease, when disregarding the phasing in of the O-SII buffer and CcyB mentioned above, reflecting the elimination of the Pillar II add-on relating to ECB's prudential provisioning expectations, following the Group's decision to directly deduct from own funds such amount. On 1 January 2024 the Group's minimum phased-in CET1 capital ratio is expected to be set at c.**10.92%**, 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.0.50%. On 1 January 2024, the Group's minimum phased-in Total Capital ratio requirement is expected to be set at c.**15.63%,** 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 0.50%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). From 2 June 2024 both CET1 capital and Total Capital requirements are expected to increase by c.0.50% as a result of the increase in the CcyB described above.

The Group participated in the ECB Stress Test of 2023, the results of which were published by the ECB on 28 July 2023. For further information please refer to the 'Risk and Capital Management Report' of the 'Interim Financial Report 2023.

Resumption of dividend payments

Following the 2022 SREP decision, the equity dividend distribution prohibition was lifted for both the Company and the Bank, with any dividend distribution being subject to regulatory approval.

In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend. Following this approval, the Board of Directors of the Company recommended to the shareholders a final dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022 ('Dividend'). The proposed final dividend was declared at the Annual General Meeting ('AGM') which was held on 26 May 2023. The Dividend amounted to €22.3 mn in total and was equivalent to a payout ratio of 14% of the FY2022 Group's adjusted recurring profitability or 31% based on FY2022 profit after tax (as reported in the 2022 Annual Financial Report). The Dividend was paid in cash on 16 June 2023.

The Dividend resulted in a negative capital impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022.

The resumption of dividend payments after 12 years underpins the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

Dividend policy

In April 2023 the Board of Directors approved the Group's dividend policy. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's adjusted recurring profitability. 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. The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

Other equity instruments

At 30 September 2023, the Group's other equity instruments relate to Additional Tier 1 Capital Securities (the "AT1 securities") and amounted to €228 mn, compared to €236 mn as at 30 June 2023, down 3% on prior quarter, reflecting the repurchase of c.€7 mn Existing Capital Securities in the open market by the Company in July 2023.

In June 2023, the Company successfully launched and priced an issue of €220 mn Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'New Capital Securities').

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

Other equity instruments (continued)

The New 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 the New 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.

The issue was met with exceptional demand, attracting interest from c.240 institutional investors, with the final order book over 12 times over-subscribed and final pricing 62.5 bps tighter than the initial pricing indication. The pricing also reflects significant improvement in the credit spread to c.910 bps compared to c.1,260 bps for the previous AT1 issue in 2018 ('Existing Capital Securities').

The net proceeds of the issue of the New Capital Securities were on-lent by the Company to the Bank to be used for general corporate purposes. The on-loan qualifies as Additional Tier 1 capital for the Bank.

The issue of the New Capital Securities maintains the Group's optimised capital structure and contributed to the Group's Total Capital Ratio by c.215 bps at the time of issuance.

At the same time, the Company invited the holders of its outstanding €220 mn Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities callable in December 2023 to tender their Existing Capital Securities at a purchase price of 103% of the principal amount. The Company received valid tenders of c.€204 mn in aggregate principal amount, or c.93% of the outstanding Existing Capital Securities, all of which were accepted by the Company.

As a result, a cost of c.€7 mn was recorded directly in the Company's equity in 2Q2023, forfeiting the relevant future coupon payments. Transaction costs of €3.5 mn in relation to the transactions were recorded directly in equity in June 2023. Existing Capital Securities of c.€8 mn in aggregate principal amount remained outstanding as at 30 September 2023.

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 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 for 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, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e. in 2022).

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.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.2 Regulations and Directives

A.1.2.1 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 IV and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal, and the 2021 Banking Package is currently in the final stage of the EU legislative process. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. It is expected that the 2021 Banking Package will enter into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

A.1.2.2 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 early May 2021. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019 as part of the reform package and took immediate effect.

In February 2023, the Bank received notification from the Single Resolution Board (SRB) of the decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank, determined as the preferred resolution point of entry. As per the 2023 MREL decision, the MREL requirement was set at 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025.

In November 2023, the Bank received draft notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets and must be met by 31 December 2024, one year earlier than the previous decision, in light of the Group's progress over the years of becoming a strong, well-capitalised with sustainable profitability organisation. The revised MREL requirements remain subject to SRB and CBC final confirmation.

Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

The regulatory MREL ratio as at 30 September 2023, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 24.1% of risk weighted assets (RWA) and at 11.0% of LRE. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR requirement, which stood at 4.04% on 30 September 2023 (compared to 3.77% as at 31 December 2022), expected to increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus and to 1.00% from June 2024 as announced by CBC. Additionally, the CBR requirement is expected to increase further on 1 January 2024 following an increase in O-SII buffer from 1.50% to 1.875% and subsequently to 2.25% from 1 January 2025, as announced by CBC.

Throughout this announcement, the MREL ratios as at 30 September 2023 include reviewed profits for the six months ended 30 June 2023 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 and an accrual of dividend at the top end of the Group's approved dividend policy in line with the principles of Commission Delegated Regulation EU No241/2014. The MREL ratio expressed as a percentage of RWA and the MREL ratio expressed as a percentage of LRE as at 30 September 2023 stand at 24.6% and 11.2% respectively when including the profits for 3Q2023 net of a dividend accrual at the top end of the Group's approved dividend policy.

The Bank continues to evaluate opportunities to optimise the build-up of its MREL.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.3 Funding and Liquidity

Funding

Funding from Central Banks

At 30 September 2023, the Bank's funding from central banks amounted to €2,023 mn, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,004 mn at 30 June 2023 and to €1,977 mn at 31 December 2022.

The Bank borrowed an overall amount of €3 bn under TLTRO III by June 2021, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements.

Following the changes in the terms of the TLTRO III announced by the ECB in October 2022, and given the Bank's strong liquidity position, the Bank proceeded with the repayment of €1 bn TLTRO III funding in December 2022. The maturity date of the Bank's funding of €1.7 bn under the seventh TLTRO III operation is in March 2024, whilst the €300 mn under the eighth TLTRO III operation is in June 2024.

Deposits

Customer deposits totalled €19,267 mn at 30 September 2023 (compared to €19,166 mn at 30 June 2023 and to €18,998 mn at 31 December 2022) broadly flat in the third quarter. Customer deposits are mainly retail-funded and 58% of deposits are protected under the deposit guarantee scheme as at 30 September 2023.

The Bank's deposit market share in Cyprus reached 37.7% as at 30 September 2023, compared to 37.4% as at 30 June 2023 and to 37.2% as at 31 December 2022. Customer deposits accounted for 73% of total assets and 80% of total liabilities at 30 September 2023 (compared to 75% of total assets and 82% of total liabilities as at 31 December 2022).

The net loans to deposits (L/D) ratio stood at 51% as at 30 September 2023 (compared to 52% as at 30 June 2023 and 31 December 2022 on the same basis), down 1 p.p. in the third quarter.

Subordinated liabilities

At 30 September 2023, the carrying amount of the Group's subordinated liabilities amounted to €315 mn (compared to €309 mn at 30 June 2023 and to €302 mn at 31 December 2022) 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.

Debt securities in issue

At 30 September 2023, the carrying value of the Group's debt securities in issue amounted to €644 mn (compared to €292 mn at 30 June 2023 and to €298 mn at 31 December 2022) and relate to senior preferred notes. The increase of 116% since the beginning of the year, relates to the issuance of €350 mn senior preferred notes in 3Q2023.

In July 2023, the Bank has 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 issuance was met with strong demand, attracting interest from more than 90 institutional investors, with a peak orderbook of €950 mn and final pricing 37.5 bps tighter than the initial pricing indication. 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.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

Debt securities in issue (continued)

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 September 2023, the Group Liquidity Coverage Ratio (LCR) stood at 350% (compared to 316% at 30 June 2023 and to 291% at 31 December 2022), well above the minimum regulatory requirement of 100%. The LCR surplus as at 30 September 2023 amounted to €8.6 bn (compared to €7.7 bn at 30 June 2023 and to €7.2 bn at 31 December 2022). The increase in liquidity surplus in 3Q2023 reflects primarily the issuance of €350 mn of senior preferred notes in July 2023 and the increase in deposits. When disregarding the TLTRO III, the Group's liquidity position remains strong with an LCR of 292% and liquidity surplus of €6.6 bn.

At 30 September 2023, the Group Net Stable Funding Ratio (NSFR) stood at 162% (compared to 165% at 30 June 2023 and to 168% at 31 December 2022), well above the minimum regulatory requirement of 100%.

A.1.4 Loans

Group **gross loans** totalled €10,167 mn at 30 September 2023, compared to €10,277 mn at 30 June 2023 and to €10,217 mn at 31 December 2022, broadly flat yoy as repayments continue to offset new lending.

New lending granted in Cyprus reached €445 mn for 3Q2023 (compared to €494 mn for 2Q2023 and to €624 mn for 1Q2023) down by 10% qoq. New lending in 3Q2023 comprised €190 mn of corporate loans, €167 mn of retail loans (of which €103 mn were housing loans), €45 mn of SME loans and €43 mn of shipping and international loans. New lending for 9M2023 stood at €1,563 mn, despite the rising interest rate environment, driven mainly by corporate demand.

At 30 September 2023, the Group net loans and advances to customers totalled €9,910 mn (compared to €10,008 mn at 30 June 2023 and to €9,953 mn at 31 December 2022), flat since the beginning of the year.

The Bank is the largest credit provider in Cyprus with a market share of 42.3% at 30 September 2023, compared to 42.4% at 30 June 2023 and to 40.9% at 31 December 2022.

A.1.5 Loan portfolio quality

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

The loan credit losses for 3Q2023 totalled €20 mn, compared to €13 mn for 2Q2023, and totalled to €44 mn for 9M2023, compared to €36 mn for 9M2022. Further details regarding loan credit losses are provided in Section A.2.3 'Profit before tax and non-recurring items'.

In 3Q2023 an amount of €37 mn were classified as unlikely to pay exposures (UTPs), following a deep dive assessment of the Group's portfolio. With the conclusion of this assessment, expected in 4Q2023, another similar UTP amount will potentially be recognised. These UTPs are customer specific with idiosyncratic characteristics and are not linked with the current macroeconomic environment; they adhere their payment schedule and present no arrears. The elevated inflation combined with the rising interest rate environment are expected to weigh on customer behaviour. Despite the higher interest rates, 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 deteriorated 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

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €13 mn, or 3% in 3Q2023, compared to a net organic reduction of €18 mn in 2Q2023, to €358 mn at 30 September 2023 (compared to €371 mn at 30 June 2023 and €411 mn at 31 December 2022).

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality (continued)

Non-performing exposures (continued)

As a result, the NPEs account for 3.5% of gross loans as at 30 September 2023, compared to 3.6% at 30 June 2023 and to 4.0% at 31 December 2022.

The NPE coverage ratio stands at 77% at 30 September 2023, compared to 78% at 30 June 2023 and to 69% as at 31 December 2022. 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 €14.6 bn or 98% to below €0.4 bn and the NPE ratio by 59 percentage points, from 63% to below 4%.

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 and remained non-performing as at 31 December 2022 with facilities backed by primary residence with open market value up to €250k;
- Borrowers that 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.

The eligible applicants will be able to reside in their primary residence as tenants and are exempted from their mortgage loan, as the state will be covering fully the required rent on their behalf. 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 not been launched yet; it is expected to act as another tool to address NPEs in the Retail sector.

A.1.6 Fixed income portfolio

Fixed income portfolio amounts to €3,489 mn as at 30 September 2023, compared to €3,178 mn as at 30 June 2023 and to €2,500 mn as at 31 December 2022, increased by 10% on the prior quarter. As at 30 September 2023, the portfolio represents 14% of total assets (net of TLTRO III) and comprises €3,074 mn (88%) measured at amortised cost and €415 mn (12%) 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 or at Aa2 when Cyprus government bonds are excluded. The fair value of the amortised cost fixed income portfolio as at 30 September 2023 amounts to €2,983 mn, reflecting an unrealised fair value loss of €91 mn, equivalent to c.90 bps of CET1 ratio.

A.1.7 Real Estate Management Unit (REMU)

The **Real Estate Management Unit (REMU)** is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2019 amount to €0.9 bn and exceed properties on-boarded in the same period of €0.5 bn.

During the nine months ended 30 September 2023, the Group completed disposals of €101 mn (compared to €125 mn in 9M2022), resulting in a profit on disposal of c.€8 mn for 9M2023 (compared to a profit of c.€12 mn for 9M2022). Asset disposals are across all property classes, with 40% gross sale value in 9M2023 relating to land.

During the nine months ended 30 September 2023, the Group executed sale-purchase agreements (SPAs) for disposals of 399 properties with contract value of €111 mn, compared to SPAs for disposals of 512 properties with contract value of €142 mn for 9M2022.

In addition, the Group had a strong pipeline of €64 mn by contract value as at 30 September 2023, of which €49 mn related to SPAs signed (compared to a pipeline of €82 mn as at 30 September 2022, of which €44 mn related to SPAs signed).

REMU on-boarded €18 mn of assets in 9M2023 (compared to additions of €84 mn in 9M2022), via the execution of debt for asset swaps and repossessed properties.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.7 Real Estate Management Unit (REMU) (continued)

As at 30 September 2023, assets held by REMU had a carrying value of €983 mn, of which €947 mn are repossessed properties (comprising properties of €922 mn classified as 'Stock of property' and €61 mn as 'Investment properties'), compared to €1,116 mn as at 31 December 2022 (comprising properties of €1,041 mn classified as 'Stock of property' and €75 mn as 'Investment properties').

Assets held by REMU

Assets held by REMU (Group) **€ mn**	**9M2023**	**9M2022**	**3Q2023**	**2Q2023**	qoq ±%	yoy ±%
Opening balance	**1,116**	1,215	1,010	1,050	-4%	-8%
On-boarded assets	**18**	84	12	4	172%	-77%
Sales	**(101)**	(125)	(30)	(30)	2%	-19%
Net impairment loss	**(32)**	(13)	(9)	(15)	-43%	139%
Transfer to/from own properties	**(18)**	-	-	1	-100%	-
Closing balance	**983**	1,161	983	1,010	-3%	-15%

Analysis by type and country **30 September 2023 (€ mn)**	**Cyprus**	**Greece**	**Total**
Residential properties	**54**	**20**	**74**
Offices and other commercial properties	**136**	**14**	**150**
Manufacturing and industrial properties	**47**	**16**	**63**
Hotels	**19**	**0**	**19**
Land (fields and plots)	**453**	**4**	**457**
Golf courses and golf-related property	**220**	**0**	**220**
Total	**929**	**54**	**983**

31 December 2022 (€ mn)	**Cyprus**	**Greece**	**Total**
Residential properties	**69**	**21**	**90**
Offices and other commercial properties	**180**	**14**	**194**
Manufacturing and industrial properties	**48**	**19**	**67**
Hotels	**24**	**0**	**24**
Land (fields and plots)	**502**	**4**	**506**
Golf courses and golf-related property	**235**	**0**	**235**
Total	**1,058**	**58**	**1,116**

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis

A.2.1 Total income

€ mn	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq ±%	yoy +%
Net interest income	**572**	**234**	**214**	**196**	**9%**	**144%**
Net fee and commission income	135	142	45	46	-1%	-5%
Net foreign exchange gains and net gains/(losses) on financial instruments	29	14	8	8	-13%	110%
Net insurance result	38	34	13	15	-12%	12%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	7	11	2	3	-25%	-34%
Other income	15	12	3	9	-68%	27%
Non-interest income	**224**	**213**	**71**	**81**	**-13%**	**5%**
Total income	**796**	**447**	**285**	**277**	**3%**	**78%**
Net Interest Margin (annualised)	3.32%	1.39%	3.63%	3.43%	20 bps	193 bps
Average interest earning assets (€ mn)	23,011	22,470	23,383	22,903	2%	2%

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 of this announcement.

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

Net interest income (NII) for 9M2023 amounted to €572 mn compared to €234 mn for 9M2022, up 144% yoy, benefitting from higher interest rates, growth of fixed income portfolio and well-managed deposit pass-through, notwithstanding the foregone NII on the NPE sale Helix 3 portfolio (c.€12 mn in 9M2022) and end of TLTRO III favourable terms (c.€10 mn in 9M2022).

Net interest income (NII) for 3Q2023 amounted to €214 mn compared to €196 mn for 2Q2023, up 9% qoq, attributable to higher interest rates and the continued low deposit pass-through, partially offset by increased funding costs.

Quarterly average interest earning assets (AIEA) for 9M2023 amounted to €23,011 mn, up 2% yoy driven by the increase in liquid assets mainly as a result of the increase in deposits by c.€0.48 bn yoy and the issuance of senior preferred notes of €0.35 bn. Quarterly average interest earning assets for 3Q2023 was also up by 2% qoq reflecting the increase in liquid assets and the issuance of senior preferred notes of €0.35 bn in July 2023.

Net interest margin (NIM) for 9M2023 amounted to 3.32% (compared to 1.39% for 9M2022), up 193 bps yoy driven by the continuing interest rate rises. Net interest margin (NIM) for 3Q2023 stood at 3.63% (compared to 3.43% for 2Q2023) up 20 bps qoq.

Non-interest income for 9M2023 amounted to €224 mn (compared to €213 mn for 9M2022, up 5% yoy) comprising net fee and commission income of €135 mn, net foreign exchange gains and net gains/(losses) on financial instruments of €29 mn, net insurance result of €38 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €7 mn and other income of €15 mn. The yoy increase relates to higher net foreign exchange gains and net gains/(losses) on financial instruments, partly offset by lower net fee and commission income.

Non-interest income for 3Q2023 amounted to €71 mn (compared to €81 mn for 2Q2023, down 13% qoq) comprising net fee and commission income of €45 mn, net foreign exchange gains and net gains/(losses) on financial instruments of €8 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 €2 mn and other income of €3 mn. The qoq reduction relates mainly to a non-recurring insurance receivable of c.€5 mn included in other income and recognised in the previous quarter. Non-interest income excluding the non-recurring insurance receivable of c.€5 mn, was down by 7% compared to the previous quarter, mainly due to higher insurance claims.

Net fee and commission income for 9M2023 amounted to €135 mn (compared to €142 mn for 9M2022, down 5% yoy); when disregarding the impact of the liquidity fees and NPE sale-related servicing fee, net fee and commission income was up 7% yoy, reflecting the introduction of a revised price list in February 2022 and higher net credit card commissions and transactional fees.

Net fee and commission income for 3Q2023 amounted to €45 mn, broadly flat qoq.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.1 Total income (continued)

Net foreign exchange gains and net gains/(losses) on financial instruments of €29 mn for 9M2023 (comprising net foreign exchange gains of €23 mn and net gains on financial instruments of €6 mn), compared to €14 mn for 9M2022 up 110% yoy, due to higher net gains on financial instruments.

Net foreign exchange gains and net gains/(losses) on financial instruments amounted to €8 mn for 3Q2023, broadly flat qoq**.** Net foreign exchange gains and net gains/(losses) on financial instruments are considered volatile profit contributors.

Net insurance result amounted to €38 mn for 9M2023, compared to €34 mn for 9M2022, up 12% yoy, driven mainly by healthy growth of new business.

Net insurance result amounted to €13 mn for 3Q2023, compared to €15 mn for 2Q2023, down 12% qoq, impacted by higher insurance claims.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 9M2023 amounted to €7 mn (comprising net gains on disposal of stock of properties of €6 mn, net gains on disposal of investment properties of €1.5 mn and net loss from revaluation of investment properties of €0.5 mn), compared to €11 mn for 9M2022. REMU profit remains volatile.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 3Q2023 amounted to €2 mn (comprising net gains on disposal of stock of properties of €2 mn, net gains on disposal of investment properties of €0.6 mn and net loss from revaluation of investment properties of €0.4 mn), compared to €3 mn for 2Q2023.

Total income amounted to €796 mn for 9M2023 (compared to €447 mn for 9M2022, up 78% yoy), and to €285 mn for 3Q2023 (compared to €277 mn for 2Q2023, up 3% qoq), driven by strong growth in net interest income, as explained above.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses

€ mn	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq ±%	yoy +%
Staff costs	(141)	(139)	(48)	(47)	2%	2%
Other operating expenses	(107)	(102)	(38)	(35)	10%	4%
Total operating expenses	**(248)**	**(241)**	**(86)**	**(82)**	**5%**	**3%**
Special levy on deposits and other levies/contributions	(30)	(27)	(12)	(7)	61%	12%
Total expenses	**(278)**	**(268)**	**(98)**	**(89)**	**10%**	**3%**
Cost to income ratio	35%	60%	34%	32%	2 p.p.	-25 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	31%	54%	30%	29%	1 p.p.	-23 p.p.

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 of this announcement.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Total expenses for 9M2023 were €278 mn (compared to €268 mn for 9M2022, moderately up 3% yoy), 51% of which related to staff costs (€141 mn), 38% to other operating expenses (€107 mn) and 11% to special levy on deposits and other levies/contributions (€30 mn). Total expenses for 3Q2023 were €98 mn compared to €89 mn for 2Q2023, up 10% qoq. The yoy and qoq increase relates to higher other operating expenses and special levy on deposits and other levies/contributions.

Total operating expenses amounted to €248 mn for 9M2023 (compared to €241 mn for 9M2022, up 3% yoy), with savings partly offsetting inflationary pressures. Total operating expenses amounted to €86 mn for 3Q2023 (compared to €82 mn for 2Q2023, up 5% qoq), attributed mainly to higher expenses due to the Reward Programme launched to reward performer borrowers through Antamivi Reward Scheme.

Staff costs for 9M2023 were €141 mn (compared to €139 mn for 9M2022, up 2% yoy) due to the accrual of termination benefit cost of c.€4.5 mn and the performance related pay accrual of c.€7 mn, partly offset by the savings of the Voluntary Staff Exit Plan that took place in 3Q2022. The performance-related pay accrual relates to the Short-Term Incentive Plan and the Long-Term Incentive Plan. 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. Staff costs for 3Q2023 were €48 mn, up 2% qoq due to higher performance-related pay accrual compared to prior quarter.

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ("2022 LTIP" or the "2022 Plan"). The 2022 Plan 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. The employees eligible for the 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3 year period and financial and non-financial objectives to be achieved (driven by both delivery of the Group's strategy as well as individual performance). At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. In October 2023, the Group has granted to eligible employees share awards under a long-term incentive plan, the '2023 LTIP'. The 2023 LTIP is granted under the same terms as the 2022 LTIP (group of eligible participants and vesting terms and period are the same) however, the performance period relates to the period 2023-2025 with updated scorecard targets for the said period.

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.

In July 2022 the Group completed a VEP which led to the reduction of the Group's full-time employees by 16%, at a total cost of €101 mn, recorded in the consolidated income statement in 3Q2022. The gross annual savings were estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. The estimated savings of the VEP are expected to be partially offset by the renewal of the collective agreement in 2023 and the increased cost of living adjustment (COLA).

As at 30 September 2023, the Group employed 2,913 persons compared to 2,902 persons as at 30 June 2023 and to 2,889 persons as at 31 December 2022.

Other operating expenses for 3Q2023 amounted to €38 mn, up 10% qoq and totaled €107 mn for 9M2023, compared to €102 mn for 9M2022. The qoq and yoy increase relate mostly to higher expenses due to the Reward Programme launched to reward Antamivi Reward Scheme performing borrowers.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses (continued)

Special levy on deposits and other levies/contributions for 9M2023 amounted to €30 mn compared to €27 mn for 9M2022, up 12% yoy, driven mainly by the increase of deposits of €0.48 bn yoy. Special levy on deposits and other levies/contributions for 3Q2023 amounted to €12 mn up by 61% qoq, due to the c.€4 mn contribution of the Bank to the Deposit Guarantee Fund (DGF) relating to 2H2023 which was recorded in 3Q2023 (in line with IFRSs).

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 9M2023 was 31% compared to 54% for 9M2022, down 23 p.p. yoy. The yoy decrease is driven by the higher total income. The cost to income ratio excluding special levy on deposits and other levies/contributions for 3Q2023 was 30% broadly flat qoq.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.3 Profit before tax and non-recurring items

€ mn	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq±%	yoy +%
Operating profit	**518**	**179**	**187**	**188**	**-1%**	**190%**
Loan credit losses	(44)	(36)	(20)	(13)	49%	24%
Impairments of other financial and non-financial assets	(38)	(20)	(8)	(19)	-57%	88%
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(20)	(3)	(6)	(8)	-18%	-
Total loan credit losses, impairments and provisions	**(102)**	**(59)**	**(34)**	**(40)**	**-14%**	**73%**
Profit before tax and non-recurring items	**416**	**120**	**153**	**148**	**3%**	**247%**
Cost of risk	**0.58%**	**0.44%**	**0.76%**	**0.51%**	**25 bps**	**14 bps**

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 of this announcement.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Operating profit for 9M2023 amounted to €518 mn, compared to €179 mn for 9M2022 (up 190% yoy). The yoy increase is driven by the significant increase in net interest income. Operating profit for 3Q2023 amounted to €187 mn, broadly flat qoq.

Loan credit losses for 9M2023 were €44 mn, compared to €36 mn for 9M2022 (up 24% yoy). Loan credit losses for 3Q2023 were €20 mn, compared to €13 mn for 2Q2023, up 49% on prior quarter.

Cost of risk for 9M2023 was 58 bps, compared to a cost of risk of 44 bps for 9M2022 (up 14 bps), reflecting higher loan credit losses on specific customers with idiosyncratic characteristics assessed as 'Unlikely to pay' ('UTPs) exposures, even though they adhere their repayment schedule and present no arrears. **Cost of risk** for 3Q2023 was 76 bps, compared to a cost of risk of 51 bps for 2Q2023, up 25 bps qoq, and includes 43 bps (c.€11 mn) on UTPs and 15 bps (c.€4 mn) management overlays on Stage 1 and Stage 2 exposures to capture conservative assumptions.

At 30 September 2023, 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 I. 'Definitions and Explanations' for definition) totalled €275 mn (compared to €288 mn at 30 June 2023 and to €282 mn at 31 December 2022) and accounted for 2.7% of gross loans (compared to 2.8% of gross loans for 30 June 2023 and 31 December 2022).

Impairments of other financial and non-financial assets for 9M2023 amounted to €38 mn, compared to €20 mn for 9M2022, up 88% yoy, driven mainly by higher impairments on specific, large, illiquid REMU stock properties. Impairments of other financial and non-financial assets for 3Q2023 amounted to €8 mn compared to €19 mn for 2Q2023, down 57% qoq.

Provisions for pending litigations, regulatory and other provisions (net of reversals) for 9M2023 amounted to €20 mn, compared to €3 mn for 9M2022. The yoy increase is driven mainly by the revised approach on pending litigation fees and provisions relating to other matters in relation to the run-down and disposal of legacy and non-core operations of the Group. Provisions for pending litigations, regulatory and other provisions (net of reversals) for 3Q2023 amounted to €6 mn compared to €8 mn for 2Q2023.

Profit before tax and non-recurring items for 9M2023 totalled to €416 mn, compared to €120 mn for 9M2022. Profit before tax and non-recurring items for 3Q2023 amounted to €153 mn compared to €148 mn for 2Q2023 (up 3% qoq).

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

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

€ mn	9M2023	9M2022 IFRS 17[1]	3Q2023	2Q2023	qoq ±%	yoy +%
Profit before tax and non-recurring items	**416**	**120**	**153**	**148**	**3%**	**247%**
Tax	(63)	(19)	(23)	(22)	5%	238%
Profit attributable to non-controlling interests	(2)	(2)	(1)	0	123%	-9%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**351**	**99**	**129**	**126**	**2%**	**253%**
Advisory and other transformation costs – organic	(2)	(10)	-	(1)	-100%	-77%
Profit after tax – organic (attributable to the owners of the Company)	**349**	**89**	**129**	**125**	**3%**	**290%**
Provisions/net profit/(loss) relating to NPE sales	-	(1)	-	-	-	-100%
Restructuring and other costs relating to NPE sales	-	(3)	-	-	-	-100%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	-	(104)	-	-	-	-100%
Profit/(loss) after tax (attributable to the owners of the Company)	**349**	**(19)**	**129**	**125**	**3%**	**-**

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 of this announcement.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

The **tax charge** for 3Q2023 is €23 mn broadly flat qoq, and totalled to €63 mn for 9M2023, compared to €19 mn for 9M2022.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 9M2023 is €351 mn, compared to €99 mn for 9M2022. Profit after tax and before non-recurring items (attributable to the owners of the Company) for 3Q2023 is €129 mn, compared to €126 mn for 2Q2023.

Advisory and other transformation costs – organic for 9M2023 are €2 mn, compared to €10 mn for 9M2022, down 77% yoy. Advisory and other transformation costs – organic for 3Q2023 are nil compared to €1 mn in 2Q2023.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 9M2023 amounted to €349 mn, compared to €89 mn for 9M2022. Profit after tax arising from the organic operations (attributable to the owners of the Company) amounted to €129 mn for 3Q2023, compared to €125 mn for 2Q2023 (up 3% qoq).

Following completion of Helix 3 project, there are no amounts recognised for **provisions/net profit/(loss) relating to NPE sales** for 9M2023.

Restructuring and other costs relating to NPE sales for 9M2023 was nil compared to €3 mn for 9M2022 (relating to the agreements for the sale of portfolios of NPEs). Restructuring and other costs relating to NPE sales for 3Q2023 was nil, flat qoq.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) of €104 mn in 9M2022 mainly related to the Voluntary Staff Exit Plan (VEP) that took place in 3Q2022. For more details, please refer to the section A.2.2 'Total expenses'.

Profit/(loss) after tax attributable to the owners of the Company for 9M2023 amounts to a profit of €349 mn, corresponding to a ROTE of 24.6%, compared to a loss after tax of €19 mn for 9M2022. Profit/(loss) after tax attributable to the owners of the Company for 3Q2023 amounts to a profit of €129 mn, compared to a profit of €125 mn for 2Q2023 (up 3% qoq). ROTE stands at 25.6% for 3Q2023, compared to 26.6% for 2Q2023.

B. Operating Environment

Geopolitical tensions remain high as the war in Ukraine continues and the latest military conflict in the Middle East rages on, adding considerable uncertainty to the outlook for the global economy. The wider impact will depend on how these conflicts evolve in the future.

However, the International Monetary Fund's World Economic Outlook for Autumn 2023 presents a cautiously optimistic baseline scenario. According to the outlook, no recession is expected in the advanced world until at least 2024, but there are downside risks. In the baseline scenario, world growth slows from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. Average growth in 2023-2028 will be below historical averages, but on a par with, and slightly better than, the previous period 2015-2022.

Headline inflation continues to decline and core inflation, excluding food and energy prices, is also projected to fall, but more gradually. Most countries are not expected to return to the 2% inflation target until 2025-2026.

Growth in the Cypriot economy slowed to 2.8% in the first half of 2023 (3.3% in the first quarter of 2023 and 2.3% in the second quarter of 2023), compared with 5.1% growth in 2022. According to the IMF's Autumn World Economic Outlook, growth will average 2.2% in the year and accelerate to 2.7% in 2024 (while the Ministry of Finance projects growth of around 2.4% in 2023 and almost 3.0% in 2024).

Employment growth remains strong in 2021-2022, averaging 1.2% and 2.8% respectively, following a 1% decline in 2020. Productivity growth was particularly strong in the period immediately following the Covid recession and has slowed in recent quarters. The unemployment rate after rising in 2020 and the first half of 2021, has been declining in the period since, dropping to 6.5% in the first quarter of 2023 and 6.1% in the second quarter of 2023. For the euro area as a whole, the seasonally adjusted unemployment rate was 6.6% in the first quarter of 2023 and 6.5% in the second quarter of 2023.

Inflation, as measured by the Harmonised Index of Consumer Prices, averaged 8.1% in 2022, compared with 8.4% in the euro area. Inflation peaked at 10.6% in July 2022 and has been decelerating since, reaching 2.4% in July 2023, before rising to 4.3% in September 2023. Overall, inflation averaged 4.4% in the year to September 2023. The decline in headline inflation has been driven by the non-core components of energy and food, while core inflation, defined as total minus energy and food, has been more volatile. In Cyprus, core inflation fell to 3.8% in August 2023 and to 3.5% in September 2023. In the euro area, core inflation was 5.5% in August 2023 and 5.4% in September 2023, close to peak levels. Harmonised inflation is expected to continue to moderate, but only gradually. Headline inflation in Cyprus is projected to be around 3.5% in 2023, or 4.1% according to the Ministry of Finance.

Following a strong performance in 2022, tourism activity continued to recover in the first nine months of the year. Arrivals in January-September 2023 were up 23.4% on the same period of last year, reaching 96% of arrivals in the same period in 2019. Similarly, receipts in January-August 2023, were €2.03 bn , an increase of 25% year-on-year. Arrivals for the year are expected to be close to 2019 levels, while receipts are expected to exceed 2019 levels.

Cyprus received a first payment from the Recovery and Resilience Facility of €157 mn in September 2021, following the approval of the National Recovery Plan in July 2020. This was pre-financing for 13% of the total disbursements for the period 2021-2026. Cyprus received its first disbursement of €85 mn in December 2022, following the adoption of conditional legislation in Parliament and approval by the European Commission. The release of the funds is conditional on the strict implementation of the reforms agreed in the National Recovery Plan. The funds will be used, among other things, to increase investment in the digital and green transition, to improve the efficiency of public and local administrations, and to improve the efficiency of the judicial system.

In the area of public finances, there have been significant improvements in debt dynamics and debt affordability indicators. The recovery in 2021 was underpinned by a significant increase in general government revenue and a relative decrease in government expenditure. The result was a reduction in the budget deficit to 1.9% of GDP, from a deficit of 5.7% of GDP in 2020. In 2022, public finances improved further. The budget deficit turned into a surplus of 2.4% of GDP and gross debt dropped from 99.3% of GDP in 2021 to 85.6%. In 2023, according to the Ministry of Finance, the budget surplus will be 2.5% of GDP and gross debt will fall to 78% of GDP. Debt affordability metrics are favourable and are expected to remain solid in 2023-2024, as gross financing needs are moderate, and the cash buffer gives the government a high degree of financing flexibility.

The ECB left its interest rates unchanged at the Governing Council meeting in October 2023, after raising them by 25 bps in September 2023. The minimum refinancing operations rate is now 4.5%, compared with zero at the start of the tightening cycle in July 2021, while the ECB deposit facility rate is 4.0%, compared with -50 bps in July 2021.

B. Operating environment (continued)

The banking sector has undergone significant restructuring since the financial crisis in 2013. Total NPEs at the end of June 2023, amounted to €2.1 bn, or 8.7% of gross loans. The NPE ratio in the non-financial corporations segment was 7.3% at end-June 2023, and that of households was 11.2%. About 45.0% of total NPEs are restructured facilities and the coverage ratio was 55.6%. In November 2023, the Cyprus Banking Association, following discussions with the Cypriot government and parliament, agreed to suspend the foreclosure process for primary residences with an open market value of up to €350,000 until 31 December 2023.

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. Public debt remains high as a share of GDP, but large-scale asset purchases by the ECB ensure favourable funding costs for Cyprus and ample liquidity in the government bond market.

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.

In addition, **S&P Global Ratings** revised its outlook on Cyprus to positive from stable in September 2023 and affirmed Cyprus' long-term local and foreign currency sovereign ratings at BBB. The positive outlook reflects the ongoing macroeconomic normalisation since the country's financial crisis in 2012-2013, with the government on track to achieve steady fiscal surpluses and a declining debt-to-GDP ratio in the coming years. The positive outlook also reflects the significant progress made in the banking sector.

Also in September 2023, **DBRS Ratings GmbH (DBRS Morningstar)** upgraded the long-term foreign and local currency issuer ratings of the Republic of Cyprus from BBB to BBB (high). The rating action is stable. The upgrade is 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.

Fitch Ratings has affirmed Cyprus' long-term foreign currency issuer default rating at 'BBB' with a stable outlook in June 2023, following the upgrade in March last year. The upgrade and affirmation reflect the improvement in public finances and government debt, as well as strong GDP growth, the resilience of the Cypriot economy to external shocks, and the improvement in the banking sector's asset quality

C. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In November 2023, **Fitch Ratings** upgraded long-term issuer default rating to BB from B+, whilst maintaining the positive outlook. The two notch upgrade reflects a combination of Fitch's improved assessment of the Cypriot operating environment and continued improvement in the Bank's credit profile, strengthened capitalisation, reduced stock of legacy problem assets and structurally improved profitability. In October 2023 **Moody's Investors Service** upgraded the Bank's long-term deposit rating to the investment grade Baa3 from Ba1, while the outlook remained positive. The main drivers for this upgrade are the continued resilience of the Cypriot economy and credit conditions and the continued improvements in Bank's solvency profile, with further gradual improvements in asset quality and capital metrics, and a significant strengthening in the Bank's core profitability. In April 2023, **S&P Global Ratings** affirmed the long-term issuer credit rating of the Bank at BB- and revised the outlook to positive from stable. The revised outlook reflects the likelihood of further progress in Cyprus' operating environment, in particular materially easing funding risks.

Financial performance

The Group is a leading, financial and technology hub in Cyprus. During the quarter ended 30 September 2023, the Group delivered another strong set of financial results, generating a ROTE of 25.6%, the third consecutive quarter with a ROTE over 20%. Overall, the Group generated €349 mn profit after tax, corresponding to a ROTE of 24.6%, supported by strong net interest income growth and a well-managed deposit pass-through, whilst non-interest income remained a significant contributor to the Group's profitability and diversified model, covering around 90% of total operating expenses. The Group's efficiency ratio was significantly improved on prior year reflecting continued revenue growth and disciplined cost management amidst persistent inflationary pressures. Overall, the strong performance is feeding through the Group's tangible book value growth trajectory, that increased by 22% on prior year to €4.63 per share. **With such strong set of financial results, the Group is paving the way for delivering a ROTE for 2023 well above the Group's 2023 target (of over 17%), albeit 4Q2023 ROTE is expected to modestly decline compared to the 9M2023 levels,** partly due to typical seasonality in 4Q2023 and the fact that strong profitability builds into equity**.**

Favourable interest rate environment

The structure of the Group's balance sheet is geared towards higher interest rates. As at 30 September 2023, cash balances with ECB (excluding TLTRO III of c.€2.0 bn) amounted to c.€7.6 bn, reflecting immediate benefit from interest rate rises. The repricing of the reference rates gradually benefits the interest income on loans, as over 95% of the Group's loan portfolio is variable rate as at 30 September 2023. The net interest income for 9M2023 stood at €572 mn, more than double compared to 9M2022. This increase is underpinned by faster and steeper than expected interest rate rises as well as a resilient low deposit pass-through.

Net interest income is expected to remain strong on the back of the improved interest rate environment and well-managed deposit pass-through and hence net interest income for 4Q2023 is expected to be at similar levels to 3Q2023. At the same time, the Group is undertaking pro-active solutions to enhance the resilience of the net interest income to future reduction of interest rates. These solutions include the increase in investment in fixed rate bonds with longer duration and high credit, the initiation of use of reverse repos, the offering of fixed rate lending and the entering into fixed rate receiver swaps.

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 9M2023 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 9M2023, new lending amounted to €1,563 mn, despite the rising interest rate environment. Gross performing loan book remained broadly flat yoy as repayments continue to offset new lending. Performing loan book is expected to remain broadly flat in 2023.

Fixed income portfolio continued to grow in the third quarter of 2023 to €3,489 mn, and currently represents 14% of total assets (net of TLTRO III). This portfolio is mostly measured at amortised cost and is characterised with high average rating at Aa3 (or Aa2 when Cyprus government bonds are excluded). The mark-to market impact of this amortised cost fixed income portfolio is €91 mn as at 30 September 2023, corresponding to c.90 bps of CET1 ratio.

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 first nine months of 2023, non-interest income (excluding an ad-hoc insurance receivable of c.€5 mn) amounted to €219 mn, remaining an important contributor to the Group's profitability, and contributing to 90% of the Group's total operating expenses. Going forward, non-interest income is expected to continue covering c.80% of the Group's total operating expenses.

C. Business Overview (continued)

Growing revenues in a more capital efficient way (continued)

In 2023, net fee and commission income is negatively affected by the termination of liquidity fees in December 2022 and an NPE sale-related servicing fee in mid-February 2023. When disregarding the aforementioned impact of the liquidity fees and NPE sale-related servicing fee, net fee and commission income increased by 7% on prior year, reflecting the introduction of a revised price list in February 2022 and higher net credit card commissions and 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 9% of total non-interest income and amounted to €21 mn in 9M2023, up 8% yoy, backed by strong transaction volume.

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 9M2023 contributed 17% of non-interest income and amounted to €38 mn, up 12% yoy, reflecting healthy new business growth; insurance companies remain valuable and sustainable contributors to the Group's profitability. On 1 January 2023, the Group adopted IFRS 17, retrospectively, which impacts the profit recognition for insurance contracts by phasing of profit over their lifetime compared to recognising profit substantially up-front under IFRS 4. The new accounting standard does not change the economics of the insurance business and decreases the volatility of the Group's insurance companies profitability. For further details please refer to Section F.9 of this announcement.

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 electronic invoicing, remittance management, tenders management and ecosystem management. The next key milestone is the launch of the first Business-to-Consumer service, a product marketplace, driving opportunities in lifestyle banking and beyond. Currently, over 1,800 companies are registered in the platform.

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.

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included further branch footprint optimisation and substantial streamline of workforce. In 2022 the Group successfully completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total cost of €101 mn. Following the completion of the VEP, the gross annual savings were estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. Additionally, in January 2022, one of the Bank's subsidiaries completed a small-scale targeted VEP, through which a small number of full-time employees were approved to leave at a total cost of €3 mn. In relation to branch restructuring, during 2022 the Group reduced the number of branches by 20 to 60, a reduction of 25%.

The Group's total operating expenses for 9M2023 amounted to €248 mn, moderately up by 3% yoy with savings partly offsetting inflationary pressures. The cost to income ratio excluding special levy on deposits and other levies/contributions for 9M2023 was reduced further to 31%, 23 p.p. down compared to 9M2022, driven mainly by the higher total income. **Overall, the cost to income ratio excluding special levy on deposits and other levies/contributions for 2023 is expected to be considerably below 2023 target of <40%, reflecting stronger than expected income, despite seasonally higher other operating expenses expected in 4Q2023.**

During 2022 the Group has established a share awards scheme under a long-term incentive plan ("the "LTIP Plan"). The LTIP Plan 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. The LTIP stipulates that performance will be measured over a 3 year period and financial and non-financial objectives to be achieved (driven by both delivery of the Group's strategy as well as individual performance). At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. The Group proceeded in December 2022 to grant to eligible employees share awards under the established LTIP Plan; this is the 2022 LTIP and refers to the performance period 2022-2024. Further in October 2023, the Group has granted a new award, the 2023 LTIP, under the same LTIP Plan, which refers to the performance period 2023-2025. The employees eligible for both the 2022 LTIP and 2023 LTIP are the members of the Extended EXCO. A performance scorecard is set for each annual LTIP award granted.

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.

C. Business Overview (continued)

Lean operating model (continued)

In addition, staff costs for 9M2023 include c.€7 mn staff cost rewards, namely the Short-term Incentive Plan. 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.

Transformation plan

The Group's focus continues on deepening the relationship with its customers as a customer centric organisation. **A transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as internal operations**. The holistic transformation aims to (i) shift to a more customer-centric operating model by defining customer segment strategies, (ii) redefine 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

The Bank's digital transformation continues to focus on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways for improving the workplace environment. Furthermore, the Bank's Digital strategy also embraces the advancement of digital sales, reinforcing our commitment to delivering exceptional value to our customers.

During 3Q2023, the Bank continued to enrich and improve its digital portfolio with new innovative services to its customers. The innovative QuickLoan products have been further enhanced with the integration of Short-Lived digital signature Certificate (SLC). As a result, BoC customers are offered an end-to-end digital experience when applying for the new lending products, with the capability to digitally sign the required documents, related to the quick loans, conveniently from anywhere at any time via the BoC mobile app/Internet Banking and not having to visit a BoC branch for this purpose.

The adoption of digital products and services continued to grow and gained momentum in the third quarter of 2023. As at 30 September 2023, 95.0% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 11.2 p.p. from 83.8% in June 2020). In addition, 83.5% of individual customers were digitally engaged (up by 11.1 p.p. from 72.4% in June 2020), choosing digital channels over branches to perform their transactions.

As at 30 September 2023, active mobile banking users and active QuickPay users have grown by 15.1% and 22.4% respectively over the last 12 months. The highest number of QuickPay users to date was recorded in September 2023 with 195.2 thousand active users and 584 thousand transactions (up 28.4% yoy).

Digital offerings via digital channels continued to enhance Group's sales further in the third quarter of 2023. During 3Q2023, new lending via Quickloans amounted to €29 mn (compared to new lending of €26 mn in 2Q2023 and €18 mn for 1Q2023) and totalled €73 mn for 9M2023. Deposits in accounts opened digitally have also shown an increase of 26.3% yoy, reaching €227 mn at 30 September 2023. 9M2023 digital insurance sales, with two new products in mobile app (Motor & Home Insurance), have more than tripled compared to FY2022 sales (€276k in 9M2023 compared to €68k in FY2022).

Asset quality

Balance sheet de-risking was largely completed in 2022, marked by the completion of Project Helix 3 in November 2022 which refers to the sale of non-performing exposures with gross book value of c.€550 mn as at the date of completion. Project Helix 3 represented a further milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs and delivering NPE ratio at 4% by end-2022. As at 30 September 2023, the Group's NPE ratio stood at 3.5%. The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration in this uncertain outlook.

Against the backdrop of ongoing macroeconomic uncertainty, the cost of risk range target of 50-80 bps remains unchanged. The Group expects to end the year below the NPE ratio target of 4%.

C. Business Overview (continued)

Capital market presence

In June 2023, the Company successfully launched and priced an issue of €220 mn Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'New Capital Securities').

The issue was met with exceptional demand, attracting interest from c.240 institutional investors, with the final order book over 12 times over-subscribed and final pricing 62.5 bps tighter than the initial pricing indication. This also reflects significant improvement in the credit spread to c.910 bps compared to c.1,260 bps for the previous AT1 issue in 2018 ('Existing Capital Securities').

In July 2023, the Bank has 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 issuance was met with strong demand, attracting interest from more than 90 institutional investors, with a peak orderbook of €950 mn and final pricing 37.5 bps than the initial pricing indication.

Dividend policy and shareholder value

In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend out of FY2022 profitability. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the AGM a final Dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. The Dividend which was declared at the AGM on 26 May 2023, amounted to €22.3 mn in total and was equivalent to a payout ratio of 14% of the FY2022 adjusted recurring profitability or 31% based on FY2022 profit after tax (as reported in 2022 Annual Financial Report). The dividend was paid in cash on 16 June 2023 and was the first dividend payment after 12 years, a significant milestone for the Group, as it represents a new chapter for the Group.

Additionally, the Board of Directors approved the Group's dividend policy in April 2023. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's profitability after tax, before non-recurring items, adjusted for AT1 distributions (referred to as "adjusted recurring profitability"). The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

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

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.

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 articulate the delivery of its primary ESG targets and address regulatory expectations, a comprehensive ESG working plan has been established in 2022. The ESG working plan is closely monitored by the Sustainability Committee, the Executive Committee and the Board of Directors at frequent intervals.

C. Business Overview (continued)

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

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 plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to c.5-10% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Bank 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 18% in Scope 1 –Mobile and Stationary Combustion GHG emissions and 7% in Scope 2 – Purchased electricity GHG emissions in 9M2023 compared to 9M2022 due to new solar panels connected to energy network in 2022 and early 2023 as well as the reduction of number of branches as part of the digitalisation journey. The Bank achieved an increase by 61% in renewable energy production, from 129,840 Kwh to 208,651 Kwh, in 9M2023 compared to 9M2022.

The Bank is the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 emissions. The Group has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies. Following the estimation of Financed Scope 3 GHG emissions derived from its loan portfolio and in conjunction with the materiality assessment's results on climate and environmental risks the Bank identified the carbon-concentrated areas so as to take the necessary actions to minimise the environmental and climate impact associated with its loan portfolio by offering targeted climate friendly products and engaging with its customers. In 2023, following the identification of carbon-concentrated sectors and asset classes, the Group is in the process to set decarbonisation targets aligned with climate scenario (Science based targets) which will assist in the formulation of the Group's strategy going forward.

The Bank in 2022 launched a low emission vehicle loan product (either hybrid or electric) and is working to expand its range of environmentally friendly products further in 2023. The gross amount of environmentally friendly loans as at 30 September 2023 was €21.6 mn compared to €20.9 mn as at 31 December 2022.

Moreover, the Bank is making substantial progress in further integrating climate risk considerations into its risk management approach, as it tries to integrate climate related risk into its risk culture. The Bank, within the context of underwriting processes, is currently in the process of incorporating the assessment of ESG and climate matters and amending its Policies and Procedures in such a way that potential impact from ESG and climate is reflected in the fundamental elements of the creditworthiness assessment. The Bank designed ESG questionnaires for key selected sectors which will then be leveraged for deriving an ESG classification. In addition, the Bank is in the process to enhance its risk quantification methodology to assess how the portfolio is affected by Climate and Environmental (C&E) risks and will be incorporating the above elements into the stress testing infrastructure.

During 2023, in order to enhance the awareness and skillset towards the ESG, the Group performed trainings to the Board of Directors and Senior Management.

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 60% 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, specialied equipment and a highly trained Volunteers Corps, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the work of IDEA Innovation Centre. During 2023, SupportCY among other initiatives responded to more than 30 fire incidents in Cyprus and Greece, the deadly floods in Greece and sent support to the earthquake victims in Syria. The Cultural Centre undertook a number of innovative projects such as 'AISTHISEIS' - Multi sensory museum experience for people with disabilities as well as the ReInHerit program facilitating innovation and research cooperation between European museums and heritage continuing also into 2023, with 30,456 people participating in events at the Cultural Foundation between January to September 2023. The IDEA Innovation Centre, invested c.€4 mn in start-up business creation since its incorporation, supported creation of 89 new companies to date, and provided support to 210+ entrepreneurs through its Startup program since incorporation. Staff have continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

C. Business Overview (continued)

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

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 2023, the Bank's employees attended 53,435 hours of trainings. In addition, in 2023 the Group launched the BoC Academy to offer up-skilling short courses for employees with 20 members of staff enrolling on the Academy's programs to date. In addition, 4 full MBA scholarships were offered to selected members of staff. Moreover, the Group continues its emphasis on staff wellness into 2023 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health.

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 of prudent and effective controls, 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 robust 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.

The Board composition of the Company and the Bank is diverse, with 50% of the Board members being female as at 30 September 2023. The Board displays a strong skillset stemming from broad international experience. Moreover, the Group aspires to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030. As at 30 September 2023, there is a 29% representation of women in Group's management bodies and a 41% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

D. 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 are:

- **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.

The Group's targets for 2023 are set out below:

Key metrics	**9M2023**	**FY2023 targets** (June 2023)	**FY2023 Expectations**
Net interest income	€572 mn	>€650 mn	NII will remain strong with 4Q2023 at similar levels to 3Q2023
Cost to income ratio[1]	31%	Sub 40%	Reflecting stronger income, cost to income ratio[1] will be considerably <40%
Return on tangible equity	24.6%	>17%	FY2023 ROTE to well exceed 2023 target, albeit 4Q2023 expected to decline from year to date level
NPE ratio	3.5%	<4%	NPE ratio on track to end the year <4%
Cost of risk	58 bps	50-80 bps	Cost of risk outlook remains unchanged
Dividend	Building prudently and progressively to 30-50% payout[2]		

1. Excluding special levy on deposits and other levies/contributions
2. Payout ratio calculated on adjusted recurring profitability which refers to profit after tax before non-recurring items (attributable to the owners of the Company) taking into consideration the distributions from other equity instruments such as AT1 coupon. Any recommendation for a dividend is subject to regulatory approval.

The 2024 targets are expected to be updated with FY2023 publication of financial results.

E. Financial Results – Statutory Basis

Unaudited Interim Consolidated Income Statement

The following financial information for the nine months of 2023 and 2022 within Section E corresponds to the condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. As a result of the implementation from 1 January 2023 of IFRS 17, 2022 comparative information has been restated to reflect the impact of IFRS 17 adoption.

	Nine months ended 30 September	
	2023	2022 (restated)[1]
	€000	€000
Turnover	**1,022,794**	630,326
Interest income	**654,637**	280,505
Income similar to interest income	**43,294**	14,692
Interest expense	**(97,983)**	(49,779)
Expense similar to interest expense	**(27,784)**	(11,037)
Net interest income	**572,164**	234,381
Fee and commission income	**139,854**	149,341
Fee and commission expense	**(5,336)**	(7,241)
Net foreign exchange gains	**22,506**	21,464
Net gains/(losses) on financial instruments	**6,346**	(1,836)
Net gains on derecognition of financial assets measured at amortised cost	**6,265**	2,179
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**1,281**	3,536
Net insurance service result	**51,445**	44,256
Net reinsurance service result	**(14,961)**	(13,929)
Net gains/(losses) from revaluation and disposal of investment properties	**1,031**	(583)
Net gains on disposal of stock of property	**5,997**	11,175
Other income	**15,147**	11,945
Total operating income	**801,739**	454,688
Staff costs	**(141,462)**	(243,171)
Special levy on deposits and other levies/contributions	**(29,754)**	(26,616)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(20,595)**	(3,402)
Other operating expenses	**(107,973)**	(114,568)
Operating profit before credit losses and impairment	**501,955**	66,931
Credit losses on financial assets	**(56,584)**	(47,525)
Impairment net of reversals on non-financial assets	**(31,408)**	(17,474)
Profit before tax	**413,963**	1,932
Income tax	**(62,911)**	(18,605)
Profit/(loss) after tax for the period	**351,052**	(16,673)
Attributable to:		
Owners of the Company	**349,363**	(18,532)
Non-controlling interests	**1,689**	1,859
Profit/(loss) for the period	**351,052**	(16,673)
Basic profit/(loss) per share attributable to the owners of the Company (€ cent)	**78.3**	(4.2)
Diluted profit/(loss) per share attributable to the owners of the Company (€ cent)	**78.2**	(4.2)

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to Section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Nine months ended 30 September	
	2023	2022 (restated)[1]
	€000	€000
Profit/(loss) for the period	**351,052**	(16,673)
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods	**1,903**	(13,471)
Fair value reserve (debt instruments)	**2,002**	(11,214)
Net gains/(losses) on investments in debt instruments measured at fair value through OCI (FVOCI)	**2,334**	(9,983)
Transfer to the consolidated income statement on disposal	**(332)**	(1,231)
Foreign currency translation reserve	**(99)**	(2,257)
(Loss)/profit on translation of net investment in foreign subsidiaries	**(85)**	1,822
Loss on hedging of net investments in foreign subsidiaries	**(14)**	(4,079)
OCI not to be reclassified in the consolidated income statement in subsequent periods	**1,448**	(878)
Fair value reserve (equity instruments)	**(592)**	(2,421)
Net losses on investments in equity instruments designated at FVOCI	**(592)**	(2,421)
Property revaluation reserve	**824**	-
Fair value gains before tax	**798**	-
Deferred tax	**26**	-
Actuarial gains on the defined benefit plans	**1,216**	1,543
Remeasurement gains on defined benefit plans	**1,216**	1,543
Other comprehensive income/(loss) for the period net of taxation	**3,351**	(14,349)
Total comprehensive income/(loss) for the period	**354,403**	(31,022)
Attributable to:		
Owners of the Company	**352,708**	(32,881)
Non-controlling interests	**1,695**	1,859
Total comprehensive income/(loss) for the period	**354,403**	(31,022)

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to Section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Balance Sheet

	30 September 2023	31 December 2022 (restated)[1]	1 January 2022 (restated)[1]
Assets	**€000**	€000	
Cash and balances with central banks	**9,565,413**	9,567,258	9,230,883
Loans and advances to banks	**409,903**	204,811	291,632
Derivative financial assets	**56,383**	48,153	6,653
Investments at FVPL	**135,138**	190,209	199,194
Investments at FVOCI	**427,467**	467,375	748,695
Investments at amortised cost	**3,073,787**	2,046,119	1,191,274
Loans and advances to customers	**9,910,455**	9,953,252	9,836,405
Life insurance business assets attributable to policyholders	**610,720**	542,321	551,797
Prepayments, accrued income and other assets	**620,718**	609,054	583,777
Stock of property	**922,280**	1,041,032	1,111,604
Investment properties	**71,205**	85,099	117,745
Deferred tax assets	**227,953**	227,934	265,942
Property and equipment	**274,319**	253,378	252,130
Intangible assets	**45,899**	52,546	54,144
Non-current assets and disposal groups held for sale	**-**	-	358,951
Total assets	**26,351,640**	25,288,541	24,800,826
Liabilities			
Deposits by banks	**442,754**	507,658	457,039
Funding from central banks	**2,023,424**	1,976,674	2,969,600
Derivative financial liabilities	**13,875**	16,169	32,452
Customer deposits	**19,267,145**	18,998,319	17,530,883
Insurance liabilities	**640,048**	599,992	623,791
Accruals, deferred income, other liabilities and other provisions	**474,368**	379,182	356,697
Provisions for pending litigation, claims, regulatory and other matters	**130,873**	127,607	104,108
Debt securities in issue	**644,281**	297,636	302,555
Subordinated liabilities	**314,989**	302,104	340,220
Deferred tax liabilities	**34,618**	34,634	39,817
Total liabilities	**23,986,375**	23,239,975	22,757,162
Equity			
Share capital	**44,620**	44,620	44,620
Share premium	**594,358**	594,358	594,358
Revaluation and other reserves	**79,524**	76,939	99,541
Retained earnings	**1,394,518**	1,090,349	1,062,711
Equity attributable to the owners of the Company	**2,113,020**	1,806,266	1,801,230
Other equity instruments	**228,250**	220,000	220,000
Non-controlling interests	**23,995**	22,300	22,434
Total equity	**2,365,265**	2,048,566	2,043,664
Total liabilities and equity	**26,351,640**	25,288,541	24,800,826

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to Section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												
	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
31 December 2022	44,620	594,358	(21,463)	322	1,041,152	74,170	7,142	101,301	16,768	**1,858,370**	220,000	22,300	**2,100,670**
Impact of retrospective application of IFRS 17 adoption	-	-	-	-	49,197	-	-	(101,301)	-	**(52,104)**	-	-	**(52,104)**
31 December 2022 (restated) / 1 January 2023	**44,620**	**594,358**	**(21,463)**	**322**	**1,090,349**	**74,170**	**7,142**	**-**	**16,768**	**1,806,266**	**220,000**	**22,300**	**2,048,566**
Profit for the period	-	-	-	-	349,363	-	-	-	-	**349,363**	-	1,689	**351,052**
Other comprehensive income/(loss) after tax for the period	-	-	-	-	1,216	818	1,410	-	(99)	**3,345**	-	6	**3,351**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	350,579	818	1,410	-	(99)	**352,708**	-	1,695	**354,403**
Dividends	-	-	-	-	(22,310)	-	-	-	-	**(22,310)**	-	-	**(22,310)**
Share-based benefits-cost	-	-	-	456	-	-	-	-	-	**456**	-	-	**456**
Payment of coupon to AT1 holders	-	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
Issue of other equity instruments	-	-	-	-	(3,530)	-	-	-	-	**(3,530)**	220,000	-	**216,470**
Repurchase of other equity instruments	-	-	-	-	(6,820)	-	-	-	-	**(6,820)**	(211,750)	-	**(218,570)**
30 September 2023	**44,620**	**594,358**	**(21,463)**	**778**	**1,394,518**	**74,988**	**8,552**	**-**	**16,669**	**2,113,020**	**228,250**	**23,995**	**2,365,265**

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	44,620	594,358	(21,463)	986,623	80,060	23,285	113,651	17,659	**1,838,793**	220,000	22,434	**2,081,227**
Impact of retrospective application of IFRS 17 adoption	-	-	-	76,088	-	-	(113,651)	-	**(37,563)**	-	-	**(37,563)**
Restated balance at 1 January 2022	**44,620**	**594,358**	**(21,463)**	**1,062,711**	**80,060**	**23,285**	**-**	**17,659**	**1,801,230**	**220,000**	**22,434**	**2,043,664**
(Loss)/profit for the period	-	-	-	(18,532)	-	-	-	-	**(18,532)**	-	1,859	**(16,673)**
Other comprehensive income/(loss) after tax for the period	-	-	-	1,543	-	(13,635)	-	(2,257)	**(14,349)**	-	-	**(14,349)**
Total comprehensive (loss)/income after tax for the period	-	-	-	(16,989)	-	(13,635)	-	(2,257)	**(32,881)**	-	1,859	**(31,022)**
Defence contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Payment of coupon to AT1 holders	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
30 September 2022	**44,620**	**594,358**	**(21,463)**	**1,026,989**	**80,060**	**9,650**	**-**	**15,402**	**1,749,616**	**220,000**	**24,293**	**1,993,909**

F. Notes

F.1 Reconciliation of Interim Income Statement for the nine months ended 30 September 2023 between the statutory and underlying basis

€ million	Underlying basis	Other	Statutory basis
Net interest income	572	-	572
Net fee and commission income	135	-	135
Net foreign exchange gains and net gains on financial instruments	29	-	29
Net gains on derecognition of financial assets measured at amortised cost	-	6	6
Net insurance result*	38	-	38
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	7	-	7
Other income	15	-	15
Total income	**796**	**6**	**802**
Total expenses	**(278)**	**(22)**	**(300)**
Operating profit	**518**	**(16)**	**502**
Loan credit losses	(44)	44	-
Impairment of other financial and non-financial assets	(38)	38	-
Provisions for litigation, claims, regulatory and other matters (net of reversals)	(20)	20	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(88)	(88)
Profit before tax and non-recurring items	**416**	**(2)**	**414**
Tax	(63)	-	(63)
Profit attributable to non-controlling interests	(2)	-	(2)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**351**	**(2)**	**349**
Advisory and other transformation costs - organic	(2)	2	-
Profit after tax (attributable to the owners of the Company)	**349**	**-**	**349**

* 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 loans and advances to customers at FVPL (30 September 2023: nil) included in '*Loan credit losses*' under the underlying basis are included in '*Net gains/(losses) on financial instruments*' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

- '*Net gains on derecognition of financial assets measured at amortised cost*' of approximately €6 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 litigation, claims, regulatory and other matters amounting to €20 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.

- Advisory and other restructuring costs of approximately €2 million included in '*Other operating expenses*' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- '*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 €51 million, which are included in '*Loan credit losses*' under the underlying basis, and ii) credit losses of other financial assets of €6 million and impairment net of reversals of non-financial assets of €31 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.

F. **Notes** (continued)

F.2 Customer deposits

The analysis of customer deposits is presented below:

	30 September 2023	31 December 2022
By type of deposit	**€000**	€000
Demand	**10,376,781**	10,561,724
Savings	**2,933,744**	2,840,346
Time or notice	**5,956,620**	5,596,249
	19,267,145	18,998,319
By geographical area		
Cyprus	**13,439,298**	13,019,109
Greece	**1,841,915**	1,933,771
United Kingdom	**678,061**	706,233
United States	**170,306**	178,962
Germany	**127,612**	168,785
Romania	**62,856**	69,514
Russia	**606,593**	700,465
Ukraine	**297,038**	290,050
Belarus	**75,568**	83,299
Other countries	**1,967,898**	1,848,131
	19,267,145	18,998,319

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

	30 September 2023	31 December 2022
By currency	**€000**	€000
Euro	**17,354,605**	17,067,299
US Dollar	**1,529,637**	1,529,548
British Pound	**318,810**	333,458
Russian Rouble	**1,470**	3,466
Swiss Franc	**7,986**	11,796
Other currencies	**54,637**	52,752
	19,267,145	18,998,319
By customer sector		
Corporate and Large corporate	**1,984,991**	1,915,300
International corporate	**138,589**	139,898
SMEs	**1,006,880**	1,007,555
Retail	**11,670,190**	11,333,783
Restructuring		
– Corporate	**14,700**	16,017
– SMEs	**6,993**	6,375
– Retail other	**11,866**	10,152
Recoveries		
– Corporate	**1,060**	1,262
International business unit	**3,861,918**	3,957,050
Wealth management	**569,958**	610,927
	19,267,145	18,998,319

F. Notes (continued)

F.3 Loans and advances to customers

	30 September 2023	31 December 2022
	€000	€000
Gross loans and advances to customers at amortised cost	**9,894,927**	9,917,335
Allowance for ECL of loans and advances to customers	**(190,234)**	(178,442)
	9,704,693	9,738,893
Loans and advances to customers measured at FVPL	**205,762**	214,359
	9,910,455	9,953,252

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

The credit risk concentration, which is based on industry (economic activity) and business line, as well as the geographical concentration, is presented below.

The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy, which is followed for monitoring the Group's exposures, in accordance with which exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

30 September 2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	919,670	322	39	-	15,212	**935,243**
Manufacturing	296,285	44,022	94	-	23,508	**363,909**
Hotels and catering	934,001	26,954	36,864	-	39,865	**1,037,684**
Construction	511,802	8,831	14	-	348	**520,995**
Real estate	918,931	101,234	1,939	-	51,749	**1,073,853**
Private individuals	4,535,036	10,384	59,856	13,399	49,679	**4,668,354**
Professional and other services	503,535	550	5,241	312	41,950	**551,588**
Shipping	22,410	3	-	-	226,465	**248,878**
Other sectors	466,865	1	-	2	27,555	**494,423**
	9,108,535	**192,301**	**104,047**	**13,713**	**476,331**	**9,894,927**

F. Notes (continued)

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

30 September 2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,361,298	28,076	97	311	184	**3,389,966**
International corporate	120,718	157,522	43,632	-	420,945	**742,817**
SMEs	962,748	517	1,196	-	2,344	**966,805**
Retail						
- housing	3,324,919	2,397	29,623	87	17,672	**3,374,698**
- consumer, credit cards and other	943,249	766	507	-	786	**945,308**
Restructuring						
- corporate	51,716	-	627	-	-	**52,343**
- SMEs	35,136	-	494	71	-	**35,701**
- retail housing	56,959	-	2,659	157	100	**59,875**
- retail other	19,889	25	3	-	22	**19,939**
Recoveries						
- corporate	7,163	-	172	169	975	**8,479**
- SMEs	14,759	1	919	2,056	1,163	**18,898**
- retail housing	54,552	202	15,847	2,498	7,184	**80,283**
- retail other	28,811	7	1,173	227	255	**30,473**
International business unit	87,701	1,630	7,005	8,137	19,383	**123,856**
Wealth management	38,917	1,158	93	-	5,318	**45,486**
	9,108,535	**192,301**	**104,047**	**13,713**	**476,331**	**9,894,927**

31 December 2022	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	922,093	384	37	-	35	**922,549**
Manufacturing	323,074	44,978	-	-	27,943	**395,995**
Hotels and catering	928,346	16,565	35,614	-	40,086	**1,020,611**
Construction	545,421	8,955	23	1	1,985	**556,385**
Real estate	978,708	94,823	1,866	-	51,617	**1,127,014**
Private individuals	4,496,081	11,146	73,120	19,103	54,985	**4,654,435**
Professional and other services	551,269	980	5,311	313	37,830	**595,703**
Shipping	13,338	-	-	-	173,830	**187,168**
Other sectors	427,535	2	-	3	29,935	**457,475**
	9,185,865	**177,833**	**115,971**	**19,420**	**418,246**	**9,917,335**

F. Notes (continued)

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

31 December 2022	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,380,542	17,781	50	312	102	**3,398,787**
International corporate	139,813	152,143	42,327	-	351,025	**685,308**
SMEs	1,021,950	1,036	1,451	-	4,174	**1,028,611**
Retail						
- housing	3,272,253	2,450	36,839	186	18,906	**3,330,634**
- consumer, credit cards and other	885,558	856	576	1	905	**887,896**
Restructuring						
- corporate	66,151	-	869	-	932	**67,952**
- SMEs	48,027	-	432	158	384	**49,001**
- retail housing	70,283	104	1,841	291	114	**72,633**
- retail other	24,093	16	21	192	21	**24,343**
Recoveries						
- corporate	19,063	-	452	172	32	**19,719**
- SMEs	26,150	-	1,117	2,664	1,774	**31,705**
- retail housing	69,790	260	19,778	3,431	9,736	**102,995**
- retail other	31,967	12	1,265	49	337	**33,630**
International business unit	90,652	1,722	8,953	11,964	24,583	**137,874**
Wealth management	39,573	1,453	-	-	5,221	**46,247**
	9,185,865	**177,833**	**115,971**	**19,420**	**418,246**	**9,917,335**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 30 September 2023 of €132,553 thousand (31 December 2022: €106,701 thousand).

The loans and advances to customers reported within 'Other countries' as at 30 September 2023 include exposures of €1.8 million in Ukraine (31 December 2022: €2.6 million).

F. Notes (continued)

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

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by geographical analysis (based on the country in which the loans are managed).

30 September 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,140,690	1,387,591	324,192	112,014	**9,964,487**
Residual fair value adjustment on initial recognition	(60,284)	(7,827)	(59)	(1,390)	**(69,560)**
Gross loans at amortised cost	**8,080,406**	**1,379,764**	**324,133**	**110,624**	**9,894,927**
Cyprus	8,080,222	1,379,764	323,626	110,624	**9,894,236**
Other countries	184	-	507	-	**691**
	8,080,406	**1,379,764**	**324,133**	**110,624**	**9,894,927**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,931,511	1,586,488	372,821	115,544	**10,006,364**
Residual fair value adjustment on initial recognition	(64,255)	(20,885)	(1,803)	(2,086)	**(89,029)**
Gross loans at amortised cost	**7,867,256**	**1,565,603**	**371,018**	**113,458**	**9,917,335**
Cyprus	7,867,037	1,565,603	368,922	113,458	**9,915,020**
Other countries	219	-	2,096	-	**2,315**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

F. Notes (continued)

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

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

30 September 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,597,281	669,211	82,170	41,304	**3,389,966**
International corporate	735,542	7,216	39	20	**742,817**
SMEs	836,601	117,865	3,873	8,466	**966,805**
Retail					
- housing	2,957,665	381,284	24,658	11,091	**3,374,698**
- consumer, credit cards and other	792,916	127,547	10,712	14,133	**945,308**
Restructuring					
- corporate	3,800	19,439	19,062	10,042	**52,343**
- SMEs	9,167	10,997	13,063	2,474	**35,701**
- retail housing	4,444	16,172	37,208	2,051	**59,875**
- retail other	2,362	3,079	13,733	765	**19,939**
Recoveries					
- corporate	-	-	7,330	1,149	**8,479**
- SMEs	-	-	17,270	1,628	**18,898**
- retail housing	-	-	69,225	11,058	**80,283**
- retail other	71	-	24,659	5,743	**30,473**
International business unit	99,005	23,564	1,125	162	**123,856**
Wealth management	41,552	3,390	6	538	**45,486**
	8,080,406	**1,379,764**	**324,133**	**110,624**	**9,894,927**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,502,630	807,282	54,259	34,616	**3,398,787**
International corporate	685,099	150	35	24	**685,308**
SMEs	825,123	189,825	3,299	10,364	**1,028,611**
Retail					
- housing	2,982,436	305,714	30,071	12,413	**3,330,634**
- consumer, credit cards and other	704,959	152,815	14,376	15,746	**887,896**
Restructuring					
- corporate	2,842	34,246	20,689	10,175	**67,952**
- SMEs	12,643	10,603	23,374	2,381	**49,001**
- retail housing	5,168	22,018	42,155	3,292	**72,633**
- retail other	1,713	5,364	16,237	1,029	**24,343**
Recoveries					
- corporate	-	-	18,403	1,316	**19,719**
- SMEs	-	-	29,339	2,366	**31,705**
- retail housing	-	-	88,956	14,039	**102,995**
- retail other	108	-	28,569	4,953	**33,630**
International business unit	104,539	31,934	1,254	147	**137,874**
Wealth management	39,996	5,652	2	597	**46,247**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

F. Notes (continued)

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

	Nine months ended 30 September	
	2023	2022
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**62,374**	49,101
Recoveries of loans and advances to customers previously written off	**(10,310)**	(9,392)
Changes in expected cash flows	**(2,272)**	6,221
Financial guarantees and commitments	**540**	(998)
	50,332	44,932

The movement in ECL of loans and advances to customers, (30 September 2022: including ECL for the loans and advances to customers held for sale), and the analysis of the balance by stage is as follows:

	Nine months ended 30 September	
	2023	2022
	€000	€000
1 January	**178,442**	591,417
Foreign exchange and other adjustments	**35**	3,718
Write offs	**(54,260)**	(180,187)
Interest (provided) not recognised in the income statement	**3,643**	14,466
Disposal of Sinope portfolio	**-**	(5,191)
Charge for the period	**62,374**	49,101
30 September	**190,234**	473,324
Stage 1	**24,473**	17,871
Stage 2	**35,462**	26,826
Stage 3	**110,966**	370,194
POCI	**19,333**	58,433
30 September	**190,234**	473,324

As at 30 September 2022 the allowance for ECL, included above, for loans and advances to customers held for sale amounted €300,731 thousand. There were no loans and advances to customers classified as held for sale as at 30 September 2023.

The charge for the period on loans and advances to customers, (30 September 2022: including charge for the loans and advances to customers held for sale), by stage is presented in the table below:

	Nine months ended 30 September	
	2023	2022
	€000	€000
Stage 1	**(5,242)**	(4,183)
Stage 2	**16,485**	1,200
Stage 3	**51,131**	52,084
	62,374	49,101

During the nine months ended 30 September 2023 the total non-contractual write-offs recorded by the Group amounted to €39,663 thousand (nine months ended 30 September 2022: €128,264 thousand). The contractual amount outstanding on financial assets that were written off during the nine months ended 30 September 2023 and that are still subject to enforcement activity is €491,976 thousand (31 December 2022: €972,621 thousand).

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties, supplemented by management judgement where necessary, given the difficulty in differentiating between short-term impacts and long-term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices and qualitative adjustments or overlays were applied to the projected future property value increases to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

At 30 September 2023 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers is approximately 32% under the baseline scenario (31 December 2022: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2022: average seven years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

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

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

Overlays in the context of current economic conditions
The two overlays introduced in 2022 in response to uncertainties from the consequences of the Ukrainian crisis, in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, continued to be in effect during the nine months ended 30 September 2023. These were introduced to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices, the continuously rising interest rates environment and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €3.5 million release for the nine months ended 30 September 2023 (following an update of the assessment of the sectors classified as High Risk and/or Early Warning) and a net transfer of €25 million loans from Stage 1 to Stage 2 as at 30 September 2023.

Specifically, the first overlay relates to private individuals that are expected to be affected by the increased cost of living in order to reflect the future vulnerabilities to inflation, where a scenario with higher percentage increase is applied for the cost of living. A one-notch downgrade is applied to the identified portfolio, reflecting the expected impact of inflation to their credit quality. The second overlay relates to sectors that have been classified as High Risk or Early Warning to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis-a-vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as ‘High Risk’, whereas if only one of the two has deteriorated, then the sector is classified as ‘Early Warning’. A one-notch downgrade is applied to ‘Early Warning’ sectors whereas for ‘High Risk’ sectors a more severe downgrade is applied accordingly.

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

In addition, the overlay on the probability of default (PD), introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy, continued to be in effect during the nine months ended 30 September 2023. With this overlay the PDs were floored to the maximum of 2018/2019 level on the basis that these years are considered as closer to a business-as-usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €7.2 million charge for the nine months ended 30 September 2023, as a result of multiple components including updated ratings, macro variable inputs, PD and thresholds calibrations and stage migrations.

In addition, in the nine months ended 30 September 2023, for the LGD parameter, the overlay has been integrated through reduced curability period for Stage 2 and Stage 3 exposures (i.e., the maximum curability period considered for a customer has been reduced). The impact on the ECL was €8.7 million charge for the nine months ended 30 September 2023.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 30 September 2023. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, are timely captured.

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

F.7 Rescheduled loans and advances to customers

The below table presents the Group's forborne loans and advances to customers by staging.

	30 September 2023	31 December 2022
	€000	€000
Stage 1	**-**	-
Stage 2	**443,265**	857,356
Stage 3	**177,587**	215,730
POCI	**22,815**	33,212
	643,667	1,106,298

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

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

Provisions have been recognised for those cases where the Group is able to estimate probable losses. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 30 September 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group. Details on the material ongoing cases are disclosed within the 2023 Interim Financial Report.

F.9 IFRS 17 'Insurance Contracts'

Overview

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' (IFRS 17) and as required by the standard, the Group applied the requirements retrospectively with comparative information restated from the transition date, 1 January 2022 as further explained in the 'Transition application' section below.

IFRS 17 is a comprehensive new accounting standard for insurance contracts which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general measurement model or 'GMM') for insurance contracts, supplemented by the variable fee approach ('VFA') for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach ('PAA') mainly for short duration insurance contracts. The main features of the new accounting standard for insurance contracts are the following:

i. The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
ii. A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., the coverage period)
iii. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
iv. The recognition of insurance revenue and insurance service expenses in the consolidated income statement is based on the concept of services provided during the period
v. Insurance service result (earned revenue less incurred claims) is presented separately from the insurance finance income or expense
vi. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of the risks arising from these contracts.

Transition application

The standard is applied retrospectively using a fully retrospective approach ('FRA') as if it had always been applied, unless it is impracticable to so, in which case either a modified retrospective approach ('MRA') or a fair value approach ('FVA') can be selected. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement. Following the completion of impracticability assessments, the Group applied the following approaches:

- The FRA for all non-life groups of insurance contracts and non-individual life groups of insurance contracts, irrespective of issue date.
- The MRA for groups of life insurance contracts issued between 2016 and 2021.
- The FVA for groups of life insurance contracts issued prior to 2016.

F.9.1 Transition impact

On transition on 1 January 2022, consistent with the disclosures in the 2022 Annual Financial Report, the Group's Total Equity and Equity attributable to the owners of the Company were reduced by €37,563 thousand, reflecting the aggregate impact of the elimination of the present value of in-force life insurance business asset (PVIF) and the remeasurement of insurance assets and liabilities, both net of associated tax impact. Similarly, adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the Group's Total Equity and Equity attributable to the owners of the Company at 31 December 2022 as reported under IFRS 4 were reduced by €52,104 thousand, as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Total Equity	**2,081,227**	**2,100,670**
IFRS 4 Equity attributable to the owners of the Company	**1,838,793**	**1,858,370**
Removal of PVIF asset	(129,890)	(115,776)
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (including the PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*(37,563)*	*(52,104)*
IFRS 17 Equity attributable to the owners of the Company	**1,801,230**	**1,806,266**
IFRS 17 Total Equity	**2,043,664**	**2,048,566**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Transition impact (continued)

The reduction of the Group's equity by €52,104 thousand as at 31 December 2022 comprises the elimination of the in-force life insurance business asset (PVIF) and the associated deferred tax liability, resulting in a net decrease of €101,301 thousand and the remeasurement of insurance assets and liabilities (including the impact of the contractual service margin) resulting in a net increase in equity by €49,197 thousand.

On transition on 1 January 2022, the Group's Tangible Equity attributable to the owners of the Company was increased by €92,327 thousand. Adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the Group's Tangible Equity attributable to the owners of the Company as at 31 December 2022 as restated under IFRS 17 was increased by €63,672 thousand as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Group's Tangible Equity attributable to the owners of the Company	1,654,759	1,690,048
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (including the PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*92,327*	*63,672*
IFRS 17 Group's Tangible Equity attributable to the owners of the Company	**1,747,086**	**1,753,720**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Transition impact (continued)

Consolidated Income Statement for the year ended 31 December 2022 under the statutory basis as restated for IFRS 17 and as previously reported under IFRS 4 is presented below.

	Year ended 31 December 2022	
	IFRS 17 (restated)	IFRS 4 (as previously presented)
	€000	€000
Interest income	**428,849**	428,849
Income similar to interest income	**22,119**	22,119
Interest expense	**(65,721)**	(65,821)
Expense similar to interest expense	**(14,840)**	(14,840)
Net interest income	**370,407**	370,307
Fee and commission income	**202,583**	202,583
Fee and commission expense	**(10,299)**	(10,299)
Net foreign exchange gains	**31,291**	31,291
Net (losses)/ gains on financial instruments	**(614)**	10,052
Net gains on derecognition of financial assets measured at amortised cost	**5,235**	5,235
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**4,075**	-
Net insurance service result	**60,530**	-
Net reinsurance service result	**(20,039)**	-
Income from assets under insurance and reinsurance contracts	**-**	114,681
Expenses from liabilities under insurance and reinsurance contracts	**-**	(43,542)
Net losses from revaluation and disposal of investment properties	**(999)**	(999)
Net gains on disposal of stock of property	**13,970**	13,970
Other income	**16,681**	16,681
Total operating income	**672,821**	709,960
Staff costs	**(285,154)**	(294,361)
Special levy on deposits and other levies/contributions	**(38,492)**	(38,492)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(11,880)**	(11,880)
Other operating expenses	**(157,916)**	(166,365)
Operating profit before credit losses and impairment	**179,379**	198,862
Credit losses on financial assets	**(59,087)**	(59,529)
Impairment net of reversals on non-financial assets	**(29,549)**	(29,549)
Profit before tax	**90,743**	109,784
Income tax	**(31,312)**	(35,812)
Profit after tax for the year	**59,431**	73,972
Attributable to:		
Owners of the Company	56,565	71,106
Non-controlling interests	2,866	2,866
Profit for the year	**59,431**	**73,972**
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	**12.7**	**15.9**

F. **Notes** (continued)

F.9 **IFRS 17 'Insurance Contracts'** (continued)

F.9.1 **Transition impact** (continued)

Consolidated Balance Sheet at transition date and at 31 December 2022 as restated under IFRS 17 and as previously reported under IFRS 4 is presented below.

	IFRS 17 (restated)		IFRS 4 (as previously presented)	
	31 December 2022	**1 January 2022**	31 December 2022	1 January 2022
Assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,567,258**	**9,230,883**	9,567,258	9,230,883
Loans and advances to banks	**204,811**	**291,632**	204,811	291,632
Derivative financial assets	**48,153**	**6,653**	48,153	6,653
Investments at FVPL	**190,209**	**199,194**	190,209	199,194
Investments at FVOCI	**467,375**	**748,695**	467,375	748,695
Investments at amortised cost	**2,046,119**	**1,191,274**	2,046,119	1,191,274
Loans and advances to customers	**9,953,252**	**9,836,405**	9,953,252	9,836,405
Life insurance business assets attributable to policyholders	**542,321**	**551,797**	542,321	551,797
Prepayments, accrued income and other assets	**609,054**	**583,777**	639,765	616,219
Stock of property	**1,041,032**	**1,111,604**	1,041,032	1,111,604
Investment properties	**85,099**	**117,745**	85,099	117,745
Deferred tax assets	**227,934**	**265,942**	227,521	265,481
Property and equipment	**253,378**	**252,130**	253,378	252,130
Intangible assets	**52,546**	**54,144**	168,322	184,034
Non-current assets and disposal groups held for sale	**-**	**358,951**	-	358,951
Total assets	**25,288,541**	**24,800,826**	25,434,615	24,962,697
Liabilities				
Deposits by banks	**507,658**	**457,039**	507,658	457,039
Funding from central banks	**1,976,674**	**2,969,600**	1,976,674	2,969,600
Derivative financial liabilities	**16,169**	**32,452**	16,169	32,452
Customer deposits	**18,998,319**	**17,530,883**	18,998,319	17,530,883
Insurance liabilities	**599,992**	**623,791**	679,952	736,201
Accruals, deferred income, other liabilities and other provisions	**379,182**	**356,697**	384,004	361,977
Provisions for pending litigation, claims, regulatory and other matters	**127,607**	**104,108**	127,607	104,108
Debt securities in issue	**297,636**	**302,555**	297,636	302,555
Subordinated liabilities	**302,104**	**340,220**	302,104	340,220
Deferred tax liabilities	**34,634**	**39,817**	43,822	46,435
Total liabilities	**23,239,975**	**22,757,162**	23,333,945	22,881,470
Equity				
Share capital	**44,620**	**44,620**	44,620	44,620
Share premium	**594,358**	**594,358**	594,358	594,358
Revaluation and other reserves	**76,939**	**99,541**	178,240	213,192
Retained earnings	**1,090,349**	**1,062,711**	1,041,152	986,623
Equity attributable to the owners of the Company	**1,806,266**	**1,801,230**	1,858,370	1,838,793
Other equity instruments	**220,000**	**220,000**	220,000	220,000
Non-controlling interests	**22,300**	**22,434**	22,300	22,434
Total equity	**2,048,566**	**2,043,664**	2,100,670	2,081,227
Total liabilities and equity	**25,288,541**	**24,800,826**	25,434,615	24,962,697

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Transition impact (continued)

The Consolidated Income Statement for the nine months ended 30 September 2022 under the statutory basis, as restated for IFRS 17 and as reported under IFRS 4 is presented below:

	Nine months ended 30 September 2022		
	IFRS 4 (as previously presented)	IFRS 17 adjustments	**IFRS 17 (restated)**
	€000	€000	**€000**
Turnover	630,326	-	**630,326**
Interest income	280,505	-	**280,505**
Income similar to interest income	14,692	-	**14,692**
Interest expense	(49,826)	47	**(49,779)**
Expense similar to interest expense	(11,037)	-	**(11,037)**
Net interest income	234,334	47	**234,381**
Fee and commission income	149,341	-	**149,341**
Fee and commission expense	(7,241)	-	**(7,241)**
Net foreign exchange gains	21,464	-	**21,464**
Net gains/(losses) on financial instruments	8,529	(10,365)	**(1,836)**
Net gains on derecognition of financial assets measured at amortised cost	2,179	-	**2,179**
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	-	3,536	**3,536**
Net insurance service result	-	44,256	**44,256**
Net reinsurance service result	-	(13,929)	**(13,929)**
Income from assets under insurance and reinsurance contracts	61,030	(61,030)	**-**
Expenses from liabilities under insurance and reinsurance contracts	(13,061)	13,061	**-**
Net losses from revaluation and disposal of investment properties	(583)	-	**(583)**
Net gains on disposal of stock of property	11,175	-	**11,175**
Other income	11,945	-	**11,945**
Total operating income	479,112	(24,424)	**454,688**
Staff costs	(250,532)	7,361	**(243,171)**
Special levy on deposits and other levies/contributions	(26,616)	-	**(26,616)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(3,402)	-	**(3,402)**
Other operating expenses	(120,764)	6,196	**(114,568)**
Operating profit before credit losses and impairment	77,798	(10,867)	**66,931**
Credit losses on financial assets	(47,764)	239	**(47,525)**
Impairment net of reversals on non-financial assets	(17,474)	-	**(17,474)**
Profit before tax	12,560	(10,628)	**1,932**
Income tax	(19,819)	1,214	**(18,605)**
Profit after tax for the period	(7,259)	(9,414)	**(16,673)**
Attributable to:			
Owners of the Company	(9,118)	(9,414)	**(18,532)**
Non-controlling interests	1,859	-	**1,859**
Profit for the period	(7,259)	(9,414)	**(16,673)**
Basic profit per share attributable to the owners of the Company (€ cent)	(2.0)	(2.2)	**(4.2)**
Diluted profit per share attributable to the owners of the Company (€ cent)	(2.0)	(2.2)	**(4.2)**

F. **Notes** (continued)

F.9 **IFRS 17 ‘Insurance Contracts’** (continued)

F.9.1 **Transition impact** (continued)

Details on the accounting policies and judgements and further analysis on the quantitative impact of transition to IFRS 17 are disclosed within the 2023 Interim Financial Report in Note 3.3.1 of the Consolidated Interim Financial Statements.

G. Additional Risk and Capital Management disclosures

G.1 Additional Credit risk disclosures

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

30 September 2023	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**42,713**	-	-	-	**8**	-	-	-
Other financial corporations	**224,913**	1,062	16,614	695	**4,276**	478	408	404
Non-financial corporations	**5,054,068**	142,125	413,657	90,941	**105,298**	72,386	54,682	50,095
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,114,416*	*83,427*	*170,658*	*32,531*	*50,733*	*31,155*	*12,094*	*9,148*
Of which: Commercial real estate[3]	*3,796,121*	*120,465*	*379,362*	*84,708*	*82,977*	*63,337*	*51,977*	*48,621*
Non-financial corporations by sector								
Construction	511,360	4,602			8,917			
Wholesale and retail trade	921,394	28,686			20,473			
Accommodation and food service activities	1,175,864	15,098			8,186			
Real estate activities	1,060,237	29,954			21,770			
Manufacturing	361,165	5,997			4,398			
Other sectors	1,024,048	57,788			41,554			
Households	**4,778,995**	214,646	213,396	104,942	**80,652**	51,515	29,884	23,583
Of which: Residential mortgage loans[3]	*3,745,519*	*176,666*	*188,388*	*91,366*	*47,285*	*32,579*	*23,870*	*18,598*
Of which: Credit for consumption[3]	*591,728*	*31,542*	*23,697*	*14,282*	*23,672*	*13,439*	*5,344*	*4,462*
Total on-balance sheet	**10,100,689**	**357,833**	**643,667**	**196,578**	**190,234**	**124,379**	**84,974**	**74,082**

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

G. Additional Risk and Capital Management disclosures (continued)

G.1 Additional Credit risk disclosures (continued)

31 December 2022	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
	Group gross customer loans and advances[1,2]	Of which: NPEs	Total exposures with forbearance measures	Of which: NPEs	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**39,766**	-	-	-	**25**	-	-	-
Other financial corporations	**186,281**	3,202	11,665	2,825	**6,008**	2,332	2,453	2,250
Non-financial corporations	**5,134,784**	144,522	950,499	91,100	**100,265**	69,212	53,940	44,957
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,492,414*	*84,493*	*449,891*	*33,140*	*53,939*	*33,882*	*17,643*	*11,683*
Of which: Commercial real estate[3]	*3,975,290*	*120,445*	*895,971*	*80,980*	*76,385*	*58,414*	*47,047*	*41,152*
Non-financial corporations by sector								
Construction	549,921	11,949			13,319			
Wholesale and retail trade	909,438	20,783			15,907			
Accommodation and food service activities	1,164,979	20,824			9,543			
Real estate activities	1,108,581	20,281			19,738			
Manufacturing	392,843	9,429			4,033			
Other sectors	1,009,022	61,256			37,725			
Households	**4,770,863**	260,629	290,556	143,140	**72,144**	54,643	37,362	32,087
Of which: Residential mortgage loans[3]	*3,785,834*	*220,354*	*253,794*	*125,994*	*45,805*	*37,616*	*29,759*	*25,751*
Of which: Credit for consumption[3]	*547,490*	*37,622*	*42,719*	*21,235*	*20,355*	*14,628*	*8,543*	*7,486*
Total on-balance sheet	**10,131,694**	**408,353**	**1,252,720**	**237,065**	**178,442**	**126,187**	**93,755**	**79,294**

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

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among others, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 (phasing in at 25% in 2022 and 50% in 2023) and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020. This temporary treatment was in effect until 31 December 2022.

In October 2021, the European Commission adopted legislative proposals for further amendments to the 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. The 2021 Banking Package includes:

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

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state.

The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal, and the 2021 Banking Package is currently in the final stage of the EU legislative process. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. It is expected that the 2021 Banking Package will come into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

The Regulatory CET1 ratio of the Group as at 30 September 2023 stands at 15.2% and the Total Capital ratio at 20.4% on a transitional basis. Including unreviewed profits for the quarter ended 30 September 2023 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the period, which represents the high-end range of the Group's approved dividend policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges, the CET1 ratio and Total Capital ratio of the Group stand at 15.8% and 21.0% respectively. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. Group Adjusted Profit after tax 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.

Minimum CET1 Regulatory Capital Requirements	**30 September 2023**	**2022**
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.73%	1.83%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.04%	0.02%
Minimum CET1 Regulatory Requirements	**10.27%**	**10.10%**

** Fully phased in as of 1 January 2019*
*** Increasing by 0.375%. every year thereafter, until being fully implemented on 1 January 2025 at 2.25%.*

Minimum Total Capital Regulatory Requirements	**30 September 2023**	**2022**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.08%	3.26%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.04%	0.02%
Minimum Total Capital Regulatory Requirements	**15.12%**	**15.03%**

** Fully phased in as of 1 January 2019*
*** Increasing by 0.375%. every year thereafter, until being fully implemented on 1 January 2025 at 2.25%.*

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

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

The capital position of the Group and BOC PCL as at 30 September 2023 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

In the context of the annual SREP conducted by the ECB in 2022 and based on the final SREP decision received in December 2022 effective from 1 January 2023, the P2R has been revised to 3.08%, compared to the previous level of 3.26%. The revised P2R includes a revised P2R add-on of 0.33%, compared to the previous level of 0.26%, relating to ECB's prudential provisioning expectations. The P2R add-on is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. When disregarding the P2R add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00% to 2.75%. As a result, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements were reduced when disregarding the phasing in of the O-SII Buffer. The ECB has also maintained the P2G unchanged.

As of 30 September 2023, the amount corresponding to the abovementioned Pillar II add-on of 0.33% relating to ECB's prudential provisioning expectations is being deducted from CET1 capital and therefore the Pillar II requirement is expected to decrease to 2.75% as of 1 January 2024. As at 30 September 2023, the capital deduction taken corresponds to 33 bps.

G.2 Capital management (continued)

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB for the Group as at 30 September 2023 has been calculated at approximately 0.04%.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50% must be observed as from 30 November 2023. Moreover, on 2 June 2023, the CBC, announced its decision to raise the CcyB rate to 1.00% of the total risk exposure amount in Cyprus of each authorised credit institution incorporated in Cyprus. The said increase of the CcyB is effective as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase further.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and since November 2021 the O-SII Buffer had been set to 1.50%. This buffer was phased in gradually, having started from 1 January 2019 at 0.50%. The O-SII Buffer as at 31 December 2022 stood at 1.25% and was fully phased in on 1 January 2023 and currently stands at 1.50%. In October 2023, the CBC concluded its reassessment 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 revised to 2.25% to be phased in annually by 37.5 bps to 1.875% on 1 January 2024 and by another 37.5 bps to 2.25% on 1 January 2025.

The Group's minimum phased in CET1 capital ratio requirement as at 30 September is set at 10.27%, comprising a 4.50% Pillar I requirement, a P2R of 1.73%, the CCB of 2.50%, the O-SII Buffer of 1.50% (to be fully phased in at 2.25% on 1 January 2025, as aforementioned) and the CcyB of 0.04%. The Group's minimum phased in Total Capital requirement was set at 15.12%, 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 P2R of 3.08%, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of 0.04%.

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

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

Following the annual SREP performed by the ECB in 2023, and based on the draft SREP decision received in October 2023, effective from 1 January 2024, (subject to ECB final confirmation), the Group's minimum phased-in CET1 capital ratio and Total Capital ratio requirements effective from 1 January 2024 are expected to decrease, when disregarding the phasing in of the O-SII buffer and CcyB, mentioned above, reflecting the elimination of the Pillar II add-on relating to ECB's prudential provisioning expectations following the Group's decision to directly deduct from own funds such amount. On 1 January 2024, the Group's minimum phased-in CET1 capital ratio requirement is expected to be set at approximately 10.92%, 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 1.88% and CcyB of approximately 0.50%. On 1 January 2024, the Group's minimum phased-in Total Capital ratio requirement is expected to be set at approximately 15.63%, 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 1.88% and the CcyB of approximately 0.50%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). From 2 June 2024 both CET1 capital and Total Capital requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB described above.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that the own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I requirement, P2R or the Combined Buffer Requirement (CBR)), and therefore cannot be used twice.

G. Additional Risk and Capital Management (continued)

G.2 Capital management (continued)

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

Regulatory capital	Group		BOC PCL	
	30 September 2023[1]	31 December 2022 (restated)[2]	**30 September 2023**[1]	31 December 2022 (restated)[2]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[3]	**1,564,886**	1,540,292	**1,527,825**	1,509,056
Transitional Additional Tier 1 capital (AT1)	**228,250**	220,000	**228,250**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,093,136**	2,060,292	**2,056,075**	2,029,056
Risk weighted assets – credit risk[4]	**9,252,780**	9,103,330	**9,240,080**	9,150,831
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,010,885**	1,010,885	**997,720**	997,720
Total risk weighted assets	**10,263,665**	10,114,215	**10,237,800**	10,148,551
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	15.2	**14.9**	14.9
Total capital ratio	**20.4**	20.4	**20.1**	20.0
Leverage ratio	**6.9**	7.0	**6.7**	6.9

[1] Includes reviewed profits for the six months ended 30 June 2023 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 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the period, which represents the high-end range of the Group's approved dividend policy, in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. The CET1 ratio, the Total Capital ratio and the Leverage ratio as at 30 September 2023 stand at 15.8%, 21.0% and 7.1% respectively for the Group and 15.5%, 20.7% and 7.0% respectively for BOC PCL, when including the profits for the quarter ended 30 September 2023 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the nine months ended 30 September 2023.

[2] The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023 and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand.

[3] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €26,910 thousand for the Group and €17,786 thousand for BOC PCL as at 30 September 2023 (31 December 2022: €30,421 thousand for the Group and €25,445 thousand for BOC PCL). As at 30 September 2023 an amount of €10,645 thousand, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2022: €12,934 thousand).

[4] Includes Credit Valuation Adjustments (CVA).

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

Fully loaded	Group		BOC PCL	
	30 September 2023[1,2]	31 December 2022[3,4] (restated)	**30 September 2023**[1,2]	31 December 2022[3,4] (restated)
	%	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	14.5	**14.8**	14.1
Total capital ratio	**20.3**	19.6	**20.0**	19.3
Leverage ratio	**6.8**	6.7	**6.7**	6.5

[1] Includes reviewed profits for the six months ended 30 June 2023 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 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the period, which represents the high-end range of the Group's approved dividend policy, in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. The CET1 ratio, the Total Capital ratio and the Leverage ratio as at 30 September 2023 stand at 15.7%, 20.9% and 7.0% respectively for the Group and at 15.5%, 20.6% and 6.9% respectively for BOC PCL, when including the profits for the quarter ended 30 September 2023 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the nine months ended 30 September 2023.

[2] IFRS 9 fully loaded as applicable.

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

[4] The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023 and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand.

G.2 Capital management (continued)

During the nine months ended 30 September 2023, CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, the payment of AT1 coupon, AT1 refinancing costs, the Capital deduction of 0.33% in relation to the ECB prudential expectations for NPEs, other movements and the increase in risk-weighted assets and was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary. As a result, the CET1 ratio including unreviewed profits for the nine months ended 30 September 2023, the CET1 ratio (on a transitional basis) has increased by c.60 bps during the nine months ended 30 September 2023, whereas on a fully loaded basis the ratio has increased by c.130 bps.

In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 14 bps on the Group's CET1 ratio as at 30 September 2023, decreased from 26bps on 31 December 2022 mainly due to impairment recognised during the period.

In June 2023, the Company successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'New Capital Securities').

The proceeds of the issue of the New Capital Securities were on-lent by the Company to BOC PCL to be used for general corporate purposes. The on-loan qualifies as Additional Tier 1 capital for BOC PCL.

At the same time, the Company invited the holders of its outstanding €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities callable in December 2023 to tender the previous AT1 issue in 2018 ('Existing Capital Securities') at a purchase price of 103% of the principal amount. As at 30 September 2023 Existing Capital Securities of a nominal amount of approximately €8 million remaining outstanding, are included in Tier 1 and Total Capital, the impact of which is c.8 bps on the Group's Total Capital Ratio as at 30 September 2023.

Capital requirements of subsidiaries

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. In February 2023, the activities of the regulated UCITS management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

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 took immediate effect.

In February 2023, BOC PCL received notification from the Single Resolution Board (SRB) of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the 2023 MREL decision, the final MREL requirement was set at 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by BOC PCL to meet the CBR are not eligible to meet its MREL requirements expressed in terms of risk-weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

In November 2023, BOC PCL received draft notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets and must be met by 31 December 2024, one year earlier than the previous decision. The revised MREL requirements remain subject to SRB and CBC final confirmation.

In July 2023, BOC PCL proceeded with an issue of €350 million senior preferred notes (the 'Notes'). The Notes comply with the MREL criteria and contribute towards BOC PCL's MREL requirements.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

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

The MREL ratio as at 30 September 2023, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 24.1% of RWAs and at 11.0% of LRE (based on the regulatory Total Capital as at 30 September 2023). The MREL ratio as at 30 September 2023, includes an amount of approximately €8 million that remained following the tender offer and open market purchases of the Existing Capital Securities. The impact of this amount is contributing approximately 8 basis points to the MREL ratio expressed as a percentage of RWA and approximately 3 basis points to the MREL ratio expressed as a percentage of LRE. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR requirement, which stood at 4.04% on 30 September 2023 (compared to 3.77% as at 31 December 2022), expected to increase further on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus and to 1.00% from June 2024 as announced by CBC and the phasing in of the O-SII buffer by 0.375% on 1 January 2024 and a further 0.375% on 1 January 2025.

The MREL ratio expressed as a percentage of RWA and the MREL ratio expressed as a percentage of LRE as at 30 September 2023 stand at 24.6% and 11.2% respectively when including the profits for the quarter ended 30 September 2023 and an accrual for an estimated final dividend at a payout ratio of 50% of the Group Adjusted Profit after tax for the nine months ended 30 September 2023.

BOC PCL continues to evaluate opportunities to optimise the build-up of its MREL.

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

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2022 have been completed and submitted to the ECB at the end of March 2023 following approval by the Board of Directors. The 2022 ICAAP indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under baseline and stressed conditions scenarios. The 2022 ILAAP indicated that the Group maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions scenarios scenarios.

The Group undertakes quarterly reviews of its ICAAP results as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile is reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy.

The Group undertakes quarterly reviews of its ILAAP through quarterly liquidity stress tests which are submitted to the ALCO and the Risk Committee of the Board of Directors. In these reviews actual and forecasted information is considered. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review assessment identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

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

The Group participated in the 2023 SSM Stress Test as one of the 'Other Systematically Important Institutions (O-SII)'. The exercise assesses EU banks' resilience to an adverse economic shock and informs the 2023 SREP. The stress test results are used to update each bank's Pillar 2 Guidance in the context of the SREP. Qualitative findings on weaknesses in the Group's stress testing practices could also affect Pillar 2 Requirements and inform other supervisory activities. The ECB published on 28 July 2023 the results of the stress test. As per the relevant ECB press release 'Capital depletion at the end of the three-year horizon was lower than in previous stress tests. This was mainly due to banks overall being in better shape going into the exercise, with higher-quality assets and stronger profitability'. The results for the Group, as published by the ECB, are presented in the Interim Financial Report 2023.

G. Additional Risk and Capital Management disclosures (continued)

G.4 Liquidity regulation

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

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

As at 30 September 2023, the Group was in compliance with all regulatory liquidity requirements. As at 30 September 2023, the Group's LCR stood at 350% (compared to 291% as at 31 December 2022). As at 30 September 2023 the Group's NSFR was 162% (compared to 168% as at 31 December 2022).

G.5 Liquidity reserves

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

Composition of the liquidity reserves	**30 September 2023**			31 December 2022		
	Internal Liquidity Reserves	**Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible**		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible	
		Level 1	**Level 2A & 2B**		Level 1	Level 2A & 2B
	€000	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,380,315**	**9,380,315**	**-**	9,379,888	9,379,888	-
Placements with banks	**265,339**	**-**	**-**	55,825	-	-
Liquid investments	**2,742,689**	**2,218,784**	**377,154**	1,827,698	1,344,032	214,800
Available ECB Buffer	**65,087**	**-**	**-**	147,844	-	-
Total	**12,453,429**	**11,599,099**	**377,154**	11,411,255	10,723,920	214,800

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

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

Liquid investments under the Liquidity reserves as per LCR are shown at market values reduced by standard weights as prescribed by the LCR regulation. Liquid investments under Internal Liquidity Reserves include additional unencumbered liquid bonds which are shown at market values net of haircuts based on the ECB haircut methodology for the ECB eligible bonds, while for the ECB non-eligible bonds, a more conservative internally developed haircut methodology is applied.

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

In March 2022, the ECB announced the steps for the gradual phasing out of the temporary pandemic collateral easing measures implemented during the COVID-19 breakout. The gradual phasing out is scheduled to be concluded in three steps having started from July 2022 and will be completed by March 2024 and gives banks time to adapt to the adjustments to the collateral framework. In the first step in July 2022, the ECB halved the temporary reduction in collateral valuation haircuts across all assets from the previous 20% adjustment to 10%. In the second step, in June 2023, the ECB implemented a new valuation haircut schedule based on its pre-pandemic risk tolerance level for credit operations, phasing out the temporary reduction in collateral valuation haircuts completely. In the third and final step, in March 2024, the ECB will, in principle, phase out the remaining pandemic collateral easing measures.

H. Alternative Performance Measures

Reconciliations

Reconciliation between the Interim Consolidated Income Statement under the statutory basis in Section E and the underlying basis in Section A is included in Section 'F.1 Reconciliation of Interim Income Statement for the nine months ended 30 September 2023 between the statutory and underlying basis' .

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

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative information previously published under IFRS 4 'Insurance Contracts' restated from 1 January 2022, the transition date, and therefore reconciliations of alternative performance measures have also been restated where applicable.

1. Reconciliation of Gross loans and advances to customers

	30 September 2023	31 December 2022
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined in Section I)	**10,167,022**	10,217,453
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(69,560)**	(89,029)
Loans and advances to customers measured at FVPL (*Section F.3*)	**(205,762)**	(214,359)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**3,227**	3,270
Gross loans and advances to customers at amortised cost as per Section F.3	**9,894,927**	9,917,335

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

	30 September 2023	31 December 2022
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined in Section I)	**274,536**	281,630
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(69,560)**	(89,029)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**3,227**	3,270
Provisions for financial guarantees and commitments	**(17,969)**	(17,429)
Allowance for ECL of loans and advances to customers as per Section F.3	**190,234**	178,442

H. Alternative Performance Measures (continued)

Reconciliations (continued)

3. Reconciliation of NPEs

	30 September 2023	31 December 2022
	€000	€000
NPEs as per the underlying basis (as defined in Section I)	**358,386**	410,563
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(34,194)**	(37,742)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(59)**	(1,803)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**324,133**	371,018
NPE ratio		
NPEs (*as per table above*) (€000)	**358,386**	410,563
Gross loans and advances to customers (*as per table above*) (€000)	**10,167,022**	10,217,453
Ratio of NPE/Gross loans (%)	**3.5%**	4.0%

Note 1: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €34,194 thousand POCI - NPEs (out of a total of €112,014 thousand POCI loans) (31 December 2022: €37,742 thousand POCI - NPEs (out of a total of €115,544 thousand POCI loans)) as disclosed in Section F.5.

4. Reconciliation of Loan credit losses

	Nine months ended 30 September	
	2023	2022
	€000	€000
Loan credit losses as per the underlying basis	**44,069**	35,559
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**-**	1,314
	44,069	36,873
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers *(Section F.6)*	**50,332**	44,932
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers (see further below)	**(6,306)**	(3,372)
Net losses/(gains) on loans and advances to customers at FVPL	**43**	(4,687)
	44,069	36,873

Net gains on derecognition of financial assets measured at amortised cost in the Unaudited Interim Consolidated Income Statement amount to €6,265 thousand (30 September 2022: €2,179 thousand) and comprise €6,306 thousand (30 September 2022: €3,372 thousand) net gains on derecognition of loans and advances to customers and €41 thousand (30 September 2022: €1,193 thousand) net losses on derecognition of debt securities measured at amortised cost.

H. Alternative Performance Measures (continued)

Key Performance Ratios Information

1. Net Interest Margin (NIM)

The various components for the calculation of net interest margin are provided below:

	Nine months ended 30 September	
	2023	2022 (restated)
a. **Net interest income used in the calculation of NIM**	**€000**	€000
Net interest income as per the underlying basis/statutory basis	**572,164**	234,381
Net interest income used in the calculation of NIM (annualised)	**764,981**	313,367

1.2. Interest earning assets	**30 September 2023**	30 June 2023	31 March 2023	31 December 2022
	€000	€000	€000	€000
Cash and balances with central banks	**9,565,413**	9,127,429	9,247,705	9,567,258
Loans and advances to banks	**409,903**	431,812	415,832	204,811
Loans and advances to customers	**9,910,455**	10,007,819	10,013,108	9,953,252
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP')	**325,990**	320,655	315,755	311,523
Investments				
Debt securities	**3,488,862**	3,178,127	2,746,790	2,499,894
Total interest earning assets	**23,700,623**	23,065,842	22,739,190	22,536,738
1.3. Quarterly average interest earning assets (€000)				
- as at 30 September 2023				23,010,598
- as at 30 September 2022				22,470,102

1.4. Net Interest Margin (NIM)	**Nine months ended 30 September**	
	2023	2022 (restated)
Net interest income (annualised) (*as per table 1.1. above*) (€000)	**764,981**	313,367
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**23,010,598**	22,470,102
NIM (%)	**3.32%**	1.39%

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

2. Cost to income ratio

2.1 Reconciliation of the various components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.1.1 Reconciliation of Staff costs	**Nine months ended 30 September**	
	2023	2022 (restated)
	€000	€000
Staff costs as per the underlying basis	**141,462**	138,937
Reclassifications for:		
Restructuring costs – voluntary exit plan and other termination benefits, separately presented under the underlying basis	**n/a**	104,234
Staff costs as per the statutory basis	**141,462**	243,171

2.1.2 Reconciliation of Other operating expenses	**Nine months ended 30 September**	
	2023	2022 (restated)
	€000	€000
Other operating expenses as per the underlying basis	**105,723**	102,058
Reclassifications for:		
Operating expenses and restructuring costs relating to NPE sales, presented within ‘Restructuring and other costs relating to NPE sales’ under the underlying basis	**n/a**	2,650
Advisory and other transformation costs – organic, separately presented under the underlying basis	**2,250**	9,860
Other operating expenses as per the statutory basis	**107,973**	114,568

Reconciliation of the various components of total income used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.2 Total Income as per the underlying basis	**Nine months ended 30 September**	
	2023	2022 (restated)
	€000	€000
Net interest income as per the underlying basis/statutory basis (*as per table 1.1 above*)	**572,164**	234,381
Net fee and commission income as per the underlying basis/statutory basis	**134,518**	142,100
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis *(as per table 2.3 below)*	**28,854**	13,748
Net insurance result*	**37,765**	33,863
Net gains/(losses) from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**7,028**	10,592
Other income (as per the statutory basis)	**15,147**	11,945
Total Income as per the underlying basis	**795,476**	446,629

**Net insurance result 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.*

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

2. Cost to income ratio(continued)

2.3 Reconciliation of Net foreign exchange gains, Net gains/ (losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost between the statutory basis and the underlying basis	**Nine months ended 30 September**	
	2023	2022 (restated)
	€000	€000
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**28,854**	13,748
Reclassifications for:		
Net (losses)/gains on loans and advances to customers FVPL disclosed within 'Loan credit losses' per the underlying basis (as per table 4 in Section 'Reconciliations' above)	**(43)**	4,687
Net gains on derecognition of financial assets measured at amortised cost-loans and advances to customers, disclosed within 'Loan credit losses' per the underlying basis (*as per table 4 in Section 'Reconciliations' above*)	**6,306**	3,372
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**35,117**	21,807
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost (as per table above) are reconciled to the statutory basis as follows:		
Net foreign exchange gains	**22,506**	21,464
Net gains/(losses) on financial instruments	**6,346**	(1,836)
Net gains on derecognition of financial assets measured at amortised cost	**6,265**	2,179
	35,117	21,807

2.4 Total Expenses as per the underlying basis	**Nine months ended 30 September**	
	2023	2022 (restated)
	€000	€000
Staff costs as per the underlying basis *(as per table 2.1.1 above)*	**141,462**	138,937
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**29,754**	26,616
Other operating expenses as per the underlying basis *(as per table 2.1.2 above)*	**105,723**	102,058
Total Expenses as per the underlying basis	**276,939**	267,611
Cost to income ratio		
Total expenses (*as per table 2.4 above*) (€000)	**276,939**	267,611
Total income (*as per table 2.2 above*) (€000)	**795,476**	446,629
Total expenses/Total income (%)	**35%**	60%

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

3. Operating profit return on average assets

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

	30 September 2023	30 June 2023	31 March 2023	31 December 2022 (restated)
	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the statutory basis (Section E Unaudited Interim Consolidated Balance Sheet)	**26,351,640**	25,706,637	25,386,804	25,288,541
Quarterly average total assets (€000)				
- as at 30 September 2023				**25,683,406**
- as at 30 September 2022 (restated)				25,372,928

	2023	2022 (restated)
Annualised total income for the nine months ended 30 September (*as per table 2.2 above*) (€000)	**1,063,548**	597,141
Annualised total expenses for the nine months ended 30 September (*as per table 2.4 above*) (€000)	**(370,266)**	(357,795)
Annualised operating profit for the nine months ended 30 September (€000)	**693,282**	239,346
Quarterly average total assets as at 30 September (*as per table above*) (€000)	**25,683,406**	25,372,928
Operating profit return on average assets (annualised) (%)	**2.7%**	0.9%

4. Cost of Risk

	Nine months ended 30 September	
	2023	2022
	€000	€000
Annualised loan credit losses (*as per table 4 in Section 'Reconciliation' above*)	**58,920**	47,542
Average gross loans (as defined) (*as per table 1 in Section 'Reconciliation above*)	**10,192,238**	10,885,015
Cost of Risk (CoR) %	**0.58%**	0.44%

5. Basic earnings/(losses) per share attributable to the owners of the Company

The various components used in the determination of the 'Basic earnings/(losses) per share attributable to the owners of the Company (€ cent)' are provided below:

	2023	2022 (restated)
Profit/(loss) after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the nine months ended 30 September (€000)	**349,363**	(18,532)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**446,058**	446,058
Basic earnings/(losses) per share attributable to the owners of the Company for the nine months ended 30 September (€ cent)	**78.3**	(4.2)

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

6. Return on tangible equity (ROTE)

The various components used in the determination of 'Return on tangible equity (ROTE) are provided below:

	2023	2022 (restated)
Annualised profit/(loss) after tax (attributable to the owners of the Company) per the underlying basis/statutory basis (€000)	**467,097**	(24,777)
Quarterly average tangible total equity as at 30 September (*as per table 6.2 below*) (€000)	**1,901,882**	1,738,899
ROTE after tax (annualised) (%)	**24.6%**	(1.4%)

6.1 Tangible shareholder's equity	**30 September 2023**	30 June 2023	31 March 2023	31 December 2022 (restated)
	€000	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,113,020**	1,984,459	1,899,202	1,806,266
Less: Intangible assets (as per the statutory basis)	**(45,899)**	(47,546)	(49,430)	(52,546)
Total tangible shareholder's equity	**2,067,121**	1,936,913	1,849,772	1,753,720
6.2 Quarterly average tangible shareholder's equity (€000)				
- as at 30 September 2023				**1,901,882**
- as at 30 September 2022 (restated)				1,738,899

7. Leverage ratio

	30 September 2023	31 December 2022 (restated)
Tangible total equity (including Other equity instruments) (*as per table 7.1 below*) (€000)	**2,295,371**	1,973,720
Total assets (€000)	**26,351,640**	25,288,541
Leverage ratio	**8.7%**	7.8%

7.1 Tangible total equity	**30 September 2023**	31 December 2022 (restated)
	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,113,020**	1,806,266
Other equity instruments	**228,250**	220,000
Less: Intangible assets (as per the statutory basis)	**(45,899)**	(52,546)
Tangible total equity	**2,295,371**	1,973,720

8. Tangible book value per share

	30 September 2023	30 September 2022 (restated)
	€000	€000
Tangible shareholder's equity (*as per table 6.1 above*) (€000)	**2,067,121**	1,699,992
Weighted average number of shares in issue during the period, excluding treasury shares (*as per table 5 above*) (thousand)	**446,058**	446,058
Tangible book value per share (€)	**4.63**	3.81

I. Definitions and Explanations

Term	Definition
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 3 November 2023.
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
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 Plan (2022 LTIP).
ECB	European Central Bank

I. 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 €69 mn as at 30 September 2023 (compared to €72 mn as at 30 June 2023, €78 mn as at 31 March 2023 and to €86 mn as at 31 December 2022). 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 €203 mn at 30 September 2023 (compared to €207 mn as at 30 June 2023, €208 mn as at 31 March 2023 and to €211 mn as at 31 December 2022).
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 42.3% as at 30 September 2023 compared to 42.4% as at 30 June 2023 and 31 March 2023 and to 40.9% as at 31 December 2022. The Bank's deposit market share in Cyprus reached 37.7% as at 30 September 2023 compared to 37.4% in 30 June 2023, to 37.3% as at 31 March 2023 and to 37.2% as at 31 December 2022.
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.

I. Definitions and Explanations (continued)

Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits.
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/(losses) 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.

I. 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'. 2022 Non-recurring items relate to: (i) Advisory and Other transformation costs - ongoing (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs – Voluntary Staff Exit Plan (VEP).
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, regulatory and other provisions (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').
Project Helix 3	Project Helix 3 refers to the agreement the Group reached in November 2021 for the sale of a portfolio of NPEs with gross book value of €551 mn, as well as real estate properties with book value of c.€88 mn as at 30 September 2022. Project Helix 3 was completed in November 2022.

I. Definitions and Explanations (continued)

Term	Definition
Project Sinope	Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021. Project Sinope was completed in August 2022.
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 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).
Qoq	Quarter on quarter change
Return on Tangible equity (ROTE)	Return on Tangible Equity (ROTE) is 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.
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.
Time deposit pass-through	Calculated as a percentage of the cost (interest expense) of Time and Notice deposits over the average 6-month Euribor rate of the period.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy on deposits and other levies/contributions. It does not include (i) 'advisory and other transformation costs-organic', (ii) restructuring and other costs relating to NPE sales, or (iii) restructuring costs relating to the Voluntary Staff Exit Plan, where applicable. (i) 'Advisory and other transformation costs-organic' amounted to nil for 3Q2023 (compared to €1 mn for 2Q2023, €1 mn for 1Q2023 and to €1 mn for 4Q2022), (ii) Restructuring costs relating to NPE sales for 3Q2023 amounted to nil (compared to a gain of €0.2 mn for 2Q2023, a loss of €0.2 mn for 1Q2023 and to a loss of €0.3 mn for 4Q2022), and (iii) Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) for 3Q2023 was nil (compared to nil for 2Q2023, 1Q2023 and 4Q2022).
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, regulatory and other provisions 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 nine months ended 30 September 2023.

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 nine months ended 30 September 2023.

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 2022, upon which the auditors have given an unqualified opinion, were published on 31 March 2023 and are expected to be delivered to the Registrar of Companies of Ireland within 56 days of 30 September 2023. The Board of Directors approved the Group statutory financial statements for the nine months ended 30 September 2023 on 10 November 2023.

Statutory basis: Statutory information is set out on pages 31-35. 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 nine months ended 30 September 2023, 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 pages 5 and 6. The statutory results are adjusted for certain items (as described on page 36) to allow a comparison of the Group’s underlying financial position and performance, as set out on pages 4 and 7.

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

This announcement and the presentation for the Group Financial Results for the nine months ended 30 September 2023 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 I, together with explanations.

The Group Financial Results for the nine months ended 30 September 2023 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

Forward Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as “expect”, “should be”, “will be” and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Group’s near term, medium term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group’s future results of operations, financial condition, expected impairment charges, the level of the Group’s assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments, information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic. The Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward-looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any statement is based. Changes in our reporting frameworks and accounting standards, including the recently announced reporting changes and the implementation of IFRS 17 ‘Insurance Contracts’, which may have a material impact on the way we prepare our financial statements and (with respect to IFRS 17) 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 September 2023, the Bank of Cyprus Group operated through a total of 64 branches in Cyprus, of which 4 operated as cash offices. The Bank of Cyprus Group employed 2,913 staff worldwide. At 30 September 2023, the Group’s Total Assets amounted to €26.4 bn and Total Equity was €2.4 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.