Bank of Cyprus Holdings

Announcement

Group Financial Results for the quarter ended 31 March 2024

Nicosia, 16 May 2024

Key Highlights for the quarter ended 31 March 2024

Resilient economic outlook

- 3.3% GDP growth in 1Q2024; projected to grow by c. 2.9%[1] in 2024 outpacing Euro area average
- Seasonally strong quarter of new lending of €676 mn, up 46% qoq and 8% yoy
- Gross performing loan book at €10.0 bn, up 2% qoq

Delivering ROTE of 23.6% in 1Q2024

- NII of €213 mn down 3% qoq, reflecting modest decline in Euribor, hedging and marginally higher cost of deposits
- Total operating expenses[2] down 14% on prior quarter due to quarterly seasonality and broadly flat yoy; cost to income ratio[2] reduced to 29% (vs 34% in 1Q2023)
- Profit after tax of €133 mn down 4% qoq and up 40% yoy; basic earnings per share of €0.30 for 1Q2024

Liquid and resilient balance sheet

- NPE ratio at 3.4% (0.8% on net basis) down 20 bps qoq
- NPE Coverage at 77% up 4 p.p. on prior year; cost of risk at 27 bps
- Retail funded deposit base at €19.3 bn, flat qoq and up 2% yoy
- Highly liquid balance sheet with €7.2 bn placed at the ECB; €1.7 bn TLTRO repaid in March 2024
- In compliance with 2024 final MREL target post successful issuance of €300 mn Green Senior Preferred Notes in April 2024

Robust capital and shareholder focus

- Regulatory CET1 ratio and Total Capital ratio of 17.1% and 22.0% respectively
- Including 1Q2024 profits net of distribution accrual, CET1 ratio at 17.6% and Total Capital ratio at 22.5%
- Organic capital generation[3] of 128 bps in 1Q2024
- Tangible book value per share of €5.23[4] as at 31 March 2024 up 26% yoy

1. Source: Cyprus' Ministry of Finance; projections as of April 2024
2. Excluding special levy on deposits and other levies/contributions
3. Based on profit after tax (pre-distributions)
4. This includes cash dividend which is expected to be paid on 14 June 2024

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

Group Chief Executive Statement

"We had a strong start to the year underpinned by compelling financial results and the approval of a meaningful distribution, representing another important milestone in our strategic progress. We proposed a total distribution of €137 mn in respect of 2023 earnings comprising a cash dividend of €112 mn and an inaugural share buyback of up to €25 mn, corresponding to an overall payout ratio of 30%, a material increase compared to the previous year.

During the first quarter of the year, we delivered a ROTE of 23.6%, the fifth consecutive quarter with a ROTE over 20%, tracking ahead of our 2024 targets. Our performance was supported by continued strong net interest income, declining only modestly from the previous quarter, reflecting high rates and ample liquidity as well as our continuous focus on cost discipline and robust asset quality.

This was all supported by a Cypriot economy that continues to display strength and resilience against the backdrop of geopolitical uncertainty. In the first quarter of 2024, GDP increased by 3.3% in Cyprus and is forecast to grow by c.2.9%[1] in 2024, expected to outpace the Eurozone average.

Our balance sheet is characterised by a robust capital position, high liquidity and healthy asset quality. Our regulatory CET1 ratio stood at 17.1% as at 31 March 2024 or 17.6% including profits in the quarter net of distribution accrual[2]. Organic capital generation was again strong at c.130 bps. Our tangible book value per share improved by 26% year on year to €5.23, reflecting our delivery for shareholder value creation.

In April 2024 the Group successfully issued €300 mn MREL-eligible green senior preferred notes, thereby finalising our MREL requirements and including a comfortable buffer. This issuance was the first ever green bond issuance for Bank of Cyprus, representing an important step to lead the transition of Cyprus to a sustainable future.

Our positive set of financial results this quarter provides the foundations to deliver a ROTE of over 17% on a 15% CET1 ratio. We will review our financial targets alongside our 1H2024 financial results. We continue to execute our strategy, with a clear focus on supporting our customers, delivering shareholder value and assisting the development of the Cypriot economy."

Panicos Nicolaou

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

A. Group Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	1Q2024	4Q2023	1Q2023	qoq +%	yoy ±%
Net interest income	213	220	162	-3%	31%
Net fee and commission income	42	46	44	-10%	-5%
Net foreign exchange gains and net gains on financial instruments	7	8	13	-12%	-44%
Net insurance result	10	16	10	-37%	4%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	1	3	2	-81%	-65%
Other income	3	3	3	-8%	1%
Total income	**276**	**296**	**234**	**-7%**	**18%**
Staff costs	(48)	(51)	(46)	-6%	5%
Other operating expenses	(33)	(42)	(34)	-24%	-3%
Special levy on deposits and other levies/contributions	(11)	(13)	(11)	-8%	4%
Total expenses	**(92)**	**(106)**	**(91)**	**-13%**	**2%**
Operating profit	**184**	**190**	**143**	**-3%**	**28%**
Loan credit losses	(7)	(19)	(11)	-64%	-39%
Impairments of other financial and non-financial assets	(8)	(15)	(11)	-45%	-22%
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(10)	(8)	(6)	24%	55%
Total loan credit losses, impairments and provisions	**(25)**	**(42)**	**(28)**	**-40%**	**-12%**
Profit before tax and non-recurring items	**159**	**148**	**115**	**7%**	**39%**
Tax	(25)	(10)	(18)	148%	40%
Profit attributable to non-controlling interests	(1)	0	(1)	-	5%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**133**	**138**	**96**	**-4%**	**38%**
Advisory and other transformation costs – organic	-	-	(1)	-	-100%
Profit after tax (attributable to the owners of the Company)	**133**	**138**	**95**	**-4%**	**40%**

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Income Statement- Key Performance Ratios

Key Performance Ratios	1Q2024	4Q2023	1Q2023	qoq ±%	yoy ±%
Net Interest Margin (annualised)	3.70%	3.66%	2.91%	4 bps	79 bps
Net Interest Margin (annualised) excluding TLTRO III	3.90%	4.00%	3.18%	-10 bps	72 bps
Cost to income ratio	33%	36%	39%	-3 p.p.	-6 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	29%	32%	34%	-3 p.p.	-5 p.p.
Operating profit return on average assets (annualised)	2.9%	2.8%	2.3%	0.1 p.p.	0.6 p.p.
Basic earnings per share attributable to the owners of the Company (€)[1]	0.30	0.31	0.21	-0.01	0.09
Return on tangible equity (ROTE)	23.6%	25.6%	21.3%	-2.0 p.p.	2.3 p.p.
Return on tangible equity (ROTE) on 15% CET1 ratio[2]	29.1%	28.8%	21.9%	0.3 p.p.	7.2 p.p.
Tangible book value per share (€)	5.23	4.93	4.15	0.30	1.08
Tangible book value per share excluding the proposed cash dividend	4.98	4.68	4.10	0.30	0.88

1. The diluted earnings per share attributable to the owners of the Company for 1Q2024 amounted to €0.30 (compared to €0.31 for 4Q2023 and €0.21 for 1Q2023)
2. Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised - (based on year - to - date days), divided by the quarterly average of Shareholders' equity minus intangible assets and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible book value
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 quarter ended 31 March 2024 on the 'underlying basis' which management believes best fits the true measurement of the performance and position of the Group, as this presents separately any non-recurring items and also includes certain reclassifications of items, other than non-recurring items, which are done for presentational purposes under the underlying basis for aligning the presentation with items of a similar nature.

Reconciliations between the statutory basis and the underlying basis to facilitate the comparability of the underlying basis to the statutory information, are included in Section F.1 'Reconciliation of Interim Consolidated Income statement for the three months ended 31 March 2024 between statutory and underlying basis' and Section H under 'Alternative Performance Measures' and Section I under 'Definitions & Explanations.

A. Group Financial Results– Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	31.03.2024	31.12.2023	±%
Cash and balances with central banks	**7,217**	**9,615**	-25%
Loans and advances to banks	**384**	**385**	0%
Reverse repurchase agreements	**708**	**403**	75%
Debt securities, treasury bills and equity investments	**3,876**	**3,695**	5%
Net loans and advances to customers	**10,028**	**9,822**	2%
Stock of property	**804**	**826**	-3%
Investment properties	**62**	**62**	0%
Other assets	**1,862**	**1,821**	2%
Total assets	**24,941**	**26,629**	**-6%**
Deposits by banks	**396**	**472**	-16%
Funding from central banks	**310**	**2,044**	-85%
Customer deposits	**19,260**	**19,337**	0%
Debt securities in issue	**673**	**672**	0%
Subordinated liabilities	**309**	**307**	1%
Other liabilities	**1,370**	**1,309**	5%
Total liabilities	**22,318**	**24,141**	**-8%**
Shareholders' equity	**2,381**	**2,247**	**6%**
Other equity instruments	220	220	**-**
Total equity excluding non-controlling interests	**2,601**	**2,467**	**5%**
Non-controlling interests	22	21	**3%**
Total equity	**2,623**	**2,488**	**5%**
Total liabilities and equity	**24,941**	**26,629**	**-6%**

Key Balance Sheet figures and ratios		**31.03.2024**	**31.12.2023**	±
Gross loans (€ mn)		**10,276**	**10,070**	2%
Allowance for expected loan credit losses (€ mn)		**267**	**267**	0%
Customer deposits (€ mn)		**19,260**	**19,337**	0%
Loans to deposits ratio (net)		**52%**	**51%**	1 p.p.
NPE ratio		**3.4%**	**3.6%**	-20 bps
NPE coverage ratio		**77%**	**73%**	+4 p.p.
Leverage ratio		**10.2%**	**9.1%**	+110 bps
Capital ratios and risk weighted assets	**31.03.2024 (Regulatory)**	**31.03.2024 (including Retained Earnings[1])**	**31.12.2023 (Regulatory)[2]**	±
Common Equity Tier 1 (CET1) ratio (transitional)	**17.1%**	**17.6%**	**17.4%**	+20 bps
Total capital ratio (transitional)	**22.0%**	**22.5%**	**22.4%**	+10 bps
Risk weighted assets (€ mn)	**10,548**	**10,548**	**10,341**	+2%

1. Includes unaudited/unreviewed profits for 1Q2024 net of distribution accrual (refer to A.2.1 'Capital Base'. Any recommendation for a distribution is subject to regulatory approval
2. Includes profits for the year ended 31 December 2023 net of distribution at 30% payout ratio, following ECB approval in March 2024 (refer to section A.2.1).
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis

A.2.1 Capital Base

Total equity excluding non-controlling interests totalled €2,601 mn as at 31 March 2024 compared to €2,467 mn as at 31 December 2023 and €2,119 mn as at 31 March 2023. Shareholders' equity totalled to €2,381 mn as at 31 March 2024 compared to €2,247 mn as at 31 December 2023 and to €1,899 mn as at 31 March 2023.

The **regulatory Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 17.1% as at 31 March 2024 compared to 17.4% as at 31 December 2023. Throughout this announcement, the regulatory capital ratios as at 31 March 2024 do not include profits for the quarter ended 31 March 2024 (such ratios are referred as regulatory). Including the profits for 1Q2024 of c.130 bps, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles of c.70 bps, the CET1 ratio on a transitional basis (referred as ratios including retained earnings) increased to 17.6% as at 31 March 2024. As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual in respect of 2024 earnings does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made. Since September 2023, a charge is deducted from own funds in relation to the ECB prudential expectations for NPEs, which amounted to 32bps as at 31 March 2024, broadly flat compared to prior quarter. A prudential charge in relation to an onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which was 10 bps on Group's CET1 ratio as at 31 March 2024 (compared to 12 bps on 31 December 2023). In addition, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 31 March 2024 the impact of these requirements was 41 bps on Group's CET1 ratio, compared to 24 bps as at 31 December 2023. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

The **regulatory Total Capital ratio on a transitional basis** stood at 22.0% as at 31 March 2024 compared to 22.4% as at 31 December 2023. Including the profits for 1Q2024 of c.130 bps, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles of c.70 bps the Total Capital ratio on transitional basis (including retained earnings) increases to 22.5% as at 31 March 2024.

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

As at 31 March 2024 the Group's minimum phased-in CET1 capital ratio is set at **10.91%**, 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 0.49%. Likewise, the Group's minimum phased-in Total Capital ratio requirement is set at **15.61%,** 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 0.49%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to previous year. 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.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from 30 November 2023. Further, in June 2023, the CBC announced an additional increase of 0.50% in the CcyB of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus to be observed from June 2024, increasing the CcyB to 1.00%.

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

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.2 Balance Sheet Analysis (continued)

A.2.1 Capital Base (continued)

The Group's minimum phased-in CET1 capital ratio requirement as at 31 December 2023 was set at **10.72%**, comprising a 4.50% Pillar I requirement, a 1.73% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%. The Group's minimum phased-in Total Capital ratio requirement was set at **15.56%**, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.08% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%. Following the annual SREP performed by the ECB in 2022, ECB has also maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) unchanged compared to 2022.

Distributions

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

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

In March 2024, the Company obtained the approval of the ECB to pay a cash dividend and to conduct a share buyback (together the 'Distribution'). The Distribution corresponded to a 30% payout ratio of FY2023 adjusted recurring profitability and amounted to €137 mn in total, comprising a cash dividend of €112 mn and a share buyback of up to €25 mn. The payout ratio for FY2023 of 30% is in line with the updated Distribution Policy (see below for further details) and represents a material increase compared to the previous year (at 14% payout ratio). Following ECB approval, the Board of Directors of the Company has resolved to propose to the AGM that will be held on 17 May 2024 for approval, a final cash dividend of €0.25 per ordinary share in respect of earnings for the year ended 31 December 2023, representing a five-fold increase compared to prior year (€0.05 per ordinary share). Subject to approval at the AGM, the dividend will be paid in cash on 14 June 2024 to those shareholders on the register on 26 April 2024 ('Record date') with an Ex-dividend date of 25 April 2024.

In April 2024 the Group launched its inaugural programme to buy back ordinary shares in the Company for an aggregate consideration of up to €25 mn (the 'Programme'). The purpose of the Programme is to reduce the Company's share capital and therefore shares purchased under the Programme will be cancelled. The Company has entered into non-discretionary agreements with Numis Securities Limited (trading as 'Deutsche Numis') and The Cyprus Investment and Securities Corporation Ltd ('CISCO') acting as joint lead managers, to conduct the Programme and to repurchase Shares on the Company's behalf and to make trading decisions under the Programme independently of the Company in accordance with certain pre-set parameters. The Programme takes place on both the London Stock Exchange and the Cyprus Stock Exchange and may continue until 14 March 2025 subject to market conditions, the ongoing capital requirements of the business and early termination rights customary for a transaction of this nature. The implementation of the share buyback programme complies with the Company's general authority to repurchase the Company's ordinary shares as approved by shareholders at the Company's AGM on 26 May 2023, which is subject to renewal at the AGM scheduled to take place on 17 May 2024, and with the terms of the approval received from the ECB. The maximum number of shares that may be repurchased under the ECB Approval is 1.6% of the total outstanding shares as at 31 December 2023 (i.e. up to 7,343,249 Shares).

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

Distribution policy

The Group aims to provide a sustainable return to shareholders. In line with the Group's distribution policy, distributions 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, including cash dividends and buybacks. 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 distribution policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

The distribution level will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board of Directors' assessment of the capital required to implement the Group Strategy and any capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and any impact from the evolving regulatory and accounting environments.

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.1 Capital Base (continued)

Other equity instruments

At 31 March 2024, the Group's other equity instruments relate to Additional Tier 1 Capital Securities (the "AT1 securities") and amounted to €220 mn, flat on prior quarter.

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 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.

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, after which c.€16 mn Existing Capital Securities remained outstanding. 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.

In July 2023, the Company purchased and cancelled a further c.€7 mn Existing Capital Securities in the open market. In November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining c.€8 mn in aggregate principal amount outstanding of the Existing AT1 Capital Securities on 19 December 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 future profitability', according to CRR/CRD IV and as a result not deducted from CET1, hence improving a credit institution's capital position. The Law provides that a guarantee fee on annual tax credit is payable annually by the credit institution to the Government.

Following certain modifications to the Law in May 2022, the annual guarantee fee is to be determined by the Cyprus Government on an annual basis, providing however that such fee to be charged is set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10 mn per year, 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. An amount of €5 mn was recorded in FY2023.

A.2.2 Regulations and Directives

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

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. 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. 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. In December 2023, the preparatory bodies of the Council and European Parliament have endorsed the amendments to the Capital Requirements Regulation and the Capital Requirements Directive. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. In April 2024, the European Parliament has voted to adopt the amendments to the Capital Requirements Regulation and the Capital Requirements Directive and the texts must now also be confirmed by the Council, after which they will be published in the EU's official journal. It is expected that they 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. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.2 Regulations and Directives (continued)

A.2.2.2 Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In January 2024, the Bank received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.0% of risk weighted assets (or 30.4% of risk weighted assets taking into account the expected prevailing CBR as at 31 December 2024 which needs to be met with own funds on top of the MREL) and 5.91% of Leverage Ratio Exposure (as defined in the CRR) and must be met by 31 December 2024.

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

In April 2024 the Bank proceeded with an issue of €300 million green senior preferred notes (the 'Green Notes'). The Green Notes comply with the MREL criteria and contribute towards the Bank's MREL requirement.

The MREL ratio as at 31 March 2024, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 29.3% of RWAs (including capital used to meet the CBR) and at 12.5% of LRE (based on the regulatory Total Capital as at 31 March 2024). The CBR stood at 4.86% as at 31 March 2024 (compared to 4.48% as at 31 December 2023), reflecting the increase of the O-SII buffer from 1.50% to 1.875% on 1 January 2024. The CBR is expected to increase further in June 2024 as a result of the increase of CcyB to approximately 1.00% and the phasing in of O-SII buffer from 1.875% to 1.9375% on 1 January 2025 and to 2.00% on 1 January 2026.

The MREL ratio expressed as a percentage of RWAs (including capital used to meet the CBR) and the MREL ratio expressed as a percentage of LRE as at 31 March 2024 stand at 29.8% and 12.7% respectively when including the profits for the quarter ended 31 March 2024 and an accrual for a distribution at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles. When accounting for the Notes issued in April 2024, the MREL ratio expressed as a percentage of RWAs (including capital used to meet the CBR) and the MREL ratio expressed as a percentage of LRE improves to 32.7% and 14.0% respectively.

A.2.3 Funding and Liquidity

Funding

Funding from Central Banks

At 31 March 2024, the Bank's funding from central banks amounts to €310 mn and relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,044 mn as at 31 December 2023. The reduction on prior quarter by 85% is due to the repayment of €1.7 bn under the seventh TLTRO III operation in March 2024. The maturity date of the remaining €0.3 bn under the eighth TLTRO III operation is in June 2024.

Deposits

Customer deposits totalled €19,260 mn at 31 March 2024 (compared to €19,337 mn at 31 December 2023 and €18,974 mn as at 31 March 2023) flat since the beginning of the year and up by 2% on prior year. Customer deposits are mainly retail-funded and 58% of deposits are protected under the deposit guarantee scheme as at 31 March 2024.

The Bank's deposit market share in Cyprus reached 37.5% as at 31 March 2024, compared to 37.7% as at 31 December 2023. Customer deposits accounted for 77% of total assets and 86% of total liabilities at 31 March 2024 (compared to 73% of total assets and 80% of total liabilities as at 31 December 2023). The increase year on year relates mainly to the repayment of €1.7 bn TLTRO.

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.3 Funding and Liquidity (continued)

Funding (continued)

Deposits (continued)

The net loans to deposits (L/D) ratio stood at 52% as at 31 March 2024 (compared to 51% as at 31 December 2023 on the same basis), up by 1 p.p. since the beginning of the year.

Subordinated liabilities

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

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

Debt securities in issue

At 31 March 2024, the carrying value of the Group's debt securities in issue amounted to €673 mn (compared to €672 mn at 31 December 2023, flat qoq) and relate to senior preferred notes.

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

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

Post this issuance, the Bank finalizes its MREL build-up and creates a comfortable buffer over the final requirements of 25% of RWAs (or 30.4% of RWAs taking into account the prevailing CBR as at 31 December 2023) and 5.91% of LRE which the Bank must meet by 31 December 2024. For further details, please refer to section A.2.2.2 Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

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

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.3 Funding and Liquidity (continued)

Funding (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 31 March 2024, the Group Liquidity Coverage Ratio (LCR) stood at 315% (compared to 359% at 31 December 2023), well above the minimum regulatory requirement of 100%. The LCR surplus as at 31 March 2024 amounted to €7.3 bn (compared to €9.1 bn at 31 December 2023). The reduction in liquidity surplus in 1Q2024 is due to the repayment of €1.7 bn under the seventh TLTRO III operation in March 2024. When disregarding the remaining TLTRO III of €300 mn (which matures in June 2024) and including the issuance of €300 mn of the green senior preferred notes in April 2024, the Group's liquidity position remains flat with an LCR of 315% and liquidity surplus of €7.3 bn.

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

A.2.4 Loans

Group **gross loans** totalled €10,276 mn at 31 March 2024, compared to €10,070 mn at 31 December 2023 up 2% on the prior quarter mainly as new lending was ahead of repayments and the acquisition of a portfolio of performing and restructured gross loans of c.€58 mn (with reference date as at 31 December 2022) which was completed in March 2024.

New lending granted in Cyprus reached €676 mn for 1Q2024 (compared to €462 mn for 4Q2023 and to €624 mn for 1Q2023) up by 46% qoq and 8% yoy. New lending in 1Q2024 comprised €358 mn of corporate loans, €193 mn of retail loans (of which €99 mn were housing loans), €61 mn of SME loans and €64 mn of shipping and international loans. New lending for 1Q2024 is driven mainly by corporate demand.

At 31 March 2024, the Group net loans and advances to customers totalled €10,028 mn (compared to €9,822 mn at 31 December 2023) up 2% since the beginning of the year.

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

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

A.2.5 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 and geopolitical uncertainty.

The loan credit losses for 1Q2024 amounted to €7 mn, compared to €19 mn for 4Q2023 and to €11 mn for 1Q2023. Further details regarding loan credit losses are provided in Section A.3.3 'Profit before tax and non-recurring items'.

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.5 Loan portfolio quality (continued)

Non-performing exposures

In the second half of 2023 a deep dive assessment of the Group's loan portfolio was completed resulting to a total amount of €90 mn classified as unlikely to pay exposures ('UTPs'). The vast majority of UTPs are customer specific with idiosyncratic characteristics and are not linked with the current macroeconomic environment, they adhere to their payment schedule and present no arrears. Despite the high interest rates and inflation, there are no material signs of asset quality deterioration to date. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €18 mn, or 5% in 1Q2024, compared to a net increase of €7 mn in 4Q2023, to €347 mn at 31 March 2024 (compared €365 mn at 31 December 2023)

As a result, the NPEs account for 3.4% of gross loans as at 31 March 2024, compared to 3.6% of gross loans as at 31 December 2023.

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

Overall, since the peak in 2014, the stock of NPEs has been reduced by €14.6 bn or 98% to below €0.4 bn and the NPE ratio by 59 p.p. 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, remained non-performing as at 31 December 2022 and who also received government allowances during the period January 2021 to December 2022, with facilities backed by primary residence with Open Market Value up to €250k;
- Borrowers that had a fully completed application to Estia Scheme and were assessed as eligible but not viable with a primary residence of up to €350k Open Market Value; and
- all applicants that were approved under Estia Scheme but their inclusion was terminated.

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

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

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

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.6 Fixed income portfolio

Fixed income portfolio amounts to €3,743 mn as at 31 March 2024, compared €3,548 mn as at 31 December 2023 and to €2,747 mn as at 31 March 2023, increased by 5% on the prior quarter and by 36% on prior year. As at 31 March 2024, the portfolio represents 15% of total assets (net of TLTRO III) and comprises €3,317 mn (89%) measured at amortised cost and €426 mn (11%) at fair value through other comprehensive income ('FVOCI').

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has high average rating at Aa3. The amortised cost fixed income portfolio as at 31 March 2024 has an unrealised fair value loss of €14 mn, equivalent to c.10 bps of CET1 ratio (compared to an unrealized fair value gain of €3 mn as at 31 December 2023) due to an increase in the bond yields.

A.2.7 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 of repossessed assets since the beginning of 2019 amount to €0.9 bn and exceed properties on-boarded in the same period of €0.5 bn.

REMU completed disposals of €17 mn in 1Q2024 (compared to €74 mn in 4Q2023 and to €38 mn in 1Q2023), resulting in a profit on disposal of c.€2 mn for 1Q2024 (compared to a profit of c.€3.5 mn for 4Q2023 and to a profit of €2 mn in 1Q2023). Asset disposals are across all property classes, with over 55% gross sale value in 1Q2024 relating to land.

During the quarter ended 31 March 2024, REMU executed sale-purchase agreements (SPAs) for disposals of 113 properties with contract value of €23 mn (including transfer of €3 mn), compared to SPAs for disposals of 138 properties with contract value of €43 mn for 1Q2023.

In addition, REMU had a strong pipeline of €48 mn by contract value as at 31 March 2024, of which €23 mn related to SPAs signed (compared to a pipeline of €40 mn as at 31 December 2023, of which €29 mn related to SPAs signed).

REMU on-boarded €5 mn of assets in 1Q2024 (compared to additions of €3 mn in 4Q2023 and €2 mn in 1Q2023), via the execution of debt for asset swaps and repossessed properties.

As at 31 March 2024, repossessed properties held by REMU had a carrying value of €836 mn, compared to €862 mn as at 31 December 2023 and €1,013 mn as at 31 March 2023.

Assets held by REMU

Repossessed Assets held by REMU (Group) € mn	**1Q2024**	**4Q2023**	**1Q2023**	qoq ±%	yoy ±%
Opening balance	**862**	947	1,079	-9%	-20%
On-boarded assets	**5**	3	2	48%	137%
Sales	**(17)**	(74)	(38)	-77%	-54%
Net impairment loss	**(10)**	(14)	(8)	-31%	12%
Transfers	**(3)**	-	(22)	-	-86%
Closing balance	**836**	**862**	**1,013**	-3%	-17%

A. Group Financial Results – Underlying Basis (continued)

A.2 Balance Sheet Analysis (continued)

A.2.7 Real Estate Management Unit (REMU) (continued)

Analysis by type and country of repossessed properties **31 March 2024 (€ mn)**	**Cyprus**	**Greece**	**Total**
Residential properties	**49**	**11**	**60**
Offices and other commercial properties	**104**	**12**	**116**
Manufacturing and industrial properties	**35**	**16**	**51**
Hotels	**15**	**0**	**15**
Land (fields and plots)	**391**	**4**	**395**
Golf courses and golf-related property	**199**	**0**	**199**
Total	**793**	**43**	**836**

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

A. Group Financial Results – Underlying Basis (continued)

A.3 Income Statement Analysis

A.3.1 Total income

€ mn	1Q2024	4Q2023	1Q2023	qoq +%	yoy +%
Net interest income	**213**	**220**	**162**	-3%	31%
Net fee and commission income	42	46	44	-10%	-5%
Net foreign exchange gains and net gains on financial instruments	7	8	13	-12%	-44%
Net insurance result	10	16	10	-37%	4%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	1	3	2	-81%	-65%
Other income	3	3	3	-8%	1%
Non-interest income	**63**	**76**	**72**	-18%	-12%
Total income	**276**	**296**	**234**	-7%	18%
Net Interest Margin (annualised)	3.70%	3.66%	2.91%	4 bps	79 bps
Average interest earning assets (€ mn)	23,171	23,858	22,638	-3%	2%
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point					

Net interest income (NII) for 1Q2024 amounted to €213 mn compared to €220 mn for 4Q2023, down 3% qoq, declining less than expected. The reduction qoq reflects a modest decline in Euribor, marginally higher cost of deposits and also hedging activity. Net interest income was up by 31% yoy on the back of higher interest rates on liquid assets and loans partially offset by a moderate increase in time and notice deposit pass-through and funding costs, following the issuance of €350 mn senior preferred notes in July 2023.

Quarterly average interest earning assets (AIEA) for 1Q2024 amounted to €23,171 mn, down 3% qoq mainly due to the repayment of €1.7 bn TLTRO in March 2024. Quarterly average interest earning assets was up 2% yoy driven mainly by the increase in liquid assets as a result of the increase in deposits by c.€0.3 bn.

Net interest margin (NIM) for 1Q2024 amounted to 3.70% (compared to 3.66% for 4Q2023), up 4 bps qoq, benefitting from the reduction of quarterly average interest earning assets following the repayment of €1.7 bn TLTRO. When disregarding the impact of TLTRO, NIM is revised to 3.90% for 1Q2024, compared to 4.00% in the previous quarter. The reduction of 8 bps qoq relating to modest decline in Euribor and marginally higher cost of deposits.

Non-interest income for 1Q2024 amounted to €63 mn (compared to €76 mn for 4Q2023, and to €72 mn in 1Q2023 down 18% qoq and 12% yoy) comprising net fee and commission income of €42 mn, net foreign exchange gains and net gains on financial instruments of €7 mn, net insurance result of €10 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €1 mn and other income of €3 mn. The qoq reduction is mainly due to lower net insurance result and net fee and commission income. The yoy decrease relates to lower net foreign exchange gains and net gains on financial instruments.

Net fee and commission income for 1Q2024 amounted to €42 mn compared to €46 mn in prior quarter, down 10% qoq due to lower non-transactional fees and seasonally lower transactional fees. Net fee and commission income was down 5% yoy reflecting mainly lower non-card transactional fees.

Net foreign exchange gains and net gains on financial instruments amounted to €7 mn for 1Q2024 (comprising net foreign exchange gains of c.€6.5 mn and net gains on financial instruments of c.€0.5 mn), broadly flat on prior quarter. Net foreign exchange gains and net gains on financial instruments were reduced by 44% yoy, impacted mainly by lower gains on financial instruments. Net foreign exchange gains and net gains on financial instruments are considered volatile profit contributors.

A. Group Financial Results – Underlying Basis (continued)

A.3 Income Statement Analysis (continued)

A.3.1 Total income (continued)

Net insurance result amounted to €10 mn for 1Q2024, compared to €16 mn for 4Q2023, down 37% qoq, reflecting the improved experience variance in life insurance business in prior quarter. Net insurance result was broadly flat yoy.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €1 mn for 1Q2024 (comprising net gains on disposal of stock of properties and investment properties of c.€2 mn, and net loss from revaluation of investment properties of €1 mn) was down by 81% qoq and 65% yoy. REMU profit remains volatile.

Total income amounted to €276 mn for 1Q2024 (compared to €296 mn for 4Q2023, down 7% qoq) due to lower net interest income and non interest income as explained above. Total income improved by 18% yoy driven by strong net interest income benefitting from favourable interest rate outlook, resiliently low time and notice deposit pass-through and a slow change in deposit mix towards time and notice accounts.

A. Group Financial Results – Underlying Basis (continued)

A.3. Income Statement Analysis (continued)

A.3.2 Total expenses

€ mn	1Q2024	4Q2023	1Q2023	qoq ±%	yoy ±%
Staff costs	(48)	(51)	(46)	-6%	5%
Other operating expenses	(33)	(42)	(34)	-24%	-3%
Total operating expenses	**(81)**	**(93)**	**(80)**	-14%	2%
Special levy on deposits and other levies/contributions	(11)	(13)	(11)	-8%	4%
Total expenses	**(92)**	**(106)**	**(91)**	-13%	2%
Cost to income ratio	**33%**	36%	39%	-3 p.p.	-6 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	**29%**	32%	34%	-3 p.p.	-5 p.p.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point					

Total expenses for 1Q2024 were €92 mn (compared to €106 mn for 4Q2023 and to €91 mn for 1Q2023 down 13% qoq and broadly flat yoy), 52% of which related to staff costs (€48 mn), 36% to other operating expenses (€33 mn) and 12% to special levy on deposits and other levies/contributions (€11 mn). The qoq reduction relates to quarterly seasonality, mainly on other operating expenses.

Total operating expenses amounted to €81 mn for 1Q2024 (compared to €93 mn for 4Q2023, down 14% qoq) driven mainly by seasonally lower other operating expenses. Total operating expenses were broadly flat on prior year.

Staff costs for 1Q2024 were €48 mn (compared to €51 mn for 4Q2023, down 6% qoq) mainly due to lower performance-related pay accrual and termination costs this quarter. Staff costs were 5% higher compared to prior year, mainly as a result of salary increments and higher cost of living adjustments (COLA) and employer's contributions.

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

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

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

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

Other operating expenses for 1Q2024 amounted to €33 mn, compared to €42 mn for 4Q2023, driven mainly by quarterly seasonality on lower marketing and other professional fees. Other operating expenses remained broadly flat yoy.

A. Group Financial Results – Underlying Basis (continued)

A.3 Income Statement Analysis (continued)

A.3.2 Total expenses (continued)

Special levy on deposits and other levies/contributions for 1Q2024 amounted to €11 mn compared to €13 mn for 4Q2023, down 8% qoq reflecting mainly the net impact of a levy in the form of annual guarantee fee relating to the income tax legislation for conversion of DTA to DTC of c.€5 mn recognised in 4Q2023 (see Section A.2.1 'Capital Base') partially offset by the contribution of the Bank to the Deposit Guarantee Fund (DGF) of c.€4 mn which relates to 1H2024 and was recorded in 1Q2024 (in line with IFRSs). Special levy on deposits and other levies/contributions remained broadly flat yoy.

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 1Q2024 was 29% compared to 32% for 4Q2023, and 34% for 1Q2023 down 3 p.p. qoq and 5 p.p. yoy, benefitting from strong income and continued focus on costs.

A. Group Financial Results – Underlying Basis (continued)

A.3 Income Statement Analysis (continued)

A.3.3 Profit before tax and non-recurring items

€ mn	1Q2024	4Q2023	1Q2023	qoq±%	yoy +%
Operating profit	**184**	**190**	**143**	-3%	28%
Loan credit losses	(7)	(19)	(11)	-64%	-39%
Impairments of other financial and non-financial assets	(8)	(15)	(11)	-45%	-22%
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(10)	(8)	(6)	24%	55%
Total loan credit losses, impairments and provisions	**(25)**	**(42)**	**(28)**	-40%	-12%
Profit before tax and non-recurring items	**159**	**148**	**115**	7%	39%
Cost of risk	**0.27%**	0.73%	0.44%	-46 bps	-17 bps
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point					

Operating profit for 1Q2024 amounted to €184 mn, compared to €190 mn for 4Q2023 (down 3% qoq) as the reduction in total income was partially offset by a reduction in total expenses. Operating profit was up 28% yoy reflecting mainly the significant increase in net interest income.

Loan credit losses for 1Q2024 were €7 mn compared to €19 mn for 4Q2023 and €11 mn for 1Q2023, down 64% qoq and 39% yoy, indicative of the robust loan portfolio performance and stable economic environment. Loan credit losses for 1Q2024 include releases on Stage 1&2 driven by enhanced IFRS 9 model which allowed the removal of conservative management overlays, partially offset by a one-off charge on a small part of the NPE legacy portfolio (see Section F6 'Credit losses to cover credit risk on loans and advances to customers'). Additionally, 4Q2023 loan credit losses included a charge of c.€6 mn on specific customers with idiosyncratic characteristics assessed as 'Unlikely to Pay' ('UTPs') exposures (even though they adhere to their repayment schedule and present no arrears).

Cost of risk for 1Q2024 is equivalent to 27 bps, compared to a cost of risk of 73 bps for 4Q2023 and 44 bps for 1Q2023, down 46 bps qoq and 17 bps yoy.

At 31 March 2024, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to Section I. 'Definitions and Explanations' for definition) totalled €267 mn (compared to €267 mn at 31 December 2023 and to €282 mn at 31 March 2023) and accounted for 2.6% of gross loans (broadly flat on prior quarter and on prior year).

Impairments of other financial and non-financial assets for 1Q2024 amounted to €8 mn and relate mainly to REMU stock properties due to the ageing of the stock, compared to €15 mn for 4Q2023, down by €7 mn on prior quarter as there were higher impairments on specific, large, illiquid REMU stock properties in 4Q2023. Impairments of other financial and non-financial assets was reduced by 22% on prior year.

Provisions for pending litigations, claims, regulatory and other matters (net of reversals) for 1Q2024 amounted to €10 mn, compared to €8 mn for 4Q2023 and to €6 mn for 1Q2023. The qoq and yoy increase is driven mainly by additional provisions as a result of the progress of cases on existing litigations and a one-off provision charge on tax related matters.

Profit before tax and non-recurring items for 1Q2024 totalled to €159 mn, compared to €148 mn for 4Q2023 and to €115 mn for 1Q2023.

A. Group Financial Results – Underlying Basis (continued)

A.3 Income Statement Analysis (continued)

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

€ mn	1Q2024	4Q2023	1Q2023	qoq ±%	yoy +%
Profit before tax and non-recurring items	**159**	**148**	**115**	7%	39%
Tax	(25)	(10)	(18)	148%	40%
Profit attributable to non-controlling interests	(1)	0	(1)	-	5%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**133**	**138**	**96**	-4%	38%
Advisory and other transformation costs – organic	-	-	(1)	-	-100%
Profit after tax (attributable to the owners of the Company)	**133**	**138**	**95**	-4%	40%
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point					

The **tax charge** for 1Q2024 amounted to €25 mn compared to €10 mn for 4Q2023, down 148% qoq due to the recognition of deferred tax asses relating to temporary differences between tax and accounting treatment in the previous quarter. The tax charge increased by 40% yoy, reflecting mainly higher profitability.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date however it is expected to be enacted within 2024. The Group expects to be in scope of the draft legislation and has performed an assessment of the impact of Pillar Two tax currently estimated to be in the range of up to 2% of profit before tax. However, the actual impact will depend on the Group's consolidated income statement variables at the time of implementation of the relevant legislation. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be implemented, the effects of this reform are still being examined and the Group will further refine the quantification upon the enactment of relevant legislation.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 1Q2024 is €133 mn, compared to €138 mn for 4Q2023 and €96 mn for 1Q2023.

Advisory and other transformation costs – organic for 1Q2024 are nil, flat qoq and compared to €1 mn for 1Q2023.

Profit after tax attributable to the owners of the Company for 1Q2024 amounts to €133 mn, corresponding to a ROTE of 23.6%, compared to €138 mn for 4Q2023 and €95 mn for 1Q2023 (compared to a ROTE of 25.6% for 4Q2023 and 21.3% for 1Q2023). ROTE on 15% CET1 ratio for 1Q2024 increases to 29.1%, compared to a ROTE of 28.8% for 4Q2023 and 21.9% for 1Q2023, calculated on the same basis. The adjusted recurring profitability used for the Group's distribution policy (i.e. defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon which is paid semi-annually) amounted to €133 mn for 1Q2024 compared to €125 mn for 4Q2023 and €96 mn for 1Q2023.

B. Operating Environment

Despite headwinds from persistently high interest rates, economic weakness in Europe, and rising geopolitical tensions, growth in Cyprus in 2023 averaged 2.5% which surpassed most peers and the Eurozone average as a whole and grew further by 3.3% in the first quarter of 2024. Accommodation, which is tourist driven, continued to reflect the recovery from the Covid collapse, and the respective contribution to the overall growth of the economy was higher than normal. Other important contributions came from the sectors of information and communications, industry and public administration, education and health. Financial services and professional services made small negative contributions. The former reflect slower volume growth and continuing deleveraging. The latter reflects an accumulated weakness related to the Ukraine war related sanctions. The information and communication technology sector in particular, is growing strongly, and financial services are becoming more diversified. Growth in 2024 is expected to be around 3% (as projected by Ministry of Finance) aided by rising real incomes, foreign direct investment flows and the flow of investment funds from EU Recovery and Resilience Program.

Labour markets have strengthened and expected to remain strong in the medium term. Employment growth slowed to 1.5% in 2023 from 2.9% the year before and the unemployment rate dropped to 6.0% in the fourth quarter of 2023, seasonally adjusted, from 7.0% in the fourth quarter 2022.

Headline inflation measured by the Harmonised Index of Consumer Prices, dropped to 2.0% in the first quarter of 2024, in Cyprus, compared with 3.9% yearly average in 2023 and 8.1% in 2022. At the same time, core inflation, which excludes food and energy prices, was modestly higher, at 2.7% in the first quarter of 2024, 3.8% yearly average in 2023 and 5.0% in 2022. In the Euro area, headline inflation was 2.6% in the first quarter of 2024 and 5.4% yearly average in 2023. Core inflation in the Euro area was 3.1% in the first quarter of 2024 from 4.9% yearly average in 2023. The decline in headline inflation was driven by falling energy prices and tighter monetary policy with core inflation more persistent in comparison. Higher commodity prices and higher energy costs, which might be the consequence of war related factors, entail the risk that inflation may prove more persistent than initially anticipated.

Tourist activity continued to improve in 2023 after a strong performance in 2022. Arrivals increased by 20.1% from a year earlier, reaching 3.8 million persons, which corresponds to 97% of arrivals in 2019 before Covid. Likewise, receipts increased by an estimated 22.6% reaching an estimated €3.0 billion for the year, 11% higher than total receipts in the respective period in 2019. Tourist arrivals in the first quarter of 2024 continued to rise modestly by 5.4% from the same period a year earlier.

In public finances, there have been significant improvements in budget and debt dynamics including debt affordability indicators. The recovery in 2021 was underpinned by a significant increase in general government revenue and a decrease in government expenditure. The result was a reduction in the budget deficit to -1.8% of GDP, from a deficit of -5.7% of GDP in 2020. In 2022 the budget surplus rose to 2.7% of GDP and 3.1% of GDP in 2023. Gross debt was 114.9% of GDP in 2020, and was dropping since, successively, to 85.6% and then 77.3% of GDP in 2022 and 2023 respectively. The budget balance is forecast to remain in surplus at 2.9% of GDP in 2024 according to the Ministry of Finance Stability Programme 2024-2027, and gross debt will continue to decline below 60% of GDP in 2026. Debt affordability metrics are favourable and are expected to remain solid in the medium term, as gross financing needs are moderate, and the cash buffer gives the government a high degree of financing flexibility.

The ECB left its interest rates unchanged at the latest Governing Council meeting on 11 April 2024. The minimum refinancing operations rate remained at 4.5%, compared with zero at the start of the tightening cycle in July 2021, while the ECB deposit facility rate is at 4.0%, compared with -50 bps in July 2021. The ECB's policy remains focussed on ensuring that inflation returns to the 2% medium-term target in a timely manner, and so interest rates will remain at sufficiently restrictive levels for as long as necessary. Monetary policy remains restrictive and ECB staff have revised down their growth projection in the Euro area for 2024, to 0.6%. Growth is below potential and there is the expectation that the ECB will start cutting its interest rates in June.

Banks are well capitalized and remain resilient under stress tests. Despite higher interest rates, asset quality has not deteriorated. Non-performing exposures (NPE) were €1.9 billion or 7.9% of gross loans at the end of December 2023, compared with 9.5% of gross loans a year earlier, at the end of December 2022, according to the Central Bank of Cyprus. The NPE ratio in the non-financial companies' segment was 6.6% at the end of December 2023 and that of households was 10.2%. About 45.0% of total NPEs are restructured facilities and the coverage ratio was 54.9%.

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

B. Operating environment (continued)

Sovereign ratings

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

In December 2023, **Fitch Ratings** has affirmed Cyprus' long-term foreign currency issuer default rating at 'BBB' and revised its outlook from stable to positive. This follows an affirmation of Cyprus' long-term foreign currency issuer default rating with a stable outlook in June 2023, and the upgrade in March 2023. 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.

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.

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

C. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In December 2023, **S&P Global Ratings** upgraded the long-term issuer credit rating of the Bank to BB and maintained a positive outlook. The upgrade by one notch reflects the significant progress Cypriot banks have made toward rebalancing their funding profiles, reducing the dependence on non-resident deposits, the improved operating environment and the profitability prospects due to higher interest rates, improved efficiency and contained credit losses. 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.

FY2023 Distribution at 30% payout ratio

The Group's strong financial performance in 2023 facilitated a rapid capital build-up, unlocking c.480s bps organic capital generation during the year and as a result, accelerating shareholder value. In March 2024, the Company obtained the approval of the ECB to pay a cash dividend and to conduct a share buyback (together the 'Distribution'). The Distribution corresponds to a 30% payout ratio on FY2023 adjusted recurring profitability and amounts to €137 mn in total, comprising a cash dividend of €112 mn and a share buyback of up to €25 mn. The payout ratio for FY2023 of 30% is in line with the updated Distribution Policy (refer to A.2.1 'Capital Base') and represents a material increase compared to the previous year (at 14% payout ratio).

Following ECB approval, the Board of Directors of the Company has resolved to propose to the AGM that will be held on 17 May 2024 for approval, a final cash dividend of €0.25 per ordinary share in respect of earnings for the year ended 31 December 2023, a five-fold increase compared to €0.05 in prior year. Subject to approval at the AGM, the dividend will be paid in cash on 14 June 2024 to those shareholders on the register on 26 April 2024 ('Record date') with an Ex-dividend date of 25 April 2024. Further in April 2024 the Group launched its inaugural programme to buy back ordinary shares in the Company for an aggregate consideration of up to €25 mn (the 'Programme'). The purpose of the Programme is to reduce the Company's share capital and therefore shares purchased under the Programme will be cancelled. The Company has entered into non-discretionary agreements with Numis Securities Limited (trading as 'Deutsche Numis') and The Cyprus Investment and Securities Corporation Ltd ('CISCO') acting as joint lead managers, to conduct the Programme and to repurchase Shares on the Company's behalf and to make trading decisions under the Programme independently of the Company in accordance with certain pre-set parameters. The Programme takes place on both the London Stock Exchange and the Cyprus Stock Exchange and may continue until 14 March 2025 subject to market conditions, the ongoing capital requirements of the business and early termination rights customary for a transaction of this nature. The implementation of the share buyback programme complies with the Company's general authority to repurchase the Company's ordinary shares as approved by shareholders at the Company's AGM on 26 May 2023, which is subject to renewal at the AGM scheduled to take place on 17 May 2024, and with the terms of the approval received from the ECB. The maximum number of shares that may be repurchased under the ECB Approval is 1.6% of the total outstanding shares as at 31 December 2023 (i.e. up to 7,343,249 Shares).

Financial performance

The Group is a leading, financial and technology hub in Cyprus. During the quarter ended 31 March 2024, the Group generated a profit after tax of €133 mn, corresponding to a ROTE of 23.6%, delivering a ROTE of over 20% for five consecutive quarters. This performance was underpinned by strong net interest income and a well-disciplined cost base and demonstrates that the Group remains well on track of its 2024 targets it set in February 2024. The Group's tangible book value per share improved by 26% yoy to €5.23.

Interest rate environment

The structure of the Group's balance sheet is highly liquid, and hence benefitted immediately from the high interest rate environment. As at 31 March 2024, cash balances with ECB amounted to c.€7.2 bn whereas the Group's loan portfolio is mainly floating rate, with almost half of the loan portfolio being Euribor based. Net interest income for the quarter ended 31 March 2024 stood at €213 mn (after peaking in the previous quarter), declining less than expected, on the back of favourable interest rate outlook, resiliently low time and notice deposit pass-through and slower than anticipated change in deposit mix towards time and notice accounts. The modest reduction on prior previous quarter is as a result of modest Euribor declines and hedging activity and marginally higher cost of deposits.

C. Business Overview (continued)

Interest rate environment (continued)

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

In the first quarter of 2024, the Group carried out hedging of €2.1 bn, on track to meet its 2024 target of €4-5 bn. The increase was mainly attributed to the hedging of non rate sensitive deposits through receive fixed rate swaps, investing in fixed rate bonds, entering into reverse repos and offering fixed rate loans. Simultaneously, about a quarter of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 bps) by €20 mn compared to prior quarter.

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 1Q2024 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the Bank's target risk profile. During the quarter ended 31 March 2024, new lending was strong at €676 mn, up 46% on prior quarter, driven mainly by business demand. Gross performing loan book increased by 2% on prior quarter to €10 bn as new lending was ahead of ongoing repayments and benefitted also from the acquisition of a portfolio of performing and restructured gross loans of c.€58 mn (with reference date as of 31 December 2022).

Fixed income portfolio continued to grow in 1Q2024 to €3,743 mn, and currently represents 15% of total assets (net of TLTRO III). This portfolio is mostly measured at amortised cost and is highly rated with average rating at Aa3. The amortised cost fixed income portfolio as at 31 March 2024 has an unrealised fair value loss of €14 mn, equivalent to c.10 bps of CET1 ratio (compared to an unrealized fair value gain of €3 mn as at 31 December 2023) due to an increase in the bond yield.

Separately, the Group focuses to continue improving revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. During the quarter ended 31 March 2024, non-interest income amounted to €63 mn, covering almost 80% of the Group's total operating expenses.

In the first quarter of 2024 net fee and commission income of €42 mn was down by 10% compared to the previous quarter, due to lower non-transactional fees and seasonally lower transactional fees. Net fee and commission income is enhanced by transaction fees from the Group's subsidiary, **JCC Payment Systems Ltd** (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. During the quarter ended 31 March 2024, JCC's net fee and commission income contributed 11% of total non-interest income and amounted to c.€7 mn, up 9% 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 the quarter ended 31 March 2024 contributed c.15% of non-interest income and amounted to €10 mn, flat yoy; insurance companies remain valuable and sustainable contributors to the Group's profitability.

Finally, the Group through the **Digital Economy Platform (Jinius)** ('the Platform') aims to support the national digital economy by optimising processes in a cost-efficient way, allow the Bank to strengthen its client relationships, create cross-selling opportunities as well as to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The first Business-to-Business services are already in use by clients and include invoice, remittance, tender and ecosystem management. Currently, c.2,100 companies are registered in the platform and over €500 mn cash were exchanged via the platform since 2023 through invoicing and remittance services.

In February 2024 the Business-to-Consumer service was launched, a Product Marketplace aiming to increase the touch points with customers. Currently c.100 retailers were onboarded in fashion, technology and beauty sectors and over 150k products were embedded in the Marketplace.

Lean operating model

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

C. Business Overview (continued)

Lean operating model (continued)

In 2023 the Group completed a small-scale, targeted VEP through which 50 full-time employees were approved to leave at a total cost of c.€7.5 mn, recorded in staff costs in FY2023. During the quarter ended 31 March 2024, there was further branch footprint as the Group reduced the number of branches by 5 to 55, a reduction of 8% on prior quarter.

The Group's total operating expenses for the quarter ended amounted to €81 mn, broadly flat yoy despite inflation. The cost to income ratio excluding special levy on deposits and other levies/contributions for the quarter ended 31 March 2024 was reduced to 29%, 5 p.p. down compared to 1Q2023, on the back of strong total income and disciplined cost management.

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

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

The Group's digital channels continue to grow. As at 31 March 2024, the Group's digital community has increased to more than 459K active subscribers, both on Internet Banking and the BoC Mobile App, improving by 7% yoy. Likewise, the BoC Mobile App, had more than 420K active subscribers as at 31 March 2024 and increased by 11.2% yoy.

During 1Q2024, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. Two new QuickPay features 'Split the Bill" and "Request Payments" were launched in the BOC Mobile App empowering users to share the cost with others or request payments by adding just the contact number and the relevant amount. Customers can track payments, send reminders and cancel a request anytime. Additionally, the ability to get a Car Loan for used cars have been added in QuickCar Loans.

One of the Group's latest digital innovations, Quickloans, accessible through both the BoC Mobile App and Internet Banking, has transformed the traditional loan process, enabling customers to obtain a credit facility decision instantly, without the need to visit a branch. Since the beginning of the year 2024, over 9k applications were processed, granting €23 mn new loans in 1Q2024.

The digital signing feature, launched in July 2023 further simplified the process of allowing customers to apply, sign, and disburse loans up to €15k and car loans up to €35k efficiently. In collaboration with Genikes Insurance, an insurance plan purchase was integrated into the BOC Mobile App, enabling customers to access car or home insurance plans through the app at lower rates than branch prices. Digital insurance sales for the first quarter of 2024 amounted to €144k, compared to €62.5k in prior year, reflecting 457 policies in 1Q2024 compared to 213 policies during the same period last year.

In addition, 84.6% of individual customers were digitally engaged as at 31 March 2024 (up by 4.2 p.p. from 72.4% in June 2020), choosing digital channels over branches to perform their transactions. Furthermore, digital account openings increased by 67% in 1Q2024 to 4,171 from 2,502 during the same period last year and new debit cards increased by 133% yoy to 4,617 in 1Q2024 compared to 1,979 during the same period last year.

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. As at 31 March 2024, the Group's NPE ratio stood at 3.4%, in line with its target of an NPE ratio of c.3% by end-2024. The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration.

Capital market presence

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

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

Post this issuance, the Bank finalises its MREL build-up and creates a comfortable buffer over the final requirements of 25% of RWAs (or 30.4% of risk weighted assets taking into account the expected prevailing CBR as at 31 December 2024) and 5.91% of LRE which the Bank must meet by 31 December 2024.

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

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

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

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

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

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

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

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

Environmental Pillar

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

C. Business Overview (continued)

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

Environmental Pillar (continued)

The Group plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Group expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Bank achieved a reduction of c.7% in Scope 1 and Scope 2 GHG emissions in 1Q2024 compared to 1Q2023 due to new solar panels connected to energy network in 2022 and early 2023 as well as branch and building rationalisation as part of the digitalization journey. The Bank achieved an increase of 24% in renewable energy production, from 52,274 Kwh to 64,664 Kwh, in 1Q2024 compared to 1Q2023.

The Group is gradually integrating climate-related and environmental (C&E) risks into its Business Strategy. The Bank was the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022, and has estimated and published the Financed Scope 3 GHG emissions associated with its loan and investment portfolio as well as Insurance associated GHG emissions using the PCAF standards, methodology and proxies. Following the estimation of Financed Scope 3 GHG emissions of loan portfolio, the Bank established a decarbonization target on Mortgage loan portfolio. The decarbonization target on Mortgage portfolio was established by applying the International Energy Agency's Below 2 Degree Scenario. For the Bank's Mortgage loan portfolio to be aligned with the climate scenario and effectively be associated with lower transition risks, the baseline as at 31 December 2022 of 53.5 $kgCO_2e/m^2$ should be reduced by 43% by 31 December 2030. The carbon intensity of the Mortgage loan portfolio as at 31 December 2023 was estimated at 50.73 $kgCO_2e/m^2$ achieving a c.5% reduction compared to baseline, due to increased installation of solar panels in residential properties in 2023. A Green Housing product was launched at the end of 2023 to support the Bank to meet the decarbonization target on Mortgage loans and effectively limit the level of climate transition risk that is exposed to. In addition, the Bank has set lending and investment limits on specific carbon intensive sectors which are widely considered to be associated with high climate transition risk. Further, having introduced and implementing a Business Environment Scan process, the Bank developed green/transition new lending targets in certain sectors to support its customer's transition to a low carbon economy and effectively manage climate transition risks.

During 2023, the Bank has made considerable progress in integrating climate-related and environmental risks into its risk management approach and risk culture. The Bank revised and enhanced the Materiality assessment process on C&E risks. The Bank has carried out a comprehensive identification and assessment of C&E risks as drivers of existing financial and non-financial risks considering its business profile and loan portfolio composition. As part of this process, the Bank has identified the risk drivers, both physical and transition, which could potentially have an impact on its risk profile and operations and has assessed the severity of each risk driver for all the existing categories of risks. The Bank has implemented an ESG Due Diligence process designed to enhance data collection, score customers on their performance against various aspects around C&E risks and provide guidance on remediation actions. This process involves the utilization of structured ESG questionnaires applied at the individual company level for customers of the Corporate Division to derive an ESG score. The Bank established a structure and detailed Business Environment Scan process to monitor the impact of C&E risks on its business environment in the short, medium and long-term. The results of the preliminary (quarterly) and final (annual) impact assessment have been incorporated in the Materiality assessment of C&E risks as well as informed the Bank's Business Strategy.

The Bank offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. Specifically, the Bank offers loans for energy upgrades of homes, installation of solar panels, acquisition of new hybrid or electric car as well as financing of renewable energy projects. In addition, following the Energy performance certificate gathering exercise, in 2024, the Bank identified a pool of €265.7 mn gross loans, as at 31 March 2024, financing properties with EPC Category A. The gross amount of environmentally friendly loans (including financing properties with EPC Category A) as at 31 March 2024 was €291.3 mn compared to €263.6 mn as at 31 December 2023.

During 1Q2024, in order to enhance the awareness and skillset on ESG matters, the Group performed relevant trainings to control functions and plans to perform trainings to the Board of Directors and Senior Management as well as to other members of staff.

C. Business Overview (continued)

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

Social Pillar

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

The ReInHerit program facilitating innovation and research cooperation between European museums and heritage was successfully concluded In February 2024. The physical attendees of Cultural foundation events reached 4,062 in 1Q2024.

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

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff and capitalising on modern delivery methods. In 1Q2024, the Bank's employees attended 8,812 hours of trainings. In addition, in 2024 the Group announced 2 full scholarships for a master's degree in "MSc in Governance, Risk & Compliance" offered by EIMF. Moreover, the Group continued its emphasis on staff wellness during 2024 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by c.250 employees through its Well at Work program.

Governance Pillar

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

The Board composition of the Company and the Bank is diverse, with 43% of the Board members being female as at 31 March 2024. The Board displays a strong skillset stemming from broad international experience. Moreover, the Group's aspiration to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030, has been reached earlier with 33% representation of women, as at 31 March 2024, in Group's management bodies, following the appointment of two female General Managers in Eurolife and General Insurance of Cyprus. As at 31 December 2024, there is a 40% 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 remain intact:

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

The Group's net interest income was targeted to exceed €670 mn for FY2024 with a quarterly declining trend. The main drivers for this guidance were:

- Forward curves as of January 2024 indicated that the ECB deposit facility rate and 6m Euribor averaged 3.4% and 3.2% respectively for 2024
- Time and notice deposit pass-through to increase to an average of 40% in 2024.
- Gradual change in deposit mix towards time and notice deposits to c.45% by 31 December 2024;
- Low single-digit loan growth
- Fixed income portfolio to continue to grow, subject to market conditions, so that it represents c.16% of total assets by end-2024, benefitting also from rollover to higher rates and;
- Higher wholesale funding costs, reflecting the full year impact of the 2023 senior preferred issuance and the April 2024 issuance in order to meet the 2024 MREL requirement.

In the first quarter of 2024, the interest rate outlook was more favourable than initially anticipated with average market forward rates for April 2024 indicate that ECB depo rate is expected to average to 3.7% for 2024 whilst 6m Euribor rate to average to 3.5% in 2024. On the other hand, time and notice deposit pass-through remained resiliently low in 1Q2024 as they averaged to 22% (compared to 18% in 4Q2023) reflecting a marginally higher cost of deposits. Simultaneously, the deposit mix towards time and notice accounts has not changed materially compared to prior quarter. All the above contribute to a strong net interest income in 1Q2024, demonstrating that the Group is on a path to exceed its 2024 NII target, with the current forward curves could potentially improve the Group's net interest income for FY2024 by c.€40 mn, compared to the expectations announced in February 2024.

Additionally, as the Group's majority of interest earning assets are floating, the Group is undertaking solutions in order to reduce its net interest income sensitivity, converting some of its assets from floating rate to fixed. In the first quarter of 2024, the Group carried out additional hedging of €2.1 bn, on track to meet its 2024 target of €4-5 bn (with average duration of 3-4 years), through receive fixed rate swaps, investing in fixed rate bonds, entering into reverse repos and offering fixed rate loans. Simultaneously, about a quarter of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 bps) by €20 mn compared to prior quarter. Post 1Q2024,the NII sensitivity is expected to decrease further by c.€20 mn by the end of 2024.

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

Maintaining cost discipline management remains an ongoing focus for the Group. The cost to income ratio excluding special levy on deposits or other levies/contributions is expected at c.40% for 2024, reflecting mainly lower income on gradually declining interest rates.

In terms of asset quality, the NPE ratio target by end-2024 is expected to stand at c.3% and below 3% by end-2025. The cost of risk for 2024-2025 is expected to trend towards normalised levels of 40-50 bps.

Since 2019, the Real Estate Management Unit (REMU) stock has been consistently reducing, with properties sold exceeding the book value of properties acquired, while inflows remain substantially reduced following balance sheet derisking. Going forward, REMU sales are expected to continue, with expected inflows to remain at limited levels. Therefore, REMU portfolio is expected to reduce to c.€0.5 bn by end-2025.

D. Strategy and Outlook (continued)

Overall, the Group continues to expect that to deliver a ROTE of over 17% on 15% CET1 ratio (excluding amounts reserved for distribution) for 2024 corresponding to a CET1 generation of between 200-250 bps pre-distributions. Additionally, the ROTE target for 2025 is expected to exceed 16% on 15% CET1 ratio (excluding amounts reserved for distribution), reflecting lower interest rates.

The Group aims to provide sustainable shareholder returns. Distributions 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, including cash dividends and share buybacks.

A summary of the targets as announced in February 2024 is shown below:

Key metrics	1Q2024	FY2024 (February 2024)
Net interest income Average ECB Deposit facility rate	€ 213 mn 4.0%	>€670 mn 3.4%
Cost to income ratio[1]	29%	c.40s
Return on tangible equity	23.6% (or 29.1% on 15% CET1 ratio)	>17%[2] On 15% CET1 ratio
NPE ratio	3.4%	c.3%
Cost of risk	27 bps	Trending towards normalised levels of 40-50 bps
Capital	c.90 bps CET1 generation[3]	+200-250 bps CET1 generation[3]
Distributions	Building prudently and progressively to 30-50% payout ratio[4]; including cash dividends and buybacks	

1. Excluding special levy on deposits and other levies/contributions
2. Excluding amounts reserved for future distributions and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible book value
3. Yoy increase in CET1 ratio pre-distributions
4. Calculated on adjusted recurring profitability: 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 distribution is subject to regulatory approval

The Financial targets will reviewed with the publication of 1H2024 Financial results.

E. Financial Results – Statutory Basis

Interim Consolidated Income Statement

The following financial information for the first three months of 2024 and 2023 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.

	Three months ended 31 March	
	2024	2023
	€000	€000
Interest income	**258,617**	181,828
Income similar to interest income	**27,029**	9,373
Interest expense	**(49,255)**	(24,557)
Expense similar to interest expense	**(23,141)**	(4,393)
Net interest income	**213,250**	162,251
Fee and commission income	**44,080**	46,962
Fee and commission expense	**(2,063)**	(2,751)
Net foreign exchange gains	**6,747**	8,112
Net gains on financial instruments	**892**	5,928
Net gains on derecognition of financial assets measured at amortised cost	**2,062**	255
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**(330)**	1,298
Net insurance service result	**16,417**	12,320
Net reinsurance service result	**(6,172)**	(4,064)
Net losses from revaluation and disposal of investment properties	**(1,094)**	(443)
Net gains on disposal of stock of property	**1,648**	2,013
Other income	**2,935**	2,917
Total operating income	**278,372**	234,798
Staff costs	**(47,903)**	(45,637)
Special levy on deposits and other levies/contributions	**(11,577)**	(11,088)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	**(9,795)**	(6,315)
Other operating expenses	**(32,948)**	(35,159)
Operating profit before credit losses and impairment	**176,149**	136,599
Credit losses on financial assets	**(9,266)**	(15,499)
Impairment net of reversals on non-financial assets	**(8,550)**	(8,033)
Profit before tax	**158,333**	113,067
Income tax	**(24,929)**	(17,786)
Profit after tax for the period	**133,404**	95,281
Attributable to:		
Owners of the Company	**132,826**	94,728
Non-controlling interests	**578**	553
Profit for the period	**133,404**	95,281
Basic profit per share attributable to the owners of the Company (€ cent)	**29.8**	21.2
Diluted profit per share attributable to the owners of the Company (€ cent)	**29.7**	21.2

E. Financial Results – Statutory Basis (continued)

Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2024	2023
	€000	€000
Profit for the period	**133,404**	95,281
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods	**(139)**	(1,930)
Fair value reserve (debt instruments)	**(142)**	(1,912)
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)	**(142)**	(1,762)
Transfer to the consolidated income statement on disposal	**-**	(150)
Foreign currency translation reserve	**3**	(18)
Profit/(loss) on translation of net investment in foreign subsidiaries	**4**	(33)
(Loss)/profit on hedging of net investments in foreign subsidiaries	**(1)**	15
OCI not to be reclassified in the consolidated income statement in subsequent periods	**844**	(24)
Fair value reserve (equity instruments)	**241**	-
Net gains on investments in equity instruments designated at FVOCI	**241**	-
Property revaluation reserve	**(86)**	26
Deferred tax	**(86)**	26
Actuarial gains/(losses) on the defined benefit plans	**689**	(50)
Remeasurement gains/(losses) on defined benefit plans	**689**	(50)
Other comprehensive income/(loss) for the period net of taxation	**705**	(1,954)
Total comprehensive income for the period	**134,109**	93,327
Attributable to:		
Owners of the Company	**133,552**	92,768
Non-controlling interests	**557**	559
Total comprehensive income for the period	**134,109**	93,327

E. Financial Results – Statutory Basis (continued)

Interim Consolidated Balance Sheet

	31 March 2024	31 December 2023
Assets	**€000**	€000
Cash and balances with central banks	**7,217,046**	9,614,502
Loans and advances to banks	**383,707**	384,802
Reverse repurchase agreements	**707,526**	403,199
Derivative financial assets	**63,529**	51,055
Investments at FVPL	**120,455**	135,275
Investments at FVOCI	**438,265**	443,420
Investments at amortised cost	**3,317,166**	3,116,714
Loans and advances to customers	**10,027,893**	9,821,788
Life insurance business assets attributable to policyholders	**691,047**	649,212
Prepayments, accrued income and other assets	**575,409**	584,919
Stock of property	**803,646**	826,115
Investment properties	**62,321**	62,105
Deferred tax assets	**201,996**	201,268
Property and equipment	**284,057**	285,568
Intangible assets	**46,609**	48,635
Total assets	**24,940,672**	26,628,577
Liabilities		
Deposits by banks	**395,790**	471,556
Funding from central banks	**310,308**	2,043,868
Derivative financial liabilities	**6,587**	17,980
Customer deposits	**19,259,888**	19,336,915
Insurance contract liabilities	**689,747**	658,424
Accruals, deferred income, other liabilities and other provisions	**505,972**	469,265
Provisions for pending litigations, claims, regulatory and other matters	**135,839**	131,503
Debt securities in issue	**672,542**	671,632
Subordinated liabilities	**308,841**	306,787
Deferred tax liabilities	**32,464**	32,306
Total liabilities	**22,317,978**	24,140,236
Equity		
Share capital	**44,620**	44,620
Share premium	**594,358**	594,358
Revaluation and other reserves	**90,201**	89,920
Retained earnings	**1,651,697**	1,518,182
Equity attributable to the owners of the Company	**2,380,876**	2,247,080
Other equity instruments	**220,000**	220,000
Non-controlling interests	**21,818**	21,261
Total equity	**2,622,694**	2,488,341
Total liabilities and equity	**24,940,672**	26,628,577

E. Financial Results – Statutory Basis (continued)

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	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 2024	44,620	594,358	(21,463)	917	1,518,182	84,239	9,553	16,674	**2,247,080**	220,000	21,261	**2,488,341**
Profit for the period	-	-	-	-	132,826	-	-	-	**132,826**	-	578	**133,404**
Other comprehensive income/(loss) after tax for the period	-	-	-	-	689	(65)	99	3	**726**	-	(21)	**705**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	133,515	(65)	99	3	**133,552**	-	557	**134,109**
Share-based benefits - cost	-	-	-	244	-	-	-	-	**244**	-	-	**244**
31 March 2024	**44,620**	**594,358**	**(21,463)**	**1,161**	**1,651,697**	**84,174**	**9,652**	**16,677**	**2,380,876**	**220,000**	**21,818**	**2,622,694**

E. Financial Results – Statutory Basis (continued)

Interim Consolidated Statement of Changes in Equity (continued)

	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	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 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	-	-	-	-	94,728	-	-	-	**94,728**	-	553	**95,281**
Other comprehensive (loss)/income after tax for the period	-	-	-	-	(50)	20	(1,912)	(18)	**(1,960)**	-	6	**(1,954)**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	94,678	20	(1,912)	(18)	**92,768**	-	559	**93,327**
Share-based benefits - cost	-	-	-	168	-	-	-	-	**168**	-	-	**168**
31 March 2023	**44,620**	**594,358**	**(21,463)**	**490**	**1,185,027**	**74,190**	**5,230**	**16,750**	**1,899,202**	**220,000**	**22,859**	**2,142,061**

F. Notes

F.1 Reconciliation of Interim Consolidated Income Statement for the three months ended 31 March 2024 between the statutory and underlying basis

€ million	Underlying basis	Other	Statutory basis
Net interest income	213	-	213
Net fee and commission income	42	-	42
Net foreign exchange gains and net gains on financial instruments	7	-	7
Net gains on derecognition of financial assets measured at amortised cost	-	2	2
Net insurance result*	10	-	10
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	1	-	1
Other income	3	-	3
Total income	**276**	**2**	**278**
Total expenses	**(92)**	**(10)**	**(102)**
Operating profit	**184**	**(8)**	**176**
Loan credit losses	(7)	7	-
Impairment of other financial and non-financial assets	(8)	8	-
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(10)	10	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(17)	(17)
Profit before tax and non-recurring items	**159**	**-**	**159**
Tax	(25)	-	(25)
Profit attributable to non-controlling interests	(1)	-	(1)
Profit after tax (attributable to the owners of the Company)	**133**	**-**	**133**

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

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

- '*Net gains on derecognition of financial assets measured at amortised cost*' of €2 million under the statutory basis comprise net gains on derecognition of loans and advances to customers included in '*Loan credit losses*' under the underlying basis as to align their presentation with the loan credit losses on loans and advances to customers.

- Provisions for pending litigations, claims, regulatory and other matters amounting to €10 million presented within '*Operating profit before credit losses and impairment*' under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

'*Credit losses on financial assets*' and '*Impairment net of reversals on non-financial assets*' under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €9 million, which are included in '*Loan credit losses*' under the underlying basis, and ii) credit losses of other financial assets of €0.1 million and impairment net of reversals of non-financial assets of €8 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:

	31 March 2024	31 December 2023
By type of deposit	**€000**	€000
Demand	**9,998,284**	10,167,622
Savings	**2,948,639**	2,979,275
Time or notice	**6,311,396**	6,190,018
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**1,569**	-
	19,259,888	19,336,915

Deposits by geographical area presented in the table below are based on the country of residence of the Ultimate Beneficial Owner.

	31 March 2024	31 December 2023
By geographical area	**€000**	€000
Cyprus	**15,285,862**	15,355,445
Greece	**1,486,363**	1,473,491
United Kingdom	**398,418**	386,057
United States	**163,705**	166,673
Germany	**76,701**	77,288
Romania	**25,790**	29,729
Russia	**108,760**	128,489
Ukraine	**207,382**	183,316
Belarus	**3,426**	3,762
Israel	**169,703**	195,580
Other countries	**1,332,209**	1,337,085
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**1,569**	-
	19,259,888	19,336,915

	31 March 2024	31 December 2023
By currency	**€000**	€000
Euro	**17,421,578**	17,514,400
US Dollar	**1,455,424**	1,448,753
British Pound	**316,677**	300,867
Russian Rouble	**1,291**	1,322
Swiss Franc	**9,135**	8,947
Other currencies	**54,214**	62,626
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**1,569**	-
	19,259,888	19,336,915

F. Notes (continued)

F.2 Customer deposits (continued)

	31 March 2024	31 December 2023 (restated)
By business line	**€000**	€000
Corporate	**2,050,013**	2,086,753
IBU & International corporate		
– IBU	**3,788,916**	3,779,571
– International corporate	**123,462**	121,454
SMEs	**1,015,720**	1,019,245
Retail	**12,150,406**	12,216,209
Restructuring		
– corporate	**7,950**	12,565
– SMEs	**3,861**	5,954
– retail other	**7,680**	9,428
Recoveries		
– corporate	**1,037**	1,098
Institutional Wealth Management and Custody	**109,274**	84,638
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**1,569**	-
	19,259,888	19,336,915

Following an internal re-organisation, the activities previously reported under segment ‘Wealth Management’ were reorganised and are now reported as follows: the activities of the newly set up unit Affluent Banking were transferred, and are now presented and monitored under ‘Retail’ and the Institutional Wealth Management and Custody was transferred and is now presented and monitored under ‘Treasury’. As a result of the changes, ‘Wealth Management’ no longer represents a separate segment, and the activities of the subsidiary companies of the Group, CISCO and its subsidiary, whose activities relate to investment banking, brokerage, discretionary asset management and investment advice services and do not qualify as a material segment, are now presented under ‘Other’. Comparative information in the ‘By business line’ analysis in Sections F.2 ‘Customer deposits’, F.4 ‘Credit risk concentration of loans and advances to customers’ and F.5 ‘Analysis of loans and advances to customers by stage’ was restated to reflect this change.

F.3 Loans and advances to customers

	31 March 2024	31 December 2023
	€000	€000
Gross loans and advances to customers at amortised cost	**10,074,522**	9,862,514
Allowance for ECL for loans and advances to customers	**(181,701)**	(179,453)
	9,892,821	9,683,061
Loans and advances to customers measured at FVPL	**135,072**	138,727
	10,027,893	9,821,788

F. Notes (continued)

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, according to which exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

31 March 2024	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	913,378	9,028	40	-	15,052	**937,498**
Manufacturing	294,963	43,677	210	-	36,769	**375,619**
Hotels and catering	1,000,210	33,611	37,311	-	39,366	**1,110,498**
Construction	480,302	8,465	7	-	315	**489,089**
Real estate	863,667	109,519	1,900	-	34,280	**1,009,366**
Private individuals	4,561,106	9,377	51,797	11,762	47,454	**4,681,496**
Professional and other services	583,480	553	5,245	6	50,968	**640,252**
Shipping	20,335	16	-	-	221,595	**241,946**
Other sectors	558,349	1	1	5	30,402	**588,758**
	9,275,790	**214,247**	**96,511**	**11,773**	**476,201**	**10,074,522**

31 March 2024	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Corporate	3,492,339	34,617	214	-	175	**3,527,345**
IBU & International corporate						
– IBU	88,257	2,093	5,861	7,385	18,373	**121,969**
– International corporate	132,105	172,928	44,048	-	423,812	**772,893**
SMEs	964,432	688	1,158	-	2,282	**968,560**
Retail						
- housing	3,376,399	2,103	25,521	85	16,861	**3,420,969**
- consumer, credit cards and other	982,422	1,748	442	-	5,492	**990,104**
Restructuring						
- corporate	45,109	-	616	15	27	**45,767**
- SMEs	29,267	-	168	-	29	**29,464**
- retail housing	55,626	-	1,785	122	675	**58,208**
- retail other	18,189	1	4	-	23	**18,217**
Recoveries						
- corporate	4,571	-	176	175	274	**5,196**
- SMEs	12,346	1	1,133	1,622	1,135	**16,237**
- retail housing	48,067	51	14,242	2,111	6,737	**71,208**
- retail other	26,661	17	1,143	258	306	**28,385**
	9,275,790	**214,247**	**96,511**	**11,773**	**476,201**	**10,074,522**

F. Notes (continued)

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

31 December 2023	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	868,039	277	40	-	15,340	**883,696**
Manufacturing	287,524	43,971	192	-	31,194	**362,881**
Hotels and catering	928,910	29,454	36,704	-	39,368	**1,034,436**
Construction	486,622	8,332	14	-	331	**495,299**
Real estate	871,544	108,635	1,863	-	51,349	**1,033,391**
Private individuals	4,543,985	9,680	56,074	12,075	48,080	**4,669,894**
Professional and other services	535,994	572	5,242	352	54,846	**597,006**
Shipping	20,622	15	-	-	222,422	**243,059**
Other sectors	512,666	-	-	2	30,184	**542,852**
	9,055,906	**200,936**	**100,129**	**12,429**	**493,114**	**9,862,514**

31 December 2023 (restated)	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	**€000**
Corporate	3,326,556	30,487	193	324	185	**3,357,745**
IBU & International corporate						
- IBU	87,127	1,688	6,544	6,901	18,618	**120,878**
- International corporate	115,212	164,103	43,401	-	439,512	**762,228**
SMEs	945,018	482	1,177	-	2,316	**948,993**
Retail						
- housing	3,369,111	2,320	27,728	86	17,634	**3,416,879**
- consumer, credit cards and other	956,834	1,775	480	-	4,953	**964,042**
Restructuring						
- corporate	48,440	-	611	-	-	**49,051**
- SMEs	33,212	-	261	532	61	**34,066**
- retail housing	57,685	-	2,468	122	212	**60,487**
- retail other	19,164	22	2	-	23	**19,211**
Recoveries						
- corporate	6,079	-	182	173	911	**7,345**
- SMEs	13,419	1	1,173	1,623	1,183	**17,399**
- retail housing	50,927	50	14,718	2,399	7,231	**75,325**
- retail other	27,122	8	1,191	269	275	**28,865**
	9,055,906	**200,936**	**100,129**	**12,429**	**493,114**	**9,862,514**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 March 2024 of €128,943 thousand (31 December 2023: €128,705 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 March 2024 include exposures of €1,7 million in Ukraine (31 December 2023: €1,7 million) and €4,8 million in Israel (31 December 2023: €4,9 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).

31 March 2024	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	8,620,865	1,109,806	310,658	101,183	**10,142,512**
Residual fair value adjustment on initial recognition	(54,627)	(10,853)	(923)	(1,587)	**(67,990)**
Gross loans at amortised cost	**8,566,238**	**1,098,953**	**309,735**	**99,596**	**10,074,522**
Cyprus	8,566,082	1,098,953	309,539	99,596	**10,074,170**
Other countries	156	-	196	-	**352**
	8,566,238	**1,098,953**	**309,735**	**99,596**	**10,074,522**

31 December 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	8,334,929	1,168,745	328,177	100,197	**9,932,048**
Residual fair value adjustment on initial recognition	(59,340)	(7,474)	(1,294)	(1,426)	**(69,534)**
Gross loans at amortised cost	**8,275,589**	**1,161,271**	**326,883**	**98,771**	**9,862,514**
Cyprus	8,275,416	1,161,271	326,363	98,771	**9,861,821**
Other countries	173	-	520	-	**693**
	8,275,589	**1,161,271**	**326,883**	**98,771**	**9,862,514**

F. Notes (continued)

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

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

31 March 2024	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	2,888,062	510,908	93,108	35,267	**3,527,345**
IBU & International corporate					
- IBU	93,868	27,639	366	96	**121,969**
- International corporate	749,613	23,226	40	14	**772,893**
SMEs	854,964	98,536	5,783	9,277	**968,560**
Retail					
- housing	3,085,312	304,425	21,336	9,896	**3,420,969**
- consumer, credit cards and other	873,197	93,751	9,547	13,609	**990,104**
Restructuring					
- corporate	2,073	20,443	13,335	9,916	**45,767**
- SMEs	9,893	7,059	10,134	2,378	**29,464**
- retail housing	7,178	10,581	39,104	1,345	**58,208**
- retail other	2,026	2,385	13,084	722	**18,217**
Recoveries					
- corporate	-	-	4,275	921	**5,196**
- SMEs	-	-	14,763	1,474	**16,237**
- retail housing	-	-	61,331	9,877	**71,208**
- retail other	52	-	23,529	4,804	**28,385**
	8,566,238	**1,098,953**	**309,735**	**99,596**	**10,074,522**

31 December 2023 (restated)	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	2,709,523	519,134	96,289	32,799	**3,357,745**
IBU & International corporate					
- IBU	99,009	21,409	320	140	**120,878**
- International corporate	744,955	17,220	38	15	**762,228**
SMEs	824,503	109,865	5,583	9,042	**948,993**
Retail					
- housing	3,038,339	345,135	23,508	9,897	**3,416,879**
- consumer, credit cards and other	836,679	103,710	9,814	13,839	**964,042**
Restructuring					
- corporate	3,770	21,747	13,461	10,073	**49,051**
- SMEs	9,831	8,089	13,715	2,431	**34,066**
- retail housing	6,450	12,429	39,696	1,912	**60,487**
- retail other	2,471	2,533	13,474	733	**19,211**
Recoveries					
- corporate	-	-	6,378	967	**7,345**
- SMEs	-	-	15,812	1,587	**17,399**
- retail housing	-	-	65,070	10,255	**75,325**
- retail other	59	-	23,725	5,081	**28,865**
	8,275,589	**1,161,271**	**326,883**	**98,771**	**9,862,514**

F. Notes (continued)

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

	Three months ended 31 March	
	2024	2023
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**11,777**	17,693
Recoveries of loans and advances to customers previously written off	**(2,190)**	(3,918)
Changes in expected cash flows	**(502)**	(1,571)
Financial guarantees and commitments	**67**	266
	9,152	12,470

The movement in ECL of loans and advances to customers and the analysis of the balance by stage is as follows:

	Three months ended 31 March	
	2024	2023
	€000	€000
1 January	**179,453**	178,442
Foreign exchange and other adjustments	**(77)**	(50)
Write offs	**(10,853)**	(10,650)
Interest (provided) not recognised in the income statement	**1,401**	898
Charge for the period	**11,777**	17,693
31 March	**181,701**	186,333
Stage 1	**9,861**	16,531
Stage 2	**29,738**	31,594
Stage 3	**119,177**	120,249
POCI	**22,925**	17,959
31 March	**181,701**	186,333

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

	Three months ended 31 March	
	2024	2023
	€000	€000
Stage 1	**(20,397)**	(10,476)
Stage 2	**3,897**	9,262
Stage 3	**28,277**	18,907
	11,777	17,693

During the three months ended 31 March 2024 the total non-contractual write-offs recorded by the Group amounted to €6,718 thousand (three months ended 31 March 2023: €4,465 thousand). The contractual amount outstanding on financial assets that were written off during the three months ended 31 March 2024 and that are still subject to enforcement activity is €40,250 thousand (31 December 2023: €566,451 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 31 March 2024, 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 41.65% under the baseline scenario (31 December 2023: approximately 32.5%). The increase in the weighted average haircut during the three months ended 31 March 2024 was driven by the calibration of the IFRS 9 models, as explained further below.

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 (2023: 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.

Calibration of IFRS 9 models and removal of overlays in relation to economic conditions
During the three months ended 31 March 2024, the Group performed a calibration of its IFRS 9 models which involved the reassessment and update of the ECL model parameters and SICR thresholds so as to embed in the models the effects of the recent economic and geopolitical developments, which were previously reflected in the ECL through the use of overlays. In addition, the LGD model parameter was updated to incorporate an additional settlement path. More specifically, the Group proceeded with four model calibrations affecting the probability of default parameter (the 'PD-macro'), the significant increase in credit risk parameter ('SICR'), the probability of cure model and the collateral realisation model. The calibration of the PD-macro model included the introduction of inflation related variables and the inclusion of post-COVID period data to capture the low-default environment as well as the integration of a dynamic adjustment which enables timely detection of structural breaks; the impact of this calibration was €8.3 million ECL release for the three months ended 31 March 2024. As a result of the PD-macro calibration, the SICR model was revisited following a statistical model development methodology whilst introducing an absolute threshold to increase stability and accuracy; the corresponding impact was €0.8 million ECL release for the three months ended 31 March 2024. With respect to the probability of cure model, a different curability period was introduced for each macro-economic scenario following a thorough statistical analysis; the respective impact was an ECL charge of €2.2 million for the three months ended 31 March 2024. For the collateral realisation model, the Group incorporated a path of portfolio sales; the resulting impact was an ECL charge of €19.7 million for the three months ended 31 March 2024. As at 31 March 2024, the Group did not identify any additional downside risk or uncertainty not captured by the models and withdrew the prior year overlays; the resulting impact was €16.5 million ECL release for the three months ended 31 March 2024. The overall impact on the ECL from the calibration of the IFRS 9 models and the removal of prior year overlays was €3.8 million ECL release for the three months ended 31 March 2024.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 March 2024. 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. Following the wars in Ukraine and the Middle East, the selection criteria were further enhanced to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries and significant exposures with repayment deriving from Israel.

F. Notes (continued)

F.7 Rescheduled loans and advances to customers

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

	31 March 2024	31 December 2023
	€000	€000
Stage 1	**-**	-
Stage 2	**229,447**	261,091
Stage 3	**162,828**	173,728
POCI	**20,926**	20,921
	413,201	455,740

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 and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, reporting and information security requirements 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 31 March 2024 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 Annual Financial Report.

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.

31 March 2024	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	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	**80,244**	-	-	-	**8**	-	-	-
Other financial corporations	**239,447**	**818**	**1,207**	**455**	**2,386**	**383**	**306**	**303**
Non-financial corporations	**5,100,779**	**148,294**	**231,063**	**92,098**	**81,956**	**63,302**	**39,640**	**37,248**
Of which: Small and Medium sized Enterprises[3] (SMEs)	***3,054,855***	*119,051*	*153,335*	*66,604*	***57,749***	*48,088*	*25,298*	*23,879*
Of which: Commercial real estate[3]	***3,709,224***	*131,488*	*203,503*	*88,670*	***62,813***	*52,828*	*37,542*	*35,824*
Non-financial corporations by sector								
Construction	**481,010**	**25,355**			**7,290**			
Wholesale and retail trade	**923,805**	**35,340**			**18,304**			
Accommodation and food service activities	**1,241,558**	**12,617**			**9,093**			
Real estate activities	**995,935**	**38,987**			**22,667**			
Manufacturing	**372,229**	**3,658**			**2,594**			
Other sectors	**1,086,242**	**32,337**			**22,008**			
Households	**4,789,124**	**196,802**	180,931	87,921	**97,351**	74,595	34,369	29,582
Of which: Residential mortgage loans[3]	*3,722,866*	*160,252*	*159,787*	*76,302*	***68,292***	*54,191*	*29,028*	*24,779*
Of which: Credit for consumption[3]	*604,969*	*28,902*	*19,849*	*11,863*	***19,760***	*15,096*	*5,440*	*4,821*
Total on-balance sheet	**10,209,594**	**345,914**	**413,201**	**180,474**	**181,701**	**138,280**	**74,315**	**67,133**

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.

	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
31 December 2023	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	35,249	-	-	-	6	-	-	-
Other financial corporations	253,077	805	1,201	448	4,247	378	308	305
Non-financial corporations	4,931,801	155,212	258,469	95,156	91,640	61,097	37,355	33,472
Of which: Small and Medium sized Enterprises[3] (SMEs)	3,017,909	125,600	161,086	69,551	66,104	48,370	25,743	22,814
Of which: Commercial real estate[3]	3,567,684	136,152	228,516	90,842	66,458	50,862	33,774	31,716
Non-financial corporations by sector								
Construction	484,893	24,873			8,585			
Wholesale and retail trade	869,753	37,739			22,936			
Accommodation and food service activities	1,169,399	14,310			9,657			
Real estate activities	1,019,544	40,296			23,461			
Manufacturing	359,874	3,852			4,589			
Other sectors	1,028,338	34,142			22,412			
Households	4,781,114	207,883	196,070	96,019	83,560	58,962	30,330	25,227
Of which: Residential mortgage loans[3]	3,726,056	169,734	173,407	83,445	52,863	39,732	25,119	20,849
Of which: Credit for consumption[3]	590,945	29,347	21,312	12,704	21,108	13,357	4,897	4,157
Total on-balance sheet	10,001,241	363,900	455,740	191,623	179,453	120,437	67,993	59,004

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, 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, 50% in 2023 and 75% in 2024) and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020).

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. 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.

In December 2023 the preparatory bodies of the Council and European Parliament endorsed the amendments to the Capital Requirements Regulation and the Capital Requirements Directive and the legal texts have now been published on the Council and the Parliament websites. In April 2024, the European Parliament has voted to adopt the amendments to the Capital Requirements Regulation and the Capital Requirements Directive and the texts must now also be confirmed by the Council, after which they will be published in the EU's official journal. It is expected that the provisions 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.

The Regulatory CET1 ratio of the Group as at 31 March 2024 stands at 17.1% and the Total Capital ratio at 22.0%. Including profits for the three months ended 31 March 2024 and an accrual for a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution 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 17.6% and 22.5% respectively, as further described in Section 'Distributions' in Section 'A. Group Financial Results – Underlying Basis'.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

The Group's minimum capital requirements are presented below:

Minimum CET1 Regulatory Capital Requirements	31 March 2024	31 December 2023
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.55%	1.73%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	1.875%	1.50%
Countercyclical Buffer (CcyB)	0.49%	0.48%
Minimum CET1 Regulatory Requirements	**10.91%**	10.72%

** Fully phased-in as of 1 January 2019*
*** Increasing by 0.0625%. every year thereafter, until being fully implemented on 1 January 2026 at 2.00%.*

Minimum Total Capital Regulatory Requirements	31 March 2024	31 December 2023
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	2.75%	3.08%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	1.875%	1.50%
Countercyclical Buffer (CcyB)	0.49%	0.48%
Minimum Total Capital Regulatory Requirements	**15.61%**	15.56%

** Fully phased-in as of 1 January 2019*
*** Increasing by 0.0625% every year thereafter, until being fully implemented on 1 January 2026 at 2.00%.*

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 31 March 2024 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB for the Group as at 31 March 2024 has been calculated at approximately 0.49% (31 December 2023: 0.48%).

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% became applicable 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 to be observed 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 as at 31 December 2023 stood 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 was revised to 2.25% (from 1.50%), 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.

In April 2024, following a revision by the CBC of its policy for the designation of credit institutions that meet the definition of O-SII institutions and the setting of an O-SII buffer to be observed, the Group's O-SII buffer has been reduced to 2.00% on 1 January 2026 (from the previous assessment of 2.25% on 1 January 2025) to be phased-in by 6.25 bps annually to 1.9375% on 1 January 2025 and 2.00% as of 1 January 2026 from the current level of 1.875%.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

As at 31 March 2024, the Group's minimum phased-in CET1 capital ratio requirement was set at approximately 10.91%, 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 approximately 0.49%. As at 31 March 2024, the Group's minimum phased-in Total Capital ratio requirement was set at approximately 15.61%, 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 approximately 0.49%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). From 2 June 2024 both CET1 and Total Capital minimum requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB described above.

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

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

The 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.

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

Regulatory capital	Group		BOC PCL	
	31 March 2024[1]	31 December 2023[2]	**31 March 2024[1]**	31 December 2023[2]
	€000	€000	**€000**	€000
Common Equity Tier 1 (CET1)[3]	**1,803,347**	1,798,015	**1,770,437**	1,766,707
Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,323,347**	2,318,015	**2,290,437**	2,286,707
Risk weighted assets – credit risk[4]	**9,220,413**	9,013,267	**9,180,411**	9,005,552
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,327,871**	1,327,871	**1,292,350**	1,292,350
Total risk weighted assets	**10,548,284**	10,341,138	**10,472,761**	10,297,902
Transitional	**%**	%	**%**	%
Common Equity Tier 1 (CET1) ratio	**17.1**	17.4	**16.9**	17.2
Total capital ratio	**22.0**	22.4	**21.9**	22.2
Leverage ratio	**8.2**	7.6	**8.1**	7.5

1. Profits for the three months ended 31 March 2024 are not included. The CET1 ratio, the Total Capital ratio and the Leverage ratio as at 31 March 2024 stand at 17.6%, 22.5% and 8.4% respectively for the Group and at 17.4%, 22.4% and 8.3% respectively for BOC PCL, when including the profits for the quarter ended 31 March 2024 and an accrual for a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution 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 distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.

2. Includes profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings of €137 million, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €112 million and in principle approval by the Board to undertake a share buyback of ordinary shares of the Company for an aggregate consideration of up to €25 million and in compliance with the terms of the ECB approval. Similarly, for BOC PCL amounts include profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.

3. CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €21,230 thousand for the Group and €15,212 thousand for BOC PCL as at 31 March 2024 (31 December 2023: €24,337 thousand for the Group and €16,861 thousand for BOC PCL). As at 31 March 2024 an amount of €17,017 thousand, for the Group and €12,840 thousand for BOC PCL, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2023: €15,337 thousand for the Group and €12,643 thousand for BOC PCL).

4. Includes Credit Valuation Adjustments (CVA).

G. Additional Risk and Capital Management (continued)

G.2 Capital management (continued)

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

Fully loaded	Group		BOC PCL	
	31 March 2024[1,3]	31 December 2023[2,3]	**31 March 2024[1,3]**	31 December 2023[2,3]
	%	%	**%**	%
Common Equity Tier 1 ratio	**17.1**	17.3	**16.9**	17.1
Total capital ratio	**22.0**	22.4	**21.9**	22.2
Leverage ratio	**8.2**	7.6	**8.1**	7.5

[1] Profits for the three months ended 31 March 2024 are not included. The CET1 ratio, the Total Capital ratio and the Leverage ratio as at 31 March 2024 stand at 17.6%, 22.5% and 8.4% respectively for the Group and at 17.4%, 22.4% and 8.3% respectively for BOC PCL, when including the profits for the quarter ended 31 March 2024 and an accrual for a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution 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 distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.
[2] Includes profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings of €137 million, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €112 million and in principle approval by the Board to undertake a share buyback of ordinary shares of the Company for an aggregate consideration of up to €25 million and in compliance with the terms of the ECB approval. Similarly, for BOC PCL amounts include profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.
[3] IFRS 9 fully loaded as applicable.

During the three months ended 31 March 2024, the regulatory CET1 was mainly affected by movement in risk-weighted assets. Including the profits for the three months ended 31 March 2024, net of a distribution at the top-end range of the Group's distribution policy, the CET1 ratio, on a transitional basis, increases to 17.6%.

A charge of 32 bps is deducted from own funds in relation to ECB expectations for NPEs. 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 10 bps on the Group's CET1 ratio as at 31 March 2024. Furthermore, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 31 March 2024 the impact of these requirements was 41 bps on the Group's CET1 ratio compared to 24 bps on 31 December 2023. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

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 Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. In 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 a Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. The payment services subsidiary of the Group, JCC Payment Systems 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 were immediately effective.

In January 2024, BOC PCL received final 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 (30.4% of risk-weighted assets when taking into account the expected prevailing CBR as at 31 December 2024 which needs to be met with own funds on top of the MREL) and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2024.

BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

In April 2024, BOC PCL proceeded with an issue of €300 million green senior preferred notes (the 'Notes'). The Notes comply with the MREL criteria and contribute towards BOC PCL's MREL requirement.

The MREL ratio as at 31 March 2024, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 29.3% of RWAs (including capital used to meet the CBR) and at 12.5% of LRE (based on the regulatory Total Capital as at 31 March 2024). The CBR stood at 4.86% as at 31 March 2024 (compared to 4.48% as at 31 December 2023), reflecting the increase of the O-SII buffer from 1.50% to 1.875% on 1 January 2024. The CBR is expected to increase further in June 2024 as a result of the increase of CcyB to approximately 1.00% and the phasing-in of O-SII buffer from 1.875% to 1.9375% on 1 January 2025 and to 2.00% on 1 January 2026.

The MREL ratio expressed as a percentage of RWAs (including capital used to meet the CBR) and the MREL ratio expressed as a percentage of LRE as at 31 March 2024 stand at 29.8% and 12.7% respectively when including the profits for the quarter ended 31 March 2024 and an accrual for a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period. When accounting for the Notes issued in April 2024, the MREL ratio expressed as a percentage of RWAs (including capital used to meet the CBR) and the MREL ratio expressed as a percentage of LRE improve to 32.7% and 14.0% respectively.

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 2023 have been completed and submitted to the ECB at the end of March 2024 following approval by the Board of Directors. The 2023 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 2023 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.

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 RC, 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 results through quarterly liquidity stress tests which are submitted to the ALCO and the RC, where actual and forecasted information is considered. Any material changes since the year-end are assessed in terms of liquidity and funding.

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.

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 Regulation (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 31 March 2024, the Group was in compliance with all regulatory liquidity requirements. As at 31 March 2024, the Group's LCR stood at 315% (compared to 359% as at 31 December 2023), the reduction of which was mainly driven by the repayment of the TLTRO of an amount of €1,700 thousand. As at 31 March 2024 the Group's NSFR was 155% (compared to 158% as at 31 December 2023).

G. Additional Risk and Capital Management disclosures (continued)

G.5 Liquidity reserves

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

Composition of the liquidity reserves	**31 March 2024**			31 December 2023		
	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	**6,999,096**	**6,999,096**	**-**	9,428,052	9,428,052	-
Placements with banks	**233,321**	**-**	**-**	214,588	-	-
Liquid investments	**3,912,374**	**3,307,976**	**368,887**	3,299,967	2,801,667	354,128
Available ECB Buffer	**1,609,933**	**-**	**-**	92,088	-	-
Total	**12,754,724**	**10,307,073**	**368,887**	13,034,695	12,229,719	354,128

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. Liquidity investments under Internal Liquidity Reserves are shown at market values net of haircuts based on the ECB haircut methodology for the ECB eligible bonds, while for the non-ECB 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.

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 Consolidated Income Statement for the three months ended 31 March 2024 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 the statutory basis are disclosed below.

1. Reconciliation of Gross loans and advances to customers

	31 March 2024	31 December 2023
	€000	€000
Gross loans and advances to customers as per the underlying basis (*as defined in Section I*)	**10,276,347**	10,069,828
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(67,990)**	(69,534)
Loans and advances to customers measured at FVPL (*Section F.3*)	**(135,072)**	(138,727)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**1,237**	947
Gross loans and advances to customers at amortised cost as per Section F.3	**10,074,522**	9,862,514

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

	31 March 2024	31 December 2023
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (*as defined in Section I)*	**267,420**	267,232
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(67,990)**	(69,534)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**1,237**	947
Provisions for financial guarantees and commitments	**(18,966)**	(19,192)
Allowance for ECL for loans and advances to customers as per Section F.3	**181,701**	179,453

H. Alternative Performance Measures (continued)

Reconciliations (continued)

3. Reconciliation of NPEs

	31 March 2024	31 December 2023
	€000	€000
NPEs as per the underlying basis (*as defined in Section I*)	**347,218**	365,450
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(36,560)**	(37,273)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(923)**	(1,294)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**309,735**	326,883
NPE ratio		
NPEs (*as per table above*) (€000)	**347,218**	365,450
Gross loans and advances to customers (*as per table 1 above*) (€000)	**10,276,347**	10,069,828
Ratio of NPE/Gross loans (%)	**3.4%**	3.6%

NPE Coverage ratio	**31 March 2024**	31 December 2023
Allowance for expected credit losses (ECL) on loans and advances to customers (*as per table 2 above*) (€000)	**267,420**	267,232
NPEs (*as per table above*) (€000)	**347,218**	365,450
NPE Coverage ratio (%)	**77%**	73%

Note 1: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €36,560 thousand POCI - NPEs (out of a total of €101,183 thousand POCI loans) (31 December 2023: €37,273 thousand POCI - NPEs (out of a total of €100,197 thousand POCI loans)) as disclosed in Section F.5.

4. Reconciliation of Loan credit losses

	Three months ended 31 March	
	2024	2023
	€000	€000
Loan credit losses as per the underlying basis	**6,801**	11,207
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)*	**9,152**	12,470
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers	**(2,062)**	(255)
Net gains on loans and advances to customers measured at FVPL	**(289)**	(1,008)
	6,801	11,207

H. Alternative Performance Measures (continued)

Reconciliations (continued)

5. Reconciliation of Adjusted recurring profitability to Profit after tax for the period attributable to the owners of the Company

	Three months ended 31 March	
	2024	2023
	€000	€000
Adjusted recurring profitability as per the underlying basis (*as defined in Section I*)	**132,826**	95,954
Reconciling items:		
Advisory and other transformation costs	**-**	(1,226)
Profit after tax for the period attributable to the owners of the Company as per the Interim Consolidated Income Statement	**132,826**	94,728

Key Performance Ratios Information

1. Net Interest Margin (NIM)

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

	Three months ended 31 March	
	2024	2023
1.1. Net interest income used in the calculation of NIM	**€000**	€000
Net interest income as per the underlying basis/statutory basis	**213,250**	162,251
Net interest income used in the calculation of NIM (annualised)	**857,687**	658,018

1.2. Interest earning assets	**31 March 2024**	31 December 2023
	€000	€000
Cash and balances with central banks	**7,217,046**	9,614,502
Loans and advances to banks	**383,707**	384,802
Reverse repurchase agreements	**707,526**	403,199
Loans and advances to customers	**10,027,893**	9,821,788
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP')	**247,107**	243,013
Investments		
Debt securities	**3,742,838**	3,547,782
Total interest earning assets	**22,326,117**	24,015,086
1.3. Quarterly average interest earning assets (€000)		
- as at 31 March 2024		**23,170,602**
- as at 31 March 2023		22,637,964

1. Net Interest Margin (NIM) (continued)

1.4. Net Interest Margin (NIM)	**Three months ended 31 March**	
	2024	2023
Net interest income (annualised) (*as per table 1.1. above*) (€000)	**857,687**	658,018
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**23,170,602**	22,637,964
NIM (%)	**3.70%**	2.91%

2. Cost to income ratio

2.1 Reconciliation of the 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	**Three months ended 31 March**	
	2024	2023
	€000	€000
Staff costs as per the underlying basis/statutory basis	**47,903**	45,637

2.1.2 Reconciliation of Other operating expenses	**Three months ended 31 March**	
	2024	2023
	€000	€000
Other operating expenses as per the underlying basis	**32,948**	33,933
Reclassifications for:		
Advisory and other transformation costs – organic, separately presented under the underlying basis	**-**	1,226
Other operating expenses as per the statutory basis	**32,948**	35,159

2.1.3 Total Expenses as per the underlying basis	**Three months ended 31 March**	
	2024	2023
	€000	€000
Staff costs as per the underlying basis/statutory basis (*as per table 2.1.1 above*)	**47,903**	45,637
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**11,577**	11,088
Other operating expenses as per the underlying basis *(as per table 2.1.2 above)*	**32,948**	33,933
Total Expenses as per the underlying basis	**92,428**	90,658

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

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

2.2.1 Total Income as per the underlying basis	**Three months ended 31 March**	
	2024	2023
	€000	€000
Net interest income as per the underlying basis/statutory basis (*as per table 1.1 above*)	**213,250**	162,251
Net fee and commission income as per the underlying basis/statutory basis	**42,017**	44,211
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis *(as per table 2.2.2 below)*	**7,350**	13,032
Net insurance result*	**9,915**	9,554
Net losses from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**554**	1,570
Other income (as per the statutory basis)	**2,935**	2,917
Total Income as per the underlying basis	**276,021**	233,535

**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.*

2.2.2 Reconciliation of Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost between the statutory basis and the underlying basis	**Three months ended 31 March**	
	2024	2023
	€000	€000
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**7,350**	13,032
Reclassifications for:		
Net gains on loans and advances to customers measured at FVPL disclosed within 'Loan credit losses' per the underlying basis (*as per table 4 in Section 'Reconciliations' above*)	**289**	1,008
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*)	**2,062**	255
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**9,701**	14,295
Net foreign exchange gains, Net gains 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	**6,747**	8,112
Net gains on financial instruments	**892**	5,928
Net gains on derecognition of financial assets measured at amortised cost	**2,062**	255
	9,701	14,295

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

	Three months ended 31 March	
	2024	2023
Cost to income ratio		
Total expenses (*as per table 2.1.3 above*) (€000)	**92,428**	90,658
Total income (*as per table 2.2.1 above*) (€000)	**276,021**	233,535
Total expenses/Total income (%)	**33%**	39%

Cost to income ratio excluding special levy on deposits and other levies/contributions	Three months ended 31 March	
	2024	2023
Total expenses (*as per table 2.1.3 above*) (€000)	**92,428**	90,658
Less: Special levy on deposits and other levies/contributions (*as per table 2.1.3 above*) (€000)	**(11,577)**	(11,088)
Total expenses excluding special levy on deposits and other levies/contributions	**80,851**	79,570
Total income (*as per table 2.2.1 above*) (€000)	**276,021**	233,535
Total expenses excluding special levy on deposits and other levies/contributions/Total income (%)	**29%**	34%

3. Operating profit return on average assets

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

	31 March 2024	31 December 2023
	€000	€000
Total assets used in the computation of the operating profit return on average assets per the statutory basis (*Section E Interim Consolidated Balance Sheet*)	**24,940,672**	26,628,577
Quarterly average total assets (€000)		
- as at 31 March 2024		**25,784,625**
- as at 31 March 2023		25,337,673

	2024	2023
Total income for the three months ended 31 March (*as per table 2.2.1 above*) - annualised (€000)	**1,110,150**	947,114
Total expenses for the three months ended 31 March (*as per table 2.1.3 above*) - annualised (€000)	**(371,743)**	(367,669)
Operating profit (€000)	**738,407**	579,445
Quarterly average total assets as at 31 March (*as per table above*) (€000)	**25,784,625**	25,337,673
Operating profit return on average assets (annualized) (%)	**2.9%**	2.3%

H. Alternative Performance Measures (continued)

Key Performance Ratios Information (continued)

4. Cost of Risk

	Three months ended 31 March	
	2024	2023
	€000	€000
Loan credit losses (*as per table 4 in Section 'Reconciliation' above*) – annualised	**27,353**	45,451
Average gross loans (as defined) (*as per table 1 in Section 'Reconciliation above*)	**10,173,088**	10,247,637
Cost of Risk (CoR) %	**0.27%**	0.44%

5. Basic earnings per share attributable to the owners of the Company

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

	2024	2023
Profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the three months ended 31 March (€000)	**132,826**	94,728
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**446,058**	446,058
Basic earnings per share attributable to the owners of the Company for the three months ended 31 March (€ cent)	**29.8**	21.2

6. Return on tangible equity (ROTE)

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

	2024	2023
Annualised profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the three months ended 31 March (€000)	**534,223**	384,175
Quarterly average tangible shareholders' equity as at 31 March (*as per table 6.2 below*) (€000)	**2,266,356**	1,801,746
ROTE after tax (annualised) (%)	**23.6%**	21.3%

6.1 Tangible shareholders' equity	**31 March 2024**	31 December 2023
	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,380,876**	2,247,080
Less: Intangible assets (as per the statutory basis)	**(46,609)**	(48,635)
Total tangible shareholders' equity	**2,334,267**	2,198,445
6.2 Quarterly average tangible shareholders' equity (€000)		
- as at 31 March 2024		**2,266,356**
- as at 31 March 2023		1,801,746

Key Performance Ratios Information (continued)

7. Return on tangible equity (ROTE) on 15% CET1 ratio

The components used in the determination of 'Return on tangible equity (ROTE) on 15% CET1 ratio', are provided below:

	2024	2023
Annualised profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the three months ended 31 March (€000)	**534,223**	384,175
Quarterly average total tangible shareholders' equity adjusted for excess CET1 capital on a 15% CET1 ratio as at 31 March (*as per table 7.2 below*) (€000)	**1,835,460**	1,756,116
ROTE (after tax), on 15% CET1 (%)	**29.1%**	21.9%

7.1 Tangible shareholders' equity on 15% CET1 ratio	**31 March 2024**	31 December 2023
	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,380,876**	2,247,080
Less: Intangible assets (as per the statutory basis)	**(46,609)**	(48,635)
Less: approved FY2023 distribution	**(136,590)**	(136,590)
Less: excess CET1 capital* on a 15% CET1 ratio	**(341,460)**	(247,153)
Total tangible shareholders' equity on 15% CET1 ratio	**1,856,217**	1,814,702

**Includes amount of foreseeable charge for shareholders' distribution accrual at the top-end range of the Group's approved distribution policy deducted from CET1 ratio of 17.6%.*

7.2 Quarterly average tangible shareholders' equity on 15% CET1 ratio (€000)		
- as at 31 March 2024		**1,835,460**
- as at 31 December 2023		1,837,463
- as at 31 March 2023		1,756,116

8. Tangible book value per share

	31 March 2024	31 March 2023
	€000	€000
Tangible shareholder's equity (*as per table 6.1 above*) (€000)	**2,334,267**	1,849,772
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 (€)	**5.23**	4.15
Tangible book value per share (€) excluding the FY2023 proposed cash dividend of €0.25 per share (31 March 2023: excluding the FY2022 cash dividend of €0.05 per share)	**4.98**	4.10

9. Leverage ratio

	31 March 2024	31 December 2023
Tangible total equity (including Other equity instruments) (*as per table 9.1 below*) (€000)	**2,554,267**	2,418,445
Total assets as per the statutory basis (€000)	**24,940,672**	26,628,577
Leverage ratio	**10.2%**	9.1%

9.1 Tangible total equity	**31 March 2024**	31 December 2023
	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,380,876**	2,247,080
Other equity instruments	**220,000**	220,000
Less: Intangible assets (as per the statutory basis)	**(46,609)**	(48,635)
Tangible total equity	**2,554,267**	2,418,445

I. Definitions and Explanations

Adjusted recurring profitability	The Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.
Advisory and other transformation costs	Comprise mainly of fees of external advisors in relation to: (i) the transformation program and other strategic projects of the Group and (ii) customer loan restructuring activities, where applicable.
Allowance for expected loan credit losses (previously 'Accumulated provisions')	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale where applicable), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale where applicable), (iii) allowance for expected credit losses for off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities, and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
AT1	AT1 (Additional Tier 1) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Basic earnings per share (attributable to the owners of the Company)	Basic earnings after tax per share (attributable to the owners of the Company) is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the period, excluding treasury shares.
Carbon neutral	The reduction and balancing (through a combination of offsetting investments or emission credits) of greenhouse gas emissions **from own operations**.
CET1 capital ratio (transitional basis)	CET1 capital ratio (transitional basis) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
CET1 Fully loaded (FL)	The CET1 fully loaded (FL) ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Cost to Income ratio	Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined).
Data from the Statistical Service	The latest data from the Statistical Service of the Republic of Cyprus, Cyprus Statistical Service, was published on 15 May 2024.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Diluted earnings per share	Diluted earnings per share is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of ordinary shares in issue adjusted for the ordinary shares that may arise in respect of share awards granted to executive directors and senior management of the Group under the Long-Term Incentive Plans (LTIP)
ECB	European Central Bank

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 €67 mn as at 31 March 2024 (compared to to €69 mn as at 31 December 2023). Additionally, gross loans include loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment of €134 mn as at 31 March 2024 (compared to €138 mn as at 31 December 2023).
Group	The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or the "Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries.
Legacy exposures	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company and Other equity instruments minus intangible assets.
Leverage Ratio Exposure (LRE)	Leverage Ratio Exposure (LRE) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended.
Loan credit losses (PL) (previously 'Provision charge')	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost relating to loans and advances to customers and (iii) net gains on loans and advances to customers at FVPL, for the reporting period/year.
Loan credit losses charge (previously 'Provisioning charge') (cost of risk)	Loan credit losses charge (cost of risk) (year-to-date) is calculated as the annualised 'loan credit losses' (as defined) divided by average gross loans. The average gross loans are calculated as the average of the opening balance and the closing balance of Gross loans (as defined), for the reporting period/year.
Market Shares	Both deposit and loan market shares are based on data from the CBC. The Bank is the single largest credit provider in Cyprus with a market share of 42.9% as at 31 March 2024 (compared to 42.2% as at 31 December 2023). The Bank's deposit market share in Cyprus reached 37.5% as at 31 March 2024 (compared to 37.7% as at 31 December 2023).
MSCI ESG Rating	The use by the Company and the Bank of any MSCI ESG Research LLC or its affiliates ('MSCI') data, and the use of MSCI Logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation or promotion of the Company or the Bank by MSCI. MSCI Services and data are the property of MSCI or its information providers and are provided "as-is" and without warranty. MSCI Names and logos are trademarks or service marks of MSCI.
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).

I. Definitions and Explanations (continued)

Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits.
Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding net loans included in the legacy exposures (as defined).
Net Stable Funding Ratio (NSFR)	The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF). The regulatory limit, enforced in June 2021, has been set at 100% as per the CRR II.
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year-to-date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains/(losses) and net gains on financial instruments and (excluding net gains on loans and advances to customers at FVPL), Net insurance result, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.
Non-performing exposures (NPEs)	As per the European Banking Authorities (EBA) standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), non-performing exposures (NPEs) are defined as those exposures that satisfy one of the following conditions: (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy. (iii) Material exposures as set by the CBC, which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/RTS/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter. For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non performing; otherwise only the specific part of the exposure is classified as non performing. For non retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non performing.

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'.
NPE coverage ratio (previously 'NPE Provisioning coverage ratio')	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
Operating profit	Operating profit comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, Provisions for pending litigations, claims regulatory and other matters (net of reversals), tax, profit attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Phased-in Capital Conservation Buffer (CCB)	In accordance with the legislation in Cyprus which has been set for all credit institutions, the applicable rate of the CCB is 1.25% for 2017, 1.875% for 2018 and 2.5% for 2019 (fully phased-in).
Profit after tax and before non-recurring items (attributable to the owners of the Company)	This refers to the profit after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined).
Profit/(loss) after tax – organic (attributable to the owners of the Company)	This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined, except for the 'advisory and other transformation costs – organic').
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.
Quarterly average interest earning assets	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. Interest earning assets include: cash and balances with central banks (including cash and balances with central banks classified as non-current assets held for sale), plus reverse purchase agreements (reverse repos) plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus 'deferred consideration receivable' included within 'other assets', plus investments (excluding equities, mutual funds and other non interest bearing investments).

I. Definitions and Explanations (continued)

Qoq	Quarter on quarter change
Return on Tangible equity (ROTE)	Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
Return on Tangible equity (ROTE) on 15% CET1 ratio	Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible book value.
Return on Tangible equity (ROTE) on 15% CET1 ratio, excluding reserved distributions	Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets and reserves for future distributions and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible book value.
Shareholders' equity	Shareholders' equity comprise total equity adjusted for non-controlling interest and other equity instruments.
Special levy on deposits and other levies/contributions	Relates to the special levy on deposits of credit institutions in Cyprus, contributions to the Single Resolution Fund (SRF), contributions to the Deposit Guarantee Fund (DGF), as well as the DTC levy, where applicable.
Tangible book value per share	Calculated as the total equity attributable to the owners of the Company, (i.e. not including other equity instruments, such as AT1) less intangible assets at each quarter end divided by the number of ordinary shares of the Group.
Tangible book value per share excluding the cash dividend	Calculated as the total equity attributable to the owners of the Company, (i.e. not including other equity instruments, such as AT1) less intangible assets at each quarter/year end and the amounts of cash dividend recommended for distribution in respect of earnings of the relevant year the dividend relates to, divided by the number of ordinary shares.
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 'advisory and other transformation costs-organic', where applicable. (i) 'Advisory and other transformation costs-organic' amounted to nil for 1Q2024 (compared to nil for 4Q2023, €1 mn for for 1Q2023).
Total income	Total income comprises net interest income and non-interest income (as defined).
Total loan credit losses, impairments and provisions	Total loan credit losses, impairments and provisions comprise loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus provisions for pending litigations, claims regulatory and other matters net of reversals).
Underlying basis	This refers to the statutory basis after being adjusted for reclassification of certain items as explained in the Basis of Presentation.
Write offs	Loans together with the associated loan credit losses are written off when there is no realistic prospect of recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.
Yoy	Year on year change

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings” or “the Company”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” or “BOC PCL”, and together with the Bank’s subsidiaries, the “Group”, for the three months ended 31 March 2024.

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

Financial information presented in this announcement is being published for the purposes of providing an overview of the Group financial results for the three months ended 31 March 2024.

The financial information in this announcement is not audited and does not constitute statutory financial statements of BOC Holdings within the meaning of section 340 of the Companies Act 2014. The Group statutory financial statements for the year ended 31 December 2023, upon which the auditors have given an unqualified opinion are expected to be delivered to the Registrar of Companies of Ireland within 56 days of 30 September 2024. The Board of Directors approved this financial information on 28 March 2024. The Board of Directors approved the Group statutory financial statements for the quarter ended 31 March 2024 on 15 May 2024.

Statutory basis: Statutory information is set out on pages 32-36. However, a number of factors have had a significant effect on the comparability of the Group’s financial position and performance. Accordingly, the results are also presented on an underlying basis.

Underlying basis: The financial information presented under the underlying basis provides an overview of the Group financial results for the quarter ended 31 March 2024, which the management believes best fits the true measurement of the financial performance and position of the Group. For further information, please refer to ‘Commentary on Underlying Basis’ on page 5. The statutory results are adjusted for certain items (as described on section F.1) to allow a comparison of the Group’s underlying financial position and performance.

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

This announcement and the presentation for the Group Financial Results for the quarter ended 31 March 2024 have been posted on the Group’s website www.bankofcyprus.com (Group/Investor Relations/Financial Results).

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

The Group Financial Results for the quarter ended 31 March 2024 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

Forward Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as "expect", "should be", "will be" and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Group's near term, medium term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments, information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics and geopolitical developments. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward-looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based. Changes in our reporting frameworks and accounting standards, which may have a material impact on the way we prepare our financial statements and may negatively affect the profitability of Group's insurance business.

Contacts

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The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. At 31 March 2024, the Bank of Cyprus Group operated through a total of 58 branches in Cyprus, of which 3 operated as cash offices. The Bank of Cyprus Group employed 2,847 staff worldwide. At 31 March 2024, the Group's Total Assets amounted to €24.9 bn and Total Equity was €2.6 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.