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Dear Customer

## **Bank's Base Rates – Calculation methodology of the Bank of Cyprus Base rates**

### **A. Calculation methodology**

According to the existing calculation methodology of the Bank of Cyprus (“the Bank”) Base rates<sup>1</sup>, the Bank’s Base rates are defined as follows:

- The Bank’s Base rates are linked to the average interest rate paid on euro-denominated household deposits in the Republic of Cyprus (outstanding amounts) by euro area residents with agreed maturities of up to 2 years as published on the website of the Central Bank of Cyprus on a monthly basis<sup>2</sup> (**‘the CBC benchmark rate’**). A fixed spread is then added to the CBC benchmark rate to arrive at the Bank’s Base rates.

<b>Bank Base Rate (BBR):</b>	CBC benchmark rate + 2.24%
<b>Bank Business Base Rate (BBBR):</b>	CBC benchmark rate + 1.24%
<b>Bank Housing Base Rate (BHBR):</b>	CBC benchmark rate + 0.49%

- The Bank’s Base rates are revised on a quarterly basis on 15 March, 15 June, 15 September and 15 December of each year (‘Adjustment Dates’)<sup>3</sup>. The latest available CBC benchmark rate is used on each Adjustment Date.

According to the existing calculation methodology of the Bank’s Base rates, the Bank reserves the right to include the cost of its wholesale funding in the calculation methodology, if applicable.

### **B. Inclusion of the cost of wholesale funding**

We would like to inform you that with effect from 15/03/2023, the Bank’s Base rates’ calculation methodology will include the cost of wholesale funding. Specifically, from the above date, the Bank will include the cost related with the issuance of the Bank’s Senior Preferred Bond (issued in June 2021) in the Bank’s Base rates’ calculation.

The Bank has the discretion to include at any time the cost of any new future wholesale funding in the calculation methodology of the Bank’s Base rates, if deemed appropriate.

Please note that all credit facilities linked to the Bank’s Base rates are affected by the inclusion of the cost of wholesale funding.

Please note that all credit facilities linked to EURIBOR and European Central Bank Base Rate (ECB MRO) are not affected by the inclusion of the cost of wholesale funding in the calculation methodology of the Bank’s Base rates.

<sup>1</sup> Bank Base Rate (BBR), Bank Business Base Rate (BBBR), Bank Housing Base Rate (BHBR)

<sup>2</sup> Published under Monetary and Financial Statistics (‘MFI interest rates on euro-denominated deposits (outstanding amounts) by euro area residents’) at [www.centralbank.cy](http://www.centralbank.cy).

<sup>3</sup> Or the next working day if not a business day.

As a result, from 15/03/2023 onwards, the Bank's Base rates will be calculated as follows:

$$\left( \frac{\text{Deposits x CBC Deposit Rate} + \text{Wholesale Funding x Cost of Wholesale Funding}}{\text{Deposits} + \text{Wholesale funding}} \right) + \text{Spread}$$

Where:

**Deposits:** Latest available amount of the Bank's EUR fixed deposits and notice accounts outstanding as of the review date, as reported to the CBC

**Wholesale Funding<sup>4</sup>:** Notional of the Bank's EUR outstanding long-term debt<sup>5</sup> to institutional investors as of the review date (excludes debt to Central Bank)

**CBC Deposit Rate:** Latest release of average interest rate paid on euro-denominated household deposits in the Republic of Cyprus (outstanding amounts) by euro area residents with agreed maturities of up to 2 years as published on the website of the Central Bank of Cyprus on a monthly basis

**Cost of Wholesale Funding:** Weighted average cost of outstanding long-term debt. For fixed rate debt this would be the weighted average of the applicable yield at initiation or for floating rate debt, the current yield (weighted by notional outstanding as of the review date)

**Spread:** Fixed spread, depending on the Bank Base rate as per below:

- For Bank Base Rate (BBR), the fixed spread is +2.24%
- For Bank Business Base Rate (BBBR), the fixed spread is +1.24%
- For Bank Housing Base Rate (BHBR), the fixed spread is +0.49%

Based on current values:

Calculation excluding the cost of wholesale funding

BBR = CBC benchmark rate + Spread = **2.31%**

Calculation including the cost of wholesale funding

BBR =  $\left( \frac{\text{Deposits x CBC Deposit Rate} + \text{Wholesale Funding x Cost of Wholesale Funding}}{\text{Deposits} + \text{Wholesale funding}} \right) + \text{Spread} = \mathbf{2.45\%}$

	Calculation excluding the cost of wholesale funding	Calculation including the cost of wholesale funding	Change
<b>Bank Base Rate (BBR)</b>	2.31%	2.45%	<b>+0.14%</b>
<b>Bank Business Base Rate (BBBR)</b>	1.31%	1.45%	<b>+0.14%</b>
<b>Bank Housing Base Rate (BHBR)</b>	0.56%	0.70%	<b>+0.14%</b>
<i>Note: The above rates are indicative for example purposes only.</i>			

<sup>4</sup> With effect from 15/03/2023, the notional amount of Bank's wholesale funding will include the Bank's €300mn Senior Preferred Bond (issued in June 2021), with fixed coupon of 2.50% per annum (cost of wholesale funding).

<sup>5</sup> With initial term of over one year.

#### Example of a Loan referencing Bank Base Rate (BBR)

Loan Amount	No of Instalments	Instalment Amount	Frequency	Payment Type	From	To	Base Description	Base (%)	Margin (%)	Total (%)
€100,000	120	€ 980	Monthly	Principal and Interest	31/10/2022	31/10/2032	BBR <i>Exl. cost of wholesale funding</i>	2.31%	1%	3.31%
€100,000	120	€ 986	Monthly	Principal and Interest	31/10/2022	31/10/2032	BBR <i>Incl. cost of wholesale funding</i>	2.45%	1%	3.45%

**Note:** The instalment amounts, the percentages of the interest rate base and the dates appearing above are indicative for example purposes only.

#### **C. Conditions and Parameters which may contribute to changes in the methodology of calculating the Bank's Base rates**

As previously communicated, the Bank may at a future date:

- Amend the methodology so as to link each of the Bank's Base rates to another benchmark rate. In case the benchmark rate changes, the respective spread over that benchmark rate may change accordingly.
- Amend the methodology of calculating any of the Bank's Base rates if deemed appropriate due to potential changes in the regulatory framework, changes in market conditions or potential unavailability of the index used for the benchmark rate.

In the case of any change in the methodology of calculating any of the Bank's Base rates, all affected customers will be notified. Moreover, any change shall be effected in accordance with applicable legislation in force from time to time and the monetary and credit rules applicable each time.

The Bank's Base rates' calculation methodology is also published on the Bank's website at [www.bankofcyprus.com](http://www.bankofcyprus.com) under "Bank Base Rates Definition" section.

Yours faithfully,

Bank of Cyprus Public Company Ltd