



# Bank of Cyprus Group

Credit Update Presentation

*October 2020*

Bank of Cyprus Holdings



# DISCLAIMER

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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review of the Interim Condensed Consolidated Financial Statements in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" (UK & Ireland).

This financial information is 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.

## ***Important Notice Regarding Additional Information Contained in the Investor Presentation***

The presentation for the Group Financial Results for the six months ended 30 June 2020 (the "Presentation"), available on <https://www.bankofcyprus.com/en-GB/investor-relations-new/reports-presentations/financial-results/>, includes additional financial information not presented within the Group Financial Results Press Release (the "Press Release"), primarily relating to (i) NPE analysis (movements by segments and customer type), (ii) rescheduled loans analysis, (iii) details of historic restructuring activity including REMU activity, (iv) analysis of new lending, (v) Income statement by business line, (vi) NIM and interest income analysis and (vii) Loan portfolio analysis in accordance with the three-stages model for impairment of IFRS 9. Except in relation to any non-IFRS measure, the financial information contained in the Investor Presentation has been prepared in accordance with the Group's significant accounting policies as described in the Group's Annual Financial Report 2019 and updated in the Interim Financial Report 2020. The Investor Presentation should be read in conjunction with the information contained in the Press Release and neither the financial information in the Press Release nor in the Investor Presentation constitutes statutory financial statements prepared in accordance with International Financial Reporting Standards.

# 1H2020 Highlights and COVID-19 Response

# Leading financial hub in Cyprus

Market share

Bank of Cyprus Holdings



Hellenic Bank



ALPHA BANK



Eurobank

42%

21%

11%

6%

12.5

6.8

3.4

2.0

35%

30%

5%

11%

16.3

14.2

2.2

5.4

98

104

22

8

Gross loans  
€ bn

Deposits  
€ bn

Branch network  
# branches

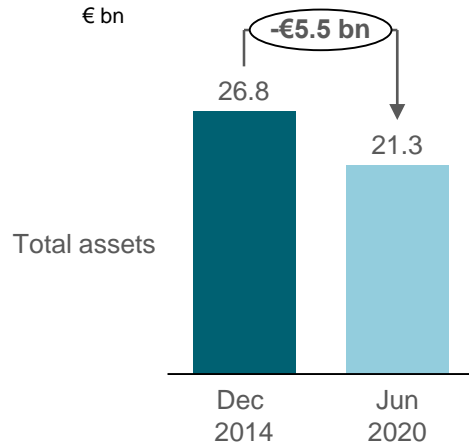
Market leading full service bank in Cyprus

Source: CBC, company disclosure as of 30 June 2020

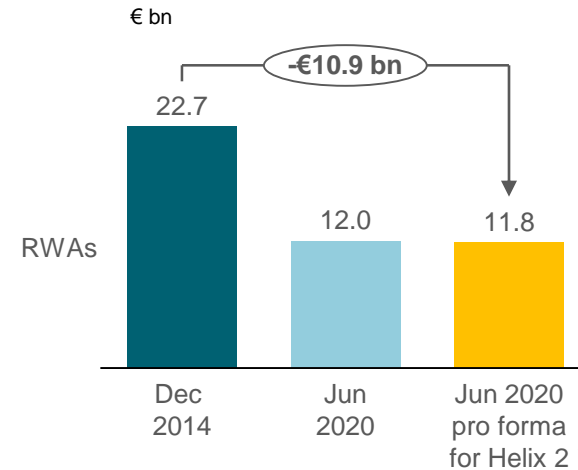


# Substantial improvement on Key Balance Sheet metrics

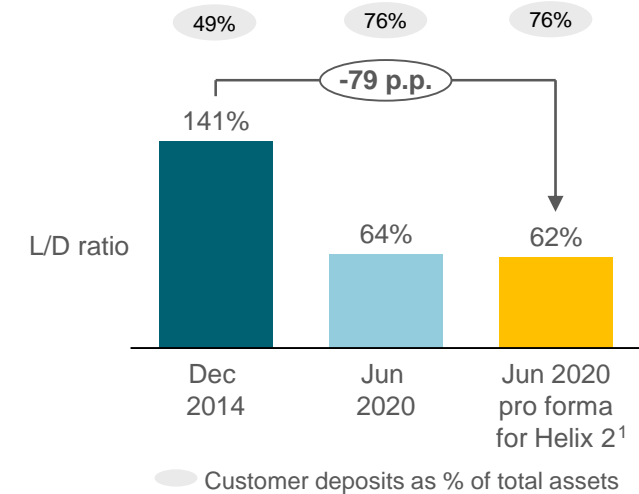
## €5.5 bn balance sheet deleveraging



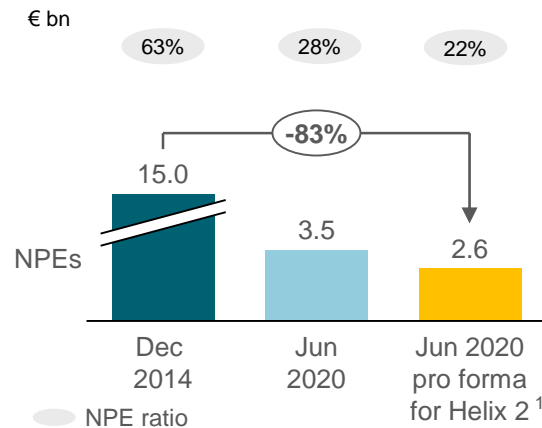
## c.€11 bn reduction in RWAs



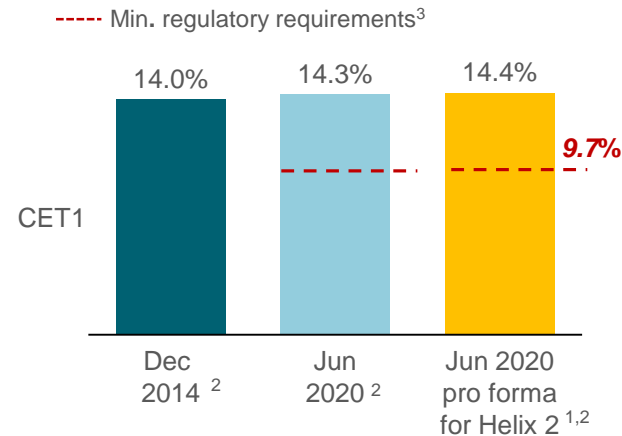
## Funding structure normalised



## €12.4 bn reduction in NPEs since peak



## Good capital position above regulatory requirements



- ✓ NPEs reduced by 83% since 2014
- ✓ Funding stack normalisation with a deposit funded asset base
- ✓ Strengthened capital position relative to balance sheet risk profile

(1) Agreement for the sale of €0.9 bn NPEs in August 2020. Calculations on a pro forma basis assume completion of the transaction

(2) Allowing for transitional arrangements

(3) OCR(SREP)- Overall Capital Requirement comprises the Total SREP Capital Requirement (Pillar 1 and Pillar 2 Requirement) plus combined buffer requirements (capital conservation buffer, countercyclical buffer and systemic buffers)

# 1H2020 - Highlights

## COVID-19

- Confirmed COVID-19 cases remain amongst the lowest within EU, despite relaxation of measures
- Continue to support colleagues, customers affected by COVID-19 and wider Cypriot economy
- Nascent signs of economic recovery post lockdown

## €1.3 bn NPE reduction in 1H2020, including NPE sales

- €0.9 bn NPE sale (Helix 2) agreed in August 2020
- Organic NPE reduction of €137 mn in 2Q2020, despite lockdown
- Completion of €133 mn NPE sale (Velocity 2) in 2Q2020
- NPEs reduced to €2.6 bn (€1.1 bn net), pro forma for Helix 2<sup>1</sup>
- Gross NPE ratio reduced to 22% (11% net) and coverage maintained at 58%, pro forma for Helix 2<sup>1</sup>

## Good Capital and Strong Liquidity Position

- Total Capital ratio of 17.9%<sup>2</sup> and CET1 ratio of 14.4%<sup>2</sup> pro forma for Helix 2<sup>1</sup>
- Deposits at €16.3 bn, broadly flat qoq; significant surplus liquidity of €3.9 bn (LCR at 257%)

## Operational efficiency

- Cost to income ratio<sup>3</sup> at 57% for 2Q2020, broadly flat on prior quarter
- Total operating expenses<sup>3</sup> reduced to €81 mn for 2Q2020, down by 18% yoy and by 3% qoq
- Increased usage of digital channels sustained post lockdown

## Performance in 2Q2020

- New lending of €238 mn for 2Q2020 (down by 47% qoq), impacted by COVID-19 lockdown
- Underlying result of profit after tax from organic operations of €4 mn for 2Q2020
- Provisions/net loss relating to NPE sales<sup>4</sup> of €104 mn for 2Q2020, including Helix 2 loss of €68 mn and loan credit losses of €21 mn for potential future NPE sales
- Loss after tax of €100 mn for 2Q2020 and €126 mn for 1H2020

(1) Calculations on a pro forma basis assume completion of the transaction  
 (2) Allowing for IFRS 9 transitional arrangements  
 (3) Excluding Special Levy and contributions to SRF and DGF  
 (4) Including restructuring expenses

# Timely and strong response by the European and the Cypriot authorities

## Comprehensive and far reaching measures to support performing businesses and the wider economy

### Government measures include:

1. **Subsidy of interest rate of new Business Loans (€180 mn)**
  - Subsidy of interest rate for new loans to self employed and businesses
  - Subsidy of interest rate for 4 years
2. **Subsidy of interest rate of new Housing Loans (€45 mn)**
  - Subsidy of interest for 4 years
3. **Financing of SMEs through CYPEF<sup>1</sup> (€800 mn)**
  - 50%-50% risk sharing between the Government and the banks
4. **Government Guarantee to EIB (€1.0 bn)**
  - Government additional funding of **€500 mn** to eligible businesses

### European Authorities measures-Implications for Cyprus

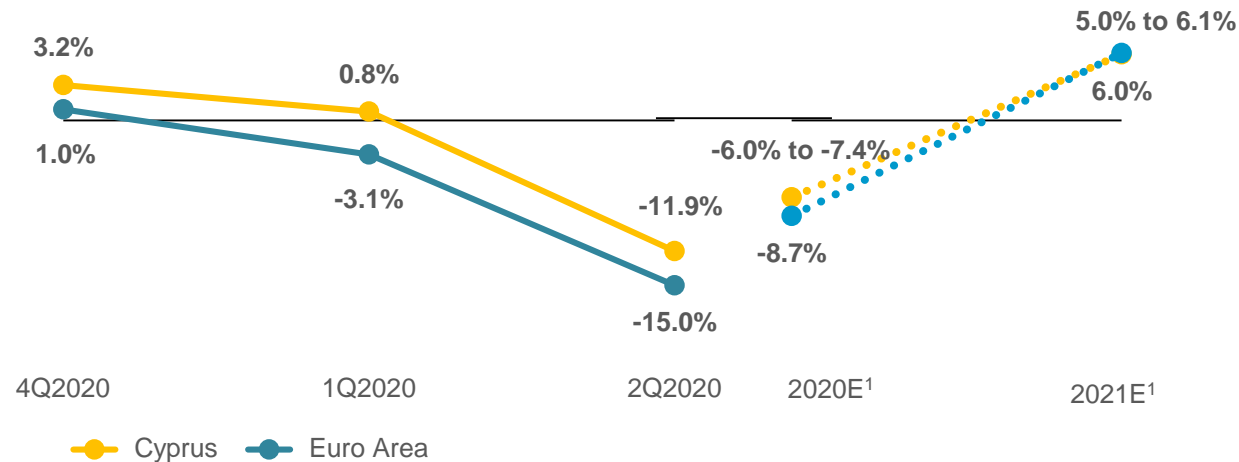
1. **EU Recovery Fund (€2.7 bn)**
  - Cyprus expects to receive €1.3 bn in grants during the period 2021-23 and additional loans up to €1.4 bn
  - The exact amounts will depend on the finalisation of the allocation criteria and on the government's national plan that will be submitted to the European Commission
2. **Pan-European Guarantee Fund (PEGF) (€300-€400 mn)**
  - Liquidity support to eligible businesses through the PEGF of EIB
  - Guarantee to the banks of up to 80%
3. **EU SURE Programme (€479 mn)**
  - Financial assistance in the form of loans supporting member states in their employment preservation schemes
4. **Access to ESM's Pandemic Crisis Support through the Enhanced Conditions Credit Line, for c.€440 mn (2% of GDP)**

1) The Cyprus Enterprise Fund

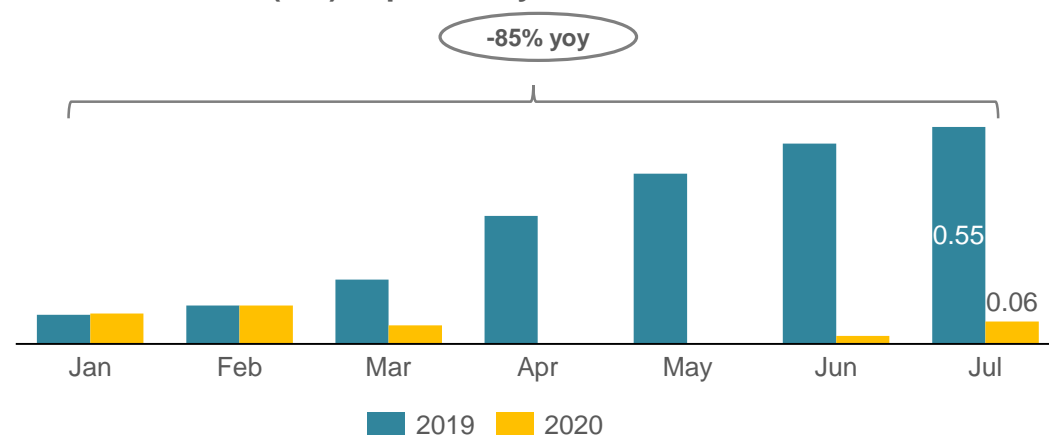


# Cypriot economy: nascent signs of recovery appear post lockdown

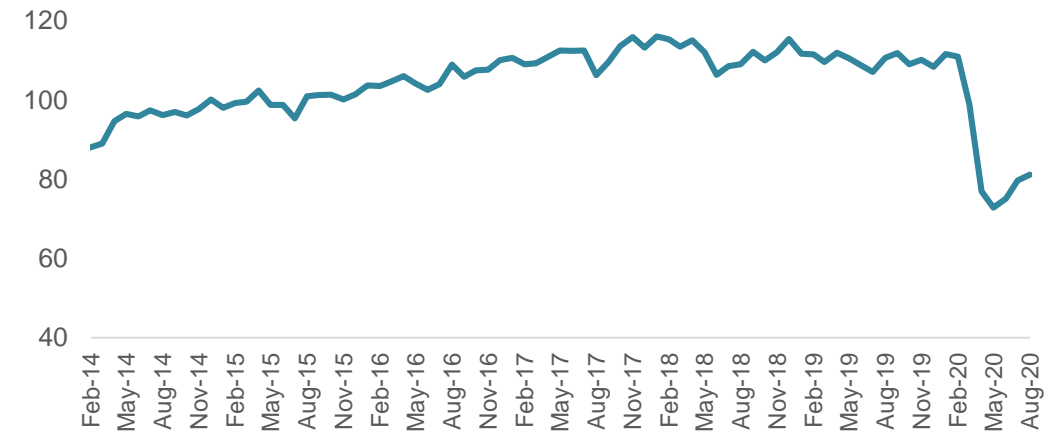
Cypriot economy recorded a drop of 11.9% in 2Q2020 vs 15.0% decline in Euro Area



Tourism arrivals (mn) impacted by COVID-19 lockdown



Economic Sentiment starting to improve post lockdown



- Cypriot economy contracted by 11.9% in 2Q2020, reflecting COVID-19 lockdown
- Restart of the economy as of early May 2020, post lockdown
- Unprecedented policy response to mitigate COVID-19 impact
- Economic sentiment index improved since May 2020, driven by improvement in confidence in nearly all sectors as well as improvement in consumer confidence
- Weak international summer tourism arrivals, although partly offset by domestic tourism

Source: Cyprus Statistical Service, Economics Research centre of the University of Cyprus and Eurostat

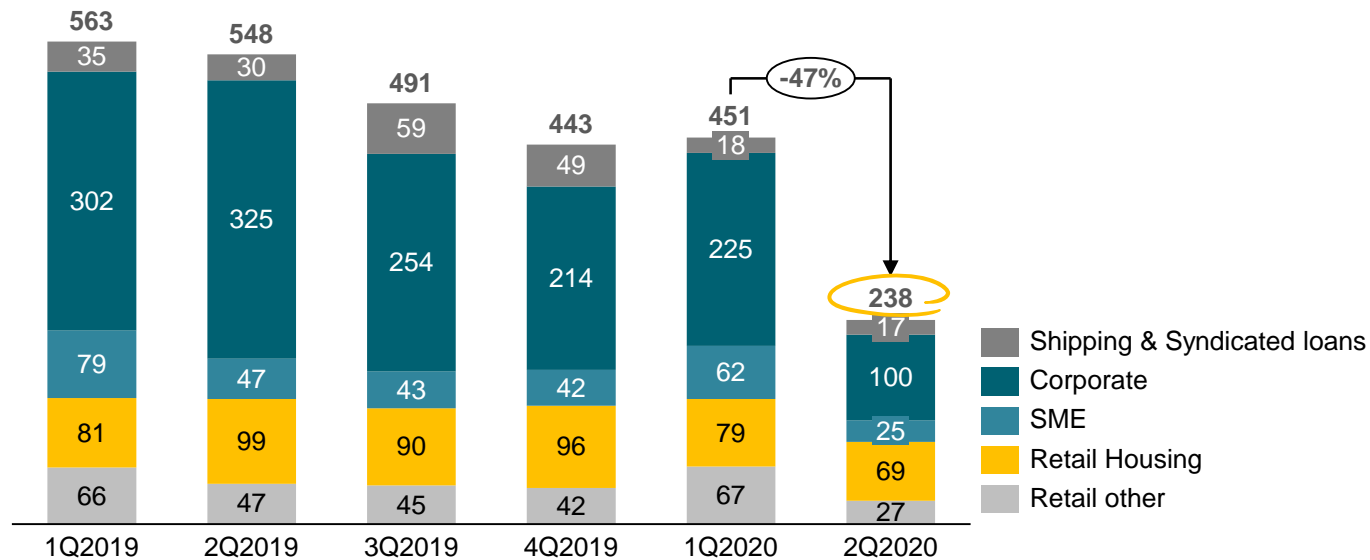
(1) GDP projections under the base scenario of: the Ministry of Finance, the EBRD, the European Commission and the Economics Research centre of the University of Cyprus



# New lending<sup>1</sup> at €238 mn in 2Q2020, reflecting COVID-19 lockdown

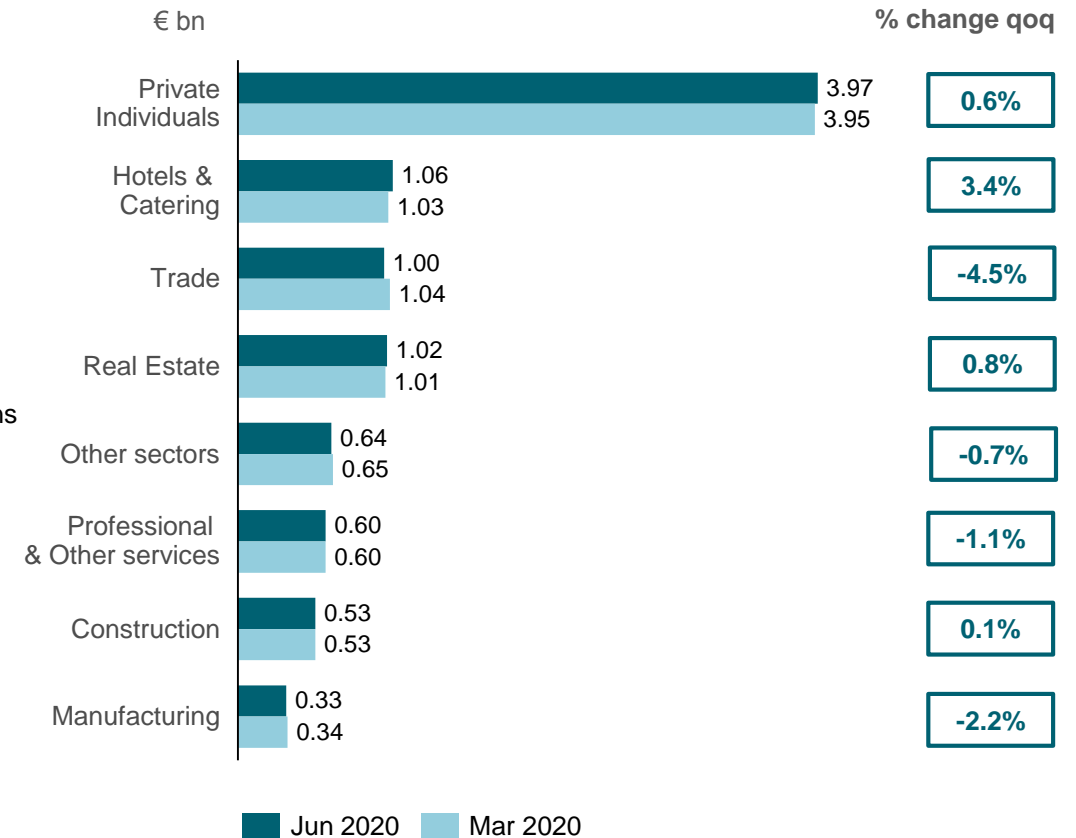
98% of new exposures<sup>2</sup> in Cyprus since 2016 were performing at the start of the moratorium

€ mn



- Following the outbreak of COVID-19, new lending is focused on supporting the Cypriot economy
- Strong market share of 52.6% in new housing loans in 1H2020
- High quality origination via prudent underwriting standards
- New lending demand expected to pick up in 2H2020, especially for housing loans in the context of the government scheme for interest rate subsidy
- Strong pipeline of over €65 mn for new housing loans, as at 21 August 2020

## Non-legacy gross loans<sup>3</sup> by business activity



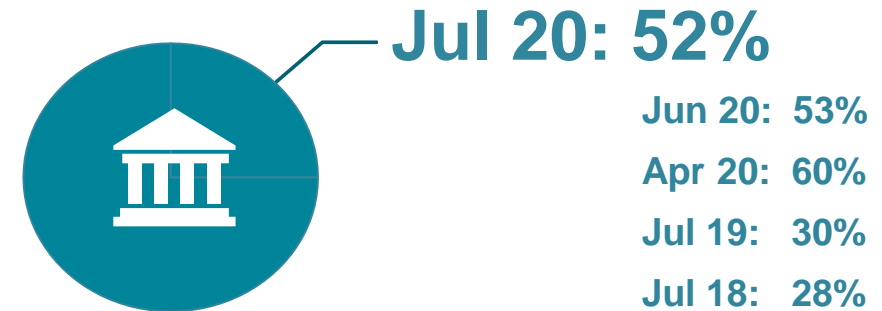
(1) New disbursements in the reporting period including the average YTD change (if positive) for overdraft facilities  
 (2) Facilities/limits approved in the reporting period  
 (3) Gross loans as at 30 June 2020: Corporate (incl. IB and W&M and Global Corporate), SME, Retail, Insurance and H/O

# Sustained Progress on Digital Transformation

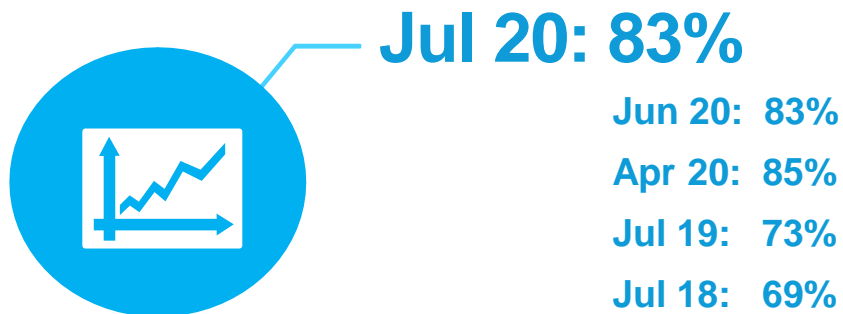
## Digitally Engaged Customers (Individuals)<sup>1</sup>



## Digital Transactions<sup>2</sup> Ratio (Legal Entities)



## Digital Transactions<sup>2</sup> Ratio (Total Portfolio)



## Average mobile logins per month



(1) 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

(2) This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs

# Supporting customers and society through COVID-19

## Loan moratorium

- **Payment holidays until end of 2020 (capital & interest) for customers with arrears <30 days as at 29 Feb 2020**
- **€6.0 bn (>25k customers approved)**
  - €2.1 bn private individuals
  - €3.9 bn businesses

## New lending

- **€689 mn** new loans in 1H2020
- Participation in the governmental schemes for the subsidy of interest rate to private individuals and businesses
- **Strong pipeline of over €65 mn** for new housing loans, as at 21 August 2020

**#RestartCY**

## Maintaining Operational Resilience

- All branches operating as usual post lockdown
- Increased usage of digital channels sustained post lockdown
- **72% of customers currently digitally engaged<sup>1</sup>** (vs 66% in 1H2019)
- **83% of total transactions<sup>2</sup>** are performed through digital channels (vs 75% in 1H2019)

## SupportCY

- Support to ministries, agencies and authorities in the fight against COVID-19
- **Donations of c.€0.5 mn for the fight of the pandemic:**
  - c.€220K for the purchase of medical equipment
  - c.€260K for the support of educational activities
- **Grants covering cost of repatriation flights**

(1) 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

(2) This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs

# Continue to support customers through payment deferrals

Payment deferrals granted to 25K customers affecting €6.00 bn gross loans

€ bn	# customers approved	Gross Loans under moratorium 30 Jun 2020	% of Gross loans (excluding legacy) <sup>1</sup>	% with ≥1 payment by 30 June 2020
Private Individuals	20,427	2.09	53%	25%
Businesses	4,627	3.91	76%	9%
<b>Total</b>	<b>25,054</b>	<b>6.00</b>	<b>66%</b>	<b>15%</b>

## Businesses

- Individual assessment of businesses was initiated in May 2020, with an initial focus on high risk customers
- Largest 30 businesses under moratorium amount to €1.7 bn or nearly half of all business loans under moratorium; over 70% has been reviewed without triggering a change in UTP<sup>2</sup>
- 9% of businesses under moratorium paid at least 1 instalment, until 30 June 2020

## Private Individuals

- Individual assessments of private individuals under moratorium has also commenced with priority to individuals with low credit scoring and employed in high risk industries, such as tourism
- One quarter of private individuals under moratorium paid at least 1 instalment until 30 June 2020

## COVID-19 moratorium until the end of 2020, as per government measures

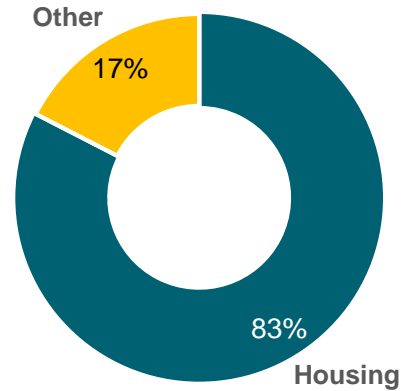
- Application period ended 30 June 2020
- Moratorium period of up to Dec 2020 to address seasonality of the Cypriot economy
- Capital plus interest; Interest continues to accrue
- COVID-19 moratorium does not trigger automatic reclassification due to forbearance
- Continue to monitor the creditworthiness of customers who applied for the loan moratorium

(1) Gross loans as at 30 June 2020: Corporate (incl. IB and W&M and Global Corporate), SME, Retail, Insurance and H/O

(2) Unlikely to pay criteria

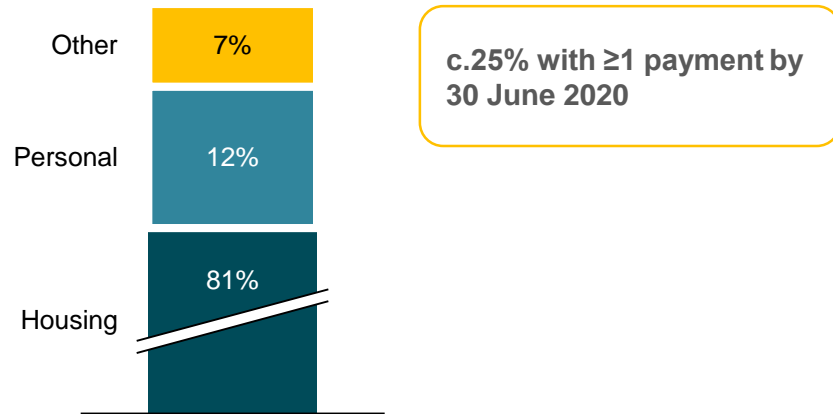
# Private individuals loan portfolio, highly collateralised

## Private Individuals: €3.97 bn



- **Housing performing loans: €3.28 bn**
  - Low LTV<sup>1</sup> housing portfolio
  - 65% of portfolio with LTV<sup>1</sup><60%
  - Only 15% of portfolio with LTV<sup>1</sup>>80%
- **Other: €0.69 bn**
  - 61% secured portfolio
    - of which 59% with property
    - of which 41% with other type of collateral

## Payment deferrals: €2.09 bn



LTV <sup>1</sup>	Housing €3.28 bn	Other €0.69 bn
< 60%	65%	29%
60%-80%	20%	5%
80-100%	7%	5%
>100%	8%	61%

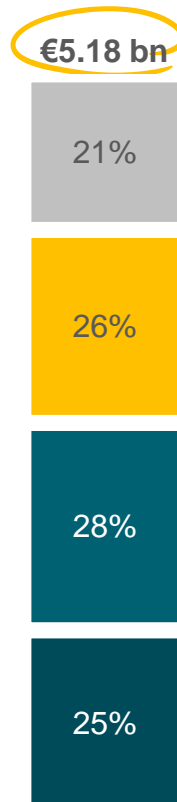
1) Loan to Value (LTV) is calculated as the Gross IFRS Balance to the indexed market value of the property. Under Pillar 3 disclosure, LTV is calculated as the Gross IFRS Balance to the indexed market value of collateral. Collateral takes into consideration the mortgage amount registered in the land registry plus legal interest from registration date to the reference date

# Business portfolio well diversified, with high quality collateral

## Business gross loans (excluding Legacy)<sup>1</sup>

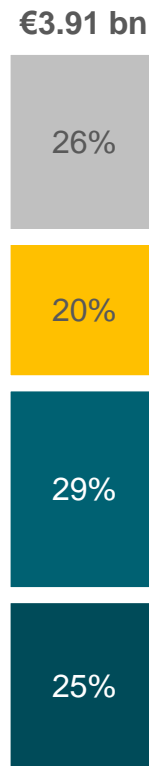
- **High Impact: (21%)**
  - Tourism (Hotels & Catering)
- **Medium Impact: (26%)**
  - Trade
  - Manufacturing
- **Moderate Impact: (28%)**
  - Construction
  - Transportation and storage
- **Low: (25%)**
  - Real Estate
  - Education
  - Health

## Breakdown, by Covid-19 impact



## Payment deferrals

- **9% with ≥1 payment by 30 June 2020**



- **High quality origination via prudent underwriting standards**
  - Strong assessment of repayment capability
  - Strict origination standards
  - Effective foreclosure law in place, following the amendments in recent years
- **98% of new exposures<sup>2</sup> since 2016 were performing at the start of the moratorium**
- **89% of portfolio secured**
  - of which 79% with property
  - of which 21% other type of collateral
- **Low LTV<sup>3</sup> business portfolio; 72% of the portfolio with LTV<sup>3</sup><80%**

LTV <sup>3</sup>	High	Medium	Moderate	Low	Total
< 80%	94%	58%	67%	73%	<b>72%</b>
>80%	6%	42%	33%	27%	<b>28%</b>
Total	100%	100%	100%	100%	<b>100%</b>

(1) Gross loans as at 30 June 2020 of Corporate (incl. IB and W&M and Global Corporate), SME, Retail, Insurance and H/O

(2) Facilities/limits approved in the reporting period

(3) Loan to Value (LTV) is calculated as the Gross IFRS Balance to the indexed market value of the property. Under Pillar 3 disclosures LTV is calculated as the Gross IFRS Balance to the indexed market value of collateral. Collateral takes into consideration the mortgage amount registered in the land registry plus legal interest from registration date to the reference date

# Portfolio exposure to businesses most impacted by COVID-19

## Tourism: €1.06 bn

Hotels & Catering	31 Mar 2020 € bn	30 Jun 2020 € bn	% of portfolio
Food services	0.06	0.06	5%
Accommodation	0.97	1.00	95%
<b>Total</b>	<b>1.03</b>	<b>1.06</b>	<b>100%</b>
<b>Unutilised Liquidity<sup>1</sup></b>	<b>0.34</b>	<b>0.31</b>	
- of which deposits	0.28	0.26	25%

- Majority of Accommodation customers entered the crisis with significant liquidity, following strong performance in recent years
- c.€1.0 bn or 95% under payment deferrals
- Payroll subsidy by the government of up to 60% for hotels whose turnover was reduced by more than 35%-40%

## Trade: €1.00 bn

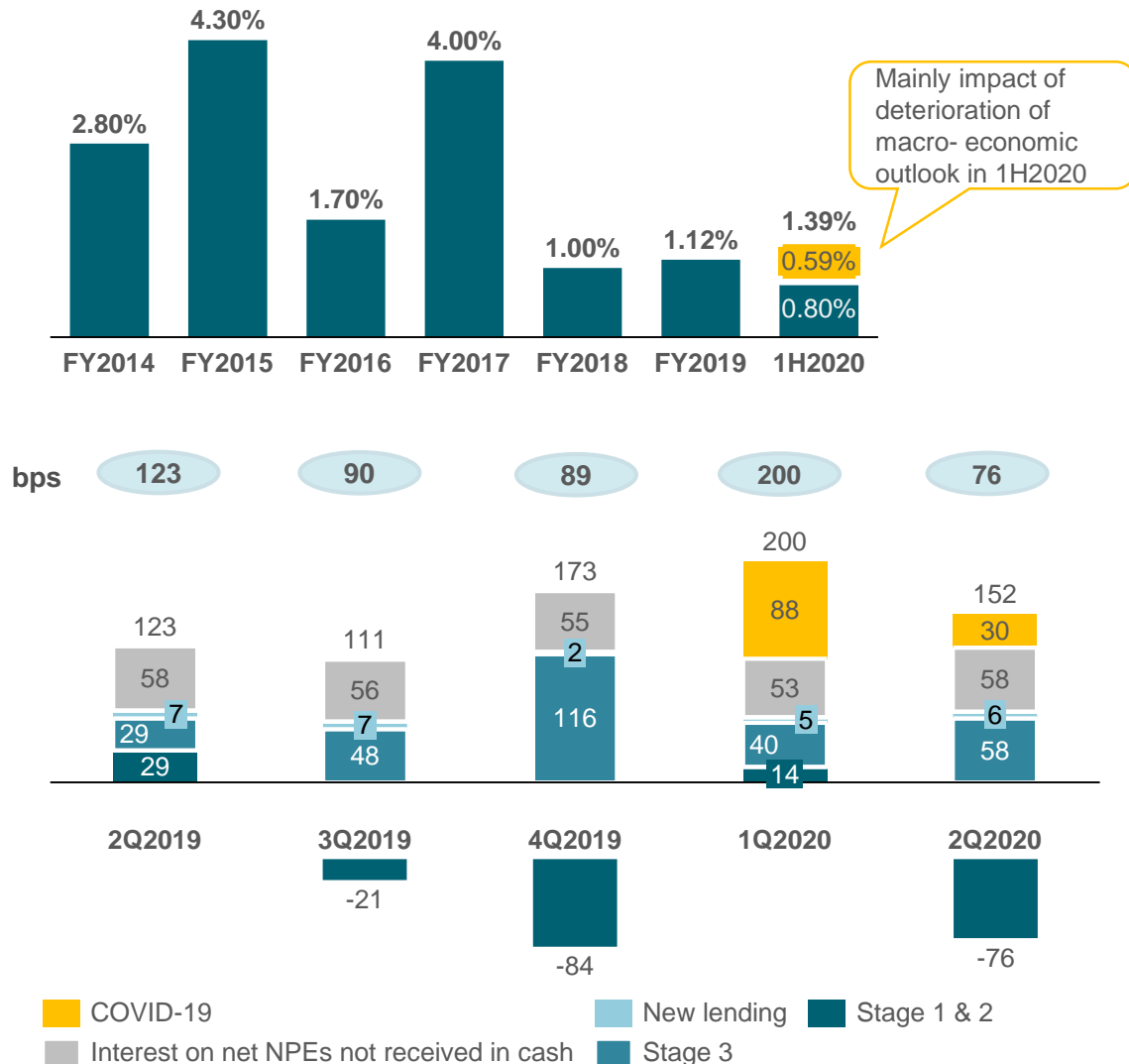
Trade	31 Mar 2020 € bn	30 Jun 2020 € bn	% of portfolio
Supermarkets, pharmacies and other essential retail businesses	0.30	0.29	29%
All other	0.74	0.71	71%
<b>Total</b>	<b>1.04</b>	<b>1.00</b>	<b>100%</b>
<b>Unutilised Liquidity<sup>1</sup></b>	<b>0.83</b>	<b>0.88</b>	
- of which deposits	0.53	0.56	56%

- c.29% tied up to lower risk essential retail services, not materially impacted by COVID-19
- €0.6 bn or 59% under for payment deferrals

(1) Unutilised overdraft amounts and deposits



# Cost of risk<sup>1</sup> reduced to 76 bps for 2Q2020



Update of IFRS 9 macroeconomic assumptions for the Bank driving increase in COR by 59 bps in 1H2020

Base Scenario	GDP		Unemployment rate	
	1Q2020	2Q2020	1Q2020	2Q2020
2020	-6.9%	-6.3%	9.1%	9.2%
2021	5.4%	5.6%	7.6%	8.0%

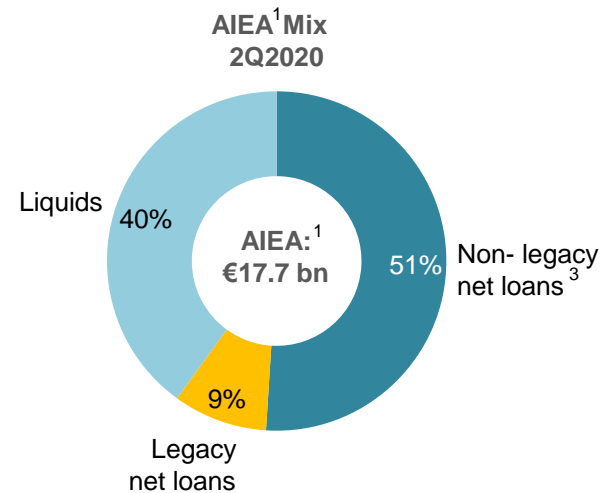
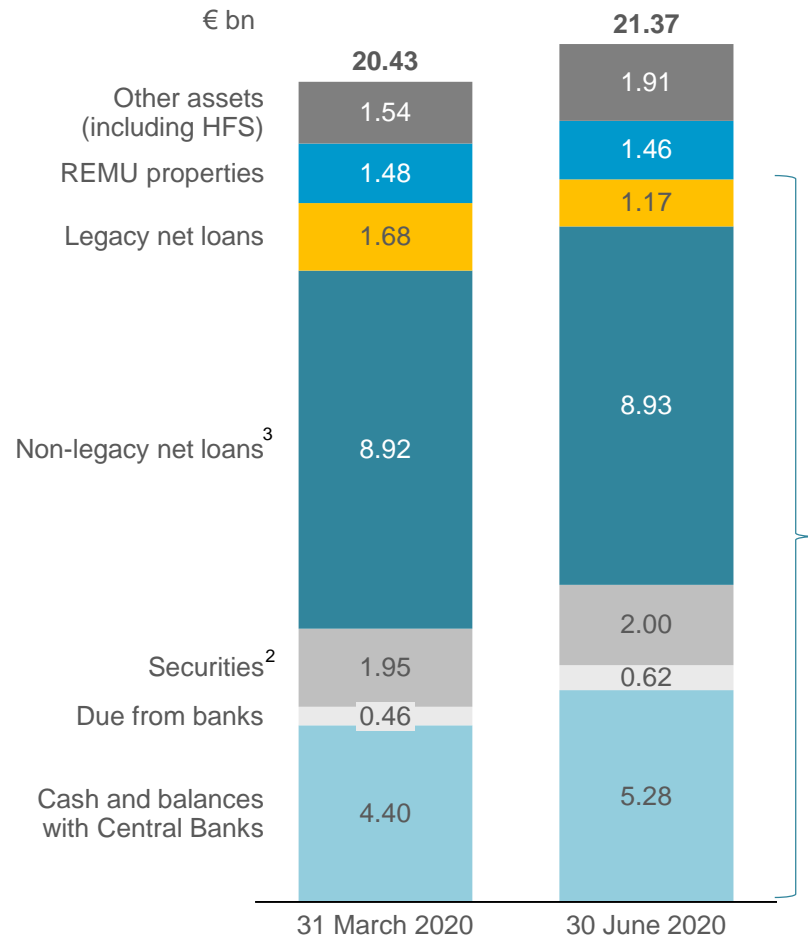
- Cost of risk of 139 bps for 1H2020, of which 59 bps (€38 mn) reflect the initial impact of IFRS 9 Forward Looking Information (FLI) driven by deterioration of macroeconomic outlook recognised in 1H2020
- COVID-19 related charge of 30 bps (€10 mn) in 2Q2020
- Cost of risk of 105 bps for 2Q2020, when excluding one-off reversal of 59 bps and COVID-19 related charge of 30 bps
- In addition,
  - Helix 2 loss of €68 mn and loan credit losses of €21 mn for potential future NPE sales recorded in 2Q2020
  - Other impairments of €25 mn on specific, large, illiquid REMU properties recorded in 2Q2020
- Interest on Net NPEs not received in cash, fully provided (€18 mn in 2Q2020)

(1) Loan credit losses on customer loans including off-balance sheet exposures, net of gains/(losses) on derecognition of loans and advances to customers and change in expected cash flows over average gross loans

# Balance Sheet and Asset Quality

# Balance sheet composition

## Total assets



## Total equity & liabilities



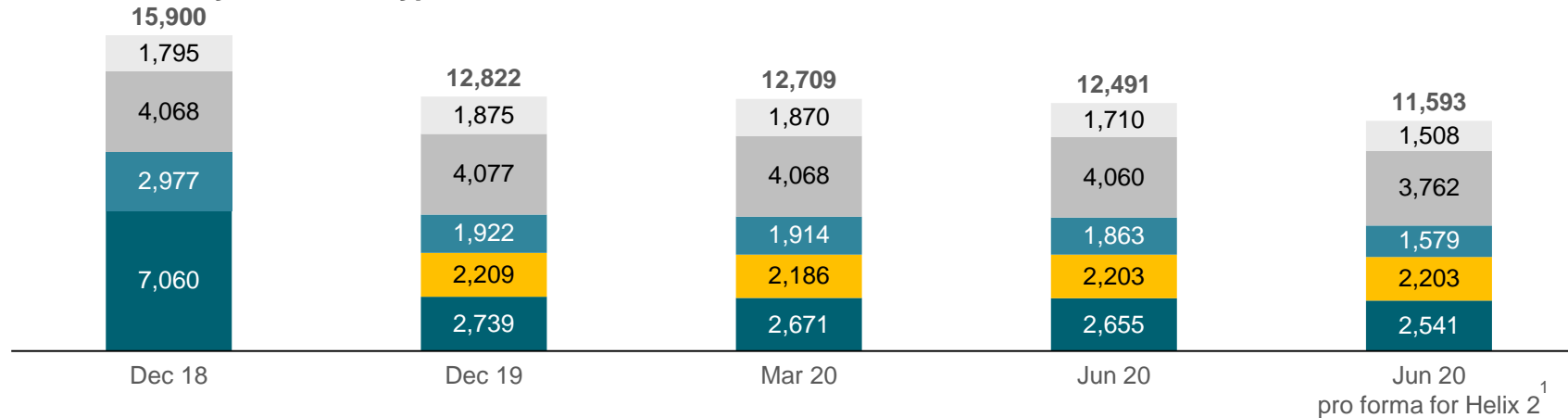
(1) AIEA: Average Interest earning assets. Please refer to slide 75 for the definition

(2) Debt securities, treasury bills and equity investments

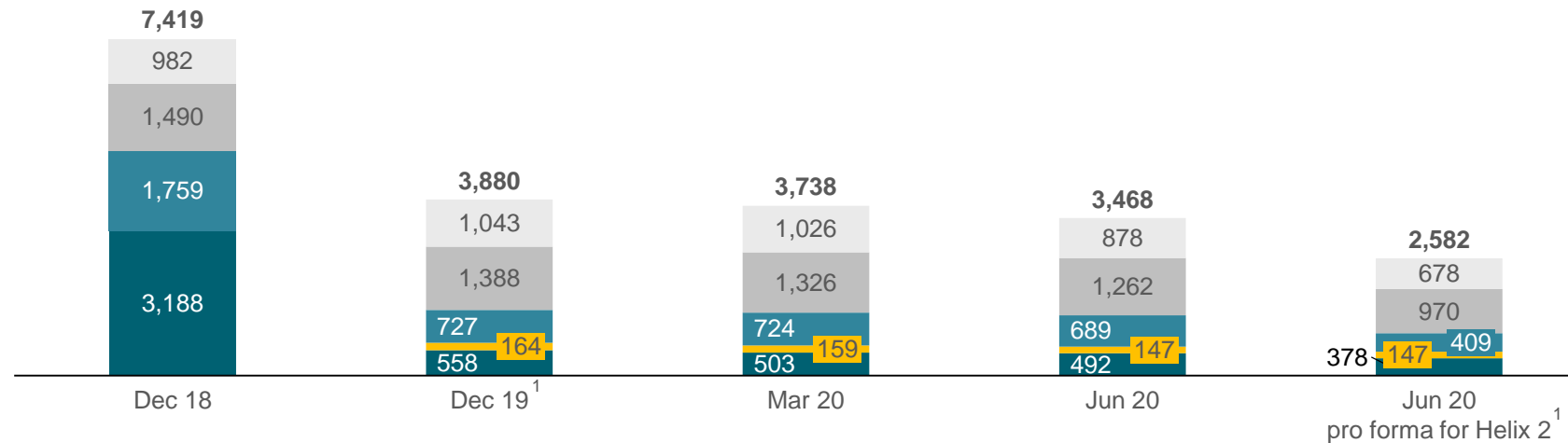
(3) Gross loans as at 30 June 2020 of Corporate (incl. IB and W&M and Global Corporate), SME, Retail, Insurance and H/O

# Gross loans and NPEs by Customer Type

Gross loans by customer type (€ mn)



NPEs by customer type (€ mn)

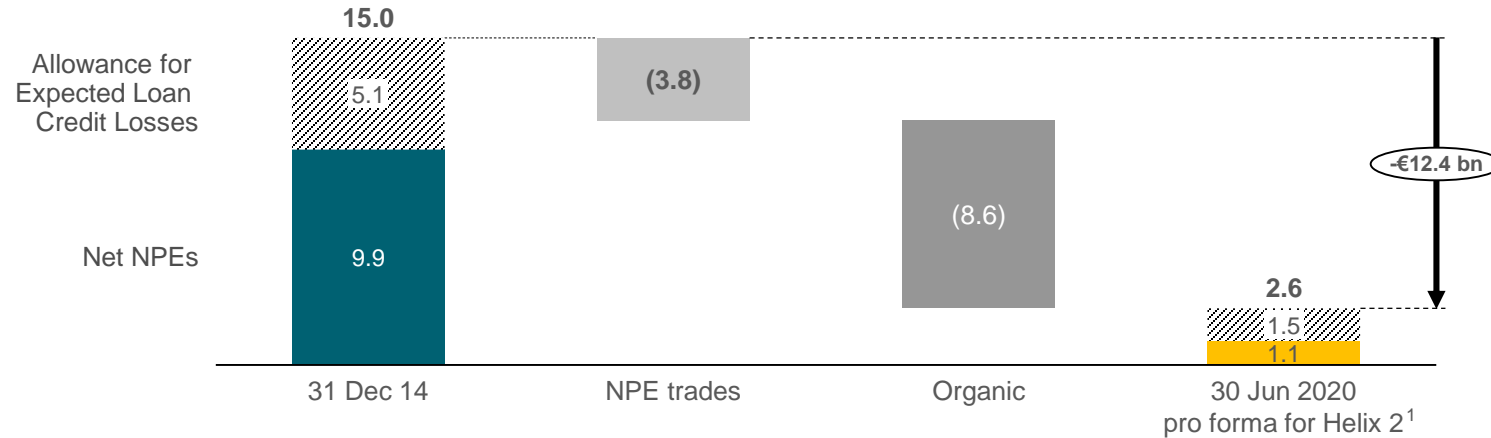


Retail other
  Retail Housing
  SMEs
  Global Corporate
  Corporate

(1) Calculations on a pro forma basis assume completion of the transaction

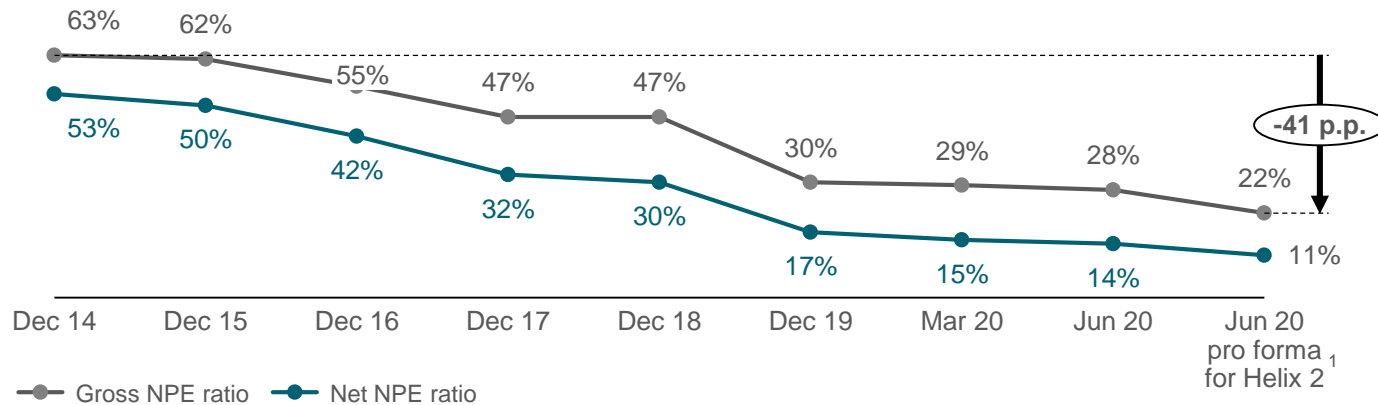
# >€12 bn or 83% NPE reduction since peak

NPEs (€ bn)



- €12.4 bn or 83% NPE reduction since peak
  - ✓ c.€3.8 bn through trades
  - ✓ c.€8.6 bn organic

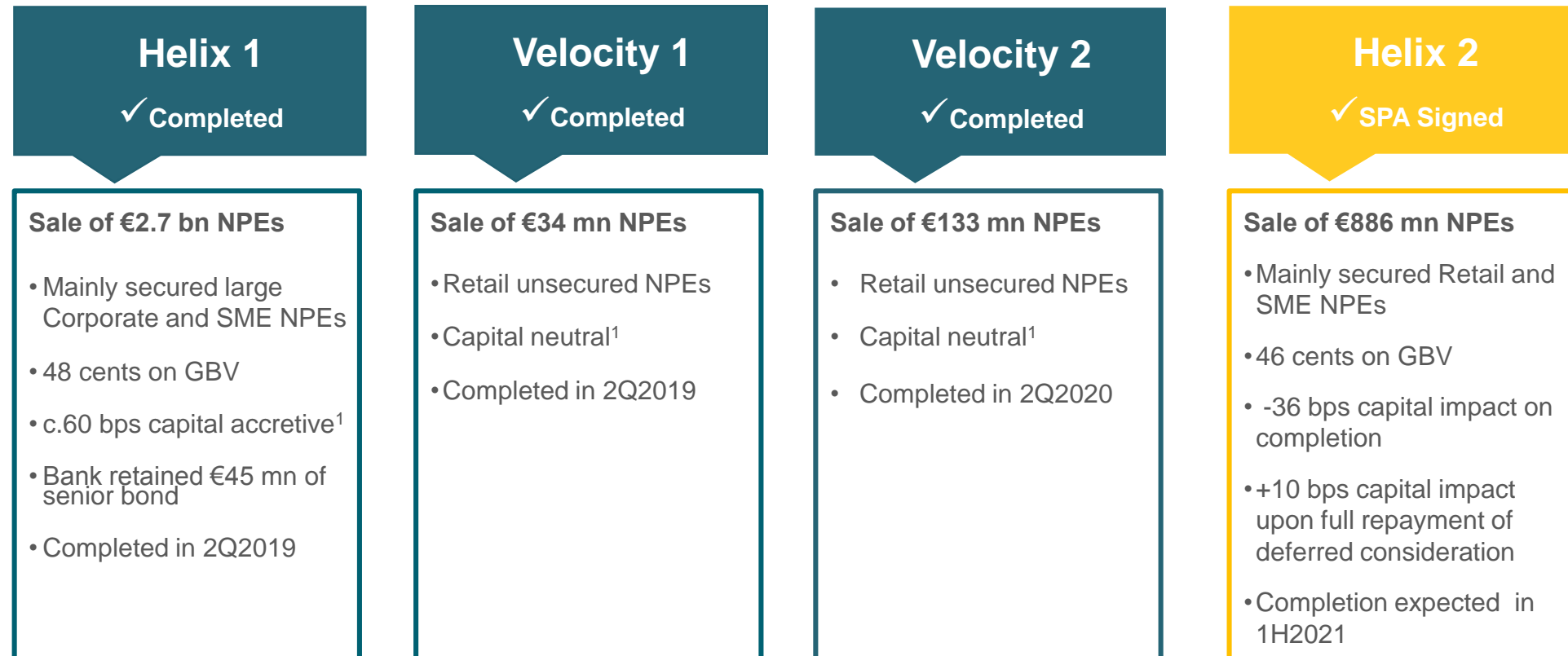
## Gross NPE ratio reduced to 22%; 11% on a net basis pro forma for Helix 2<sup>1</sup>



- NPE ratio reduced to 22% pro forma for Helix 2<sup>1</sup> (11% on a net basis)
- Helix 2 reduced NPE ratio by 6 p.p.
- 41 p.p. reduction since peak

(1) Calculations on a pro forma basis assume completion of the transaction

# Accelerated de-risking: NPE sales of €3.8 bn since 2H2018



**Continue to assess acceleration of de-risking through additional NPE sales in the future**

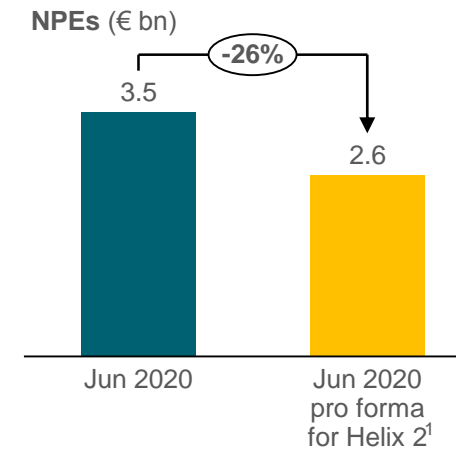
(1) On completion

# €0.9 bn NPE sale agreed, reducing NPE ratio to 22%<sup>1</sup>

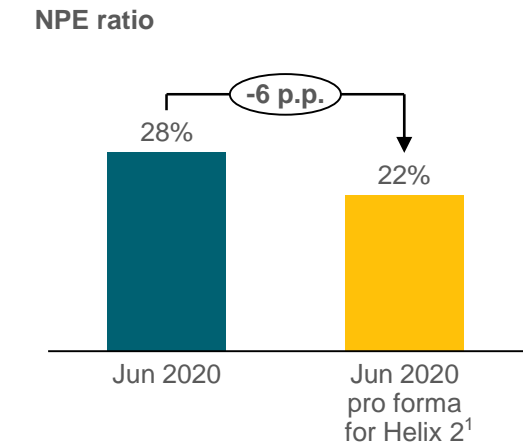
## Helix 2

- Agreement for the sale of €886 mn NPEs
- Completion expected in 1H2021
- Gross consideration of 46% of gross book value and 29% of contractual balance<sup>3</sup>, payable in cash, of which 65% is deferred and paid in instalments over 48 months from completion, without any conditions attached
- The consideration can be increased through an earnout arrangement, depending on the performance of the Helix 2 portfolio
- NPEs reduced by 26% to €2.6 bn<sup>1</sup>
- NPE ratio reduced by 6 p.p. to 22%<sup>1</sup>
- Net NPEs reduced to €1.1 bn<sup>1</sup> (-89%<sup>1</sup> since peak)
- Loss of €68 mn recorded in 1H2020
- -36 bps CET1 capital impact at completion
- +10 bps CET1 capital impact upon full payment of deferred consideration

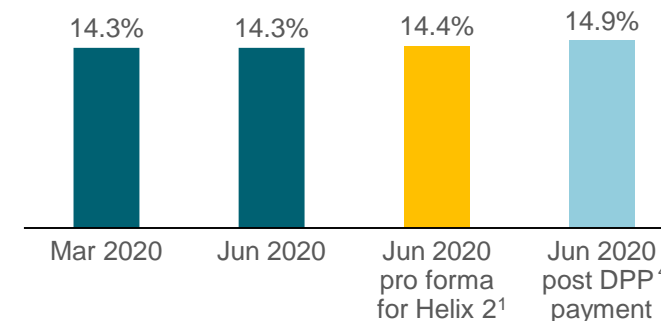
### 26% NPE reduction



### 6 p.p. reduction in NPE ratio



### CET1 ratio at 14.4%<sup>2</sup> pro forma for Helix 2<sup>1</sup>



#### Total CET1 impact +10 bps:

- 48 bps already included in 2Q2020
- +12 bps on completion
- +46 bps upon full payment of deferred consideration

(1) Calculations on a pro forma basis assume completion of the transaction

(2) Allowing for IFRS 9 transitional arrangements

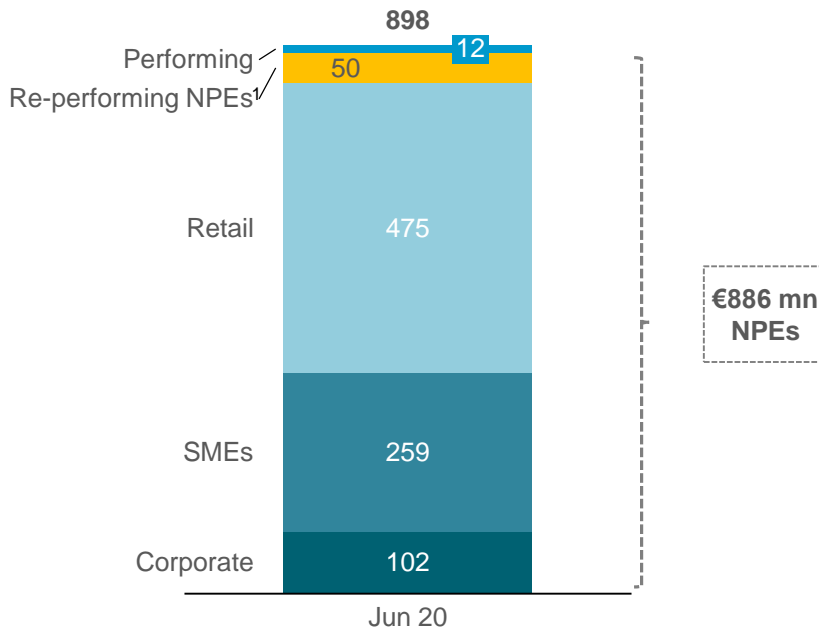
(3) As at 30 September 2019

(4) Deferred Purchase Price



# €0.9 bn NPE Trade Delivers Accelerated Risk Reduction

€898 mn Helix 2 portfolio (€ mn)



30 June 2020

Assets sold	€ mn	Receipts	€ mn
Contractual Loans <sup>2</sup>	1.478	Consideration	422
Gross Loans	898	of which:	
of which NPEs	886	- Cash	148
Provisions Held	(479)	- Deferred Purchase Price	274
Other <sup>3</sup>	34	Transaction Costs and other adjustments	(37)
Carrying Value of assets being sold	453	Consideration net of transaction costs and other adjustments	385
P/L Impact: (68)			

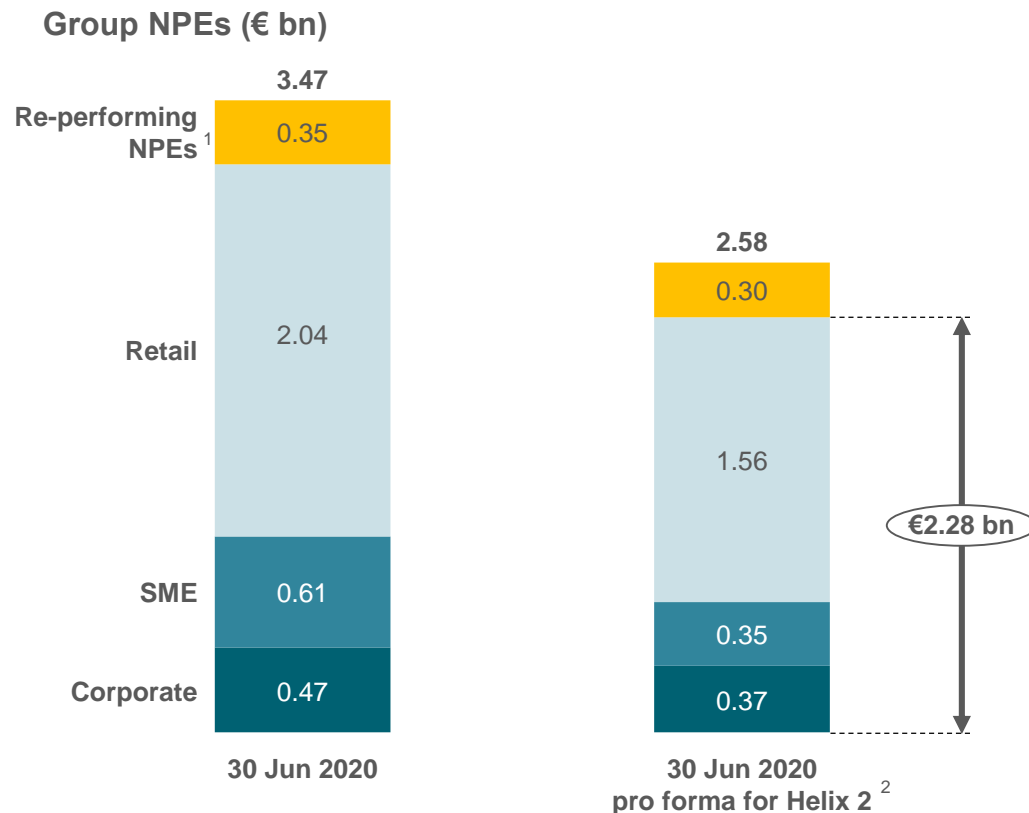
- Contractual balance<sup>2</sup> of €1.48 bn as at 30 June 2020
- Portfolio comprises 22,224 loans, mainly to Retail and SME clients, secured over 5,616 real estate collaterals
- Completion remains subject to a number of customary regulatory and other approvals, currently estimated to occur in the 1H2021

(1) In pipeline to exit NPEs subject to meet all exit criteria; the analysis is performed on a customer basis (formerly called Non-core NPEs)

(2) The difference between the contractual balance and the GBV relates to IFRS adjustments/unrecognised income and non-contractual write-offs

(3) DFAs and cash already received by 30 June 2020

# Clear strategy for residual NPEs



## Re-performing NPEs<sup>1</sup>: €0.30 bn<sup>2</sup>

- Close monitoring of redefaults & quality of restructurings
- c.€275 mn re-performing NPEs applied to the loan moratorium scheme, extending their exit date

## Core NPEs : €2.28 bn<sup>2</sup>

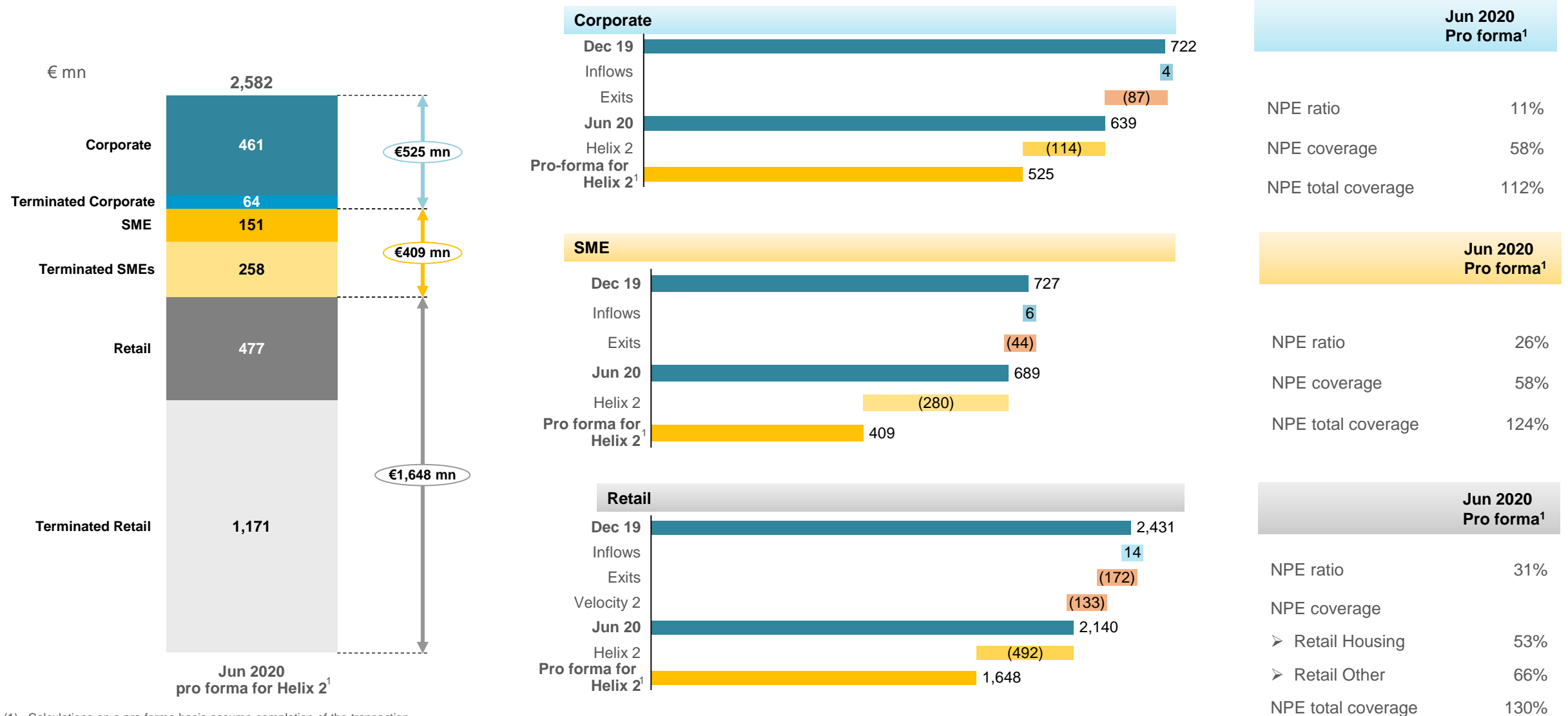
- Sale of €886 mn mainly Retail and SME secured NPEs (Helix 2) expected to be completed in 1H2021
- Completion of sale of €133 mn retail unsecured NPEs (Velocity 2) in 2Q2020
- Following COVID-19 outbreak, focus on arresting any potential asset quality deterioration and early managing of arrears
- Continue to seek organic solutions, including the realisation of collateral via consensual and non consensual foreclosures
- Remain committed to assessing the potential to accelerate the decrease in NPEs through additional sales of NPEs in the future

(1) In pipeline to exit NPEs subject to meet all exit criteria; the analysis is performed on a customer basis (formerly called Non-core NPEs)

(2) Calculations on a pro forma basis assume completion of the transaction

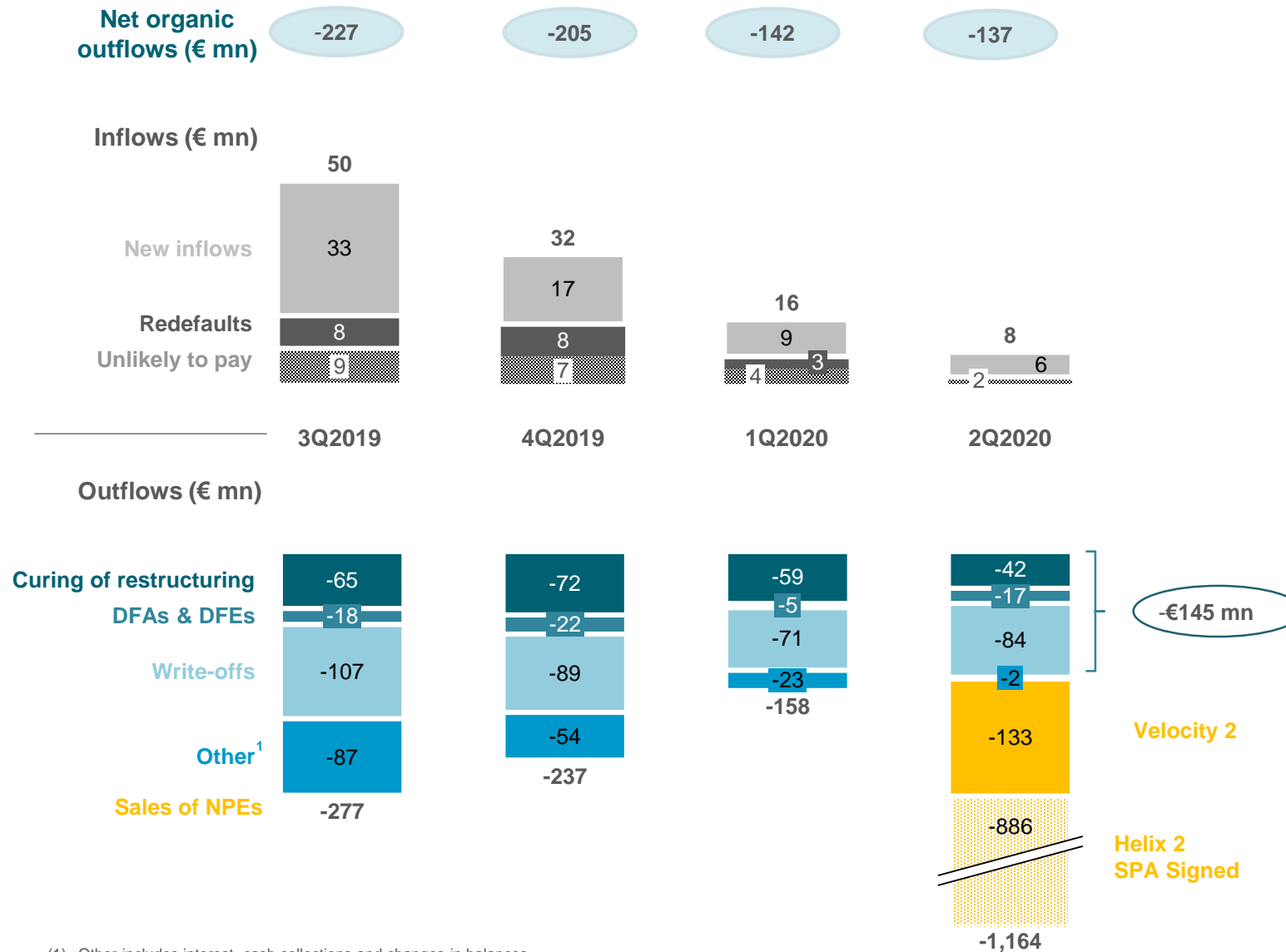
# Continuous progress across all segments

Focus shifts to Retail and SME after intense Corporate attention



(1) Calculations on a pro forma basis assume completion of the transaction

# €145 mn organic NPE outflows in 2Q2020, leading to €137 mn organic NPE reduction

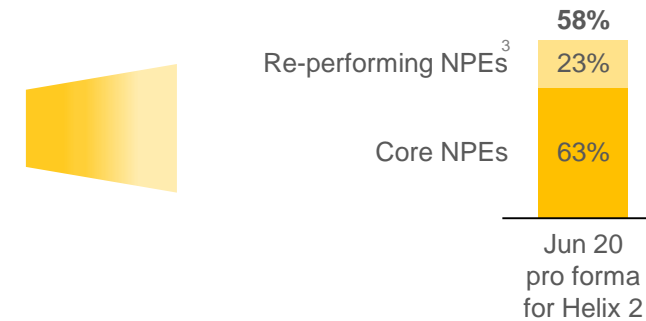
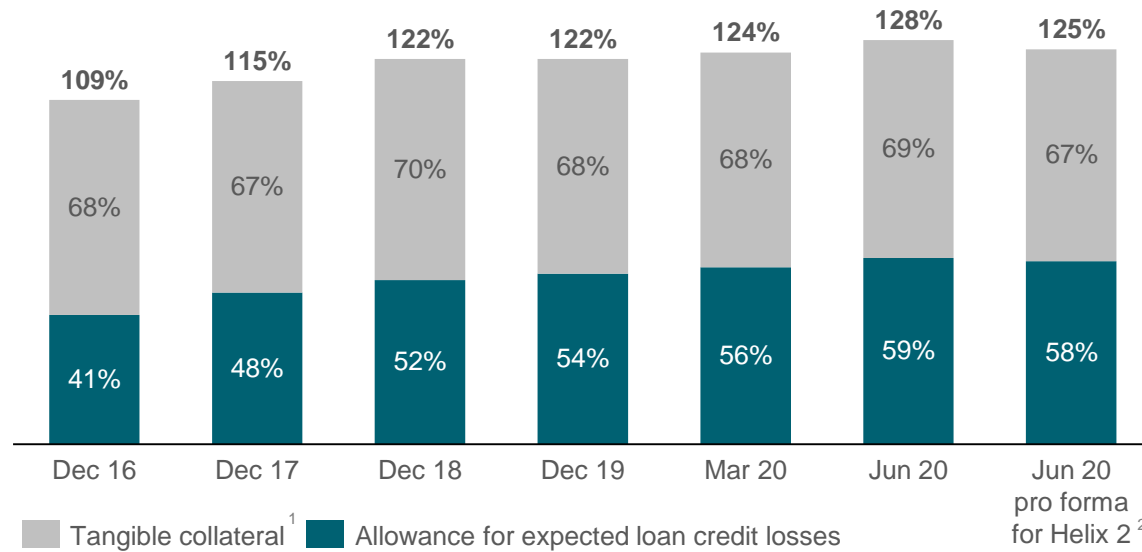


- €145 mn organic outflows, maintained at similar levels to 1Q2020, despite COVID-19
- Helix 2 reduces NPEs by €886 mn
- Completion of Velocity 2 reduced NPEs by €133 mn

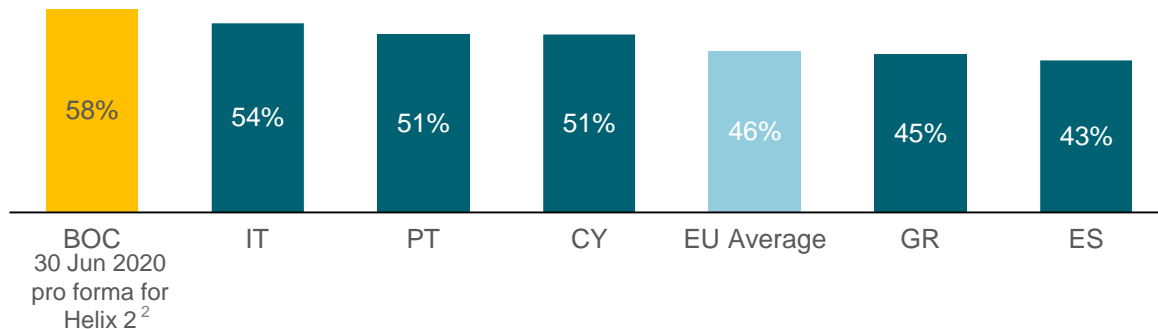
(1) Other includes interest, cash collections and changes in balances

# Coverage and collateral maintained post Helix 2

## NPE total coverage at 125% when collateral included pro forma for Helix 2<sup>2</sup>



## NPE coverage remains above EU average<sup>4</sup>



- Cash coverage increased to 58% pro forma for Helix 2<sup>2</sup>
- Cash coverage of Core NPEs at 63%, pro forma for Helix 2<sup>2</sup>
- Collateral coverage at 67%

(1) Restricted to Gross IFRS balance

(2) Calculations on a pro forma basis assume completion of the transaction

(3) In pipeline to exit NPEs subject to meet all exit criteria; the analysis is performed on a customer basis (formerly called Non-core NPEs)

(4) Based on EBA Risk Dashboard as at 31 March 2020

# NPE Coverage and Total coverage by segment

Coverage and collateral maintained post Helix 2<sup>2</sup>

■ Tangible Collateral<sup>1</sup>  
■ Allowance for expected loan credit losses

Corporate €378 mn

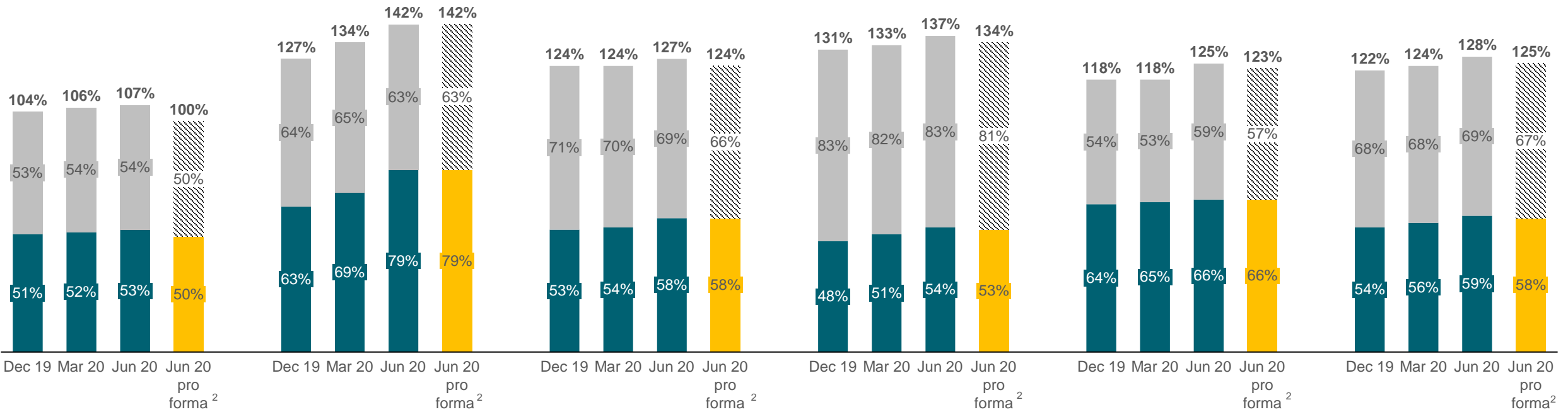
Global Corporate: €147 mn

SME €409 mn

Retail-Housing €970 mn

Retail-Other €678 mn

Total €2,582 mn

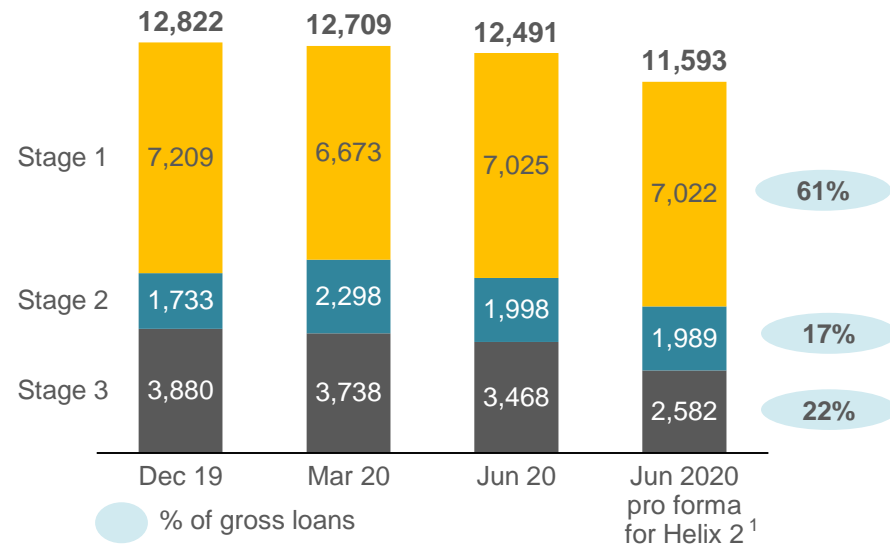


(1) Restricted to Gross IFRS balance

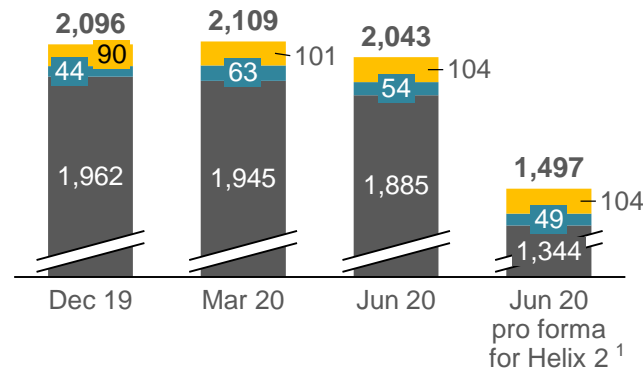
(2) Calculations on a pro forma basis assume completion of the transaction

# Gross loans and coverage by IFRS 9 staging

Gross loans by IFRS 9 stage (€ mn)



Allowance for expected loan credit losses (€ mn)



Coverage ratio

	Dec 2019	Mar 2020	Jun 2020	Jun2020 pro forma for Helix 2 <sup>1</sup>
Stage 1	1.2%	1.5%	1.5%	1.5%
Stage 2	2.5%	2.8%	2.7%	2.5%
Stage 3	50.6%	52.0%	54.4%	52.1%

- Migration of c.€360 mn gross loans from Stage 2 to Stage 1 during 2Q2020, due to enriched data availability
- Coverage for Stage 3 loans maintained post Helix 2 (52.1%)
- Individual assessment of businesses under moratorium was initiated in May 2020, with an initial focus on high risk customers
- Largest 30 businesses under moratorium amount to €1.7 bn or nearly half of all business loans under moratorium; over 70% has been reviewed without triggering a change in UTP
- Individual assessments of private individuals under moratorium has also commenced with priority to individuals with low credit scoring and employed in high risk industries, such as tourism

(1) Calculations on a pro forma basis assume completion of the transaction



# Foreclosures resume on 1 September 2020

	Cumulative 2016 – 2018 <sup>1</sup>	FY2019	1H2020		1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Foreclosures commenced <sup>2</sup>	1,437	1,829	593 <sup>3</sup>		330	527	436	536	593 <sup>3</sup>	-
Auctions held	470	807	164 <sup>3</sup>		82	163	189	373	164 <sup>3</sup>	-

- Following COVID-19 outbreak, foreclosure process suspended until 31 August 2020, in line with the latest decision of the Association of Cyprus Banks
- In July 2019 the Parliament has voted through certain changes to the foreclosure law which, in the most part, seek to:
  - Provide additional checks and balances where banks are seeking to foreclose small loans (<€350k) secured by a Principal Primary Residence, and
  - Extend the foreclosure timetable by extending various notice periods
- These amendments were passed into law in June 2020
- The amendments extend the foreclosure process by c.1 month to c.9 months

(1) Excluding Helix

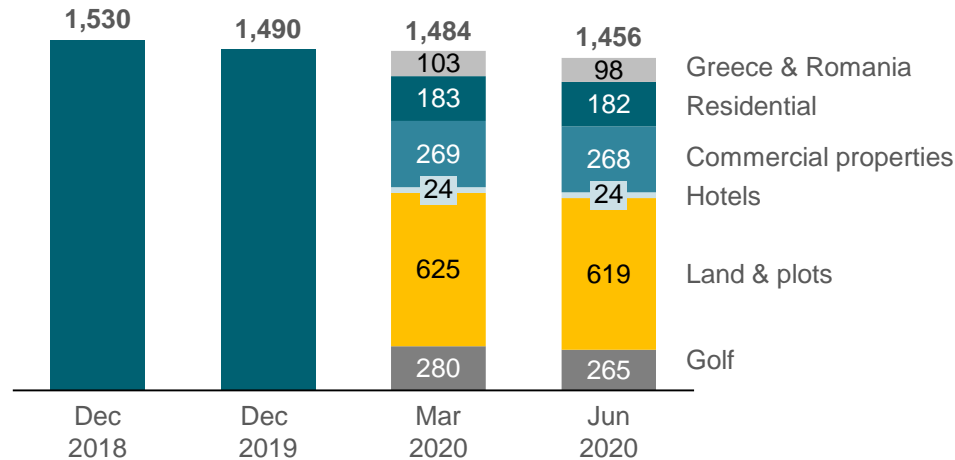
(2) The foreclosure process is considered to have commenced upon serving notice to the mortgagor

(3) Foreclosures commenced and auctions held up to ACB announcement suspending foreclosures until 31 August 2020

# Lower REMU sales due to COVID-19 lockdown

## Evolution of REMU stock<sup>1</sup>

Group BV (€ mn)



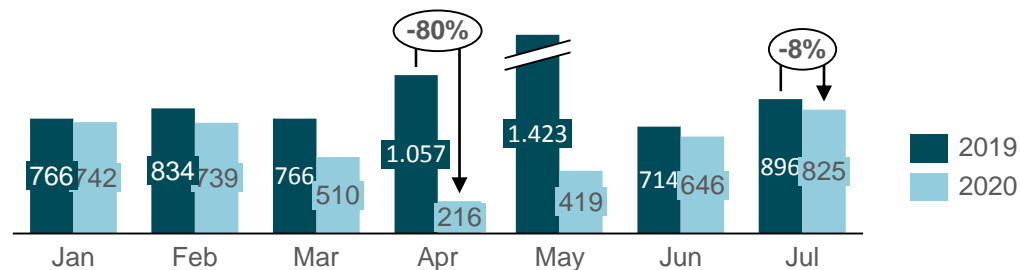
## €27 mn sales in 1H2020

Sales contract prices<sup>2</sup> – Organic (€ mn)



## Property market starting to recover post lockdown

Sale contracts (excluding DFA's)<sup>3</sup>



- Temporary slowdown of REMU sales due to COVID-19 lockdown
- Visible pipeline for €53 mn (SPAs signed)
- Offers accepted for €15 mn
- Regulatory approval received for the setup of an Additional Investment Fund (AIF) consisting of properties of up to €45 mn GBV

(1) In addition to assets held by REMU, properties classified as "Investment properties" with carrying value of €23 mn as at 30 June 2020 relate to legacy properties

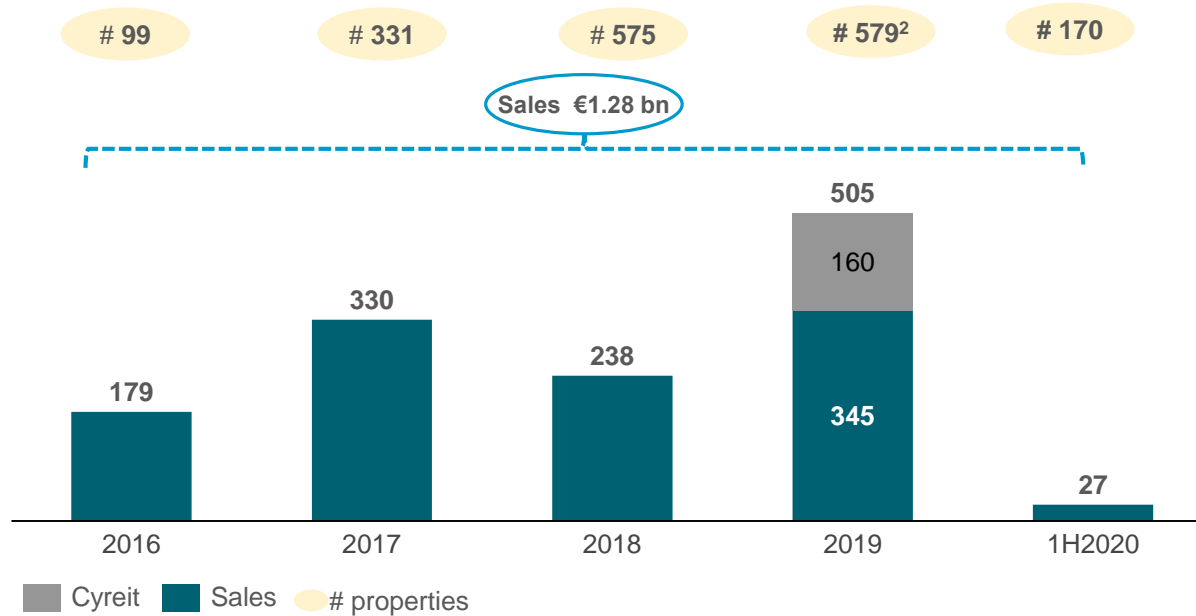
(2) Amounts as per Sales purchase Agreements (SPAs)

(3) Based on data from Land of Registry- Sales contracts

# REMU: €1.28 bn sales of 1,754 properties across all property classes since set-up in Jan 2016

## Sales since Real Estate Management Unit set-up

Sales contract prices<sup>1</sup> (€ mn)



- Asset disposal strategy tackles both value and volume of assets
- Asset disposals across all property classes
- 58% of Legacy<sup>3</sup> and 46% of 2016 book assets now sold
- 36% of sales (by value) relate to land

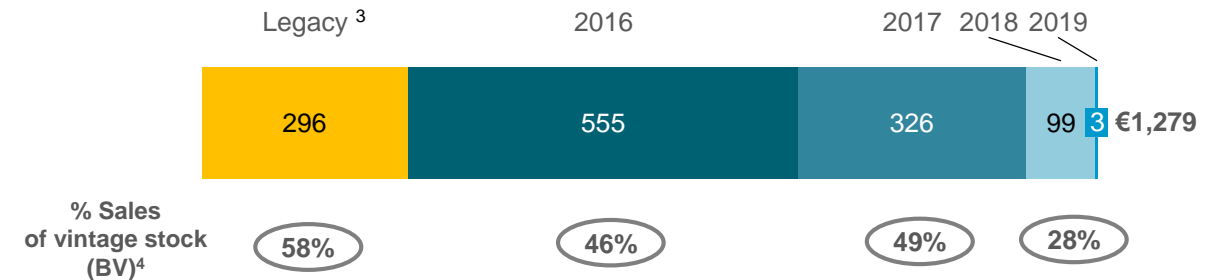
(1) Amounts as per Sales purchase Agreements (SPAs)

(2) Number of properties sold include 21 properties from the disposal of Cyreit and 23 properties from NPE sale (Helix)

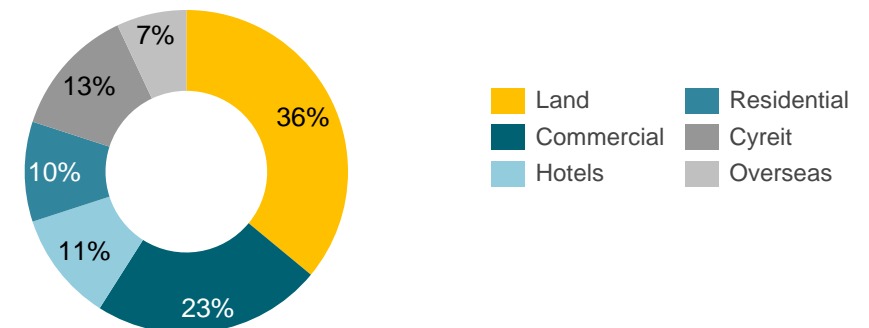
(3) Legacy properties relate to properties that were on-boarded before REMU set-up in January 2016

## Breakdown of cumulative sales<sup>1</sup>

by on-boarding year (€ mn)



by property type

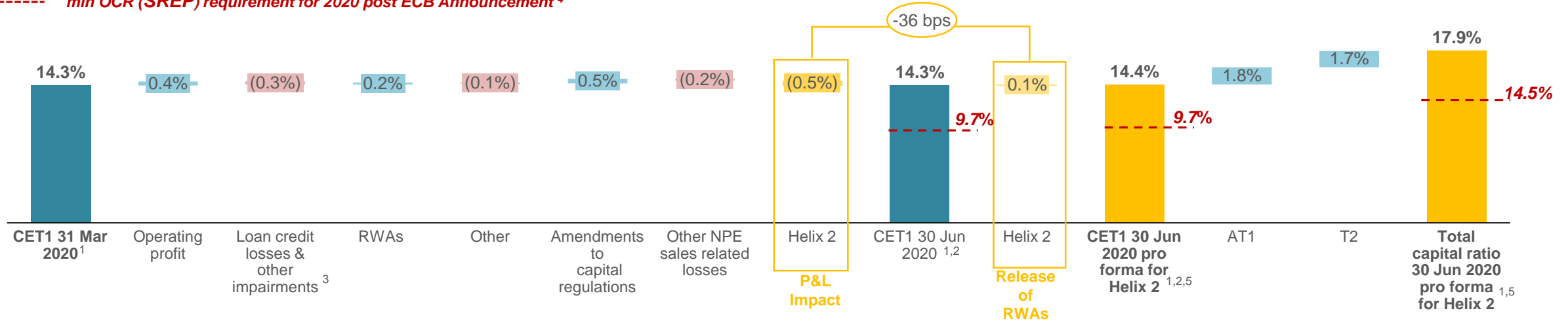


(4) The BV of the properties disposed at the date of disposal as a proportion of the: BV of the properties disposed at the time of the disposal plus the BV of the residual properties managed by REMU as at 30 Jun 2020

# Capital, MREL and Liquidity

# CET1 at 14.4% pro forma for Helix 2<sup>5</sup>

----- min OCR (SREP) requirement for 2020 post ECB Announcement <sup>4</sup>



- Helix 2 reduces capital by 36 bps on completion
- c.40 bps organic capital generation from operating profitability
- Loan credit losses and other impairments<sup>3</sup> reduced capital by c.30 bps
- c.50 bps capital benefit from amendments to capital regulations
- Flexibility to operate below Capital Conservation Buffer (CCB) and P2G, at least until end of 2022

## Amendments in capital regulations in June 2020

### Benefit recorded in 2Q2020

- SME factor: c.+ 40 bps
- Extension of IFRS 9 transitional arrangements: c.+10 bps

+50 bps

### Benefit not yet recorded

- Add back to CET1 of unrealised losses on government debt : c.+10 bps
- No full deduction of software assets from CET1: c.+10 bps

+20 bps

- Helix 2 benefit upon full payment of deferred consideration: +46 bps
- Onsite inspection by the SSM on the stock of REMU properties completed
  - Findings relating to a possible prudential charge of up to c.50 bps, under review by SSM
  - Size and timing of impact, if any, uncertain

1. Allowing for IFRS 9 transitional arrangements

2. The CET1 ratio for 30 June 2020, including the full impact of IFRS 9 amounted to 12.6% and 12.7% pro forma for Helix 2

3. Loan credit losses and other impairments include the net change of the prudential charges relating to specific credits and other items

4. OCR(SREP)- Overall Capital Requirement comprises the Total SREP Capital Requirement (Pillar 1 and Pillar 2 Requirement) plus combined buffer requirements (capital conservation buffer, countercyclical buffer and systemic buffers)

5. Calculations on a pro forma basis assume completion of the transaction

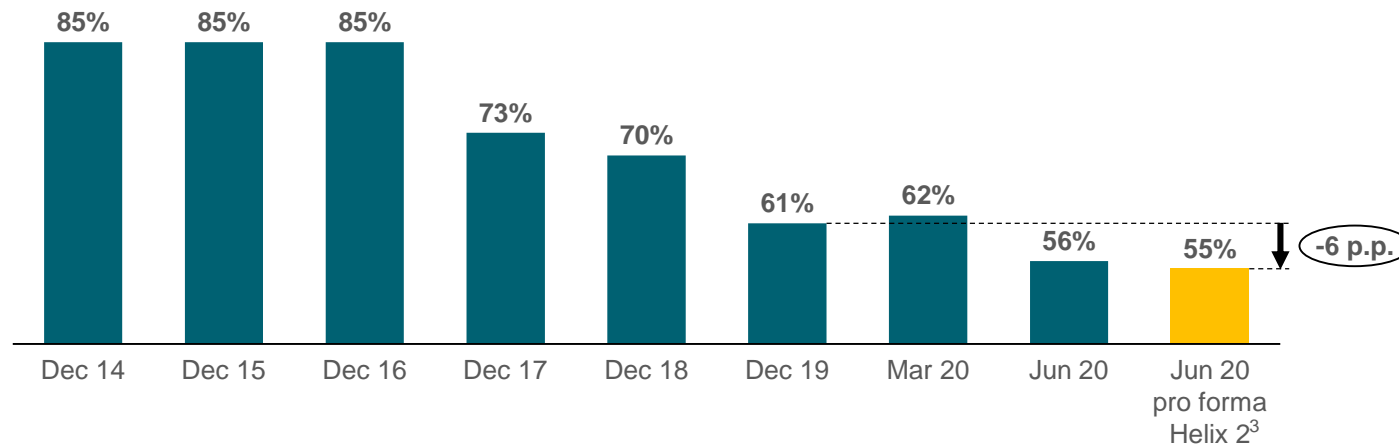
# RWA intensity<sup>1</sup> reduced to 55% in 2Q2020, pro forma for Helix 2<sup>3</sup>

RWAs reduced by >€10 bn since peak 2014

RWAs	Dec 19	Mar 20	Jun 20	Helix 2	Helix 2 DPP <sup>2</sup>	Jun 20 Pro forma for Helix 2 <sup>3</sup>
€ mn	12,890	12,599	11,960	(370)	258	11,848

- c.€640 mn RWA relief qoq
  - c.€380 mn (SME factor)
  - c.€260 mn balance sheet de-risking

RWA intensity<sup>1</sup> reduced to 55%, pro forma for Helix 2<sup>3</sup>



- RWA intensity<sup>1</sup> reduced to 56%, down 6 p.p. qoq, on lower RWAs and higher Total Assets, following €1 bn utilisation of TLTRO III
- RWA intensity<sup>1</sup> decreased to 55% pro forma for Helix 2<sup>3</sup>, as the RWA release will be largely offset by the RWA of the Deferred Purchase Price<sup>2</sup>
- Upon payment of the DPP<sup>2</sup>, RWA intensity will decrease to 54%

(1) Risk Weighted Assets over Total Assets

(2) Deferred Purchase Price: 65% of consideration without any conditions attached, payable in three broadly equal instalments over 48 months from completion

(3) Calculations on a pro forma basis assume completion of the transaction

# Risk Weighted Assets – Regulatory Capital

## Risk weighted assets by Geography (€ mn)

	31.12.18	31.12.19	31.03.20	30.06.20	Helix 2	30.06.20 pro forma <sup>2</sup>
Cyprus	15,070	12,678	12,395	11,765	(112)	11,653
Russia	24	8	2	5	-	5
United Kingdom	84	48	48	48	-	48
Romania	38	29	28	21	-	21
Greece	144	121	120	115	-	115
Other	13	6	6	6	-	6
<b>Total RWA</b>	<b>15,373</b>	<b>12,890</b>	<b>12,599</b>	<b>11,960</b>	<b>(112)</b>	<b>11,848</b>
<b>RWA intensity</b>	<b>70%</b>	<b>61%</b>	<b>62%</b>	<b>56%</b>		<b>55%</b>

## Risk weighted assets by type of risk (€ mn)

	31.12.18	31.12.19	31.03.20	30.06.20	Helix 2	30.06.20 pro forma <sup>2</sup>
Credit risk	13,833	11,547	11,256	10,617	(112)	10,505
Market risk	2	-	-	-	-	-
Operational risk	1,538	1,343	1,343	1,343	-	1,343
<b>Total</b>	<b>15,373</b>	<b>12,890</b>	<b>12,599</b>	<b>11,960</b>	<b>(112)</b>	<b>11,848</b>

## Reconciliation of Group Equity to CET1

€ mn	30.06.20
Group Equity per financial statements	2,120
Less: Intangibles	(48)
Less: Deconsolidation of insurance and other entities	(201)
Add: Regulatory adjustments (IFRS 9 and other items)	85
Less: Revaluation reserves and other unrealised items	(249)
<b>CET1<sup>1</sup></b>	<b>1,707</b>
<b>Risk Weighted Assets</b>	<b>11,960</b>
<b>CET1 ratio<sup>1</sup></b>	<b>14.3%</b>
<b>CET1 ratio pro forma for Helix 2<sup>2</sup></b>	<b>14.4%</b>

## Equity and Regulatory Capital (€ mn)

	31.12.2019	31.03.2020	30.06.20
Total equity excl. non-controlling interests	2,260	2,207	2,095
<b>CET1 capital</b>	<b>1,909</b>	<b>1,807</b>	<b>1,707</b>
Tier I capital	2,129	2,027	1,927
Tier II capital	190	201	199
<b>Total regulatory capital (Tier I + Tier II)</b>	<b>2,319</b>	<b>2,228</b>	<b>2,126</b>

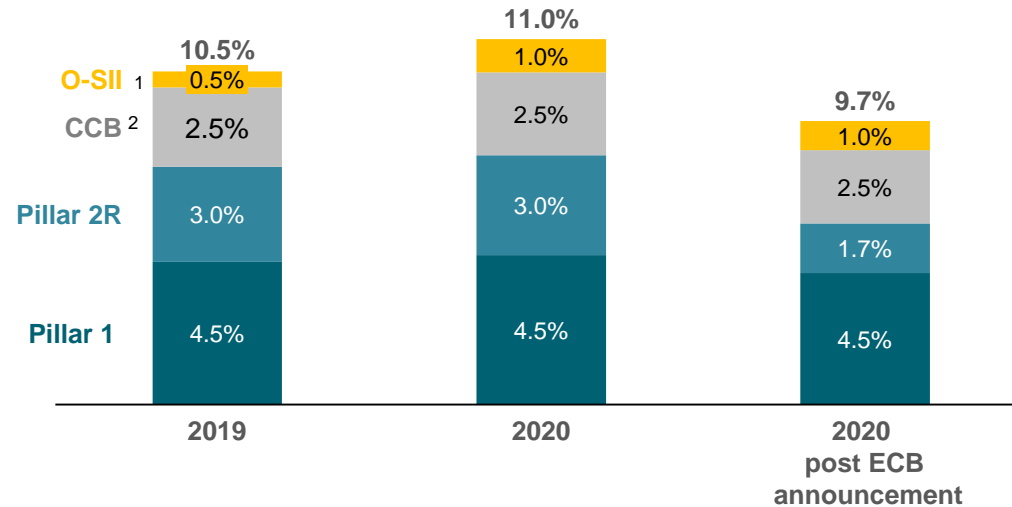
(1) Allowing for IFRS 9 transitional arrangements

(2) Calculations on a pro forma basis assume completion of the transaction

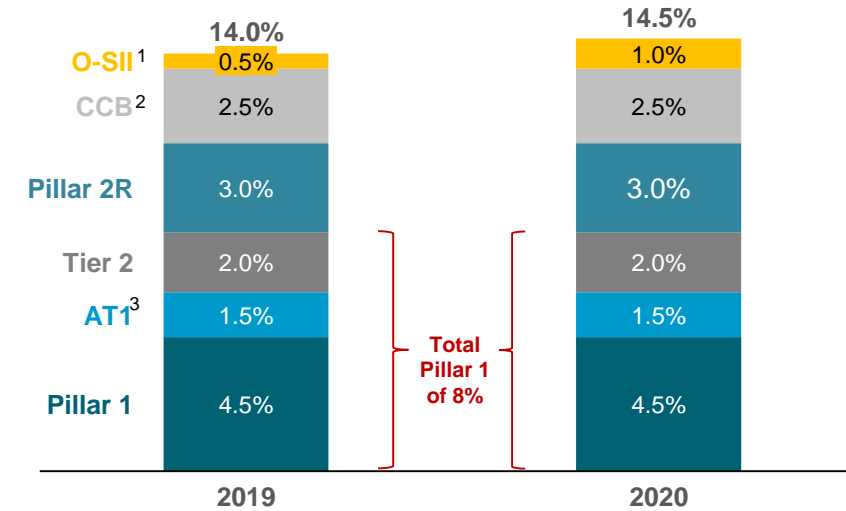


# SREP requirement for 2020 at 9.7%, post ECB's capital relaxations for COVID-19

SREP requirements for 2020: CET1 ratio at 9.7%



SREP requirements for 2020 : Total Capital ratio at 14.5%



- Per EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology own funds held for the purposes of Pillar II Guidance cannot be used to meet any other capital requirements (Pillar 1, Pillar II requirement or the combined buffer requirements), and therefore cannot be used twice<sup>4</sup>
- In May 2020, the Bank received formal notification from the CBC in its capacity as National Resolution Authority, of the final decision by the Single Resolution Board (SRB), for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank, determined as the preferred resolution point of entry. The MREL requirement has been set at 28.36% of risk weighted assets as of 30 June 2019 and must be met by 31 December 2025. This MREL requirement would be equivalent to 18.54% of total liabilities and own funds (TLOF) as at 30 June 2019. The MREL requirement is in line with the Bank's expectations, and largely in line with its funding plans<sup>5</sup>
- The MREL ratio of the Bank as at 30 June 2020, calculated according to SRB's eligibility criteria currently in effect, and based on our internal estimate stood at 18.21% of RWAs

(1) The Central Bank of Cyprus (CBC) set the O-SII buffer for the Group at 2%. This buffer will be phased-in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%) on 1 January 2022. In April 2020 the CBC, as part of the COVID measures, decided to delay the phasing-in by 12 months (1 January 2023). As a result, the phasing-in of 0.5% on 1 January 2021 has been delayed for 12 months

(2) In accordance with the legislation in Cyprus which has been set for all credit institutions the applicable rate of the CCB was fully phased in at 2.5% in 2019

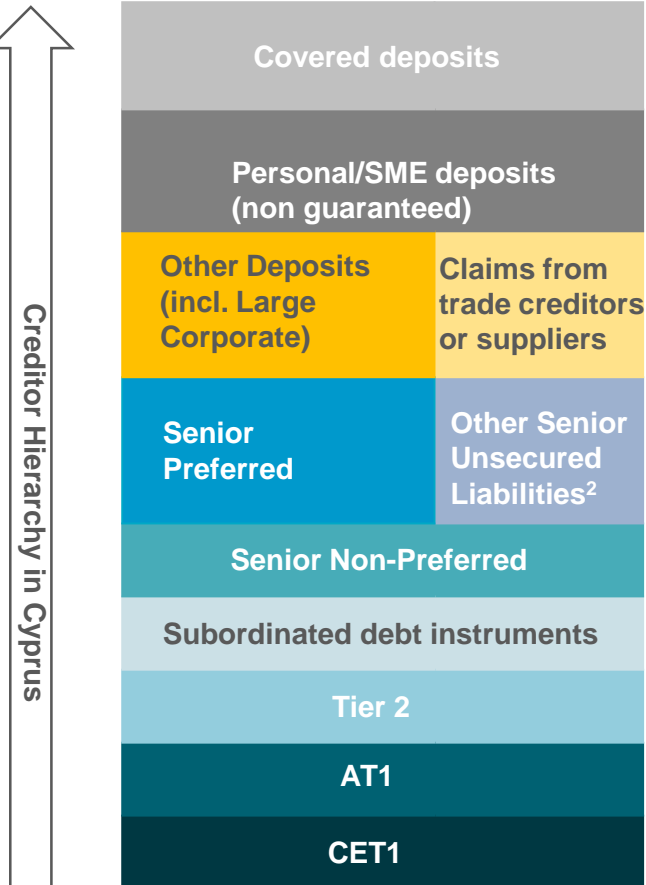
(3) Additional Tier 1 Capital

(4) The new provisions are effective from January 2020

(5) This decision is based on the current legislation, it is expected to be updated annually and could be subject to subsequent changes by the resolution authorities, especially considering the developments of the Bank Recovery and Resolution Directive (BRRD) and its transposition into the local legislation

# Creditor Hierarchy in Cyprus and MREL Requirement

## Creditor Hierarchy in Cyprus



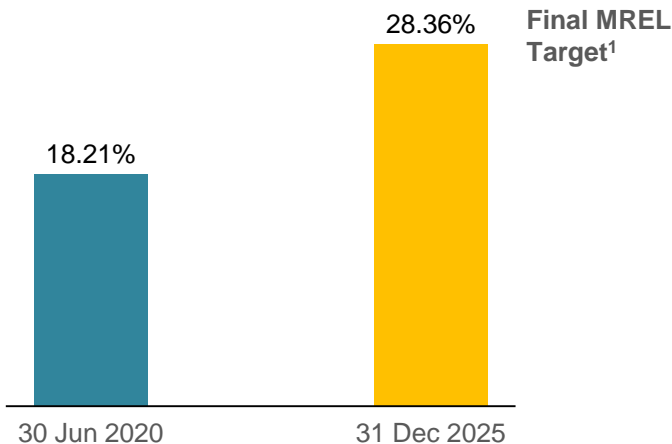
## MREL decision received in May 2020

- Based on BRRD I
- The Bank (BOC) is the resolution entity
- MREL decision based on 30 June 20219 financial information
- Final Target<sup>1</sup> of 28.36% of RWAs to be met by 31 Dec 2025

## Updated MREL decision expected early 2021

- Based on BRRD II and SRB's 2020 MREL Policy
- Updated decision of final MREL Target (amount and compliance date)
- Decision on Binding Interim Target for 1 Jan 2022 (in line with SRB's 2020 MREL Policy)

## MREL ratio as % of RWAs

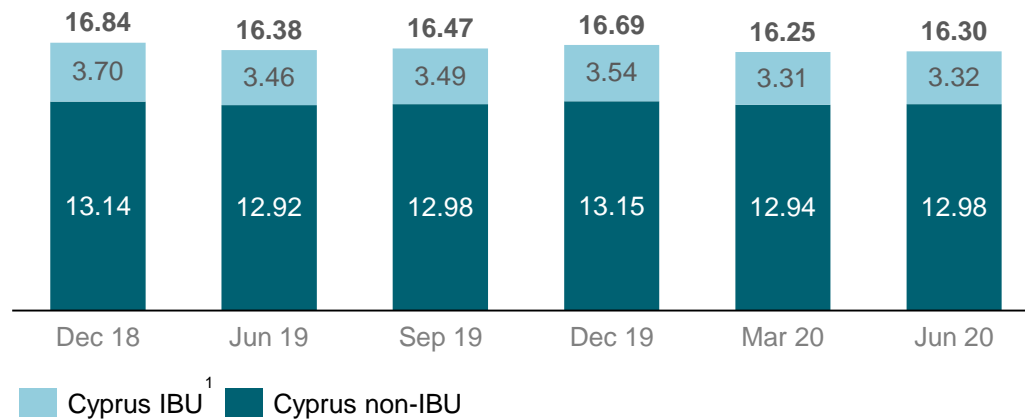


(1) As per decision received in May 2020 (BRRD I) and subject to annual review. The MREL requirement would be equivalent to 18.54% of total liabilities and own funds (TLOF) as at 30 June 2019

(2) Includes derivatives

# Deposits at €16.3 bn, broadly flat qoq

€ bn

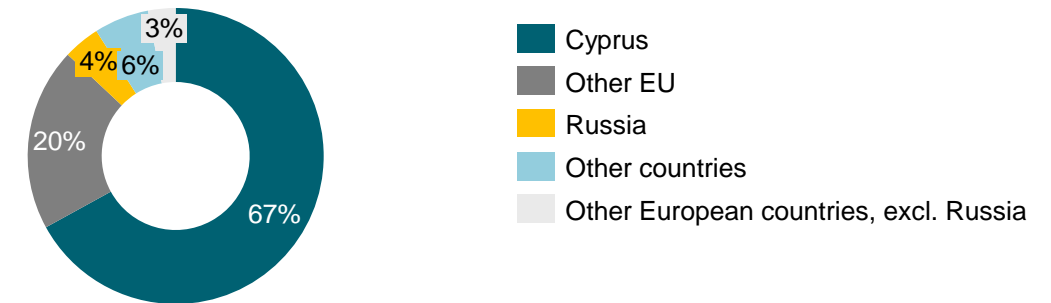


## Significant surplus liquidity of €3.9 bn

Liquidity ratio	Minimum required	30 Jun 2020	Surplus
LCR (Group)	100%	257%	€3,949 mn
NSFR <sup>3</sup>	100%	134%	€4,248 mn

(1) Servicing exclusively international activity companies registered in Cyprus and abroad and not residents  
 (2) Origin is defined as the country of the passport of the Ultimate Beneficial Owner

## Cyprus deposits by passport origin<sup>2</sup>



- Significant surplus liquidity of €3.9 bn, up 32% qoq, reflecting €1 bn utilisation of TLTRO III
- Strong deposit market share of 35.0%
- Flexibility to operate below 100% LCR limit at least until end 2021

(3) The NSFR has not yet been introduced. The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF), on the basis of Basel III standards. Its calculation is a SREP requirement. The EBA NSFR will be enforced as a regulatory ratio under CRR II in 2021

# Profitability

# Income Statement

€ mn	1H2020	1H2019 <sup>1</sup>	2Q2020	1Q2020 <sup>1,2</sup>	qoq%	yoy%
<b>Net Interest Income</b>	<b>168</b>	<b>170</b>	<b>83</b>	<b>85</b>	<b>-2%</b>	<b>-1%</b>
Non interest income	120	163	60	60	0%	-26%
<b>Total income</b>	<b>288</b>	<b>333</b>	<b>143</b>	<b>145</b>	<b>-1%</b>	<b>-13%</b>
<b>Total expenses</b>	<b>(180)</b>	<b>(208)</b>	<b>(87)</b>	<b>(93)</b>	<b>-6%</b>	<b>-14%</b>
<b>Operating profit</b>	<b>108</b>	<b>125</b>	<b>56</b>	<b>52</b>	<b>7%</b>	<b>-13%</b>
Loan credit losses	(87)	(87)	(23)	(64)	-63%	1%
Impairments of other financial and non-financial assets	(29)	(10)	(25)	(4)	-	-
(Provisions)/reversal of provisions for litigation, claims, regulatory and other matters	(4)	3	(2)	(2)	10%	-
<b>Total loan credit losses, impairments and provisions</b>	<b>(120)</b>	<b>(94)</b>	<b>(50)</b>	<b>(70)</b>	<b>-28%</b>	<b>27%</b>
Advisory and other restructuring costs-organic	(6)	(10)	(3)	(3)	0%	-39%
<b>(Loss)/profit after tax-Organic (attributable to the owners)</b>	<b>(19)</b>	<b>19</b>	<b>4</b>	<b>(23)</b>	<b>-</b>	<b>-</b>
Provisions/net loss relating to NPE sales, including restructuring expenses <sup>2</sup>	(107)	(2)	(104)	(3)	-	-
Net loss of remeasurement of investment in associate (CNP) classified as held for sale	-	(21)	-	-	-	-
Reversal of impairment of DTA and impairment of other tax receivables	-	101	-	-	-	-
<b>(Loss)/profit after tax-attributable to owners</b>	<b>(126)</b>	<b>97</b>	<b>(100)</b>	<b>(26)</b>	<b>-</b>	<b>-</b>
<b>Net Interest margin (annualised)</b>	<b>1.90%</b>	<b>1.88%</b>	<b>1.88%</b>	<b>1.95%</b>	<b>-7 bps</b>	<b>+2 bps</b>
<b>Cost to income ratio</b>	<b>62%</b>	<b>63%</b>	<b>61%</b>	<b>64%</b>	<b>-3 p.p.</b>	<b>-1 p.p.</b>
<b>Cost to income ratio adjusted for the special levy and contributions to SRF and DGF</b>	<b>57%</b>	<b>59%</b>	<b>57%</b>	<b>58%</b>	<b>-1 p.p.</b>	<b>-2 p.p.</b>
<b>Cost of Risk (annualised)</b>	<b>1.39%</b>	<b>1.34%</b>	<b>0.76%</b>	<b>2.00%</b>	<b>-124 bps</b>	<b>+5 bps</b>
<b>EPS – Organic (€ cent)</b>	<b>-4.3</b>	<b>4.0</b>	<b>0.8</b>	<b>-5.1</b>	<b>+5.9</b>	<b>-8.3</b>

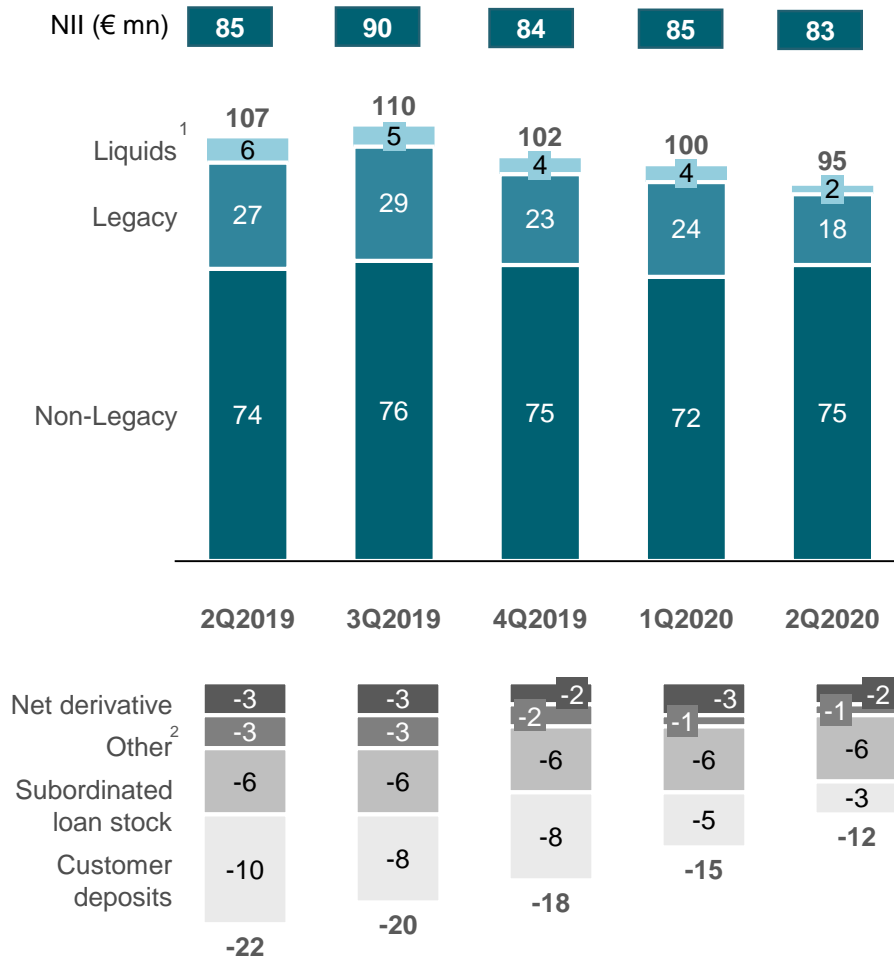
- NII decreased to €83 mn in 2Q2020, mainly due to higher cash collections on interest not previously recognized in 1Q2020, offset by lower cost of deposits
- Non-interest income of €60 mn for 2Q2020, flat qoq
- Total expenses reduced to €87 mn in 2Q2020, compared to €93 mn in 1Q2020, due to COVID-19 related lower staff costs and seasonality of Deferred Guarantee Fund contribution
- C/I ratio at 57%, broadly flat qoq
- Loan credit losses of €23 mn in 2Q2020, reflecting cost of risk of 76 bps
- Other impairments of €25 mn for 2Q2020, on specific, large, illiquid REMU properties
- Provisions/net loss relating to NPE sales of €104 mn for 2Q2020, including Helix 2 loss of €68 mn and loan credit losses of €21 mn for potential future NPE sales
- Profit after tax-organic of €4 mn in 2Q2020
- Loss after tax of €100 mn for 2Q2020 and €126 mn for 1H2020

(1) The interest income, non-interest income, staff costs, other operating expenses and loan credit losses related to Project Helix are disclosed under 'Provisions/net loss relating to NPE sales, including restructuring expenses' since they are considered one-off items

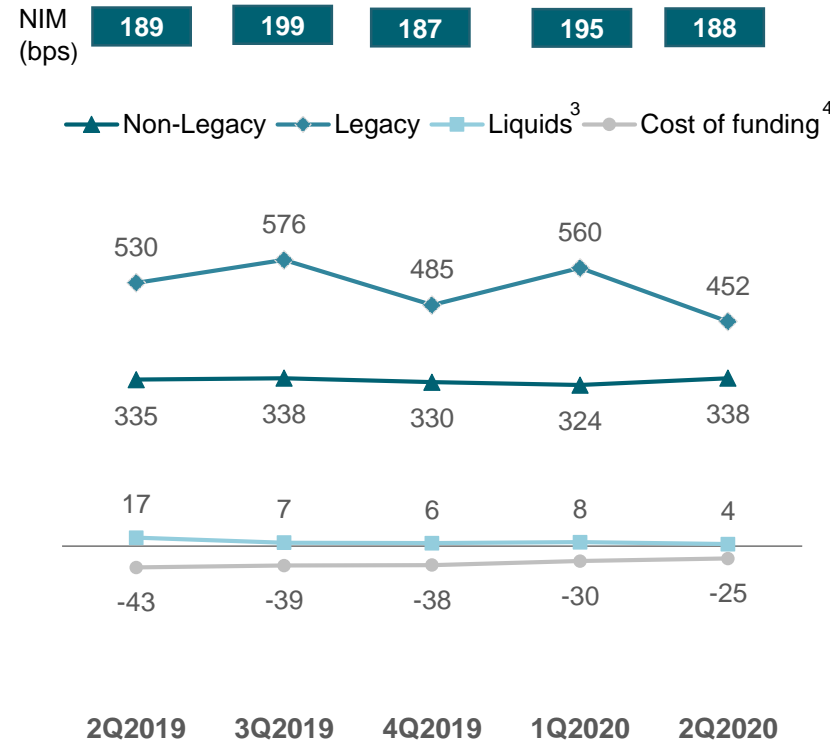
(2) 'Provisions/net loss relating to NPE sales including restructuring expenses' refer to the net loss on transactions completed during each period, net loan credit losses on transactions under consideration and for potential further sales at each reporting date, as well as the restructuring costs relating to these trades

# Drivers of NIM

## Composition of NII



## Effective yield on assets & cost of funding



- €5 mn annual potential NII benefit from the take up of €1 bn TLTRO III
- Challenging interest rate outlook continues to put pressure on the effective yield of liquids

### Loan yields:

- Non-Legacy book yields remain under pressure mainly due to the continued lower interest rate environment and intense competition pressure
- Despite competitive pressures, efforts to improve credit spreads are underway
- Higher-yielding, higher-risk legacy loans are reducing as we successfully exit NPEs
- Legacy book yields remain volatile

### Cost of funding:

- The reduction of cost of deposits continues
- Cost of deposits reduced by 3 bps in 2Q2020 and by 68 bps since year end 2017

(1) Cash, placements with banks, balances with central banks and bonds

(2) Other includes funding from central banks and deposits by banks and repurchase agreements. For further details, please see slide 67

(3) Effective yield of liquid assets: Interest income on liquids after hedging, over average liquids (Cash and balances with central banks, placements with banks and bonds)

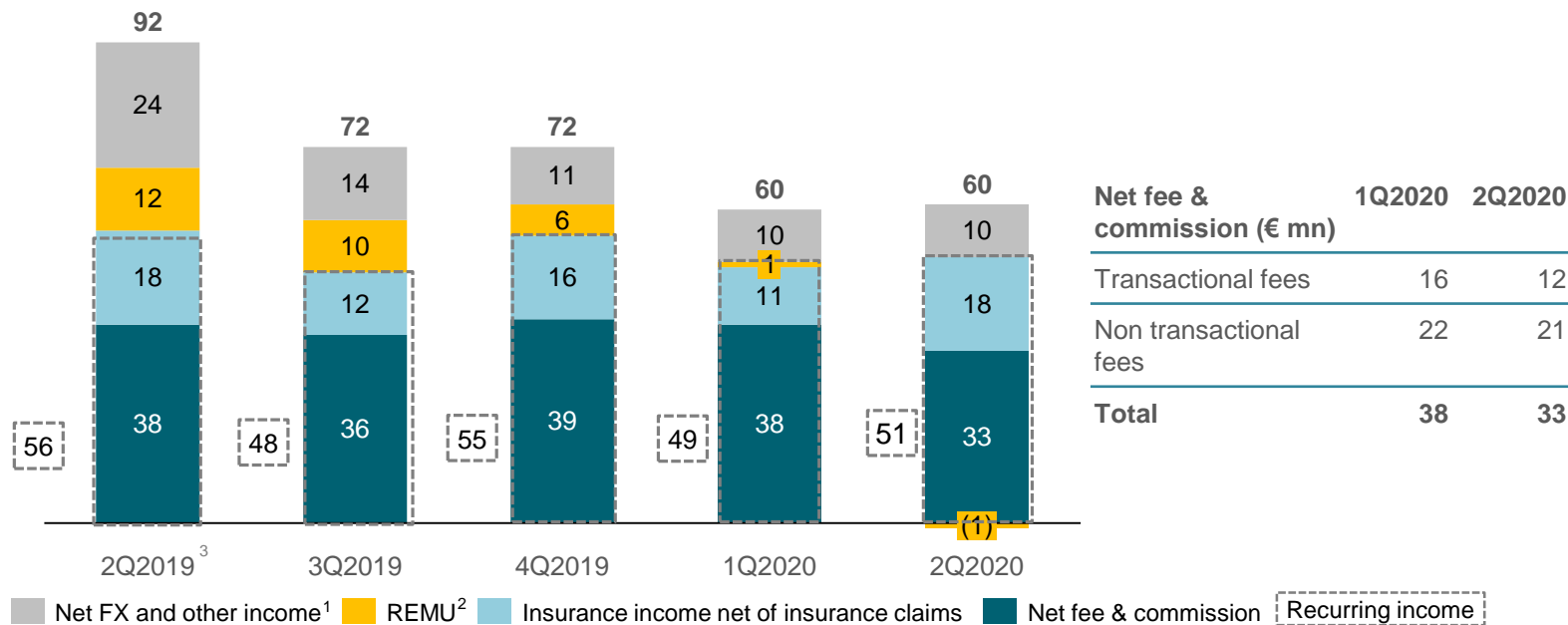
(4) Effective yield of cost of funding: Interest expense of all interest bearing liabilities after hedging, over average interest bearing liabilities (customer deposits, funding from the central bank, interbank funding, subordinated liabilities)

# Non interest income flat qoq, despite COVID-19 lockdown

## Analysis of Non Interest Income (€ mn) – Quarterly

### Net fee & Commission % of total income

22%      23%      25%      26%      23%



- Net fee and commission income of €33 mn for 2Q2020, down 13% qoq, negatively impacted by COVID-19 lockdown
- Transactional fees of €12 mn for 2Q2020, down 22% qoq, mainly due to lower volume of transactions; transactional fee volumes expected to recover to pre COVID-19 levels, as the Cypriot economy continues to recover
- Non transactional fees of €21 mn for 2Q2020, down 5% qoq due to the reduced Project Helix servicing fee as a result of the transfer of c.100 employees to the buyer in 1Q2020
- Net Insurance income of €18 mn for 2Q2020, compared to €11 mn for 1Q2020, primarily due to the change in the valuation rate and lower motor vehicle insurance claims
- Recurring income of €51 mn for 2Q2020, compared to €49 mn in 1Q2020, as the higher Net insurance income offset the reduction in Net fees and commission income
- Introduction of liquidity fees to a broader group of corporate customers that was delayed due to COVID-19, is under consideration, once market conditions allow this
- Fees and commission charges review underway

(1) Net FX gains/(losses) & Net gains/(losses) on financial instruments, and other income

(2) Gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties

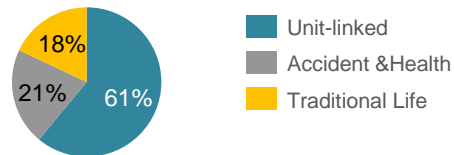
(3) The interest income, non-interest income, staff costs, other operating expenses and loan credit losses related to Project Helix are disclosed under 'Provisions/net loss relating to NPE sales, including restructuring expenses' since they are considered one-off items

# Recurring fees from insurance business

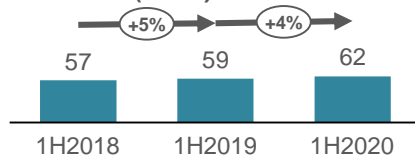


- Leading life insurer in Cyprus
- 24% market share<sup>2</sup> (Life & Health regular)
- Gross Written Premiums (GWP) up 4% yoy

## Product Mix by premium



## GWP evolution (€ mn)



EuroLife key metrics		1H2020
GWP (€ mn)		62
GWP Investments & Pensions (€ mn)		6
PAT (€ mn)		9
AUM <sup>1</sup> (€ mn)		447

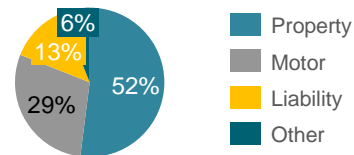
(1) Assets under management

(2) Data based on statistics published on IAC website as at 31 December 2019

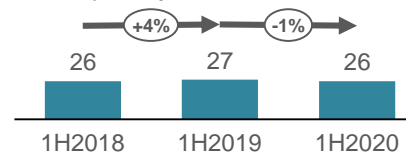


- Leading non-life insurer in Cyprus
- 17.7% market share<sup>2</sup> (excl. motor)
- GWP down 1% yoy

## Product Mix by premium



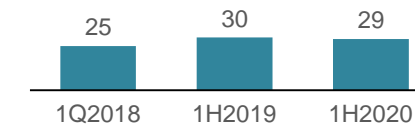
## GWP evolution (€ mn)



GIC key metrics		1H2020
GWP (€ mn)		26
PAT (€ mn)		6

- Comprehensive insurance business package providing coverage for all financial needs
- Stable contributor to the Bank's profitability
- Well positioned for growth over medium term

## Group Insurance income net of claims (€ mn)

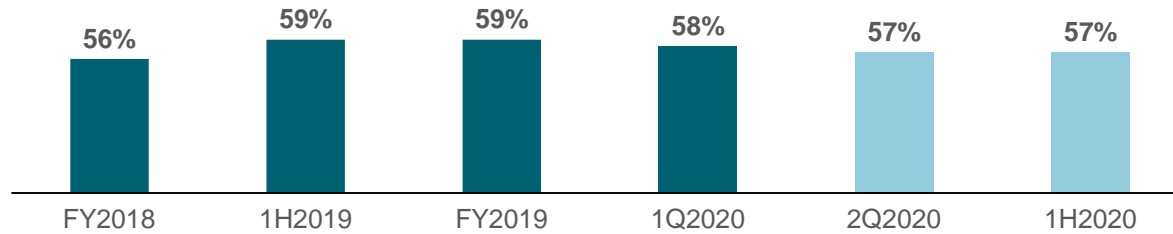


Contribution to BOCH	% of total 1H2020
Non interest income	24%

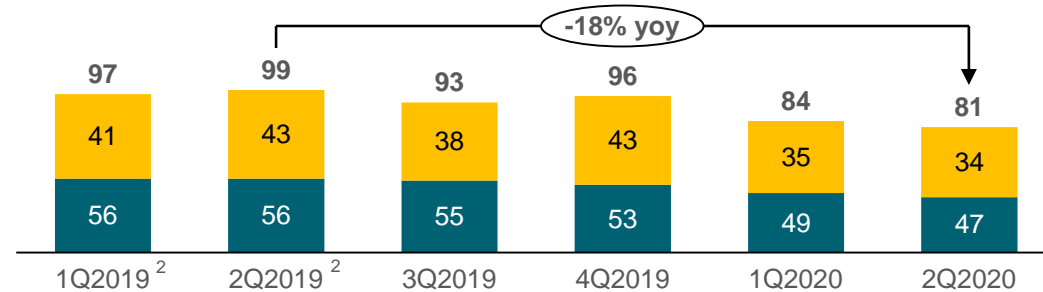


# Total Operating Expenses down by 18% yoy

## Cost to Income Ratio (C/I ratio)<sup>1</sup>

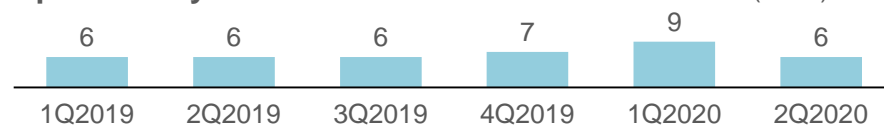


## Total operating expenses (€ mn)



Other operating expenses Staff costs

## Special Levy and contributions to SRF and DGF (€ mn)



- Cost to income ratio<sup>1</sup> at 57%, broadly flat qoq
- Total operating expenses of €81 mn for 2Q2020, down 3% qoq and 18% yoy
- Staff costs reduced to €47 mn in 2Q2020 relating to mostly one-off cost savings from special annual leaves to vulnerable groups and the suspension of the NHS contribution during the COVID-19 lockdown
- Operating expenses for 2Q2020 amounted to €34 mn, broadly flat qoq
- Special levy and contributions to SRF and DGF for 2Q2020 reduced to €6 mn, due to the seasonality of Deposit Guarantee Fund (DGF) contribution

(1) Excluding Special Levy and contributions to SRF and DGF

(2) The interest income, non-interest income, staff costs, other operating expenses and loan credit losses related to Project Helix are disclosed under 'Provisions/net loss relating to NPE sales, including restructuring expenses' since they are considered one-off items

# Key highlights

**Continue to deliver on strategic priorities, while supporting customers, colleagues and communities through COVID-19**

**1**

**Continue to support the recovery of the Cypriot economy via prudent new lending**

**2**

**Improvement of asset quality**

- Arrest asset quality deterioration after the end of the moratorium, monitor and manage early arrears
- Continue the NPE reduction via organic and non organic solutions

**3**

**Further improvement of operating efficiency supported by on-going digital transformation**

# Key Information and Contact Details

## Contacts

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## Credit Ratings

### Standard & Poor's Global Ratings:

Long-term issuer credit rating: Affirmed at "B+" on 16 July 2020 (stable outlook)

Short-term issuer credit rating: Affirmed at "B" 16 July 2020

### Fitch Ratings:

Long-term Issuer Default Rating: Affirmed at "B-" on 29 November 2019 (outlook revised to negative on 7 April 2020)

Short-term Issuer Default Rating: Affirmed at "B" on 29 November 2019

Viability Rating: Affirmed at "b-" on 29 November 2019

### Moody's Investors Service:

Baseline Credit Assessment: Affirmed at "caa1" on 24 January 2019

Short-term deposit rating: Affirmed at "Not Prime" on 14 June 2019

Long-term deposit rating: Affirmed to "B3" on 14 June 2019 (positive outlook)

Counterparty Risk Assessment: Affirmed at B1(cr) / Not-Prime (cr) on 14 June 2019

### Listing:

LSE – BOCH, CSE – BOCH/TPKH, ISIN IE00BD5B1Y92

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# **APPENDIX**

## **Glossary & Definitions**

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# Glossary & Definitions

<b>Allowance for expected loan credit losses (previously 'Accumulated provisions')</b>	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers, (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.
<b>Advisory and other restructuring costs</b>	Comprise mainly: fees of external advisors in relation to: (i) disposal of operations and non-core assets, and (ii) customer loan restructuring activities.
<b>AIEA</b>	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. Average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable. Interest earning assets include: cash and balances with central banks, 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 investments (excluding equities and mutual funds).
<b>AT1</b>	AT1 (Additional Tier 1) is defined in accordance with Articles 51 and 52 of the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
<b>Average contractual interest rates</b>	Interest rates on cost of deposits were previously calculated as the Interest Expense over Average Balance. The current calculation which the Bank considers more appropriate is based on the weighted average of the contractual rate times the balance at the end of the month. The rates are calculated based on the month end contractual interest rates. The quarterly rates are the average of the three quarter month end contractual rates
<b>Book Value</b>	BV= book value = Carrying value prior to the sale of property
<b>CET1 capital ratio (transitional basis)</b>	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.
<b>CET1 fully loaded (FL)</b>	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.
<b>Cost of Funding</b>	Effective yield of cost of funding: Interest expense of all interest bearing liabilities after hedging, over average interest bearing liabilities (customer deposits, funding from the central bank, interbank funding, subordinated liabilities). Historical information has been adjusted to take into account hedging.
<b>Contribution to DGF</b>	Relates to the contribution made to the Deposit Guarantee Fund.
<b>Contribution to SRF</b>	Relates to the contribution made to the Single Resolution Fund.
<b>Cost to Income ratio</b>	Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined).
<b>Cost of Risk</b>	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 balance is calculated as the average of the opening balance and the closing balance).
<b>CRR DD</b>	Default Definition.
<b>DFAs</b>	Debt for Asset Swaps.
<b>DFEs</b>	Debt for Equity Swaps.
<b>DTA</b>	Deferred Tax Assets.

# Glossary & Definitions

<b>Digitally engaged customers ratio</b>	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.
<b>Digital transactions ratio</b>	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
<b>DTC</b>	Deferred Tax Credit
<b>EBA</b>	European Banking Authority
<b>ECB</b>	European Central Bank
<b>Effective yield</b>	Interest Income on Loans/Average Net Loans
<b>Effective yield of liquid assets</b>	Interest Income on liquids after hedging, over average liquids (Cash and balances with central banks, placements with banks and bonds). Historical information has been adjusted to take into account hedging
<b>ESMA</b>	European Securities and Markets Authority
<b>Foreclosures</b>	Value of on-boarded assets is set at a conservative 25%-30% discount from open market valuations, by two independent sources; Includes consensual and non consensual DFAs and DFEs
<b>FTP</b>	Fund transfer pricing methodologies applied between the business lines to present their results on an arm's length basis
<b>GBV</b>	Gross Book Value
<b>Gross Loans</b>	Gross loans are reported before the residual fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €248 mn at 30 June 2020 (compared to €252 mn at 31 March 2020 and €271 mn at 31 December 2019).  Additionally, gross loans include loans and advances to customers classified and measured at fair value through profit and loss adjusted for the aggregate fair value adjustment of €331 mn at 30 June 2020 (compared to €328 mn at 31 March 2020 and €427 mn at 31 December 2019).
<b>Gross Sales Proceeds</b>	Proceeds before selling charge and other leakages
<b>GVA</b>	Gross Value Added
<b>Group</b>	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.
<b>H/O</b>	Head Office
<b>IB, W&amp;M</b>	International Banking, Wealth and Markets

# Glossary & Definitions

<b>IBU</b>	Servicing exclusively international activity companies registered in Cyprus and abroad and not residents
<b>Legacy exposures</b>	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) non-core overseas exposures
<b>Loan credit losses (PL) (previously 'Provision charge')</b>	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL.
<b>Loan to Value ratio (LTV)</b>	Loan to Value (LTV) is calculated as the Gross IFRS Balance to the indexed market value of the property. Under Pillar 3 disclosures LTV is calculated as the Gross IFRS Balance to the indexed market value of collateral. Collateral takes into consideration the mortgage amount registered in the land registry plus legal interest from registration date to the reference date
<b>Market shares</b>	<p>Both deposit and loan market shares are based on data from the CBC.</p> <p>The Bank is the single largest credit provider in Cyprus with a market share of 41.7% at 30 June 2020, compared to 41.0% at 31 March 2020, 41.1% at 31 December 2019, 40.8% at 30 September 2019, 41.3% at 30 June 2019, 46.7% at 31 March 2019, 45.4% at 31 December 2018 and as at 30 September 2018, 38.6% at 30 June 2018 and 37.4% at 31 March 2018.</p> <p>The market share on loans was affected as at 30 June 2019 following the derecognition of the Helix portfolio upon the completion of Project Helix announced on 28 June 2019.</p> <p>The market share on loans was affected during the quarter ended 31 March 2019 following a decrease in total loans in the banking sector of €1 bn, mainly attributed to reclassification, revaluation, exchange rate and other adjustments (CBC).</p> <p>The market share on loans was affected as at 30 September 2018 following a decrease in total loans in the banking sector, mainly attributed to €6 bn non-performing loans of Cyprus Cooperative Bank (CyCB) which remained to SEDIPES as a result of the agreement between CyCB and Hellenic Bank.</p> <p>The market share on loans was affected as at 30 June 2018 following a decrease in total loans in the banking sector of €2.1 bn, due to loan reclassifications, revaluations, exchange rate or other adjustments (CBC).</p>
<b>Net Proceeds</b>	Proceeds after selling charges and other leakages
<b>Net fee and commission income over total income</b>	Fee and commission income less fee and commission expense divided by total income (as defined).
<b>Net interest margin (NIM)</b>	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).
<b>Net loans and advances to customers</b>	Comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding credit losses on off-balance sheet exposures).
<b>Net loan to deposit ratio</b>	Net loan to deposit ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits
<b>New lending</b>	New lending includes the average YTD change (if positive) for overdraft facilities.

# Glossary & Definitions

<b>Non-interest income</b>	Non-interest income comprises Net fee and commission income, Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), Insurance income net of claims and commissions, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.
<b>Non-recurring items</b>	Non-recurring items as presented in the 'Consolidated Condensed Interim Income Statement – Underlying basis' relate to the following items, as applicable: (i) advisory and other restructuring costs - organic, (ii) restructuring costs – Voluntary Staff Exit Plan (VEP), (iii) Provisions/net loss relating to NPE sales, including restructuring expenses, (iv) Loss on remeasurement of investment in associate upon classification as held for sale (CNP) net of share of profit from associates, and (v) Reversal of impairment of DTA and impairment of other tax receivables.
<b>NPEs</b>	<p>According to the EBA standards and ECB's Guidance to Banks on Non-Performing Loans (published in March 2017), 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, distress restructuring and obligor bankruptcy, (iii) material exposures as set by the CBC , which are more than 90 days past due, (iv) performing forbore exposures under probation for which additional forbearance measures are extended, and (v) performing forbore exposures under probation that present more than 30 days past due within the probation period. 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. The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).</p> <p>The exit criteria of NPE forbore are the following:</p> <ol style="list-style-type: none"> <li>1. The extension of forbearance measures does not lead to the recognition of impairment or default</li> <li>2. One year has passed since the forbearance measures were extended</li> <li>3. There is not, following the forbearance measures, any past due amount or concerns regarding the full repayment of the exposure according to the post forbearance conditions</li> </ol>
<b>NPE coverage ratio (previously 'NPE Provisioning coverage ratio')</b>	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
<b>NPE ratio</b>	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
<b>NPEs sales</b>	NPE sales refer to sales of NPE portfolios completed in each period and contemplated sale transactions, as well as potential further NPE sales, at each reporting date, irrespective of whether or not they met the held for sale classification criteria at the reporting dates. They include both Project Helix and Project Helix 2, as well as other portfolios.
<b>NSFR</b>	The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF), on the basis of Basel III standards. Its calculation is a SREP requirement. The EBA NSFR will be enforced as a regulatory ratio under CRR II in 2021.
<b>OMV</b>	Open Market Value
<b>Operating profit</b>	Comprises profit before Total loan credit losses, impairments and provisions (as defined), tax, (profit)/loss attributable to non-controlling interests and non-recurring items (as defined).
<b>p.p.</b>	percentage points
<b>Non-legacy</b>	Relates to all business lines excluding Restructuring and Recoveries Division ("RRD"), REMU and non-core overseas exposures
<b>Phased-in Capital Conservation Buffer (CCB)</b>	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).



# Glossary & Definitions

<b>Loan credit losses for impairment of customer loans</b>	Credit losses for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans
<b>Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)</b>	This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined).
<b>Profit/(loss) after tax – organic (attributable to the owners of the Company)</b>	This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined, except for the 'advisory and other restructuring costs – organic').
<b>Project Helix 2</b>	Project Helix 2 refers to the portfolio of loans with a gross book value of €898 mn as at 30 June 2020 for which an agreement for sale was reached on 3 August 2020. For further information please refer to section B.2.5 Loan portfolio quality of the press release.
<b>qoq</b>	Quarter on quarter change
<b>Restructured loans</b>	Restructuring activity within quarter as recorded at each quarter end and includes restructurings of NPEs, performing loans and re-restructurings
<b>Risk adjusted yield</b>	Interest Income on Loans net of allowance for expected loan credit losses/Net Loans
<b>RRD</b>	Restructuring and Recoveries Division
<b>RWA</b>	Risk Weighted Assets
<b>RWA Intensity</b>	Risk Weighted Assets over Total Assets
<b>Special levy</b>	Relates to the special levy on deposits of credit institutions in Cyprus
<b>Stage 2 &amp; Stage 3 Loans</b>	Include purchased or originated credit-impaired
<b>Tangible Collateral</b>	Restricted to Gross IFRS balance
<b>Total Capital ratio</b>	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.
<b>Total expenses</b>	Total expenses comprise staff costs, other operating expenses and the special levy and contributions to the Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF). It does not include 'advisory and other restructuring costs-organic', or any restructuring costs relating to the Voluntary Staff Exit Plan, or any restructuring costs relating to NPE sales. 'Advisory and other restructuring costs-organic' amounted to €3 mn for 2Q2020 (compared to €3 mn for 1Q2020 and €8 mn for 4Q2019). Restructuring costs relating to NPE sales amounted to €1 mn for 2Q2020 (compared to €3 mn for 1Q2020 and €10 mn for 4Q2019). Restructuring costs relating to the Voluntary Staff Exit Plan amounted to nil for 2Q2020 and 1Q2020, compared to €81 mn for 4Q2019.

# Glossary & Definitions

<b>Total income</b>	Total income comprises net interest income and non-interest income (as defined).
<b>Total loan credit losses, impairments and provisions</b>	Total loan credit losses, impairments and provisions comprises loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus (provisions)/reversal of provisions for litigation, claims, regulatory and other matters.
<b>T2</b>	Tier 2 Capital
<b>Underlying basis</b>	This refers to the statutory basis after being adjusted for certain items as explained in the Basis of Presentation.
<b>Write offs</b>	Loans together with the associated loan credit losses are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.
<b>yoy</b>	Year on year change

# Disclaimer

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 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 and information technology, litigation and other operational risks. 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 from 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.