Bank of Cyprus Holdings

Announcement

Group Financial Results for the nine months ended 30 September 2022

Nicosia, 18 November 2022

Key Highlights for the nine months ended 30 September 2022

Resilient economic outlook

- Resilient Cypriot economy supported by strengthened sovereign
- 5.4%[1] GDP growth in 3Q2022; expected to grow by c.6.0%[1] in 2022, and by 3.0%[1] in 2023, both years well above the eurozone average
- Strong new lending of €1.7 bn in 9M2022, up 25% year on year

Strong underlying profitability

- NII of €234 mn up 5% year on year; NII growth continued in 3Q2022, up 19% on the prior quarter supported by rate hikes
- Profit after tax before non-recurring items of €109 mn, of which €50 mn in 3Q2022, up 71% year on year underpinned by higher revenues
- Underlying ROTE[2] of 8.8% for 9M2022 and 11.7% for 3Q2022
- One-off cost of €101 mn from Voluntary Staff Exit Plan (VEP) in 3Q2022; payback period of 2.7 years
- After one-off VEP cost, loss after tax of €9 mn for 9M2022 vs profit of €20 mn for 9M2021

Reduced operating expenses on the back of efficiency actions

- Successful completion of Voluntary Staff Exit Plan in 3Q2022; full time employees to be reduced by 16%; estimated gross saving of c.€37 mn p.a. (19%) of staff costs
- Cost to income ratio[3] at 54% for 9M2022, down 7 p.p. year on year and at 47% for 3Q2022, down 10 p.p. on the prior quarter

Robust capital and liquidity

- CET1 ratio of 14.7%[4,5] and Total Capital ratio of 19.8%[4,5]
- Deposits at €18.8 bn up 2% on the prior quarter and 7% year to date
- Strong liquidity position of €6.9 bn[6] placed at the ECB; well positioned to benefit from further interest rate increases

NPE ratio target of below 5% achieved early

- NPE ratio reduced to 4.5%[5] (1.7%[5,7] net) vs 5.7%[5] at the end of June 2022
- Coverage at 63%[5]; cost of risk at 44 bps
- Strong fundamentals with performing loan book better positioned to face external shocks

1. Source: Ministry of Finance
2. Underlying ROTE is calculated as Profit after Tax and before non-recurring items divided by (Shareholders' equity minus Intangible assets)
3. Excluding special levy on deposits and other levies/contributions
4. Allowing for IFRS 9 and temporary treatment for certain FVOCI instruments transitional arrangements
5. Pro forma for Helix 3
6. Excluding TLTRO III of €3.0 bn
7. Calculated as NPEs net of provisions over net loans

Group Chief Executive Statement

"We reported a strong performance in the third quarter of 2022, delivering tangible results against our strategic targets, and confirming the sustainability of our business model with well-diversified revenues and tight cost control. We recorded a 49% increase in profit after tax, before non-recurring items, corresponding to a return on tangible equity of 11.7%, on track to achieve an underlying ROTE of c.10% already in 2022, notwithstanding external uncertainties.

Despite concerns regarding the outlook for global and European economic growth, the Cypriot economy is proving resilient to external shocks and continued to grow strongly in the third quarter with GDP increasing by 5.4%. GDP in Cyprus is forecast to grow by c.6.0% in real terms in 2022, supported by stronger-than expected tourism performance and then to grow at a slower pace by 3.0% in 2023, outperforming the eurozone average in both years.

The third quarter of 2022 was marked by the early delivery of our 2022 NPE ratio target, with the NPE ratio decreasing to 4.5%.

As the largest financial group in Cyprus, we continued to support the economy by extending €1.7 bn of new loans in the first nine months of 2022, an increase of 25% on the prior year, whilst maintaining strict lending criteria. Our performing loan book has strong fundamentals and is well positioned to face external shocks.

During the third quarter of 2022 we generated total income of €172 mn and a positive operating result of €81 mn, up 36% on the previous quarter, underpinned by strong growth in net interest income, with loan and liquid yields continuing to improve. In this respect, we are upgrading our net interest income guidance for 2022 to over €350 mn, reflecting the Group's positive gearing to higher and faster interest rate rises. Operating expenses were contained in the third quarter, on the back of efficiency actions undertaken in the current inflationary environment. Our cost to income ratio stood at 47%, down 10 p.p. on the prior quarter. Our cost of risk stood at 45 bps and remained well within our normalised target range.

In July, we completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full time employees were approved to leave at a total one-off cost of €101 mn recorded in the third quarter. The gross annual saving is estimated at €37 mn or 19% of total staff costs, with a payback period of 2.7 years. As a result, a net loss of €59 mn was reported for the third quarter and €9 mn for the first nine months of 2022.

The Bank's capital position remains robust and comfortably in excess of our regulatory requirements, after absorbing in full the cost of the VEP. As at 30 September 2022, our Total Capital ratio was 19.8% and our CET1 ratio was 14.7%, on both a transitional and pro forma basis. Our liquidity position also remains strong, as such our cash balances with ECB (excluding TLTRO III of €3.0 bn) amounted to €6.9 bn, leaving the Bank well positioned to benefit from further interest rate increases. Deposits on our balance sheet increased by 2% in the quarter and 7% year to date, to €18.8 bn.

Our vision for the future of the Bank is clear; we are determined to continue the successful execution of our strategy to transform the Group into a sustainably profitable organisation for banking and broader financial products and services in Cyprus. We expect the actions we are taking and the momentum in our business to create shareholder value and we now have the foundations for meaningful return to dividend distributions from 2023 onwards, subject to regulatory approval and market conditions."

Panicos Nicolaou

A. Group Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	9M2022	9M2021	3Q2022	2Q2022	qoq ±%	yoy ±%
Net interest income	234	223	89	74	19%	5%
Net fee and commission income	142	128	48	50	-3%	11%
Net foreign exchange gains and net gains/(losses) on financial instruments	24	14	13	5	141%	68%
Insurance income net of claims and commissions	48	43	15	17	-9%	13%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	11	8	4	2	87%	30%
Other income	12	11	3	5	-38%	16%
Total income	**471**	**427**	**172**	**153**	12%	10%
Staff costs	(146)	(152)	(46)	(50)	-8%	-4%
Other operating expenses	(108)	(108)	(35)	(37)	-5%	1%
Special levy on deposits and other levies/contributions	(27)	(24)	(10)	(7)	52%	8%
Total expenses	**(281)**	**(284)**	**(91)**	**(94)**	-3%	-1%
Operating profit before credit losses and impairments	**190**	**143**	**81**	**59**	36%	33%
Loan credit losses	(36)	(57)	(13)	(11)	11%	-37%
Impairments of other financial and non-financial assets	(20)	(13)	(7)	(8)	-11%	51%
Provisions for litigation, claims, regulatory and other matters	(3)	(6)	(2)	(1)	-	-42%
Total loan credit losses, impairments and provisions	**(59)**	**(76)**	**(22)**	**(20)**	14%	-22%
Profit before tax and non-recurring items	**131**	**67**	**59**	**39**	47%	94%
Tax	(20)	(3)	(8)	(6)	36%	-
Profit attributable to non-controlling interests	(2)	(0)	(1)	(1)	43%	152%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**109**	**64**	**50**	**32**	49%	71%
Advisory and other restructuring costs – organic	(10)	(19)	(5)	(4)	14%	-48%
Profit after tax – organic (attributable to the owners of the Company)	**99**	**45**	**45**	**28**	54%	120%
Provisions/net (loss)/profit relating to NPE sales[1]	(1)	(6)	(1)	1	-193%	-76%
Restructuring and other costs relating to NPE sales[1]	(3)	(19)	(2)	0	52%	-87%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(104)	-	(101)	-	-	-
(Loss)/profit after tax (attributable to the owners of the Company)	**(9)**	**20**	**(59)**	**29**	**-**	-

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Income Statement- Key Performance Ratios

Key Performance Ratios[2]	9M2022	9M2021	3Q2022	2Q2022	qoq +%	yoy +%
Net Interest Margin (annualised)	1.39%	1.49%	1.53%	1.33%	20 bps	-10 bps
Cost to income ratio	60%	66%	53%	61%	-8 p.p.	-6 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	54%	61%	47%	57%	-10 p.p.	-7 p.p.
Operating profit return on average assets (annualised)	1.0%	0.8%	1.2%	0.9%	30 bps	20 bps
Basic (losses)/ earnings per share attributable to the owners of the Company (€ cent)	(2.04)	4.39	(13.27)	6.45	(19.72)	(6.43)
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	24.42	14.31	10.91	7.31	3.60	10.11
Return on tangible equity (ROTE) after tax and before non-recurring items (annualised)	8.8%	5.2%	11.7%	7.8%	3.9 p.p.	3.6 p.p.

1. 'Provisions/net loss relating to NPE sales' refer to the net loss on transactions completed during the year/period and the net loan credit losses on transactions under consideration, whilst 'Restructuring and other costs relating to NPE sales' refer mainly to the costs relating to these trades. For further details please refer to Section A.2.4.
2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Commentary on Underlying Basis

The financial information presented in this Section provides an overview of the Group financial results for the nine months ended 30 September 2022 on an 'underlying basis', which the management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and one-off items.

Reconciliations between the statutory basis and the underlying basis are included in Section F.1 'Reconciliation of income statement between statutory and underlying basis' and in Section H 'Definitions and Explanations', to facilitate the comparability of the underlying basis to the statutory information.

With respect to the "Balance Sheet Analysis', please note the following in relation to the disclosure of pro forma figures and ratios with respect to Project Helix 3. Further details are provided in Section A.1.5. 'Loan portfolio quality'.

References to pro forma figures and ratios as at 30 September 2022 refer to Project Helix 3. Project Helix 3 refers to the agreement the Group reached in November 2021 with funds affiliated with PIMCO, for the sale of a portfolio of NPEs with gross book value of €568 mn, as well as real estate properties with book value of c.€120 mn, as at 30 September 2021. Numbers on a pro forma basis are based on 30 September 2022 underlying basis figures and are adjusted for Project Helix 3 and assume its completion, currently expected to occur by the end of November 2022, which remains subject to customary regulatory and other approvals.

Where numbers are provided on a pro forma basis this is stated and referred to as '**Pro forma for Helix 3'**.

Any references to pro forma figures and ratios as at 30 June 2022 refer to Project Helix 3, Project Sinope and the Voluntary Staff Exit Plan ('VEP') and is referred to as 'Pro forma for held for sale and Voluntary Staff Exit Plan' or 'Pro forma for HFS and VEP'. Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn, as well as properties in Romania with carrying value of €0.6 mn as at 31 December 2021. **Project Sinope was completed in August 2022.** VEP refers to the Voluntary Staff Exit Plan that the Group completed in July 2022, through which c.550 applicants were approved to leave the Group at a total cost of €101 mn and was recorded in the 3Q2022 income statement.

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	**30.9.2022**	**31.12.2021**	**±%**
Cash and balances with central banks	**9,827**	9,231	6%
Loans and advances to banks	**458**	292	57%
Debt securities, treasury bills and equity investments	**2,459**	2,139	15%
Net loans and advances to customers	**10,088**	9,836	3%
Stock of property	**1,083**	1,112	-3%
Investment properties	**89**	118	-25%
Other assets	**1,869**	1,876	0%
Non-current assets and disposal groups held for sale	**324**	359	-10%
Total assets	**26,197**	**24,963**	**5%**
Deposits by banks	**519**	457	14%
Funding from central banks	**2,952**	2,970	-1%
Customer deposits	**18,792**	17,531	7%
Debt securities in issue	**299**	303	-1%
Subordinated liabilities	**317**	340	-7%
Other liabilities	**1,277**	1,281	0%
Total liabilities	**24,156**	**22,882**	**6%**

Shareholders' equity	**1,797**	**1,839**	**-2%**
Other equity instruments	**220**	220	-
Total equity excluding non-controlling interests	**2,017**	**2,059**	**-2%**
Non-controlling interests	**24**	22	**8%**
Total equity	**2,041**	**2,081**	**-2%**
Total liabilities and equity	**26,197**	**24,963**	**5%**

Key Balance Sheet figures and ratios	**30.09.2022** (pro forma)[1]	**30.09.2022** (as reported)[2]	**31.12.2021** (as reported)[2]	±[2]
Gross loans (€ mn)	**10,358**	**10,913**	10,856	1%
Allowance for expected loan credit losses (€ mn)	**292**	**610**	792	-23%
Customer deposits (€ mn)	**18,792**	**18,792**	17,531	7%
Loans to deposits ratio (net)	**54%**	**55%**	57%	-2 p.p.
NPE ratio	**4.5%**	**9.3%**	12.4%	-3.1 p.p.
NPE coverage ratio	**63%**	**60%**	59%	+1 p.p.
Leverage ratio	**7.2%**	**7.2%**	7.6%	-40 bps
Capital ratios and risk weighted assets	**30.09.2022** (pro forma)[1]	**30.09.2022** (as reported)[2]	**31.12.2021** (as reported)[2]	±[2]
Common Equity Tier 1 (CET1) ratio (transitional)[3]	**14.7%**	**14.2%**	15.1%	-90 bps
Total capital ratio (transitional)	**19.8%**	**19.1%**	20.0%	-90 bps
Risk weighted assets (€ mn)	**10,212**	**10,538**	10,694	-1%

1. Pro forma for Helix 3 (please refer to 'Commentary on Underlying Basis'). 2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant. 3. The CET1 fully loaded ratio as at 30 September 2022 amounts to 13.5% and 13.9% pro forma for Helix 3 (compared to 13.9% and 13.4% pro forma for HFS and VEP as at 30 June 2022 and to 13.7% and 14.3% pro forma for HFS as at 31 December 2021). p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis

A.1.1 Capital Base

Total equity excluding non-controlling interests totalled €2,017 mn as at 30 September 2022 compared to €2,070 mn as at 30 June 2022, and to €2,059 mn at 31 December 2021. Shareholders' equity totalled €1,797 mn as at 30 September 2022 compared to €1,850 mn as at 30 June 2022 and to €1,839 mn at 31 December 2021.

The **Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 14.2% as at 30 September 2022 and 14.7% pro forma for Helix 3, compared to 14.6% as at 30 June 2022 and 14.2% pro forma for HFS and VEP and to 15.1% as at 31 December 2021 (and 15.8% pro forma for held for sale portfolios (referred to as 'pro forma for HFS')). During 3Q2022, the CET1 ratio was positively affected by the pre-provision income and the decrease in risk weighted assets, and negatively by provisions and impairments and mainly the cost of the Voluntary Staff Exit Plan.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually, with the impact being fully phased-in (100%) by 1 January 2023. The phasing-in for 2022 of the impairment amount from the initial application of IFRS 9 had a negative impact of c.60 bps on the CET1 ratio on 1 January 2022. 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 33 bps on Group's CET1 ratio as at 30 September 2022.

The **CET1 ratio on a fully loaded basis** amounted to 13.5% as at 30 September 2022 and 13.9% pro forma for Helix 3 compared to 13.9% as at 30 June 2022 (and 13.4% pro forma for HFS and VEP), and to 13.7% as at 31 December 2021 (and 14.3% pro forma for HFS).

The **Total Capital ratio** stood at 19.1% as at 30 September 2022 and 19.8% pro forma for Helix 3 compared to 19.5% as at 30 June 2022 (and 19.3% pro forma for HFS and VEP), and to 20.0% as at 31 December 2021 (and 20.8% pro forma for HFS).

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

In the context of the annual SREP conducted by the European Central Bank (ECB) in 2021 and based on the **final 2021 SREP Decision** received in February 2022, the Pillar II requirement has been set at 3.26%, compared to the previous level of 3.00%. The additional Pillar II requirement add-on of 0.26% relates to the ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the Pillar II requirement add-on takes into consideration Project Helix 3. The details of the 2022 SREP requirements are set below.

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 since November 2021 the O-SII buffer has been set to 1.50%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.50%. Currently the O-SII buffer stands at 1.25% and will be fully phased-in on 1 January 2023.

As a result, currently the Group's minimum phased-in CET1 capital ratio requirement is set at **10.08%** compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's minimum phased-in Total Capital ratio requirement is set at **15.01%** compared to the previous level of 14.50% (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 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time. These SREP requirements became effective as from 1 March 2022.

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.

Following the annual SREP performed by the ECB in 2022 and based on the **draft SREP decision** received in October 2022, expected to be effective from 1 January 2023 (subject to ECB final confirmation) the Pillar II requirement has been revised to 3.08%, compared to the current level of 3.26%. The Pillar II requirement includes a revised Pillar II requirement add-on of 0.33% relating to ECB's prudential provisioning expectations. When ignoring the Pillar II add-on relating to ECB's prudential provisioning expectations, the Pillar 2 requirement is reduced from 3.00% to 2.75%.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

As a result, the Group's minimum phased-in CET1 capital ratio and Total Capital ratio requirements, were reduced when ignoring the phasing in of the Other Systemically Important Institution Buffer. The Group's minimum phased-in CET1 capital ratio is expected to be set at **10.23%**, comprising a 4.50% Pillar I requirement, a 1.73% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.50%. The Group's minimum phased-in Total Capital ratio requirement is expected to be set at **15.08%,** 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% and the O-SII Buffer of 1.50%. The ECB has also maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) unchanged.

Based on the SREP decision, the Company (Bank of Cyprus Holdings PLC) and the Bank are under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2021-2022. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital. No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company or the Bank. Based on the final 2021 SREP Decision, the previous restriction on variable pay was lifted.

Voluntary Staff Exit Plan

In July 2022, the Group completed a Voluntary Staff Exit Plan, resulting in a negative impact of c.95 bps both on the Group's CET1 and Total Capital ratios as at 30 September 2022. For further information please refer to Section A.2.2 "Total expenses".

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, known as Project Helix 3. Further details are provided in Section A.1.5 "Loan portfolio quality".

Project Helix 3 is expected to have a positive capital impact of c.50 bps on the Group's CET1 ratio on the basis of 30 September 2022 figures.

Pro forma calculations are based on 30 September 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

The completion of Project Helix 3 is currently expected to occur by the end of November 2022 and remains subject to customary regulatory and other approvals.

Tier 2 Capital Notes

In April 2021, the Company issued €300 mn unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes').

The Company and the Bank entered into an agreement pursuant to which the Company on-lent to the Bank the entire €300 mn proceeds of the issue of the New T2 Notes (the 'Tier 2 Loan') on terms substantially identical to the terms and conditions of the New T2 Notes. The Tier 2 Loan constitutes an unsecured and subordinated obligation of the Bank.

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

At the same time, the Bank invited the holders of its €250 mn Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by the Bank at a price of 105.50%, after which Old T2 Notes of €43 mn remained outstanding. On 19 January 2022, the Bank exercised its option and redeemed the outstanding €43 mn Old T2 Notes.

The Group continues to monitor opportunities for the optimisation of its capital position, including Additional Tier 1 capital.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

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 law amendments cover the utilisation of income tax losses transferred from Laiki Bank to the Bank in March 2013. The introduction of the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) IV in January 2014 and its subsequent phasing-in led to a more capital-intensive treatment of this DTA for the Bank. With this legislation, institutions are allowed to treat such DTAs as 'not relying on profitability', according to CRR/CRD IV and as a result not deducted from CET1, hence improving a credit institution's capital position.

In response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government has proceeded with the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already provided for in the Law, to maintain the conversion of such DTAs into tax credits. In May 2022 the Cyprus Parliament voted these amendments which became effective since then. As prescribed by the amendments in the Law, the annual 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 since prior years, in anticipation of modifications in the Law, acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Group estimates that such fees could range up to €5.3 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 €5.3 mn was recorded in FY2021, bringing the total amount provided by the Group for such increased fee to c.€21 mn for the years 2018-2021. In 3Q2022 the Group has been levied an amount within the provisions level maintained.

A.1.2 Regulations and Directives

A.1.2.1 The 2021 Banking Package (CRR III and CRD VI and BRRD)

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD IV and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

A.1.2.2 Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In December 2021, the Bank received notification from the Single Resolution Board (SRB) of the final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank, determined as the preferred resolution point of entry. **As per the decision, the final MREL requirement was set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025.** Furthermore, an interim requirement to be met by 1 January 2022 was set at 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

A.1.2.2 Bank Recovery and Resolution Directive (BRRD) (continued)

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

In November 2022, the Bank received draft notification from the SRB regarding the 2023 MREL decision, by which the above requirements and timelines remain unchanged, except for the final MREL requirement for 31 December 2025 now set at 24.35% of risk weighted assets. The revised MREL requirements remain subject to SRB and CBC final confirmation.

The MREL ratio of the Bank as at 30 September 2022, calculated according to the SRB's eligibility criteria currently in effect and based on the Bank's internal estimate, stood at 19.87% of risk weighted assets (RWA) and at 9.62% of LRE. Pro forma for Helix 3, the MREL ratio of the Bank as at 30 September 2022, calculated on the same basis, stood at 20.66% of risk weighted assets. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stands at 3.75% since 1 January 2022 and is expected to increase to 4.0% on 1 January 2023.

The Bank will continue to evaluate opportunities to advance the build-up of its MREL liabilities.

A.1.3 Funding and Liquidity

Funding

Funding from Central Banks

At 30 September 2022, the Bank's funding from central banks amounted to €2,952 mn, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,955 mn at 30 June 2022 and to €2,970 mn as at 31 December 2021.

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

The Bank exceeded the benchmark net lending threshold in the period 1 March 2020 - 31 March 2021 and qualified for the beneficial rate of -1% for the period from June 2020 to June 2021. The NII benefit from its TLTRO III borrowing for the period from June 2020 to June 2021 stood at c.€7 mn and was recognised over the respective period in the income statement.

In addition, the Bank has exceeded the benchmark net lending threshold in the period 1 October 2020 - 31 December 2021 and qualified for a beneficial rate for the period from June 2021 to June 2022. The NII benefit from its TLTRO III borrowing for the period from June 2021 to June 2022 stood at €15 mn and was recognised over the respective period in the income statement.

The Bank expects an additional net NII benefit from the TLTRO III borrowing for the period 24 June 2022 to 22 November 2022 of c.€8 mn, of which c.€3 mn was recognised in the income statement in 3Q2022.

Following the changes in the terms of the TLTRO III announced by the ECB in October 2022, and given the Bank's strong liquidity position, the Bank is contemplating earlier repayment of the TLTRO III.

Deposits

Customer deposits totalled €18,792 mn at 30 September 2022 (compared to €18,450 mn at 30 June 2022 and to €17,531 mn at 31 December 2021) and increased by 2% in the third quarter and by 7% since the year end.

The Bank's deposit market share in Cyprus reached 37.1% as at 30 September 2022, compared to 36.8% as at 30 June 2022 and to 34.8% as at 31 December 2021. Customer deposits accounted for 72% of total assets and 78% of total liabilities at 30 September 2022 (1 p.p. up since 31 December 2021).

The net loans to deposits (L/D) ratio stood at 55% as at 30 September 2022 (compared to 56% as at 30 June 2022 and to 57% as at 31 December 2021 on the same basis). Pro forma for Helix 3, the net loans to deposit ratio as at 30 September 2022 stood at 54%.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.3 Funding and Liquidity (continued)

Subordinated liabilities

At 30 September 2022, the Group's subordinated liabilities (including accrued interest) amounted to €317 mn (compared to €312 mn at 30 June 2022 and €340 mn at 31 December 2021) and relates to unsecured subordinated Tier 2 Capital Notes.

For further information please refer to Section A.1.1 'Capital Base'.

Debt securities in issue

At 30 September 2022, the Group's debt securities in issue (including accrued interest) amounted to €299 mn (compared to €299 mn at 30 June 2022 and €303 mn at 31 December 2021) and relates to senior preferred notes.

In June 2021, the Bank executed its inaugural MREL transaction issuing €300 mn of senior preferred notes (the "SP Notes"). The SP Notes were priced at par with a fixed coupon of 2.50% per annum, payable annually in arrears and resettable on 24 June 2026. The maturity date of the SP Notes is 24 June 2027 and the Bank may, at its discretion, redeem the SP Notes on 24 June 2026, subject to meeting certain conditions as specified in the Terms and Conditions, including applicable regulatory consents. The SP Notes comply with the criteria for MREL and contribute towards the Bank's MREL requirements.

Liquidity

At 30 September 2022, the Group Liquidity Coverage Ratio (LCR) stood at 300% (compared to 299% at 30 June 2022 and to 298% at 31 December 2021), well above the minimum regulatory requirement of 100%. The LCR surplus as at 30 September 2022 amounted to €6.8 bn (compared to €6.7 bn at 30 June 2022 and €6.3 bn at 31 December 2021), well positioned to benefit from further interest rate increases. The increase in 3Q2022 is mainly driven by the increase in customer deposits.

At 30 September 2022, the Group Net Stable Funding Ratio (NSFR) stood at 160% (compared to 160% at 30 June 2022 and 147% at 31 December 2021), well above the minimum regulatory requirement of 100%, enforced in June 2021 as per CRR II.

A.1.4 Loans

Group **gross loans** (inclusive of those classified as held for sale) totalled €10,913 mn at 30 September 2022, compared to €11,047 mn at 30 June 2022 and €10,856 mn at 31 December 2021, increased by 1% since the beginning of the year.

New lending granted in Cyprus reached €497 mn for 3Q2022 (compared to €537 mn for 2Q2022 and €622 mn for 1Q2022) reflecting seasonal patterns and totalled €1,656 mn for 9M2022 (compared €1,321 mn for 9M2021) up by 25% yoy, reaching higher levels than the equivalent period pre-pandemic (9M2019), whilst maintaining strict lending criteria. The yoy increase is driven by increase in lending activity across all sectors, with corporate being the main driver. New lending in 3Q2022 comprised €269 mn of corporate loans, €155 mn of retail loans (of which €115 mn were housing loans), €42 mn of SME loans and €31 mn of shipping and international loans.

At 30 September 2022, the Group net loans and advances to customers (excluding those classified as held for sale) totalled €10,088 mn (compared to €10,144 mn at 30 June 2022 and €9,836 mn at 31 December 2021), increased by 3% since the beginning of the year.

In addition, at 30 September 2022 net loans and advances to customers of €236 mn were **classified as held for sale** in line with IFRS 5 related to Project Helix 3 (see below), compared to €247 mn as at 30 June 2022 of which €241 mn related to Project Helix 3 and €6 mn to Project Sinope.

The Bank is the largest credit provider in Cyprus with a market share of 41.1% at 30 September 2022, compared to 41.2% at 30 June 2022 and 38.8% at 31 December 2021. The increase in 9M2022 is due to a reduction in loans in the banking system.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and preventing asset quality deterioration following the deteriorating macroeconomic landscape.

The loan credit losses for 3Q2022 totalled €13 mn (excluding 'Provisions/net (loss)/profit relating to NPE sales'), compared to €11 mn for 2Q2022 and totalled €36 mn for 9M2022, compared to €57 mn for 9M2021. Further details regarding loan credit losses are provided in Section A.2.3 'Profit before tax and non-recurring items'.

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable to the deteriorated macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

The Group will continue to monitor the situation, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, are timely captured.

Non-performing exposures reduction

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €150 mn, or 13% in 3Q2022 (comprising net organic NPE reductions of €133 mn (inflows minus outflows), completion of Project Sinope of €12 mn and further net NPE reductions of €5 mn relating to the NPE sales lockbox), compared to a reduction of €79 mn in 2Q2022 to €1,018 mn at 30 September 2022 (compared to €1,343 mn at 31 December 2021). **Pro forma for Helix 3, NPEs are reduced by further €551 mn to €467 mn** on the basis of 30 September 2022 figures.

The NPEs account for 9.3% of gross loans as at 30 September 2022, compared to 10.6% at 30 June 2022 and 12.4% as at 31 December 2021, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. **Pro forma for Helix 3, the NPE ratio is reduced to 4.5%** on the basis of 30 September 2022 figures, **delivering early the 2022 target NPE ratio of c.5%.**

The NPE coverage ratio stands at 60% at 30 September 2022, compared to 58% at 30 June 2022 on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. **Pro forma for Helix 3, NPE coverage ratio is 63%** on the basis of 30 September 2022 figures.

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), known as Project Helix 3. This portfolio of loans had a contractual balance of €993 mn as at the reference date of 31 May 2021 and comprises c.20,000 loans, mainly to retail clients. As at 30 September 2022, 30 June 2022, 31 March 2022 and 31 December 2021, this portfolio of loans, as well as the real estate properties included in Helix 3, have been classified as a disposal group held for sale. At completion, currently expected to occur by the end of November 2022, the Bank will receive gross cash consideration of c.€385 mn.

This portfolio of loans (as well as the real estate properties included in Helix 3) will be transferred to a licensed Cypriot Credit Acquiring Company (the "CyCAC") by the Bank. The shares of the CyCAC will then be acquired by certain funds affiliated with Pacific Investment Management Company LLC (PIMCO), the purchaser of the portfolio.

Following a transitional period where servicing will be retained by the Bank, it is intended that the servicing of the portfolio of loans and the real estate properties included in Helix 3 will be carried out by a third party servicer selected and appointed by the purchaser.

Project Helix 3 represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. Pro forma for Helix 3, the Group's NPE ratio is now below 5%. Helix 3 reduced the stock of NPEs by 54% to €467 mn pro forma on the basis of 30 September 2022 figures, and its NPE ratio by 5 p.p., to 4.5% pro forma on the basis of 30 September 2022 figures.

The completion of Project Helix 3 is currently expected to occur by the end of November 2022 and remains subject to customary regulatory and other approvals.

All relevant figures and pro forma calculations are based on 30 September 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5 Loan portfolio quality (continued)

Project Sinope

In December 2021, the Bank entered into an agreement for the sale of a portfolio of NPEs, with a contractual balance of €146 mn and a gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021 (known as 'Project Sinope'). The portfolio was classified as held for sale since 31 December 2021. **Project Sinope was completed in August 2022.**

Overall, since the peak in 2014 and pro forma for Helix 3, the stock of NPEs has been reduced by €14.5 bn or 97% to €0.5 bn and the NPE ratio by over 58 percentage points, from 63% to less than 5%.

The Group has successfully delivered NPE ratio below 5% ahead of plan.

A.1.6 Real Estate Management Unit (REMU)

The **Real Estate Management Unit (REMU)** is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2017 amount to €1.50 bn and exceed properties on-boarded in the same period of €1.41 bn.

During the nine months ended 30 September 2022 the Group completed disposals of €125 mn (compared to €107 mn in 9M2021), resulting in a profit on disposal of c.€12 mn for 9M2022 (compared to a profit on disposal of €9.5 mn for 9M2021). Asset disposals are across all property classes, with over half of sales by value in 9M2022 relating to land.

As at 30 September 2022 the carrying value of assets held by REMU transferred to "non-current assets and disposal groups held for sale" amounted to €88 mn (compared to €90 mn at 30 June 2022 and €98 mn at 31 December 2021). They relate to Project Helix 3 and comprise stock of property of €83 mn and investment property of €5 mn as at 30 September 2022. The carrying value of assets held by REMU transferred to "non-current assets and disposal groups" amounted to €90 mn (stock of property of €85 mn and investment properties of €5 mn) as at 30 June 2022 and €98 mn (stock of property of €93 mn and investment properties of €5 mn) as at 31 December 2021 and relate to Project Helix 3 and Project Sinope.

During the nine months ended 30 September 2022, the Group executed sale-purchase agreements (SPAs) for disposals of 512 properties with contract value of €142 mn, compared to SPAs for disposals of 553 properties (with contract value of €113 mn) for 9M2021.

In addition, the Group had a strong pipeline of €82 mn by contract value as at 30 September 2022, of which €44 mn related to SPAs signed (compared to a pipeline of €82 mn as at 30 September 2021, of which €53 mn related to SPAs signed).

REMU on-boarded €84 mn of assets in 9M2022 (compared to additions of €29 mn in 9M2021), via the execution of debt for asset swaps and repossessed properties.

As at 30 September 2022, assets held by REMU (excluding assets classified as held for sale) had a carrying value of €1,161 mn (comprising properties of €1,083 mn classified as 'Stock of property' and €78 mn as 'Investment properties'), compared to €1,215 mn as at 31 December 2021 (comprising properties of €1,112 mn classified as 'Stock of property' and €103 mn as 'Investment properties').

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.6 Real Estate Management Unit (REMU) (continued)

Assets held by REMU

Assets held by REMU (Group) € mn	9M2022	9M2021	3Q2022	2Q2022	qoq +%	yoy +%
Opening balance	**1,215**	**1,473**	1,146	1,174	-2%	-17%
On-boarded assets	**84**	**29**	58	18	223%	183%
Sales	**(125)**	**(107)**[1]	(38)	(43)	-13%	17%
Net impairment loss	**(13)**	**(30)**	(5)	(3)	45%	-56%
Transfer to non-current assets and disposal groups held for sale	**-**	**(101)**	-	-	-	-100%
Closing balance	**1,161**	**1,264**	1,161	1,146	1%	-8%

1 . Sales in 9M2021 have been adjusted to include properties of €5 mn relating to Project Helix 2 that had been transferred to non-current assets and disposal groups held for sale in 1Q2021.

Analysis by type and country 30 September 2022 (€ mn)	**Cyprus**	**Greece**	**Romania**	**Total**
Residential properties	**75**	**21**	**0**	**96**
Offices and other commercial properties	**187**	**14**	**0**	**201**
Manufacturing and industrial properties	**53**	**23**	**0**	**76**
Hotels	**24**	**0**	**0**	**24**
Land (fields and plots)	**517**	**5**	**0**	**522**
Golf courses and golf-related property	**242**	**0**	**0**	**242**
Total	**1,098**	**63**	**0**	**1,161**

31 December 2021 (€ mn)	Cyprus	Greece	Romania	Total
Residential properties	82	23	0	105
Offices and other commercial properties	208	23	0	231
Manufacturing and industrial properties	54	24	0	78
Hotels	25	-	-	25
Land (fields and plots)	524	5	1	530
Golf courses and golf-related property	246	-	-	246
Total	1,139	75	1	1,215

A.2. Income Statement Analysis

A.2.1 Total income

€ mn	9M2022	9M2021	3Q2022	2Q2022	qoq ±%	yoy ±%
Net interest income	234	223	89	74	19%	5%
Net fee and commission income	142	128	48	50	-3%	11%
Net foreign exchange gains and net gains/(losses) on financial instruments	24	14	13	5	141%	68%
Insurance income net of claims and commissions	48	43	15	17	-9%	13%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	11	8	4	2	87%	30%
Other income	12	11	3	5	-38%	16%
Non-interest income	**237**	**204**	**83**	**79**	6%	16%
Total income	**471**	**427**	**172**	**153**	12%	10%
Net Interest Margin (annualised)[1]	**1.39%**	1.49%	**1.53%**	1.33%	20 bps	-10 bps
Average interest earning assets (€ mn)[1]	**22,470**	20,087	**22,997**	22,436	3%	12%

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Net interest income (NII) for 9M2022 amounted to €234 mn, compared to €223 mn in 9M2021, up 5% yoy, marking continuing NII progress attributable to the improvement of the effective yield of loans and liquid assets and the growth of the performing (non-legacy) loan book, despite the foregone NII on the Helix 2 portfolio (c.€15 mn in 9M2021). Net interest income (NII) for 3Q2022 amounted to €89 mn, compared to €74 mn for 2Q2022, up 19% qoq, positively impacted by the increase in interest rates and the effect of one additional calendar day in this quarter.

Quarterly average interest earning assets (AIEA) for 9M2022 amounted to €22,470 mn, up by 12% yoy driven by the increase in liquid assets following the increase in deposits by €1.7 bn yoy. Quarterly average interest earning assets for 3Q2022 increased by 3%.

Net interest margin (NIM) for 9M2022 amounted to 1.39% (compared to 1.49% for 9M2021) negatively impacted by the corresponding increase in average interest earning assets. Net interest margin (NIM) for 3Q2022 stood at 1.53%, up 20 bps qoq, supported by the rising interest rate environment. Excluding TLTRO of €3.0 bn, NIM stood at 1.69%.

Non-interest income for 9M2022 amounted to €237 mn (compared to €204 mn for 9M2021, up by 16% yoy), comprising net fee and commission income of €142 mn, net foreign exchange gains and net gains/(losses) on financial instruments of €24 mn, net insurance income of €48 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €11 mn and other income of €12 mn. The yoy increase is driven by higher net fee and commission income, higher net foreign exchange gains and net gains/(losses) on financial instruments and higher insurance income net of claims and commissions.

Non-interest income for 3Q2022 amounted to €83 mn (compared to €79 mn for 2Q2022, up by 6% qoq), comprising net fee and commission income of €48 mn, net foreign exchange gains and net gains/(losses) on financial instruments of €13 mn, net insurance income of €15 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €4 mn and other income of €3 mn. The qoq increase relates to higher net foreign exchange gains and net gains/(losses) on financial instruments.

Net fee and commission income for 9M2022 amounted to €142 mn, (compared to €128 mn for 9M2021, up 11% yoy), driven mainly by the introduction of a revised price list in February 2022 and the extension of liquidity fees to a wider customer group in March 2022. Net fee and commission income for 3Q2022 amounted to €48 mn, down 3% qoq (compared to €50 mn for 2Q2022) due to lower non-transactional fees but seasonally higher transaction fees and higher credit card commissions.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.1 Total income (continued)

Net foreign exchange gains and net gains/(losses) on financial instruments of €24 mn for 9M2022 (comprising net foreign exchange gains of €21 mn and net gains on financial instruments of €3 mn), compared to €14 mn for 9M2021 (comprising net foreign exchange gains of €12 mn and net gains on financial instruments of €2 mn) and increased by 68% yoy. The increase yoy reflects higher foreign exchange gains through FX swaps.

Net foreign exchange gains and net gains/(losses) on financial instruments amounted to €13 mn for 3Q2022, compared to €5 mn in the previous quarter, reflecting higher foreign exchange gain through FX swaps and one-off gain of c.€5.5 mn of a financial instrument.

Net insurance income amounted to €48 mn for 9M2022, compared to €43 mn for 9M2021. The increase of 13% yoy is mainly due to increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims.

Net insurance income amounted to €15 mn for 3Q2022, down 9% qoq, impacted by the changes in the valuation assumptions of interest and higher insurance claims.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 9M2022 amounted to €11 mn (comprising net gains on disposal of stock of properties of €12 mn, and net losses from revaluation of investment properties of €1 mn), compared to €8 mn in 9M2021.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 3Q2022 amounted to €4 mn, compared to €2 mn for 2Q2022. REMU profit remains volatile.

Total income for 9M2022 amounted to €471 mn, compared to €427 mn for 9M2021 (up 10% yoy), mainly driven by the changes in the net interest income and net fee and commission income as explained above. Total income for 3Q2022 stood at €172 mn, compared to €153 mn for 2Q2022, up by 12% qoq, reflecting the increased net interest income by 19% qoq.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses

€ mn	9M2022	9M2021	3Q2022	2Q2022	qoq ±%	yoy ±%
Staff costs	(146)	(152)	(46)	(50)	-8%	-4%
Other operating expenses	(108)	(108)	(35)	(37)	-5%	1%
Total operating expenses	**(254)**	(260)	**(81)**	**(87)**	-7%	-2%
Special levy on deposits and other levies/contributions	(27)	(24)	(10)	(7)	52%	8%
Total expenses	**(281)**	**(284)**	**(91)**	**(94)**	-3%	-1%
Cost to income ratio[1]	**60%**	66%	**53%**	61%	-8 p.p.	-6 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions[1]	**54%**	61%	**47%**	57%	-10 p.p.	-7 p.p.

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Total expenses for 9M2022 were €281 mn (compared to €284 mn for 9M2021), broadly flat yoy, 52% of which related to staff costs (€146 mn), 39% to other operating expenses (€108 mn) and 9% to special levy on deposits and other levies/contributions (€27 mn). Total expenses for 3Q2022 were €91 mn, compared to €94 mn for 2Q2022, down by 3% qoq. The qoq decrease is driven by the 8% qoq reduction in staff costs and lower other operating expenses partially offset by the increase in special levy on deposits and other levies/contributions.

Total operating expenses for 3Q2022 were €81 mn (compared to €87 mn for 2Q2022) down 7% qoq and totalled €254 mn for 9M2022, compared to €260 mn for 9M2021 (down by 2% yoy).

Staff costs for 9M2022 were €146 mn, compared to €152 mn for 9M2021, down 4% yoy, resulting from the Voluntary Staff Exit Plans that took place in the latest quarters, the renewal of the collective agreement, and despite rising inflation. Staff costs for 3Q2022 amounted to €46 mn down 8% qoq mainly driven by the completion of the VEP in July 2022, leading to the reduction of the Group's full time employees by 16%, at a total cost of €101 mn, recorded in the consolidated income statement in 3Q2022. Following the completion of the VEP, the gross annual savings are estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. The estimated savings of the VEP are expected to be partially offset by the renewal of the collective agreement and cost of living adjustments in 2023.

The Group employed 2,955 persons as at 30 September 2022 compared to 3,422 persons as at 30 June 2022 and 3,438 persons as at 31 December 2021.

In addition, in January 2022 the Group through one of its subsidiaries completed a Voluntary Staff Exit Plan (VEP), through which a small number of its employees were approved to leave at a total cost of €3 mn, recorded in the consolidated income statement in 1Q2022 as a non-recurring item in the underlying basis.

In July 2021, the Bank reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement related to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Bank and are in line with market best-practice. The expected impact of the renewal was an increase in staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years.

Other operating expenses for 9M2022 were €108 mn, broadly flat yoy. Other operating expenses for 3Q2022 amounted to €35 mn, compared to €37 mn for 2Q2022, down by 5% qoq driven by lower marketing, IT and other professional expenses.

Special levy on deposits and other levies/contributions for 9M2022 amounted to €27 mn (compared to €24 mn for 9M2021) up 8% yoy, driven by the increase in deposits of €1.7 bn yoy. Special levy on deposits and other levies/contributions for 3Q2022 were €10 mn up by 52% qoq, owing to the €3 mn contribution of the Bank to the Deposit Guarantee Fund (DGF) which relates to 2H2022 and was recorded in 3Q2022, in line with IFRSs.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses (continued)

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 9M2022 was 54%, compared to 61% for 9M2021. The cost to income ratio excluding special levy on deposits and other levies/contributions for 3Q2022 was 47%, compared to 57% for 2Q2022. The qoq decrease of 10 p.p. is driven by the combined effect of higher total income and lower total operating expenses.

The cost to income ratio excluding special levy on deposits and other levies/contributions for the financial year 2022 is revised downwards to low 50s from the previous guidance of 55-60% (announced in August 2022), reflecting mainly the rising revenue on improving interest rate environment and management's ongoing efforts to contain costs. The efficiency actions undertaken on the reduction of employees and branches are expected to unlock meaningful savings from 2023, although these are expected to be partly offset by high inflation.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.3 Profit before tax and non-recurring items

€ mn	9M2022	9M2021	3Q2022	2Q2022	qoq±%	yoy +%
Operating profit before credit losses and impairments	**190**	**143**	**81**	**59**	36%	33%
Loan credit losses	(36)	(57)	(13)	(11)	11%	-37%
Impairments of other financial and non-financial assets	(20)	(13)	(7)	(8)	-11%	51%
Provisions for litigation, claims, regulatory and other matters	(3)	(6)	(2)	(1)	-	-42%
Total loan credit losses, impairments and provisions	**(59)**	**(76)**	**(22)**	**(20)**	14%	-22%
Profit before tax and non-recurring items	**131**	**67**	**59**	**39**	47%	94%
Cost of risk[1]	**0.44%**	**0.66%**	**0.45%**	**0.41%**	+4 bps	-22 bps

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.
p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Operating profit before credit losses and impairments for 9M2022 was €190 mn, compared to €143 mn for 9M2021 (up by 33% yoy). Operating profit before credit losses and impairments for 3Q2022 amounted to €81 mn, compared to €59 mn for 2Q2022, up by 36% qoq driven by the increase in total income qoq.

Loan credit losses for 9M2022 totalled €36 mn, compared to €57 mn for 9M2021 (down by 37% yoy). Loan credit losses for 3Q2022 amounted to €13 mn compared to €11 mn for 2Q2022, up 11% qoq.

Cost of risk for 9M2022 was 44 bps, compared to a cost of risk of 66 bps for 9M2021, down by 22 bps reflecting strong asset quality in 2022 but also impacted by a one-off prior year charge. Cost of risk for 3Q2022 accounted for 45 bps broadly flat on the prior quarter.

At 30 September 2022, 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 H. 'Definitions & Explanations' for definition) totalled €610 mn (compared to €677 mn at 30 June 2022 and €792 mn at 31 December 2021) and accounted for 5.6% of gross loans including portfolios held for sale (compared to 6.1% and 7.3% of gross loans including portfolios held for sale at 30 June 2022 and 31 December 2021 respectively).

Impairments of other financial and non-financial assets for 9M2022 amounted to €20 mn, compared to €13 mn for 9M2021, (up by 51%) driven mainly by higher impairment charges on net legacy overseas exposures. Impairments of other financial and non-financial assets for 3Q2022 amounted to €7 mn, compared to €8 mn for 2Q2022, broadly flat qoq and includes an impairment charge of c.€4 mn relating to a specific, large, illiquid REMU stock property.

Provisions for litigation, claims, regulatory and other matters for 9M2022 amounted to €3 mn, compared to €6 mn for 9M2021. Provisions for litigation, claims, regulatory and other matters for 3Q2022 amounted to €2 mn in line with the previous quarter.

Profit before tax and non-recurring items for 9M2022 totalled €131 mn, compared to €67 mn for 9M2021 (up by 94% yoy). Profit before tax and non-recurring items for 3Q2022 amounted to €59 mn compared to €39 mn for 2Q2022 (up by 47% qoq).

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

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

€ mn	9M2022	9M2021	3Q2022	2Q2022	qoq +%	yoy +%
Profit before tax and non-recurring items	**131**	**67**	**59**	**39**	47%	94%
Tax	(20)	(3)	(8)	(6)	36%	-
Profit attributable to non-controlling interests	(2)	(0)	(1)	(1)	43%	152%
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**109**	**64**	**50**	**32**	49%	71%
Advisory and other restructuring costs – organic	(10)	(19)	(5)	(4)	14%	-48%
Profit after tax – organic (attributable to the owners of the Company)	**99**	**45**	**45**	**28**	54%	120%
Provisions/net (loss)/profit relating to NPE sales[1]	(1)	(6)	(1)	1	-193%	-76%
Restructuring and other costs relating to NPE sales[1]	(3)	(19)	(2)	0	52%	-87%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(104)	-	(101)	-	-	-
(Loss)/profit after tax (attributable to the owners of the Company)	**(9)**	**20**	**(59)**	**29**	**-**	**-**

1. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant.

The **tax charge** for 3Q2022 is €8 mn, up 36% qoq and totalled to €20 mn for 9M2022, compared to €3 mn for 9M2021.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 9M2022 is €109 mn, compared to €64 mn for 9M2021. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 8.8% for 9M2022, compared to 5.2% for 9M2021. Profit after tax and before non-recurring items (attributable to the owners of the Company) for 3Q2022 amounted to €50 mn, reflecting a ROTE before non-recurring items of 11.7%, compared to €32 mn for 2Q2022 (and a ROTE before non-recurring items of 7.8%).

Advisory and other restructuring costs - organic for 9M2022 amounted to €10 mn, compared to €19 mn for 9M2021, down by 48% mainly due to ad-hoc cost related to the tender offer for Existing Tier 2 Capital Notes amounting to €12 mn in 9M2021. Advisory and other restructuring costs – organic for 3Q2022 amounted to €5 mn, compared to €4 mn for 2Q2022 and relate to the transformation programme and other strategic projects of the Group.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 9M2022 amounted to €99 mn, compared to €45 mn for 9M2021. Profit after tax arising from the organic operations (attributable to the owners of the Company) for 3Q2022 is €45 mn, compared to €28 mn for 2Q2022, up 54% qoq.

Provisions/net (loss)/profit relating to NPE sales for 9M2022 amounted to €1 mn relating to Helix 3, compared to €6 mn for 9M2021 (relating to Helix 2 and Helix 3). Provisions/net (loss)/profit relating to NPE sales for 3Q2022 was a net loss of €1 mn, compared to a net profit of €1 mn in 2Q2022.

Restructuring and other costs relating to NPE sales for 9M2022 was €3 mn, compared to €19 mn for 9M2021 (relating to the agreements for the sale of portfolios of NPEs). Restructuring and other costs relating to NPE sales for 3Q2022 is €2 mn compared to less than €1 mn for 2Q2022.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €104 mn for 9M2022, compared to Nil for 9M2021. For further details please refer to Section A.2.2 'Total expenses'.

Loss after tax attributable to the owners of the Company for 9M2022 was €9 mn, compared to a profit of €20 mn for 9M2021. Loss after tax attributable to the owners of the Company for 3Q2022 amounted to €59 mn, compared to a profit of €29 mn for 2Q2022.

B. Operating Environment

The effects from the war in Ukraine, the energy crisis, high inflation, and global monetary tightening are weighing on the global economy. Europe faces energy shortages, and possible disruptions in energy intensive sectors in the coming winter. The ECB forecasts 0.9% growth in the Euro area in 2023 with inflation expected to average 8.1% in 2022 and 5.5% in 2023. Oil and gas prices are expected to remain elevated as long as the war in Ukraine rages on. Major central banks are raising rates aggressively to try to contain inflation. Price rises are expected to start to slow later this year but remain high in level terms.

Against a challenging international environment, the Cyprus economy has shown considerable resilience. The 4.4% contraction in 2020 was modest in comparison with other southern countries. The economy rebounded strongly in 2021 with real GDP growing by 6.6%. Growth remained strong in the first three quarters of 2022, averaging 6.1% year-on-year and expected to average c.6.0% for the year 2022, outperforming the eurozone average. However, growth will slow in 2023, towards 3% according to the Ministry of Finance.

On the supply side, growth in the first half, for which data is available was almost entirely attributable to the services sectors. More than half of growth in the period came from trade, transport, and accommodation services. Information and communication, and the professional and administrative services sectors, also made significant contributions. In the industrial sector growth originated from the utilities, electricity, and water sectors, with manufacturing making only a marginal contribution. Construction activity dropped modestly and made a negative contribution.

On the demand side, growth in the first half was attributable to both consumption and investment expenditures with the external sector making a negative contribution due to faster rising imports. Total investment was driven by transport equipment which includes ship registrations, as well as inventory adjustments.

Tourist activity has rebounded strongly in the year to September 2022. Arrivals reached 2.5 million persons, or 78% of corresponding arrivals in 2019. Receipts reached €1.6 billion in the year to August 2022, or 87% of the corresponding receipts in 2019, and an increase of 108% year on year. Travel from Russia and Ukraine is impacted from the war and sanctions, but arrivals in the period exceeded expectations significantly.

Surging energy costs that have been exacerbated by the war in Ukraine, are impacting both consumers and businesses. The government took initial measures to mitigate the consequences. The government reduced the value added tax rates on electricity and also reduced excise duties on gasoline and diesel for a fixed period until June 2022. The latter will remain in place until the end of January 2023. In September 2022, the government introduced a tiered system of subsidies for electricity consumption in place of the reduced values-added tax. The cost of reduced taxes and targeted support amounts to €350 million or 1.3% of GDP.

Cyprus received the first disbursement from the recovery and resilience facility of €157 million in September 2021 following the approval of the national recovery plan the previous July. This was pre-financing for 13% of total disbursements over the period 2021-26. The government also submitted its application to the European Commission for the first disbursement of €85 mn, in July 2022, following the passage of conditional legislation in parliament. The release of the funds is conditional on the strict implementation of reforms agreed in the national recovery plan. Funds will be used to increase investment in the digital and green transition, to increase the efficiency of public and local administrations, and to improve the efficiency of the judicial system among others.

In the banking sector there has been significant restructuring since the 2013 financial crisis. Banks have reduced their foreign exposures, reduced their balance sheets substantially, raised their capital buffers, and restructured and refocussed their operations domestically. Prudential oversight has been strengthened and a new legal framework for private-debt restructuring is now in place, including for the sale of loans. Total non-performing exposures at the end of August 2022, were €2.8 billion or 10.9% of gross loans. The corresponding ratio in the non-financial companies' segment was 8.3% and that of households 13.3%. The coverage ratio was 51.4%. In November 2022, the Cyprus Parliament voted the suspension of the foreclosure process until 31 January 2023.

The recovery in 2021 underpinned a significant increase in general government revenue and a relative drop in government spending. As a result, the budget deficit narrowed to 1.7% of GDP from a deficit of 5.8% of GDP in 2020, which reflected government measures to support the economy amidst a deep recession induced from the Covid pandemic.

Developments in the first half of 2022, were favourable for public finances. Revenues increased by 16.8% and expenditures dropped marginally by 1.2%. The budget in the first half is back to near balance, and a surplus of 1.2% of GDP is expected for the year 2022 according to the Ministry of Finance. The public debt is sustainable and firmly on a downward path. With the budget balanced in the year, and inflation at about 8.0% estimated for the year, debt to GDP will fall toward 90% at year-end, according to the Ministry of Finance.

As expected, the ECB raised its interest rate by 75 basis points at its most recent meeting, on 27 October 2022, after raising it also by 75 basis points in September 2022. The bank's main refinancing operations rate is now at 2% from zero at the beginning of the year.

B. Operating Environment (continued)

Consumer inflation continued to accelerate in 2022 driven mainly by energy prices but also food prices. The harmonised index of consumer prices increased by 8.8% in the second quarter and, by 9.7% in the third quarter and by 8.6% in October 2022. On average in the ten months January-October 2022, the harmonised inflation was 8.1% (8.1% also in the euro area). This compares with harmonised inflation of 3.9% in the second half of 2021 and 2.3% for the whole year. Core inflation was lower. Excluding energy, harmonised inflation was 5.4% in January-October 2022. Excluding energy and food, inflation was 5.0%. Non-energy industrial goods increased by 4.1% in the period and all-services increased by 5.3%. Hence, second round effects have started to show from the first quarter of 2022 and continued to affect final prices at an increasing pace.

Cyprus' current-account deficit narrowed from 10.1% in 2020 to 6.8% in 2021 and is estimated at 9.6% in 2022 according to the autumn forecasts of the European Commission. The deficit is expected to shrink gradually from 2023 onwards as services earnings recover and EU recovery funds are credited in the secondary income account. However, the current-account deficit will remain larger than pre-pandemic levels in the medium term owing in part to strong import growth linked to higher energy prices and EU investment plans, which will weigh on the trade balance. The size of the country's deficits is partly structural, a consequence of special-purpose entities domiciled in Cyprus.

Sovereign ratings

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting reduced banking sector risks, and improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system. Public debt remains high in relation to GDP but large-scale asset purchases from the ECB ensure favourable funding costs for Cyprus and ample liquidity in the sovereign bond market.

Most recently, in October 2022, **DBRS Morningstar** affirmed the Republic of Cyprus's Long-Term Foreign and Local Currency – Issuer Ratings at BBB (low) and maintained the trend Stable. The affirmation is supported by a stable political environment, the government's sound fiscal and economic policies and the favourable government debt profile. The stable outlook balances recent favourable fiscal dynamics against downside risks for the economic outlooks (including further escalation of the crisis in Ukraine).

In September 2022, **S&P Global Ratings** upgraded Cyprus' investment grade rating of BBB/A-2 and has changed the outlook from positive to stable. The upgrade reflects the resiliency of the Cypriot economy to recent external shock (including the COVID-19 pandemic). The stable outlook balances risks from the crisis in Ukraine and the economy's diversified structure and the expectation that the government's fiscal position will continue to improve.

In September 2022, **Fitch Ratings** affirmed Cyprus' Long-Term Issuer Default rating at investment grade BBB- since November 2018 and stable outlook. The stable outlook reflects the view that despite Cyprus' exposure to Russia through its tourism and investment linkages, near-term risks are mitigated by a strengthened government fiscal position, and continued normalisation of spending after the pandemic shock. Meanwhile, medium-term growth prospects remain positive on the back of the government's Recovery and Resilience Plan (RRP).

In August 2022, **Moody's Investors Service** affirmed the Government of Cyprus' long-term issuer and senior unsecured ratings to Ba1 and changed the outlook from stable to positive. The key drivers reflecting the affirmation are the strong reduction in Cyprus' public debt ratio in 2022, stronger-than expected economic resilience to Russia's invasion of Ukraine and the COVID-19 pandemic as well the ongoing strengthening of the banking sector.

C. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In October 2022, **Moody's Investors Service** upgraded the Bank's long-term deposit rating to Ba2 from Ba3, maintaining the positive outlook. The main drivers for this upgrade are the resilience of the Cypriot economy, that is supporting the operating conditions of the banking system to external shocks and the gradual improvement in credit conditions. In September 2022, **Standard and Poor's** raised the long-term issuer credit rating of the Bank to BB- from B+ and revised the outlook to stable from positive. The upgrade reflects the improvement in asset quality and easing economic risks. In December 2021, **Fitch Ratings** affirmed the Bank's long-term issuer default rating of B- and revised the outlook to positive from negative. The revision of the outlook reflects significant improvement in asset quality following the agreement reached for Project Helix 3, as well as in organically reducing problem assets since the end of 2019, despite an adverse operating environment in Cyprus, together with an expectation that this trend will continue in the near future.

Near-term strategic priorities and outlook

The Group is a diversified, leading, financial and technology hub in Cyprus. The prolonged geopolitical crisis in Ukraine has changed the economic landscape, reflecting potential slowdown in economic growth impacted by the escalating inflationary pressures and rising interest rate outlook. Against this backdrop, the Group is determined to deliver on the levers under its control in order to face external shocks from a strong position. The Group's diversified business model, its significantly improved asset quality and efficiency as well as its ability to maintain healthy capital and liquidity buffers, all play a vital role as it heads towards these uncertain times. Additionally, as a result of the changing and dynamic economic outlook, the Group will benefit substantially from the interest rate hikes, setting NII to growth trajectory and outweighing potential pressures on total operating costs and cost of risk. This facilitates a clear path to a recurring ROTE of c.10%, already in 2022, supporting the ability to make meaningful dividend distributions from 2023 onwards, subject to regulatory approvals and market conditions. This increases the confidence of delivering a double-digit ROTE in 2023.

Favourable interest rate environment

The structure of the Group's balance sheet is geared towards higher interest rates facilitating immediate growth in net interest income. As at 30 September 2022, cash balances with ECB (excluding TLTRO of c.€3.0 bn) amounted to c.€6.9 bn. The repricing of the reference rates will gradually benefit the interest income on loans, as almost half of the loan book is priced on Euribor. The interest rates increased faster than expected in August 2022, with immediate benefits from liquid assets and variable rate loans (over 90% of the Group's loan portfolio is variable rate). Factoring in the current expectations for interest rates, the net interest income guidance for 2022 is upgraded and is now expected to exceed €350 mn. In 2023, NII is expected to be significantly higher compared to 2022, demonstrating the faster and higher repricing of loans and liquids, partially offset by increased costs of funding, gradual increase in cost of deposits from 2023 and gradual change in deposit mix towards term deposits.

Growing revenues in a more capital efficient way

The Group remains focused on growing revenues in a more capital efficient way. The Group aims to continue to grow its high-quality new lending, drive growth in niche areas for further market penetration and diversify through non-banking services, such as insurance and digital products.

The Group has continued to provide high quality new lending in 9M2022 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 first nine months of 2022, new lending amounted to €1.7 bn, up by 25% yoy, returning to pre-pandemic levels. The yoy increase is driven by increased activity across all sectors. As a result, the net performing loan book expanded to €9.7 bn up by 4% during the nine months 2022, although it remained flat on the prior quarter due to high repayments. The short-term net interest income is expected to be supported primarily by asset repricing and higher security investments.

As at 30 September 2022, the bond portfolio of the Group amounted to €2.3 bn, up by 17% in 9M2022 and represents 10% of total assets (excluding TLTRO III of €3.0 bn). The completion of the balance sheet de-risking and the Group's comfortable liquidity position, allow the Group to meaningfully grow its bond portfolio in 2023, subject to market conditions. The portfolio comprises highly rated fixed rate bonds with low average duration, giving the Group the flexibility to take advantage of rising interest rates.

Separately, the Group aims to increase revenues over the medium term 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. In 1Q2022, a revised price list for charges and fees was implemented and liquidity fees were extended to a wider customer group. As a result, net fee and commission income for 9M2022 remained strong at €142 mn, reflecting an increase of 11% yoy. Net fee and commission income is likely to be under pressure in the near term mainly due to the phasing out of liquidity fees in December 2022 (amounting to c.€4 mn per quarter).

C. Business Overview (continued)

Near-term strategic priorities and outlook (continued)

Growing revenues in a more capital efficient way (continued)

Net fee and commission income is also enhanced by transaction fees from the Group's subsidiary, **JCC Payment Systems Ltd** (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. JCC's net fee and commission income contributed 8% of total non interest income and amounted to €19 mn in 9M2022, up 23% yoy, backed by strong transaction volume.

The Group's **insurance companies,** EuroLife Ltd and General Insurance of Cyprus Ltd (GI) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, further diversifying the Group's income streams. The insurance income net of claims for 9M2022 contributed 20% of non-interest income and amounted to €48 mn, up 13% yoy, driven by increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims. Specifically, Eurolife increased its total regular income by 16% yoy, whilst GI increased its gross written premiums by 11% yoy. For information on IFRS 17 please refer to the relevant subsection below.

Finally, the Group through the **Digital Economy Platform (Jinius)** aims to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The platform is expected to allow the Bank to enhance the engagement of its customer base, attract new customers, optimise the cost of the Bank's own processes, and position the Bank next to the customer at the point and time of need. Currently, around 1,500 companies were registered in the platform.

Lean operating model

Striving for a **lean operating model** is a key strategic pillar for the Group in order to deliver shareholder value in the medium term, whilst funding its digital transformation and investing in the business. Management also expects that **restructuring costs will be effectively eliminated** as balance sheet de-risking is largely complete.

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included further branch footprint optimisation and substantial streamline of workforce. In July 2022 the Group successfully completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total cost of €101 mn. Following the completion of the Plan, the gross annual savings are estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. Additionally in January 2022 one of the Bank's subsidiaries completed a small-scale targeted Voluntary Staff Exit Plan (VEP), through which a small number of full-time employees were approved to leave at a total cost of €3 mn. In relation to branch restructuring, the Group has reduced the number of branches by 20 year-to-date to 60, a reduction of 25%. Through these successful initiatives, the Group has delivered **ahead of schedule** on its commitment to reduce its workforce by c.15% and its number of branches by 25%. As a result, the cost to income ratio excluding special levy on deposits and other levies/contributions for 9M2022 was reduced to 54%, 7 p.p. down compared to previous year. In 2023 the renewal of the collective agreement and the adjustment of cost of living are expected to partially offset the gross savings derived from the recent VEPs.

The cost to income ratio excluding special levy on deposits and other levies/contributions for the financial year 2022 is revised downwards to low 50s from the previous guidance of 55-60% (announced in August 2022), reflecting mainly the rising revenue on improving interest rate environment and management's ongoing efforts to contain costs. The efficiency actions undertaken on the reduction of employees and branches are expected to unlock meaningful savings from 2023, although these are expected to be partly offset by high inflation.

Transformation plan

The Group continues to work towards becoming a more 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 we serve our customers and operate internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

Near-term strategic priorities and outlook (continued)

Lean operating model (continued)

Digital transformation

The Bank's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

In October 2022, the Bank continued to enrich and improve its digital portfolio launching a new innovative service to its customers, the QuickLoans. Four new lending products are now available through the Group's digital channels (Mobile App and Internet Banking), which allows the Bank's retail customers to apply for a loan and have an instant update of the approval status of their application. This solution further differentiates the Bank within the Cypriot market and enhances its status as a digital leader in banking.

The adoption of digital products and services continued to grow and gained momentum in the third quarter of 2022 and beyond. As at the end of October 2022, 94.0% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 27.6 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 81.3% of individual customers were digitally engaged (up by 21.1 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of October 2022, active mobile banking users and active QuickPay users have grown by 14.5% and 33.1% respectively in the last 12 months. The highest number of QuickPay users to date was recorded in October 2022 with 162 thousand active users. Likewise, the highest number of QuickPay payments was recorded in October 2022 with 477 thousand transactions. New features, such as Google Pay, as well as management of fixed deposits accounts will soon be available to customers.

Strengthening asset quality

Ensuring the Bank's loan portfolio quality remains healthy is a priority for the Group.

Balance sheet de-risking continued in the first nine months of 2022 with further c.€300 mn of organic NPE reduction, reducing the Group's NPE ratio to 4.5%, pro forma for Helix 3, **delivering early the NPE ratio target of c.5%**. During 2021, the Group completed Project Helix 2 and reached an agreement for Project Helix 3. Overall, since the beginning of 2021, and including organic NPE reductions of c.€700 mn, the Group reduced its NPEs by 85% and its NPE ratio from 25.2% to 4.5%, on a pro forma basis. For further information please refer to Section A.1.5 'Loan portfolio quality'.

The cost of risk for 2022 is revised and is currently expected to be around mid-40s, reflecting strong loan portfolio performance. The cost of risk target of 50-80 bps for 2023 remains unchanged, reflecting the prevailing uncertainty on macroeconomic outlook.

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

Moving to a sustainable economy is the challenge of our time. As part of its vision to be the leading financial hub in Cyprus, the Bank is determined to **lead the transition of Cyprus to a sustainable future.**

The Group has set the foundations **to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda** and continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

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

In 2021, the first ESG strategy of the Group was formulated, whereby, in addition to maintaining its leading role in the social and governance pillars, there will be a shift of focus on increasing the Bank's positive impact on the environment by transforming not only its own operations, but also the operations of its client chain.

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

C. Business Overview (continued)

Near-term strategic priorities and outlook (continued)

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

The Bank has recently initiated the measurement of financed emissions derived from its loan portfolio (Scope 3) and is working towards the finalisation of Sustainable Finance Framework for green bonds.

The Bank is the first bank in Cyprus joining the Partnership for Carbon Accounting Financials (PCAF).

The Board composition of the Company and the Bank is diverse, with 40% of the Board members being female as at 30 September 2022. The Board displays a strong skill set stemming from broad international experience. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030. As at 30 September 2022, there is a 27% representation of women in Group's management bodies and a 39% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

IFRS 17

IFRS 17, an accounting standard that will be effective from 1 January 2023, impacts the phasing of profit recognition for insurance contracts. Upon implementation, the Group's insurance-related retained earnings will be restated and the reporting of insurance new business revenue will be spread over time, as the Group provides service to its policyholders (versus recognised up-front under current accounting standards), with the quantum and timing of the impact dependent on, inter alia, the amount and mix of new business and extent of assumption changes in any given year following implementation. As highlighted in our 2021 Annual Financial Report, IFRS 17 requires a number of key changes compared with our current accounting policies for insurance.

- Under IFRS 17, there will be no present value of in-force life insurance contracts ('PVIF') asset recognised. Instead, the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under IFRS 17.
- IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities hence insurance liabilities and related assets will be adjusted to reflect IFRS 17 measurement requirements.
- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in operating expenses.

The Group continues to make progress on the implementation of IFRS 17 and preliminary management estimate on the impact is as previously communicated and included below. However, industry practice and interpretation of the standard are still developing, hence uncertainty remains as to the final transition impact. Additionally, the impact on the forecast future returns of the Group's insurance business is dependent on the growth, duration and composition of its insurance contract portfolio. These estimates are also impacted by the effect of market related conditions and are therefore subject to change in the period up to adoption of the standard.

For the purposes of planning the Group's financial resources, the initial estimate is that the accounting changes will result in:

a) the removal of value in force from the life insurance business (including associated deferred tax liability) of c.€102 mn as per the Group's consolidated balance sheet as at 30 September 2022, which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and

b) the remeasurement of insurance assets and liabilities and the creation of a contractual service margin (CSM) liability which will increase both the insurance business and the Group's equity by an amount of c.€50 mn, predominantly relating to the life business of the Group.

The adoption of IFRS 17 may result in a modest annual negative impact on the contribution to profits of the Group's insurance business in the near term which has been incorporated in the Group business plan.

The day 1 benefit from IFRS 17 arising from the net remeasurement of insurance liabilities of c.€50 mn (including the creation of the CSM liability), referred to in (b) above, enables an equivalent dividend distribution to the Bank which would benefit Group regulatory capital by an equivalent amount (upon the payment of dividend by the subsidiary), enhancing CET1 ratio by c.50 bps.

C. Business Overview (continued)

Ukrainian crisis

The economic environment has evolved rapidly since February 2022 following Russia's invasion in Ukraine. In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals. As the war is prolonged, geopolitical tension persists and inflation accelerates, impacted by the soaring energy prices and disruptions in supply chains. The escalating inflation weighs on business confidence and consumers' purchasing power. In this context the Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required and has assessed the impact it has on the Group's operations and financial performance.

Direct impact

The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 mn as at 30 September 2022 in Russia through write-offs and provisions.

The Group has no exposure to Russian bonds or banks which are subject to sanctions.

The Group has limited direct exposure with loans related to Ukraine, Russia and Belarus, representing 0.5% of total assets or c.1% of net loans as at 30 September 2022. The net book value of these loans stood at €118 mn as at 30 September 2022, of which €106 mn are performing, whilst the remaining were classified as NPEs well before the current crisis. The portfolio is granular and secured mainly by real estate properties in Cyprus.

Customer deposits related to Ukrainian, Russian and Belarusian customers account for only 5% of total customer deposits as at 30 September 2022. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €6.8 bn (LCR ratio of 300%) as at 30 September 2022.

Only c.3% of the Group's 2021 net fee and commission income is derived from Ultimate Beneficiary Owners (UBOs) from Ukraine, Russia or Belarus.

Indirect impact

Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains.

The impact on the Cypriot economy is expected to come from higher inflation and a consequential slowdown in economic activity. The performance of tourism sector in the first nine months of 2022 is better than initially anticipated and represents 78% of 2019 respective levels, despite the loss of tourist arrivals from Russia and Ukraine. The Group continues to monitor the exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary.

Cyprus has no energy dependence on Russia as it imports oil from Greece, Italy and the Netherlands; however it is indirectly affected by pricing pressures in the international energy markets.

Professional services account for c.10% of GDP (based on FY2020) of which some relate to Russia or Ukraine and thus expected to be adversely impacted. There is however no credit risk exposure as the sector is not levered.

Between 2018-2020, Cyprus recorded net foreign direct investment (FDI) outflow to Russia. While Russian gross FDI flows in and out of Cyprus may be quite large, these often reflect the typical set-up of Special Purpose Entities, with limited actual impact on the Cypriot economy, hence likely to have limited impact on domestic activity levels.

Conclusion

Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy.

The Group will continue to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

D. Strategy and Outlook

The strategic objectives for the Group are to become **a stronger, safer and a more efficient institution capable of supporting the recovery of the Cypriot economy** and delivering appropriate shareholder returns in the medium term.

The key pillars of the Group's strategy are to:

- **Grow revenues in a more capital efficient way;** by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital Economy)
- **Improve operating efficiency;** by achieving leaner operations through digitisation and automation
- **Strengthen asset quality;** maintaining high quality new lending, completing legacy de-risking, normalising cost of risk and reducing (other) impairments
- **Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda;** by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

KEY STRATEGIC PILLARS	ACTION TAKEN IN 9M2022 and to date	PLAN OF ACTION
Growing revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital Economy)	• A revised price list for charges and fees was implemented in February 2022 • Liquidity fees were extended to a wider customer group in March 2022 • Net performing loan book grew to €9.7 bn, an increase of 4% in 9M2022 • Bond portfolio grew to €2.3 bn, an increase of 17% in 9M2022 • *For further information, please refer to Section A.1.5 'Loan portfolio quality' and Section C 'Business Overview'*	• The structure of the Group's balance sheet is geared towards higher interest rates facilitating immediate growth in net interest income • **Grow performing book** and increase in new lending over the medium term • **Expand bond portfolio** in 2023, subject to market conditions, to take advantage of the rising yields • **Enhance fee and commission income**, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of **Digital Economy Platform** • Phasing out of liquidity fees in December 2022 • **Profitable insurance business with further opportunities to grow,** e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by digital transformation
Improving operating efficiency; by achieving leaner operations through digitisation and automation	• Completion of a VEP in July 2022, through which c.550 applicants were approved to leave the Group; estimated gross annual saving of c.€37 mn (19%) of staff costs • Rationalisation of branch footprint as 15 branches closed down in July 2022 • Completion of a small-scale targeted VEP in 1Q2022, by one of the Bank's subsidiaries, through which a small number of the Group's employees were approved to leave • Further developments in the Transformation Plan and the digitisation of the Bank	• Effectively eliminate restructuring costs as de-risking is largely complete • Enhance procurement control **Cost to income ratio (excluding special levy on deposits and other levies/contributions) revised downwards to low 50s for 2022**

D. Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN 9M2022 and to date	PLAN OF ACTION
Strengthening asset quality	• Balance sheet de-risking continued in 9M2022 with further c.€300 mn of organic NPE reduction • NPE ratio (pro forma for Helix 3) reduced to 4.5% as at 30 September 2022, delivering early the 2022 NPE ratio target of c.5% • *For further information, please refer to Section A.1.5 'Loan portfolio quality' and Section C. 'Business Overview'*	• Prevent asset quality deterioration following the deteriorating macroeconomic landscape • Helix 3 expected to be completed by the end of November 2022
Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda; by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities	• **First Bank in Cyprus joining the Partnership for Carbon Accounting Financials (PCAF)** • Initiation of ESG training to Board of Directors and staff to increase awareness • Initiation of decarbonisation of the Group's operations • Approval of Green Lending Policy based on the Green Loan Principles (GLPs) • Environmental products launched e.g. under the Fil-eco product scheme • *For further information, please refer to Section C. 'Business Overview'*	• **Implement ESG strategy** with a shift of focus on environment • **Embed ESG sustainability in the Bank's culture** • Continuous enhancement of structure and corporate governance • Invest in people and promote talent

The third quarter of 2022 was marked by the achievements of key milestones of the Group. In summary, these were:

- NPE ratio below 5% delivering early the 2022 target;
- Cost to income ratio excluding special levies and other levies/contributions below 50% (47%), 10 percentage points lower on the previous quarter and well below the previous 2022 guidance of 55% to 60% and;
- Return on tangible equity before non-recurring items (ROTE) of 11.7%, increasing confidence of achieving a recurring ROTE of c.10% already in 2022.

As a result, the Group is on a clear path to achieve a double-digit ROTE in 2023, laying the foundations for a meaningful return to dividend distributions from 2023 onwards, subject to regulatory approvals and market conditions.

The financial targets are expected to be updated post the publication of FY2022 Financial Results.

D. Strategy and Outlook (continued)

Key Metrics	9M2022	FY2022 Previous guidance	FY2022 Updated guidance	FY2023 Guidance
NII	€234 mn	c.€320 mn	>€350 mn	+€100-€120 mn
Cost to income ratio[1]	54%	55-60%	Low-50s	c.50%
Return on Tangible Equity (ROTE)[2]	8.8% (recurring)	n/a	c.10% (recurring)	>10%
NPE ratio	4.5%[3]	c.5%	<5%	<5%
Cost of risk	44 bps	c.50 bps	Mid-40 bps	50-80 bps
CET1 ratio	14.7%[3,4]	Supported by CET1 ratio of 13.5%-14.5%		

1. Calculated using total operating expenses which comprise staff costs and other operating expenses. Total operating expenses do not include the special levy on deposits or other levies/contributions and do not include any advisory or other restructuring costs.
2. Return on Tangible Equity (ROTE) is calculated as Profit after Tax (annualised) divided by Shareholders' equity minus intangible assets.
3. Pro forma for Helix 3
4. Allowing for IFRS 9 and temporary treatment for certain FVOCI instruments transitional arrangements

E. Financial Results – Statutory Basis

Unaudited Interim Consolidated Income Statement

	Nine months ended 30 September	
	2022	2021 (restated)*
	€000	€000
Turnover	**630,326**	566,148
Interest income	**280,505**	269,395
Income similar to interest income	**14,692**	22,761
Interest expense	**(49,826)**	(47,828)
Expense similar to interest expense	**(11,037)**	(20,776)
Net interest income	**234,334**	223,552
Fee and commission income	**149,341**	134,287
Fee and commission expense	**(7,241)**	(6,235)
Net foreign exchange gains	**21,464**	11,572
Net gains/(losses) on financial instruments	**8,529**	(18,277)
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**2,179**	(2,718)
Insurance from assets under insurance and reinsurance contracts	**61,030**	146,906
Expenses from liabilities under insurance and reinsurance contracts	**(13,061)**	(104,308)
Net losses from revaluation and disposal of investment properties	**(583)**	(2,329)
Net gains on disposal of stock of property	**11,175**	9,481
Other income	**11,945**	10,317
Total operating income	**479,112**	402,248
Staff costs	**(250,532)**	(151,709)
Special levy on deposits and other levies/contributions	**(26,616)**	(24,603)
Other operating expenses	**(124,166)**	(139,757)
Operating profit before credit losses and impairment	**77,798**	86,179
Credit losses on financial assets	**(47,764)**	(33,744)
Impairment net of reversals on non-financial assets	**(17,474)**	(29,543)
Profit before tax	**12,560**	22,892
Income tax	**(19,819)**	(2,589)
(Loss)/profit after tax for the period	**(7,259)**	20,303
Attributable to:		
Owners of the Company	**(9,118)**	19,566
Non-controlling interests	**1,859**	737
(Loss)/profit for the period	**(7,259)**	20,303
Basic and diluted (loss)/profit per share attributable to the owners of the Company (€ cent)	**(2.0)**	4.4

* Comparative information was restated following certain changes in the presentation of the primary statements, as further explained in Note 3.1 of the Interim Financial Report 2022.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Nine months ended 30 September	
	2022	2021
	€000	€000
(Loss)/profit for the period	**(7,259)**	20,303
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods	**(13,471)**	2,533
Fair value reserve (debt instruments)	**(11,214)**	3,406
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)	**(9,983)**	3,406
Transfer to the consolidated income statement on disposal	**(1,231)**	-
Foreign currency translation reserve	**(2,257)**	(873)
Profit/(loss) on translation of net investment in foreign branches and subsidiaries	**1,822**	(8,045)
(Loss)/profit on hedging of net investments in foreign branches and subsidiaries	**(4,079)**	7,235
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries	**-**	(63)
OCI not to be reclassified in the consolidated income statement in subsequent periods	**(878)**	6,554
Fair value reserve (equity instruments)	**(2,421)**	739
Net (losses)/gains on investments in equity instruments designated at FVOCI	**(2,421)**	739
Property revaluation reserve	**-**	(40)
Deferred tax	**-**	(40)
Actuarial gains on the defined benefit plans	**1,543**	5,855
Remeasurement gains on defined benefit plans	**1,543**	5,855
Other comprehensive (loss)/income for the period net of taxation	**(14,349)**	9,087
Total comprehensive (loss)/income for the period	**(21,608)**	29,390

Attributable to:		
Owners of the Company	**(23,467)**	28,669
Non-controlling interests	**1,859**	721
Total comprehensive (loss)/income for the period	**(21,608)**	29,390

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Balance Sheet

	30 September 2022	31 December 2021 (restated)
Assets	**€000**	€000
Cash and balances with central banks	**9,827,431**	9,230,883
Loans and advances to banks	**457,598**	291,632
Derivative financial assets	**65,986**	6,653
Investments at FVPL	**187,387**	199,194
Investments at FVOCI	**495,608**	748,695
Investments at amortised cost	**1,775,714**	1,191,274
Loans and advances to customers	**10,087,680**	9,836,405
Life insurance business assets attributable to policyholders	**532,229**	551,797
Prepayments, accrued income and other assets	**585,906**	616,219
Stock of property	**1,082,662**	1,111,604
Deferred tax assets	**265,430**	265,481
Investment properties	**88,514**	117,745
Property and equipment	**254,143**	252,130
Intangible assets	**166,426**	184,034
Non-current assets and disposal groups held for sale	**324,325**	358,951
Total assets	**26,197,039**	24,962,697
Liabilities		
Deposits by banks	**518,859**	457,039
Funding from central banks	**2,951,594**	2,969,600
Derivative financial liabilities	**8,353**	32,452
Customer deposits	**18,792,065**	17,530,883
Insurance liabilities	**682,336**	736,201
Accruals, deferred income, other liabilities and other provisions	**437,230**	361,977
Pending litigation, claims, regulatory and other matters	**104,593**	104,108
Debt securities in issue	**299,465**	302,555
Subordinated liabilities	**316,859**	340,220
Deferred tax liabilities	**44,799**	46,435
Total liabilities	**24,156,153**	22,881,470
Equity		
Share capital	**44,620**	44,620
Share premium	**594,358**	594,358
Revaluation and other reserves	**185,850**	213,192
Retained earnings	**971,765**	986,623
Equity attributable to the owners of the Company	**1,796,593**	1,838,793
Other equity instruments	**220,000**	220,000
Non-controlling interests	**24,293**	22,434
Total equity	**2,040,886**	2,081,227
Total liabilities and equity	**26,197,039**	24,962,697

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	**44,620**	**594,358**	**(21,463)**	**986,623**	**80,060**	**23,285**	**113,651**	**17,659**	**1,838,793**	**220,000**	**22,434**	**2,081,227**
(Loss)/profit for the period	-	-	-	(9,118)	-	-	-	-	**(9,118)**	-	1,859	**(7,259)**
Other comprehensive income/ (loss) after tax for the period	-	-	-	1,543	-	(13,635)	-	(2,257)	**(14,349)**	-	-	**(14,349)**
Total comprehensive (loss)/income after tax for the period	-	-	-	(7,575)	-	(13,635)	-	(2,257)	**(23,467)**	-	1,859	**(21,608)**
Decrease in value of in-force life insurance business	-	-	-	13,086	-	-	(13,086)	-	**-**	-	-	**-**
Tax on decrease in value of in-force life insurance business	-	-	-	(1,636)	-	-	1,636	-	**-**	-	-	**-**
Defense contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Payment of coupon to AT1 holders	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
30 September 2022	**44,620**	**594,358**	**(21,463)**	**971,765**	**80,060**	**9,650**	**102,201**	**15,402**	**1,796,593**	**220,000**	**24,293**	**2,040,886**

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2021	**44,620**	**594,358**	**(21,463)**	**982,513**	**79,515**	**22,894**	**110,401**	**17,806**	**1,830,644**	**220,000**	**24,410**	**2,075,054**
Profit for the period	-	-	-	19,566	-	-	-	-	**19,566**	-	737	**20,303**
Other comprehensive income/(loss) after tax for the period	-	-	-	5,855	(30)	4,145	-	(867)	**9,103**	-	(16)	**9,087**
Total comprehensive income/(loss) after tax for the period	-	-	-	25,421	(30)	4,145	-	(867)	**28,669**	-	721	**29,390**
Increase in value of in-force life insurance business	-	-	-	(5,600)	-	-	5,600	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	700	-	-	(700)	-	**-**	-	-	**-**
Payment of coupon to AT1 holders	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
30 September 2021	**44,620**	**594,358**	**(21,463)**	**989,284**	**79,485**	**27,039**	**115,301**	**16,939**	**1,845,563**	**220,000**	**25,131**	**2,090,694**

F. Notes

F.1 Reconciliation of interim income statement between statutory and underlying basis

€ million	Underlying basis	NPE Sales	Other	Statutory basis
Net interest income	234	-	-	234
Net fee and commission income	142	-	-	142
Net foreign exchange gains and net gains on financial instruments	24	-	6	30
Net gains on derecognition of financial assets measured at amortised cost	-	-	2	2
Insurance income net of claims and commissions	48	-	-	48
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	11	-	-	11
Other income	12	-	-	12
Total income	**471**	**-**	**8**	**479**
Total expenses	**(281)**	**(3)**	**(117)**	**(401)**
Operating profit before credit losses and impairments	**190**	**(3)**	**(109)**	**78**
Loan credit losses	(36)	(1)	37	-
Impairments of other financial and non-financial assets	(20)	-	20	-
Provision for litigation, claims, regulatory and other matters	(3)	-	3	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	-	(65)	(65)
Profit before tax and non-recurring items	**131**	**(4)**	**(114)**	**13**
Tax	(20)	-	-	(20)
Profit attributable to non-controlling interests	(2)	-	-	(2)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**109**	**(4)**	**(114)**	**(9)**
Advisory and other restructuring costs - organic	(10)	-	10	-
Profit/(loss) after tax - organic* (attributable to the owners of the Company)	**99**	**(4)**	**(104)**	**(9)**
Provisions/net loss relating to NPE sales	(1)	1	-	-
Restructuring and other costs relating to NPE sales	(3)	3	-	-
Restructuring costs – Voluntary Staff Exit Plans (VEP)	(104)	-	104	-
Loss after tax (attributable to the owners of the Company)	**(9)**	**-**	**-**	**(9)**

*This is the profit/(loss) after tax (attributable to the owners of the Company), before the provisions/net loss relating to NPE sales, related restructuring and other costs, and restructuring costs related to Voluntary Staff Exit Plans (VEP).

The reclassification differences between the statutory basis and the underlying basis mainly relate to the impact from 'non-recurring items' and are explained as follows:

NPE sales

- Total expenses include restructuring costs of €3 million relating to the agreements for the sale of portfolios of NPEs and are presented within 'Restructuring and other costs relating to NPE sales ' under the underlying basis.

- Loan credit losses under the statutory basis include loan credit losses relating to Project Helix 3 of approximately €1 million and are disclosed within 'Provisions/net loss relating to NPE sales' under the underlying basis.

Other reclassifications

- Net gains on loans and advances to customers at FVPL of €5 million included in 'Loan credit losses' under the underlying basis are included in 'Net gains/(losses) on financial instruments' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

- 'Net gains/(losses) on derecognition of financial assets measured at amortised cost' of approximately €2 million under the statutory basis comprise of the below items which are reclassified accordingly under the underlying basis as follows:
  - €3 million net gains on derecognition of loans and advances to customers included in 'Loan credit losses' under the underlying basis as to align to the presentation of the loan credit losses arising from loans and advances to customers.

F. Notes (continued)

F.1 Reconciliation of interim income statement between statutory and underlying basis (continued)

- Net losses on derecognition of debt securities measured at amortised cost of approximately €1 million included in 'Net foreign exchange gains and net losses on financial instruments' under the underlying basis in order to align their presentation with the gains/(losses) arising on financial instruments.

- Provision for litigation, claims, regulatory and other matters amounting to €3 million included in 'Other operating expenses' under the statutory basis, is separately presented under the underlying basis, since it mainly relates to cases that arose outside the normal activities of the Group.

- Advisory and other restructuring costs of approximately €10 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- Total expenses under the statutory basis include restructuring costs relating to voluntary staff exit plans (VEP) of €104 million and are separately presented under the underlying basis, since they represent one-off items.

- 'Credit losses on financial assets' and 'Impairment net of reversals of non-financial assets' under the statutory basis include: i) credit losses to cover credit risk on loan and advances to customers of €45 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial instruments of €3 million and impairment net of reversals of non-financial assets of €17 million which are included in 'Impairments of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

F. Notes (continued)

F.2 Customer deposits

The analysis of customer deposits is presented below:

	30 September 2022	31 December 2021
By type of deposit	**€000**	€000
Demand	**10,405,645**	9,221,791
Savings	**2,705,401**	2,423,086
Time or notice	**5,681,019**	5,886,006
	18,792,065	17,530,883
By geographical area		
Cyprus	**12,846,826**	11,992,960
Greece	**1,912,857**	1,906,854
United Kingdom	**717,241**	713,621
Romania	**67,210**	54,306
Russia	**689,839**	661,820
Ukraine	**304,754**	276,248
Belarus	**79,550**	55,738
Other countries	**2,173,788**	1,869,336
	18,792,065	17,530,883

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

	30 September 2022	31 December 2021
By currency	**€000**	€000
Euro	**16,686,152**	15,736,030
US Dollar	**1,705,240**	1,373,584
British Pound	**318,757**	312,918
Russian Rouble	**8,417**	28,539
Swiss Franc	**11,879**	10,865
Other currencies	**61,620**	68,947
	18,792,065	17,530,883
By customer sector		
Corporate	**1,347,862**	1,117,148
Large and international corporate	**770,146**	631,002
SMEs	**943,336**	866,860
Retail	**11,113,118**	11,051,397
Restructuring		
– Corporate	**16,183**	21,658
– SMEs	**10,065**	13,091
– Retail other	**11,922**	9,862
Recoveries		
– Corporate	**1,279**	1,383
International banking services	**3,913,177**	3,500,183
Wealth management	**664,977**	318,299
	18,792,065	17,530,883

F. Notes (continued)

F.3 Loans and advances to customers

	30 September 2022	31 December 2021
	€000	€000
Gross loans and advances to customers at amortised cost	**10,033,870**	9,840,535
Allowance for ECL for impairment of loans and advances to customers	**(172,593)**	(285,998)
	9,861,277	9,554,537
Loans and advances to customers measured at FVPL	**226,403**	281,868
	10,087,680	9,836,405

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

Industry (economic activity), business line and geographical concentrations of the Group's gross loans and advances to customers at amortised cost excluding loans and advances at amortised cost classified as held for sale, are presented in the tables below.

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

30 September 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	964,663	403	51	2	-	34	**965,153**
Manufacturing	325,217	45,044	-	-	-	41,416	**411,677**
Hotels and catering	916,559	32,286	35,586	-	-	40,059	**1,024,490**
Construction	552,236	9,165	26	1,984	-	21	**563,432**
Real estate	930,814	94,867	1,851	10,941	-	47,170	**1,085,643**
Private individuals	4,481,816	10,398	78,903	408	21,269	55,553	**4,648,347**
Professional and other services	526,993	1,018	5,340	892	350	36,839	**571,432**
Other sectors	519,721	3	-	-	2	243,970	**763,696**
	9,218,019	**193,184**	**121,757**	**14,227**	**21,621**	**465,062**	**10,033,870**

F. Notes (continued)

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

30 September 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,099,908	9,009	52	-	344	117	**2,109,430**
Large and international corporate	1,461,020	176,957	42,319	11,800	-	398,862	**2,090,958**
SMEs	1,037,165	1,059	2,311	2,022	-	2,193	**1,044,750**
Retail							
- housing	3,227,194	2,007	38,846	222	308	19,081	**3,287,658**
- consumer, credit cards and other	898,355	933	618	11	2	1,054	**900,973**
Restructuring							
- corporate	58,719	-	527	-	33	62	**59,341**
- SMEs	51,444	-	166	-	1,491	385	**53,486**
- retail housing	81,228	106	1,532	-	294	114	**83,274**
- retail other	25,636	3	20	-	190	15	**25,864**
Recoveries							
- corporate	19,568	-	6	(4)	136	34	**19,740**
- SMEs	26,432	-	1,347	-	1,801	1,780	**31,360**
- retail housing	70,679	267	21,437	65	3,555	9,944	**105,947**
- retail other	33,521	18	1,314	-	34	277	**35,164**
International banking services	86,233	1,774	11,262	111	13,433	24,745	**137,558**
Wealth management	40,917	1,051	-	-	-	6,399	**48,367**
	9,218,019	**193,184**	**121,757**	**14,227**	**21,621**	**465,062**	**10,033,870**

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	3,351	146	**981,887**
Manufacturing	303,372	179	-	-	1,212	25,674	**330,437**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	2,108	646	58	**522,853**
Real estate	959,891	125,123	1,950	11,443	-	49,293	**1,147,700**
Private individuals	4,379,843	9,185	121,260	1,057	37,315	73,997	**4,622,657**
Professional and other services	543,424	1,007	5,516	875	16,492	35,142	**602,456**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

F. **Notes** (continued)

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

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	15,778	113	**2,044,406**
Large and international corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	2,047	4,701	2,345	**1,050,334**
Retail							
- housing	3,068,097	3,466	47,742	629	4,513	26,819	**3,151,266**
- consumer, credit cards and other	884,231	1,101	760	126	237	2,232	**888,687**
Restructuring							
- corporate	60,446	-	526	-	32	1,213	**62,217**
- SMEs	69,501	-	338	-	-	340	**70,179**
- retail housing	80,730	152	3,058	-	392	752	**85,084**
- retail other	32,611	14	132	-	3	238	**32,998**
Recoveries							
- corporate	35,010	-	-	589	219	256	**36,074**
- SMEs	30,505	-	2,557	2	3,699	2,554	**39,317**
- retail housing	109,945	382	45,158	167	9,254	18,213	**183,119**
- retail other	54,959	30	4,356	4	1,557	1,304	**62,210**
International banking services	76,314	2,402	15,211	138	18,639	23,214	**135,918**
Wealth management	36,854	1,334	547	-	-	6,395	**45,130**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 30 September 2022 of €100,842 thousand (31 December 2021: €100,039 thousand).

The loan and advances to customers reported within 'Other countries' as at 30 September 2022 include exposures of €2.7 million in Ukraine (31 December 2021: €3.6 million).

F. Notes (continued)

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

Loans and advances to customers classified as held for sale

Industry (economic activity), business line and geographical concentrations of the Group's gross loans and advances to customers at amortised cost classified as held for sale are presented in the tables below:

30 September 2022	Cyprus	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	**€000**
Trade	56,114	-	3	-	**56,117**
Manufacturing	24,555	16	-	-	**24,571**
Hotels and catering	15,043	4	-	-	**15,047**
Construction	27,721	-	-	-	**27,721**
Real estate	6,173	-	-	-	**6,173**
Private individuals	364,689	1,211	854	3,328	**370,082**
Professional and other services	26,528	7	-	-	**26,535**
Other sectors	10,874	-	-	-	**10,874**
	531,697	**1,238**	**857**	**3,328**	**537,120**

30 September 2022	Cyprus	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	**€000**
Restructuring					
- corporate	363	-	-	-	**363**
- SMEs	3,729	-	-	-	**3,729**
- retail housing	16,932	590	-	126	**17,648**
- retail other	5,187	-	-	-	**5,187**
Recoveries					
- corporate	8,354	-	-	49	**8,403**
- SMEs	14,979	-	815	398	**16,192**
- retail housing	244,165	620	39	2,667	**247,491**
- retail other	237,988	28	3	88	**238,107**
	531,697	**1,238**	**857**	**3,328**	**537,120**

F. **Notes** (continued)

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

Loans and advances to customers classified as held for sale (continued)

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,395	-	-	**13,970**
Private individuals	369,182	1,070	55	804	4,087	**375,198**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Large and international corporate	-	-	10,441	-	32	**10,473**
SMEs	-	-	231	-	-	**231**
Retail						
- housing	153	-	-	-	-	**153**
- consumer, credit cards and other	2	-	-	-	-	**2**
Restructuring						
- corporate	374	-	-	-	-	**374**
- SMEs	5,301	-	-	-	-	**5,301**
- retail housing	23,769	501	-	-	34	**24,304**
- retail other	12,702	-	-	-	-	**12,702**
Recoveries						
- corporate	8,090	-	1,111	-	-	**9,201**
- SMEs	17,923	1	343	766	381	**19,414**
- retail housing	238,791	566	-	38	3,210	**242,605**
- retail other	230,561	6	-	-	462	**231,029**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

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 at amortised cost before residual fair value adjustment on initial recognition and at amortised cost, by stage.

30 September 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,864,682	1,728,709	409,864	126,387	**10,129,642**
Residual fair value adjustment on initial recognition	(72,307)	(18,222)	(2,893)	(2,350)	**(95,772)**
Gross loans at amortised cost	**7,792,375**	**1,710,487**	**406,971**	**124,037**	**10,033,870**
Cyprus	7,792,136	1,710,487	404,844	124,037	**10,031,504**
Other countries	239	-	2,127	-	**2,366**
	7,792,375	**1,710,487**	**406,971**	**124,037**	**10,033,870**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,354	1,721,231	576,873	159,755	**9,946,213**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,695**	**1,699,180**	**573,343**	**149,317**	**9,840,535**
Cyprus	7,418,432	1,699,180	545,327	149,317	**9,812,256**
Other countries	263	-	28,016	-	**28,279**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

Loans and advances to customers classified as held for sale

30 September 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	92	3,061	456,740	95,043	**554,936**
Residual fair value adjustment on initial recognition	-	(74)	(1,521)	(16,221)	**(17,816)**
Gross loans at amortised cost	**92**	**2,987**	**455,219**	**78,822**	**537,120**

31 December 2021	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	-	2,132	476,538	96,209	**574,879**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,459**	**79,255**	**555,789**

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

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

30 September 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,681,773	404,995	2,689	19,973	**2,109,430**
Large and international corporate	1,574,419	437,022	56,614	22,903	**2,090,958**
SMEs	798,283	231,266	5,486	9,715	**1,044,750**
Retail					
- housing	2,898,604	339,655	37,944	11,455	**3,287,658**
- consumer, credit cards and other	683,726	182,970	18,253	16,024	**900,973**
Restructuring					
- corporate	2,616	22,526	24,152	10,047	**59,341**
- SMEs	11,877	13,916	24,489	3,204	**53,486**
- retail housing	4,380	25,539	49,165	4,190	**83,274**
- retail other	1,683	5,193	17,888	1,100	**25,864**
Recoveries					
- corporate	-	-	18,327	1,413	**19,740**
- SMEs	-	-	28,456	2,904	**31,360**
- retail housing	-	-	91,166	14,781	**105,947**
- retail other	117	-	29,491	5,556	**35,164**
International banking services	95,391	39,165	2,838	164	**137,558**
Wealth management	39,506	8,240	13	608	**48,367**
	7,792,375	**1,710,487**	**406,971**	**124,037**	**10,033,870**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,569,699	430,865	22,357	21,485	**2,044,406**
Large and international corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	812,211	215,012	12,522	10,589	**1,050,334**
Retail					
- housing	2,769,274	320,473	49,633	11,886	**3,151,266**
- consumer, credit cards and other	732,154	116,983	23,361	16,189	**888,687**
Restructuring					
- corporate	6,092	35,613	14,255	6,257	**62,217**
- SMEs	14,016	16,417	34,083	5,663	**70,179**
- retail housing	3,075	15,528	62,934	3,547	**85,084**
- retail other	1,409	5,701	24,838	1,050	**32,998**
Recoveries					
- corporate	-	-	29,600	6,474	**36,074**
- SMEs	-	-	35,685	3,632	**39,317**
- retail housing	-	-	154,469	28,650	**183,119**
- retail other	114	-	51,672	10,424	**62,210**
International banking services	92,193	40,715	2,775	235	**135,918**
Wealth management	43,908	781	-	441	**45,130**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

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

Loans and advances to customers classified as held for sale

The following tables present the Group's gross loans and advances to customers at amortised cost classified as held for sale by stage and by business line concentration.

30 September 2022	Stage 1	Stage 2	Stage 3	POCI	Total
By business line	€000	€000	€000	€000	**€000**
Restructuring					
- corporate	-	-	363	-	**363**
- SMEs	-	819	2,237	673	**3,729**
- retail housing	92	2,010	14,610	936	**17,648**
- retail other	-	158	4,451	578	**5,187**
Recoveries					
- corporate	-	-	7,767	636	**8,403**
- SMEs	-	-	14,967	1,225	**16,192**
- retail housing	-	-	208,441	39,050	**247,491**
- retail other	-	-	202,383	35,724	**238,107**
	92	**2,987**	**455,219**	**78,822**	**537,120**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Total
By business line	€000	€000	€000	€000	**€000**
Large and international corporate	-	-	10,470	3	**10,473**
SMEs	-	-	231	-	**231**
Retail					
- housing	-	-	153	-	**153**
- consumer, credit cards and other	-	-	2	-	**2**
Restructuring					
- corporate	-	-	374	-	**374**
- SMEs	-	718	3,842	741	**5,301**
- retail housing	-	804	22,113	1,387	**24,304**
- retail other	-	553	11,543	606	**12,702**
Recoveries					
- corporate	-	-	8,507	694	**9,201**
- SMEs	-	-	17,653	1,761	**19,414**
- retail housing	-	-	204,956	37,649	**242,605**
- retail other	-	-	194,615	36,414	**231,029**
	-	**2,075**	**474,459**	**79,255**	**555,789**

F. Notes (continued)

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

	Nine months ended 30 September	
	2022	2021
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**49,101**	24,437
Recoveries of loans and advances to customers previously written off	**(9,392)**	(8,644)
Changes in expected cash flows	**6,221**	12,018
Financial guarantees and commitments	**(998)**	2,608
	44,932	30,419

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

	Nine months ended 30 September	
	2022	2021
	€000	€000
1 January	**591,417**	1,652,635
Foreign exchange and other adjustments	**3,718**	1,753
Write offs	**(180,187)**	(224,122)
Interest (provided) not recognised in the income statement	**14,466**	42,295
Disposal of Sinope portfolio (2021: Helix 2 portfolio)	**(5,191)**	(851,093)
Charge for the period	**49,101**	24,437
30 September	**473,324**	645,905
Stage 1	**17,871**	16,167
Stage 2	**26,826**	33,920
Stage 3	**370,194**	523,279
POCI	**58,433**	72,539
30 September	**473,324**	645,905

The allowance for ECL, included above, for loans and advances to customers held for sale as at 30 September 2022 amounted to €300,731 thousand (30 September 2021: €299,848 thousand).

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

	Nine months ended 30 September	
	2022	2021
	€000	€000
Stage 1	**(4,183)**	(16,145)
Stage 2	**1,200**	969
Stage 3	**52,084**	39,613
	49,101	24,437

During the nine months ended 30 September 2022 the total non-contractual write-offs recorded by the Group amounted to €128,264 thousand (nine months ended 30 September 2021: €204,095 thousand). The contractual amount outstanding on financial assets (including loans and advances to customers classified as held for sale) that were written off during the nine months ended 30 September 2022 and that are still subject to enforcement activity is €958,820 thousand (31 December 2021: €984,329 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 these are capped to zero, for all scenarios, in case of any future projected increase, whereas any future projected decrease is taken into consideration.

At 30 September 2022 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (31 December 2021: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers, excluding those classified as held for sale, has been estimated to be on average seven years under the baseline scenario (31 December 2021: average seven years).

For the calculation of individually assessed allowances for ECL, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case.

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively.

For Stage 3 customers, the base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional favourable and adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario. Under the favourable scenario, applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures. In the case of loans and advances to customers held for sale the Group takes into consideration the timing of the expected sale and the estimated sale proceeds in determining the ECL.

The above assumptions are also influenced by the ongoing regulatory dialogue BOC PCL 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 allowance for ECL.

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

Overlays in the context of current economic conditions
COVID-19 related management overlays applied in 2020 and up to the first six months of 2021 were removed in the third quarter of 2021, except for the overlay for exposures in the hotel and catering sector (which applied stricter customer's credit ratings thresholds in this industry sector) that was removed in the second quarter of 2022 following the introduction of the new overlays described below. The impact on the ECL, from the removal of the overlay, was a release of €146 thousand and a transfer of €46 million loans from Stage 2 to Stage 1 as at 30 September 2022.

During 2022, the Group has enhanced provisioning for exposures that could be impacted from the consequences of the Ukrainian crisis, by establishing two new overlays in the collectively assessed population, to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €9 million charge for the nine months ended 30 September 2022 and a transfer of €177 million loans from Stage 1 to Stage 2 as at 30 September 2022.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 30 September 2022. 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, impacted by the implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 disease due to virus mutations, are timely captured.

F. Notes (continued)

F.7 Rescheduled loans and advances to customers

The below table presents the Group's rescheduled loans and advances to customers by stage, excluding those classified as held for sale.

	30 September 2022	31 December 2021
	€000	€000
Stage 1	**-**	6,883
Stage 2	**849,156**	828,849
Stage 3	**248,270**	348,385
POCI	**24,873**	39,613
	1,122,299	1,223,730

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

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

Provisions have been recognised for those cases where the Group is able to estimate probable losses. Where an individual provision is material, the fact that a provision has been made is stated. 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 and regulatory and other matters as at 30 September 2022 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 2021 Annual Financial Report and within the 2022 Interim Financial Report.

G. Additional Risk & Capital Management disclosures

G.1 Additional Credit risk disclosures

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

30 September 2022	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**48,102**	**-**	-	-	**32**	**-**	-	-
Other financial corporations	**170,546**	**3,809**	11,912	3,445	**5,522**	**2,117**	2,219	2,044
Non-financial corporations	**5,280,641**	**173,681**	962,404	109,269	**106,199**	**78,709**	55,079	47,454
Of which: Small and Medium sized Enterprises[3] (SMEs)	***3,892,919***	***94,664***	*658,055*	*44,532*	***56,371***	***38,229***	*23,137*	*18,207*
Of which: Commercial real estate[3]	***3,943,730***	***138,710***	*907,237*	*99,065*	***72,849***	***58,605***	*48,579*	*43,703*
Non-financial corporations by sector								
Construction	***556,473***	***10,906***			***12,466***			
Wholesale and retail trade	***950,495***	***22,040***			***16,932***			
Accommodation and food service activities	***1,170,375***	***21,322***			***8,219***			
Real estate activities	***1,084,768***	***47,502***			***30,944***			
Manufacturing	***408,199***	***10,488***			***5,423***			
Other sectors	***1,110,331***	***61,423***			***32,215***			
Households	**4,767,843**	**286,349**	311,983	165,705	**67,699**	50,981	36,808	31,934
Of which: Residential mortgage loans[3]	***3,771,309***	***243,516***	*271,772*	*145,763*	***41,036***	*33,858*	*28,413*	*24,774*
Of which: Credit for consumption[3]	***563,959***	***41,136***	*48,259*	*24,389*	***21,163***	*14,707*	*9,227*	*8,043*
	10,267,132	**463,839**	**1,286,299**	**278,419**	**179,452**	**131,807**	**94,106**	**81,432**
Loans and advances to customers classified as held for sale	**537,120**	**533,728**	**227,952**	**224,760**	**300,731**	**299,955**	**110,598**	**109,856**
Total on-balance sheet	**10,804,252**	**997,567**	**1,514,251**	**503,179**	**480,183**	**431,762**	**204,704**	**191,288**

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.

31 December 2021	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**45,357**	-	-	-	**29**	-	-	-
Other financial corporations	**127,889**	4,771	12,759	4,487	**3,393**	1,909	1,948	1,658
Non-financial corporations	**5,209,599**	277,309	1,009,094	215,157	**144,252**	115,869	86,847	79,329
Of which: Small and Medium sized Enterprises[3] (SMEs)	***4,052,571***	*123,558*	*734,362*	*71,269*	***83,757***	*60,892*	*39,263*	*32,499*
Of which: Commercial real estate[3]	***3,968,375***	*171,215*	*900,697*	*136,257*	***100,301***	*82,872*	*69,309*	*64,282*
Non-financial corporations by sector								
Construction	***512,952***	*28,418*			***21,224***			
Wholesale and retail trade	***964,891***	*40,457*			***28,586***			
Accommodation and food service activities	***1,137,443***	*4,323*			***3,351***			
Real estate activities	***1,210,664***	*106,841*			***31,821***			
Manufacturing	***326,535***	*14,354*			***8,094***			
Other sectors	***1,057,114***	*82,916*			***51,176***			
Households	**4,755,100**	434,040	430,007	238,066	**153,865**	136,902	70,667	64,589
Of which: Residential mortgage loans[3]	***3,734,448***	*369,147*	*372,141*	*208,387*	***112,711***	*105,764*	*56,145*	*52,219*
Of which: Credit for consumption[3]	***581,197***	*54,238*	*61,824*	*31,165*	***28,824***	*22,167*	*13,290*	*11,430*
	10,137,945	**716,120**	**1,451,860**	**457,710**	**301,539**	**254,680**	**159,462**	**145,576**
Loans and advances to customers classified as held for sale	**555,789**	**553,620**	**245,452**	**243,495**	**305,419**	**304,665**	**118,094**	**117,377**
Total on-balance sheet	**10,693,734**	**1,269,740**	**1,697,312**	**701,205**	**606,958**	**559,345**	**277,556**	**262,953**

[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 & Capital Management disclosures (continued)

G.2 Capital management

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

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

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

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

In October 2021, the European Commission adopted legislative proposals for further amendments to CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package includes:

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

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The CET1 ratio of the Group as at 30 September 2022 stands at 14.18% and the Total Capital ratio at 19.12% on a transitional basis.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management (continued)

Minimum CET1 Regulatory Capital Requirements	2022	2021
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.83%	1.69%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum CET1 Regulatory Requirements	**10.08%**	**9.69%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	2022	2021
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.26%	3.00%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum Total Capital Regulatory Requirements	**15.01%**	**14.50%**

** Fully phased in as of 1 January 2019*

The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer (P2G).

The minimum Pillar I total capital requirement ratio is 8.00% and 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.

In the context of the annual SREP conducted by the ECB in 2021 and based on the final 2021 SREP decision received in February 2022, effective from 1 March 2022, the P2R was set at 3.26%, compared to the previous level of 3.00%. The additional P2R add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the P2R add-on takes into consideration Project Helix 3. It is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G).

Following the annual SREP performed by the ECB in 2022 and based on the draft SREP decision received in October 2022 expected to be effective from 1 January 2023, (subject to ECB final confirmation), the P2R has been revised to 3.08%, compared to the current level of 3.26%. The revised P2R includes a revised P2R add-on of 0.33% relating to ECB's prudential provisioning expectations. When ignoring the P2R II add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00% to 2.75%. As a result, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements were reduced when ignoring the phasing in of the O-SII Buffer. The Group's minimum phased-in CET1 capital ratio requirement is expected to be set at approximately 10.23%, comprising a 4.50% Pillar I requirement, a P2R of approximately 1.73%, the CCB of 2.50% and the O-SII Buffer of 1.50% (to be fully phased in 1 January 2023). The Group's minimum phased-in Total Capital requirement is expected to be set at approximately 15.08%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a P2R of approximately 3.08%, the CCB of 2.50% and the O-SII Buffer of 1.50%. The ECB has also maintained the P2G unchanged.

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 capital position of the Group and BOC PCL as at 30 September 2022 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 CBC has set the level of the CCyB rate for risk weighted exposures in Cyprus at 0.00% for the years 2021 and 2022. The CCyB for the Group as at 30 September 2022 has been calculated at 0.00%.

G.2 Capital management (continued)

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 the CBC initially set the O-SII Buffer at 2.00%, revised to 1.50% in November 2021 with effect from 1 January 2022. This buffer is being phased in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% on 1 January 2020 and by 0.25% on 1 January 2022, until being fully implemented on 1 January 2023 with the phasing-in by another 0.25%.

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, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA also announced that banks are temporarily allowed to operate below the level of capital defined by Pillar II Guidance (P2G), the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the CBR until end of 2022, without automatically triggering supervisory actions. In February 2022, the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

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

Regulatory capital	**Group**		**BOC PCL**	
	30 September 2022	31 December 2021[1]	**30 September 2022**	31 December 2021[1]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[2]	**1,494,568**	1,619,559	**1,462,282**	1,592,455
Transitional 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	**2,014,568**	2,139,559	**1,982,282**	2,112,455
Risk weighted assets – credit risk[3]	**9,522,270**	9,678,741	**9,538,145**	9,697,351
Risk weighted assets – market risk	-	-	-	-
Risk weighted assets – operational risk	**1,015,488**	1,015,488	**995,450**	995,450
Total risk weighted assets	**10,537,758**	10,694,229	**10,533,595**	10,692,801
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**14.18**	15.14	**13.88**	14.89
Total capital ratio	**19.12**	20.01	**18.82**	19.76
Leverage ratio	**6.63**	7.45	**6.52**	7.35

[1] As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.

[2] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €29,260 thousand for the Group and €24,741 thousand for BOC PCL as at 30 September 2022 (31 December 2021: €30,032 thousand for the Group and €26,452 thousand for BOC PCL). As at 30 September 2022 an amount of €11,802 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2021: €15,394 thousand).

[3] Includes Credit Valuation Adjustments (CVA).

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	
	30 September 2022[1]	31 December 2021[1,2]	**30 September 2022**[1]	31 December 2021[1,2]
	%	%	**%**	%
Common Equity Tier 1 ratio	**13.47**	13.75	**13.17**	13.49
Total capital ratio	**18.44**	18.69	**18.14**	18.43
Leverage ratio	**6.32**	6.80	**6.20**	6.70

1. IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded.
2. As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.

During the nine months ended 30 September 2022 CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2022, provisions and impairments, the cost of VEP, the payment of AT1 interest, the movement in the fair value through OCI reserves and other movements and was positively affected by pre-provision income and the decrease in risk-weighted assets. As a result, the CET1 ratio has decreased by 96 bps during the nine months ended 30 September 2022.

The ECB, as part of its supervisory role, completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on BOC PCL's progress in disposing the properties in scope. As a result of the prudential charge deducted from own funds as at 30 September 2022, the impact on the Group's CET1 ratio is 33 bps.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes. At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL, after which Old T2 Notes of €43 million remained outstanding.

At a meeting held on 30 November 2021, the Board of Directors resolved to exercise BOC PCL's option to redeem the remaining nominal amount outstanding of the Old T2 Notes. The outstanding Old T2 Notes were redeemed on 19 January 2022.

Transitional arrangements

The Group has elected in prior years to apply the 'static-dynamic' approach in relation to the transitional arrangements for the initial application of IFRS 9 for regulatory capital purposes, where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The cumulative impact on the capital position as at 31 December 2021 was 50% and since 1 January 2022 at 75% of the impact on the impairment amounts from the initial application of IFRS 9. This will be fully phased in (100%) by 1 January 2023.

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. This will be fully phased in (100%) by 1 January 2025. The calculation at each reporting period is made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

G. Additional Risk & Capital Management disclosures (continued)

G.2 Capital management (continued)

In relation to the temporary treatment of unrealized gains and losses for certain exposures measured at fair value through other comprehensive income, Regulation EU 2020/873 allows institutions to remove from their CET1 the amount of unrealized gains and losses accumulated since 31 December 2019, excluding those of financial assets that are credit-impaired. The relevant amount is removed at a scaling factor of 100% from January to December 2020, reduced to 70% from January to December 2021 and to 40% from January to December 2022. The Group applies the temporary treatment from the third quarter of 2020.

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 UCITS management company of the Group, BOC Asset Management Ltd, complies with the regulatory capital requirements of the Cyprus Securities & Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In December 2021, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply since 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities, updated also as changes in capital requirements become effective.

In November 2022, BOC PCL received a draft notification from the SRB regarding the 2023 MREL decision, by which the above requirements and timelines remain unchanged, except for the final MREL requirement for 31 December 2025 now set at 24.35% of risk weighted assets. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. The revised MREL requirements remain subject to SRB and CBC final confirmation.

As at 30 September 2022, the MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 19.87% of RWAs and at 9.62% of LRE. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount, which stood at 3.75% as at 30 September 2022 and is expected to increase to 4.00% on 1 January 2023.

The MREL requirement is in line with BOC PCL's expectations and funding plans.

G. Additional Risk & Capital Management disclosures (continued)

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

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2021 have been completed and submitted to the ECB at the end of April 2022 following approval by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results (with reference date 30 June and 30 September) as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy. The annual ICAAP for 2021 and the quarterly ICAAP reviews undertaken in 2022 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 a baseline and stress conditions scenarios.

The Group also undertakes quarterly reviews of the ILAAP through quarterly stress tests submitted to the ALCO and the Risk Committee of the Board of Directors. In these reviews actual and forecasted information are considered. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review assessment identifies whether the Group has an adequate liquidity buffer to cover the stress outflows. The Group's ILAAP analysis demonstrates that the volume and capacity of liquidity resources available to the Group are adequate. Both the annual ILAAP for 2021 and the quarterly ILAAP reviews undertaken in 2022, indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

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-ons 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 Regulations (EU) 2015/61), with the limit set at 100%. The Group has to also comply with the Net Stable Funding Ratio (NSFR) calculated as per the Capital Requirements Regulation II (CRR II), with the limit set at 100%.

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

As at 30 September 2022, the Group was in compliance with all regulatory liquidity requirements. As at 30 September 2022, the LCR stood at 300% for the Group (compared to 298% as at 31 December 2021). As at 30 September 2022 the Group's NSFR was 160% (compared to 147% as at 31 December 2021).

G.5 Liquidity reserves

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

Composition of the liquidity reserves	30 September 2022			31 December 2021		
	Internal Liquidity reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible		Internal Liquidity reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible	
		Level 1	Level 2A & 2B		Level 1	Level 2A & 2B
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	9,644,926	9,644,926	-	9,064,840	9,064,840	-
Placements with banks	304,877	-	-	118,752	-	-
Liquid investments	690,362	407,546	172,297	500,930	304,758	147,562
Available ECB Buffer	99,474	-		80,786	-	-
Total	**10,739,639**	**10,052,472**	**172,297**	9,765,308	9,369,598	147,562

G. Additional Risk & Capital Management disclosures (continued)

G.5 Liquidity reserves (continued)

Internal Liquidity Reserves present the total liquid assets as defined in BOC PCL's 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).

Under Liquidity reserves as per LCR, balances in Nostro accounts and placements with banks are not included, 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 and are shown at market values net of haircuts based on ECB methodology and haircuts.

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

H. Definitions & Explanations

Reconciliations of Alternative Performance Measures

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

1. (a) Reconciliation of Gross loans and advances to customers

	30 September 2022	31 December 2021
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined below)	**10,913,369**	10,856,660
Reconciling items:		
Residual fair value adjustment on initial recognition *(Note 1 after table 3 below)* (Section F.5)	**(95,772)**	(105,678)
Gross loans and advances to customers at amortised cost classified as held for sale (Section F.4)	**(537,120)**	(555,789)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 after table 3 below*) (Section F.5)	**(17,816)**	(19,090)
Loans and advances to customers measured at fair value through profit or loss (Section F.3)	**(226,403)**	(281,868)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(2,388)**	(53,700)
Gross loans and advances to customers at amortised cost as per Section F.3	**10,033,870**	9,840,535

1. (b) Reconciliation of Gross loans and advances to customers classified as held for sale

	30 September 2022	31 December 2021
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**554,936**	574,879
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 after table 3 below*) (Section F.5)	**(17,816)**	(19,090)
Loans and advances to customers classified as held for sale as per Section F.4	**537,120**	555,789

H. Definitions & Explanations (continued)

Reconciliations of Alternative Performance Measures (continued)

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

	30 September 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined below)	**610,247**	791,830
Reconciling items:		
Residual fair value adjustment on initial recognition *(Note 1 after table 3 below)*	**(95,772)**	(105,678)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(2,388)**	(53,700)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Section F.6)	**(300,731)**	(305,419)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 after table 3 below*)	**(17,816)**	(19,090)
Provisions for financial guarantees and commitments	**(20,947)**	(21,945)
Allowance for ECL for impairment of loans and advances to customers as per Section F.3	**172,593**	285,998

2. (b) Reconciliation of Allowance for expected credit losses on loans and advances to customers classified as held for sale (ECL)

	30 September 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**318,547**	324,509
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 after table 3 below*)	**(17,816)**	(19,090)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per Section F.6	**300,731**	305,419

3. Reconciliation of NPEs

	30 September 2022	31 December 2021
	€000	€000
NPEs as per the underlying basis (as defined below)	**1,018,464**	1,343,308
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(533,728)**	(553,619)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale *(Note 3 below)*	**(17,741)**	(19,030)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(16,342)**	(122,972)
POCI (NPEs) *(Note 4 below)*	**(40,789)**	(70,814)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(2,893)**	(3,530)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**406,971**	573,343
NPE ratio		
NPEs (as per table above) (€000)	**1,018,464**	1,343,308
Gross loans and advances to customers (as per table above) (€000)	**10,913,369**	10,856,660
Ratio of NPE/Gross loans (%)	**9.3%**	12.4%

H. Definitions & Explanations (continued)

Reconciliations of Alternative Performance Measures (continued)

3. Reconciliation of NPEs (continued)

Note 1: *Residual fair value adjustment*
The residual fair value adjustment mainly relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balance of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balance of loans and advances to customers.

Note 2: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €455,219 thousand Stage 3 loans (31 December 2021: €474,459 thousand Stage 3 loans) and an amount of €78,509 thousand POCI - NPEs loans (out of a total of €78,822 thousand POCI loans) (31 December 2021: €79,160 thousand POCI - NPEs loans (out of a total of €79,255 thousand POCI loans)), as disclosed in Section F.5.

Note 3: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €1,521 thousand for Stage 3 loans (31 December 2021: €2,079 thousand for Stage 3 loans) and an amount of €16,220 thousand POCI – NPEs loans (out of a total of €16,221 thousand POCI loans) (31 December 2021: €16,951 thousand for POCI – NPEs loans (out of a total of €16,954 thousand POCI loans)), as disclosed in Section F.5.

Note 4: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €40,789 thousand POCI - NPEs loans (out of a total of €126,387 thousand POCI loans) (31 December 2021: €70,814 thousand POCI - NPEs loans (out of a total of €159,755 thousand POCI loans)) as disclosed in Section F.5.

4. Reconciliation of Gross Loans – Pro forma

	30 September 2022
	€000
Gross Loans (as per table 1 (a) above)	**10,913,369**
Reconciling items:	
Gross loans and advances to customers classified as held for sale (Project Helix 3) (as per table 1 (b) above)	**(554,936)**
Gross loans and advances to customers – pro forma	**10,358,433**

5. Reconciliation of NPEs – Pro forma

	30 September 2022
	€000
NPEs (as per table 3 above)	**1,018,464**
Reconciling items:	
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 3) (*Note 2 of table 3 above*)	**(533,728)**
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale (Project Helix 3) (*Note 3 of table 3 above*)	**(17,741)**
NPEs - pro forma	**466,995**

NPE ratio – Pro forma	**30 September 2022**
	€000
NPEs - Pro forma (as per table above) (€000)	**466,995**
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,358,433**
Ratio of NPE/Gross loans – Pro forma (%)	**4.5%**

H. Definitions & Explanations (continued)

Reconciliations of Alternative Performance Measures (continued)

6. Reconciliation of Loan credit losses

	Nine months ended 30 September	
	2022	2021
	€000	€000
Loan credit losses as per the underlying basis	**35,559**	56,700
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**1,314**	(15,014)
	36,873	41,686
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	**44,932**	30,419
Net (gains)/losses on derecognition of financial assets measured at amortised cost – loans and advances to customers (see further below)	**(3,372)**	2,718
Net (gains)/losses on loans and advances to customers at FVPL	**(4,687)**	8,549
	36,873	41,686

Net gains on derecognition of financial assets measured at amortised cost on the Unaudited Interim Consolidated Income Statement amounts to €2,179 thousand and comprises €3,372 thousand net gains on derecognition of loans and advances to customers and €1,193 thousand net losses on derecognition of debt securities measured at amortised cost for the nine months ended 30 September 2022 (30 September 2021: €2,718 thousand net losses on derecognition of loans and advances to customers).

H. Definitions & Explanations (continued)

Ratios Information

1. Net Interest Margin

	Nine months ended 30 September	
	2022	2021
a. **Net interest income used in the calculation of NIM**	**€000**	€000
Net interest income as per the underlying basis/statutory basis (Section E Unaudited Interim Consolidated Income Statement)	**234,334**	223,552
Net interest income used in the calculation of NIM (annualised)	**313,304**	298,888

1.2. Interest earning assets	**30 September 2022**	30 June 2022	31 March 2022	31 December 2021
	€000			€000
Cash and balances with central banks	**9,827,431**	9,904,549	9,329,711	9,230,883
Loans and advances to banks	**457,598**	312,308	312,967	291,632
Loans and advances to customers	**10,087,680**	10,144,099	10,004,197	9,836,405
Loans and advances to customers held for sale	**236,389**	247,207	247,836	250,370
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP')	**306,236**	304,268	302,036	299,766
Investments				
Debt securities	**2,270,359**	1,913,771	1,860,853	1,930,388
Less: Investments which are not interest bearing	**(11,732)**	(5,476)	(5,790)	(5,534)
Total interest earning assets	**23,173,961**	22,820,726	22,051,810	21,833,910
1.3. Quarterly average interest earning assets (€000)				
- as at 30 September 2022	**22,470,102**			
- as at 30 September 2021	20,086,645			

1.4. Net interest margin (NIM)	Nine months ended 30 September	
	2022	2021
Net interest income (annualised) (as per table 1.1. above) (€000)	**313,304**	298,888
Quarterly average interest earning assets (as per table 1.3. above) (€000)	**22,470,102**	20,086,645
NIM (%)	**1.39%**	1.49%

H. Definitions & Explanations (continued)

Ratios Information (continued)

2. Operating profit return on average assets

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

	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the statutory basis (Section E Unaudited Interim Consolidated Balance Sheet)	**26,197,039**	25,843,732	25,117,310	24,962,697
Quarterly average total assets (€000)				
- as at 30 September 2022	**25,530,195**			
- as at 30 September 2021	23,330,003			

	2022	2021 (restated)
Annualised total income for the nine months ended 30 September (as per underlying basis in Section F.1) (€000)	**629,799**	570,883
Annualised total expenses for the nine months ended 30 September (as per underlying basis in Section F.1) (€000)	**(375,925)**	(379,397)
Annualised operating profit for the nine months ended 30 September (€000)	**253,874**	191,486
Quarterly average total assets as at 30 September (€000)	**25,530,195**	23,330,003
Operating profit return on average assets (annualised) (%)	**1.0%**	0.8%

3. Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company

The various components used in the determination of the 'Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)' are provided below:

	2022	2021
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the nine months ended 30 September (Section F.1) (€000)	**108,941**	63,840
Weighted average number of shares in issue during the period, excluding treasury shares (€000)	**446,058**	446,058
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	**24,42**	14,31

H. Definitions & Explanations (continued)

Ratios Information (continued)

4. Return on tangible equity (ROTE) after tax and before non-recurring items

The various components used in the determination of 'Return on tangible equity (ROTE) after tax and before non-recurring items' are provided below:

	2022	2021
Annualised profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the nine months ended 30 September (Section F.1) (€000)	**145,654**	85,353
Quarterly average tangible total equity as at 30 September (as per table 4.2 below) (€000)	**1,658,681**	1,651,998
ROTE after tax and before non-recurring items (annualised) (%)	**8.8%**	5.2%

4.1 Tangible total equity	**30 September 2022**	30 June 2022	31 March 2022	31 December 2021
Equity attributable to the owners of the Company (as per the statutory basis)	**1,796,593**	1,849,525	1,849,287	1,838,793
Less: Intangible assets (as per the statutory basis)	**(166,426)**	(171,403)	(177,612)	(184,034)
Total tangible equity	**1,630,167**	1,678,122	1,671,675	1,654,759
4.2 Quarterly average tangible total equity (€000)				
- as at 30 September 2022	**1,658,681**			
- as at 30 September 2021	1,651,998			

H. Definitions & Explanations (continued)

Advisory and other restructuring costs	Comprise mainly (a) fees of external advisors in relation to: (i) disposal of operations and non-core assets, and (ii) customer loan restructuring activities, and (b) the cost of the tender offer for the Old T2 Capital Notes, 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), (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), (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/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company)	Basic earnings/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company) is the Profit/(loss) after tax and before non-recurring items (as defined below) (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) ratio	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 17 November 2022.
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
ECB	European Central Bank

H. Definitions & Explanations (continued)

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) 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 €116 mn as at 30 September 2022 (compared to €145 mn as at 30 June 2022, €149 mn at 31 March 2022 and €178 mn at 31 December 2021). 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 €229 mn as at 30 September 2022 (compared to €313 mn as at 30 June 2022, €312 mn at 31 March 2022 and €336 mn at 31 December 2021).
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 (including Other equity instruments) to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company 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 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, 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 41.1% as at 30 September 2022 compared to 41.2% as at 30 June 2022, 41.9% at 31 March 2022 and 38.8% at 31 December 2021. The increase during the first nine months 2022 is mainly due to a reduction in loans in the banking system.
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 fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits.

H. Definitions & Explanations (continued)

Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding the legacy exposures (as defined).
Net Stable Funding Ratio (NSFR)	The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF). The regulatory limit, enforced in June 2021, has been set at 100% as per the CRR II.
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year-to-date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instruments and (excluding net gains on loans and advances to customers at FVPL), 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.
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. 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%. For further information please refer to the Annual Financial Report 2021.

H. Definitions & Explanations (continued)

Non-recurring items	Non-recurring items as presented in the 'Interim Condensed Consolidated Income Statement – Underlying basis' relate to the following items, as applicable: (i) Advisory and other restructuring costs - organic, (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs relating to the Voluntary Staff Exit Plan.
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).
NPE sales	NPE sales refer to sales of NPE portfolios completed, as well as contemplated and potential future sale transactions, irrespective of whether or not they met the held for sale classification criteria at the reporting dates.
Operating profit before credit losses and impairments	The operating profit before credit losses and impairments 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).
Operating profit return on average assets	Operating profit before credit losses and impairments 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/(loss) after tax and before non-recurring items (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).
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 restructuring costs – organic').
Pro forma for HFS (held for sale) and VEP (Voluntary Staff Exit Plan)	References to pro forma figures and ratios as at 30 June 2022 refer to Project Helix 3, Project Sinope and to VEP. They are based on 30 June 2022 underlying basis figures and assume their completion, currently expected to occur in 2H2022. The completion of Project Helix 3 remains subject to customary regulatory and other approvals. Project Sinope was completed in August 2022. VEP refers to the Voluntary Staff Exit Plan that the Group completed in July 2022, through which c.550 applicants were approved to leave at a total cost of €101 mn, recorded in the 3Q2022 income statement.
Project Helix 2	Project Helix 2 refers to the sale of portfolios of loans with a total gross book value of €1.3 bn completed in June 2021. For further information please refer to section A.2.5 'Loan portfolio quality'.
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 €568 mn, as well as real estate properties with book value of c.€120 mn as at 30 September 2021. For further information please refer to section A.2.5 Loan portfolio quality.

H. Definitions & Explanations (continued)

Project Sinope	Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021. Project Sinope was completed in August 2022.
Quarterly average interest earning assets	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. 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 (including cash and balances with central banks classified as non-current assets held for sale), plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus 'deferred consideration receivable' included within 'other assets', plus investments (excluding equities and mutual funds).
Qoq	Quarter on quarter change
Return on Tangible equity (ROTE) after tax and before non-recurring items	Return on Tangible Equity (ROTE) after tax and before non-recurring items is calculated as Profit/(loss) after tax and before non-recurring items (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)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year to date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end
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.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy on deposits and other levies/contributions. It does not include (i) 'advisory and other restructuring costs-organic', (ii) restructuring costs relating to NPE sales, or (iii) restructuring costs relating to the Voluntary Staff Exit Plan. (i) 'Advisory and other restructuring costs-organic' amounted to €5 mn for 3Q2022 (compared to €4 mn for 2Q2022 and €1 mn for 1Q2022 (ii) Restructuring costs relating to NPE sales for 3Q2022 amounted to €1 mn (compared to €0.8 mn for 2Q2022 and €1 mn for 1Q2022 and €0.2 mn for 4Q2021), and (iii) Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) for 3Q2022 was €101 mn (compared to nil for 2Q2022 and €3 mn for 1Q2022).
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 comprises loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus (provisions)/net reversals for litigation, claims, regulatory and other matters.
Underlying basis	This refers to the statutory basis after being adjusted for 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 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.
Yoy	Year on year change

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings” or “the Company”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” or “BOC PCL”, and together with the Bank’s subsidiaries, the “Group”, for the nine months ended 30 September 2022.

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

Financial information presented in this announcement is being published for the purposes of providing an overview of the Group financial results for the nine months ended 30 September 2022.

The financial information in this announcement 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 2021, upon which the auditors have given an unqualified report, were published on 30 March 2022 and have been annexed to the annual return and delivered to the Registrar of Companies of Ireland. The Board of Directors approved the Group statutory financial statements for the nine months ended 30 September 2022 on 17 November 2022.

Statutory basis: Statutory information is set out on pages 31-35. However, a number of factors have had a significant effect on the comparability of the Group’s financial position and performance. Accordingly, the results are also presented on an underlying basis.

Underlying basis: The financial information presented under the underlying basis provides an overview of the Group financial results for the nine months ended 30 September 2022, 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 pages 36-37) to allow a comparison of the Group’s underlying financial position and performance, as set out on pages 4-6.

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

This announcement and the presentation for the Group Financial Results for the nine months ended 30 September 2022 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 H, together with explanations.

The Group Financial Results for the nine months ended 30 September 2022 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

Forward Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as “expect”, “should be”, “will be” and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Group’s near term, medium term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group’s future results of operations, financial condition, expected impairment charges, the level of the Group’s assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments, information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic and ongoing challenges and uncertainties posed by the COVID-19 pandemic for businesses and governments around the world. Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has already caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any statement is based.

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The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. At 30 September 2022, the Bank of Cyprus Group operated through a total of 64 branches in Cyprus, of which 4 operated as cash offices. The Bank of Cyprus Group employed 2,955 staff worldwide. At 30 September 2022, the Group’s Total Assets amounted to €26.2 bn and Total Equity was €2.0 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.