

## Announcement

### Pillar 3 Disclosures for the year ended 31 December 2017

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Nicosia, 30 March 2018

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

Bank of Cyprus Holdings Public Limited Company (the “Company” or “BOC Holdings” and, together with its subsidiary, Bank of Cyprus Public Company Limited (the “Bank”), and the Bank’s subsidiaries, the “Group”), announces today the publication of its Pillar 3 Disclosures for the year ended 31 December 2017 (the “Pillar 3 Report”).

A copy of the Pillar 3 Report will be submitted to the National Storage Mechanism and will be available for inspection at <http://www.morningstar.co.uk/uk/NSM>.

The Pillar 3 Report is also available on the Group’s website [www.bankofcyprus.com](http://www.bankofcyprus.com) (Investor Relations).

For further information, please contact Investor Relations at [investors@bankofcyprus.com](mailto:investors@bankofcyprus.com).

#### **Additional Information**

The following information is extracted from the Pillar 3 Report. This material is not a substitute for reading the Company’s Pillar 3 Report in full. Terms in this section Additional Information shall have the meanings given to them in the Pillar 3 Report.

#### ***IFRS 9 Financial Instruments***

IFRS 9 ‘Financial Instruments’ (IFRS 9) replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’ and introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group will apply IFRS 9 on 1 January 2018.

#### ***Impact of IFRS 9***

The Group’s IFRS 9 preliminary impact on transition, which is subject to change due to final parameter calibrations, is assessed to be a decrease of shareholders’ equity of c.€300 million and is primarily driven by credit impairment provisions. The new accounting processes, internal controls, governance framework, judgements and estimation techniques will continue to be refined and undergo validation throughout 2018.

## **Regulatory transitional arrangements**

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 will be phased-in gradually. From the date of initial application of IFRS 9 and for five years the amount of the difference in provisions that will result from the transition to the new IFRS 9 in relation to the provisions that have been recognised at 31 December 2017 in accordance with IAS 39 will be added to the capital ratios. The amount that will be added each year will decrease based on a weighting factor until the impact of IFRS 9 is fully absorbed at the end of the five-years. For the year 2018 the impact on the capital ratios will be 5% of the impact on the difference in the impairment amounts. Allowing for IFRS 9 transitional arrangements the impact is a decrease of c.9 bps on Group capital ratios and on a fully loaded basis a decrease of c.150 bps. On a transitional basis and on a fully phased-in basis after the period of transition is complete, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

According to the EBA guidelines that govern the CRR default definition, issued in January 2017, the default definition will gradually evolve to align with the NPE definition by 1 January 2021. The Group, in line with regulatory discussions, intends to early adopt changes that will almost align the EBA CRR definition with the NPE definition as from 1 January 2018. This will result in an increase in risk-weighted assets, equivalent to a decrease of c.40 bps on CET1 ratio and a decrease of c.50 bps on Total Capital ratio based on 31 December 2017 figures.

## **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. These forward-looking statements include, but are not limited to, statements relating to the Group's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, provisions, impairments, 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 EU Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as from the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.*

## **Group Profile**

*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. The Bank of Cyprus Group operates through a total of 123 branches, of which 121 operate in Cyprus, 1 in Romania and 1 in the United Kingdom. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4,355 staff worldwide. At 31 December 2017, the Group's Total Assets amounted to €23.6 bn and Total Equity was €2.6 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.*