Bank of Cyprus Holdings

Announcement

Group Financial Results for the quarter ended 31 March 2017

Nicosia, 30 May 2017

Key Highlights for the quarter ended 31 March 2017

Asset quality improving

- Eight consecutive quarters of problem loan reductions
- 90+ DPD down by €298 mn or 4% since year end 2016; down by 37% since year end 2014
- NPEs down by €662 mn or 6% since year end 2016; down by 31% since year end 2014
- Total coverage including tangible collateral at fair value for both 90+DPD and NPEs at over 100%

Liability side normalising

- Full repayment of €11.4 bn ELA
- Loan to Deposit ratio at 95%

Strong capital position maintained

- Total Capital ratio at 15.6%
- CET1 ratio at 14.4% on a transitional basis and 14.0% on a fully loaded basis

Operating performance directed at faster de-risking the balance sheet

- Operating profits of €126 mn in 1Q2017
- Net profit of €2 mn in 1Q2017

Leading market position in a growing economy

- Market shares in loans and deposits maintained at 39% and 31% respectively
- New lending of €690 mn in 1Q2017

Group Chief Executive Statement

"The Bank continues to make good progress in its journey back to strength. Our results this quarter reflect our strategy of continued attention to balance sheet de-risking and, consequently, we continued to direct substantially all our operating profitability to increased coverage levels on delinquent exposures. Despite this, and despite accommodating the €18 mn non-recurring Competition Commission fine which we intend to contest vigorously, the Bank posted a modest positive result in the quarter.

Momentum in risk reduction continued. This is the eighth consecutive quarter we delivered a further material reduction in non-performing loans. In 1Q2017 we reduced NPEs by a further €662 mn and we reduced 90+ DPD by €298 mn. We expect the reduction in non-performing loans to continue and we are actively exploring a number of avenues to accelerate this reduction. When taking into account tangible collateral at fair value, both 90+ DPD and NPEs are fully covered.

We were pleased to start the year with the complete repayment of Emergency Liquidity Assistance (ELA), a successful return to the debt capital markets and the listing of shares on the London Stock Exchange.

The Bank's deposit base is now adequate to fund loan balances. Our loan to deposit ratio stands at 95% and deposit balances are stable. During the quarter our Liquidity Coverage Ratio reached European Central Bank compliance levels. The Bank's capital position was improved by the issuance of €250 mn of Tier 2 capital in January 2017. As at 31 March 2017, our Total Capital Ratio stood at 15.6% and our fully loaded CET 1 ratio stood at 14.0%.

We are pleased to see the Cypriot economy continuing to recover and to note that we continue to maintain strong market shares in lending and deposit-taking in Cyprus. We continue to lend into the Cyprus economy. New lending in the quarter was €690 mn, up by 89% on the FY2016 quarterly average of €365 mn."

John Patrick Hourican

Financial Results

Interim Condensed Consolidated Income Statement - Underlying Basis

€ mn	1Q2017	4Q2016	1Q2016	qoq ±%	yoy ±%
Net interest income	156	162	185	-3%	-15%
Net fee and commission income	43	55	36	-21%	20%
Net foreign exchange gains and net gains on other financial instruments	11	13	6	-15%	66%
Insurance income net of claims and commissions	10	9	14	7%	-23%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	9	3	1	131%	-
Other income	4	4	2	-4%	83%
Total income	**233**	**246**	**244**	-5%	-4%
Staff costs	(54)	(53)	(58)	1%	-7%
Other operating expenses	(41)	(40)	(38)	5%	11%
Special levy and contribution to Single Resolution Fund	(12)	(5)	(5)	124%	152%
Total expenses	**(107)**	**(98)**	**(101)**	9%	7%
Operating profit	**126**	**148**	**143**	-15%	-12%
Provision charge	(64)	(103)	(62)	-38%	2%
Impairments of other financial and non-financial assets	(32)	(13)	(8)	131%	-
Provisions for litigation and regulatory matters	(17)	(18)	2	-8%	-
Total provisions and impairments	**(113)**	**(134)**	**(68)**	-17%	63%
Share of profit from associates and joint ventures	2	5	1	-61%	141%
Profit before tax and restructuring costs	**15**	**19**	**76**	-13%	-79%
Tax	(6)	(1)	(8)	-	-22%
Profit attributable to non-controlling interests	(0)	(0)	(1)	-	-32%
Profit after tax and before restructuring costs	**9**	**18**	**67**	-47%	-86%
Advisory, VEP and other restructuring costs	(7)	(16)	(17)	-55%	-58%
Profit after tax	**2**	**2**	**50**	6%	-96%

Key Performance Ratios	1Q2017	4Q2016	1Q2016	qoq	yoy
Net Interest Margin (annualised)	3.33%	3.37%	3.63%	-4 bps*	-30 bps*
Cost to income ratio	46%	40%	41%	+6 p.p.*	+5 p.p.*
Cost to income ratio excluding special levy and contribution to Single Resolution Fund	41%	38%	39%	+3 p.p.*	+2 p.p.*
Return on average assets (annualised)	0.0%	0.0%	0.9%	-	-90 bps*
Return on average equity (annualised)	0.3%	0.3%	6.5%	-	-6.2 p.p.*
Operating profit return on average assets (annualised)	2.3%	2.7%	2.5%	-40 bps*	-20 bps*
Basic earnings per share (€ cent)	0.48	0.02	0.56	0.46	-0.08

* p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Interim Condensed Consolidated Balance Sheet

€ mn	31.03.2017	31.12.2016	±%
Cash and balances with central banks	1,775	1,506	18%
Loans and advances to banks	947	1,088	-13%
Debt securities, treasury bills and equity investments	810	674	20%
Net loans and advances to customers	15,714	15,649	0%
Stock of property	1,436	1,427	1%
Other assets	1,809	1,828	-1%
Total assets	**22,491**	**22,172**	**1%**
Deposits by banks	416	435	-4%
Funding from central banks	870	850	2%
Repurchase agreements	260	257	1%
Customer deposits	16,537	16,510	0%
Subordinated loan stock	251	-	-
Other liabilities	1,043	1,014	3%
Total liabilities	**19,377**	**19,066**	**2%**
Shareholders' equity	**3,079**	**3,071**	**0%**
Non-controlling interests	35	35	1%
Total equity	**3,114**	**3,106**	**0%**
Total liabilities and equity	**22,491**	**22,172**	**1%**

Key Balance Sheet figures and ratios	31.03.2017	31.12.2016	±%
Gross loans (€ mn)	20,011	20,130	-1%
Accumulated provisions (€ mn)	4,334	4,519	-4%
Customer deposits (€ mn)	16,537	16,510	0%
Loan to deposit ratio (net)	95%	95%	-
90+ DPD ratio	40%	41%	-1 p.p.*
90+ DPD provisioning coverage ratio	54%	54%	-
NPE ratio	52%	55%	-3 p.p.*
NPE provisioning coverage ratio	42%	41%	+1 p.p.*
Quarterly average interest earning assets (€ mn)	19,027	19,060	-0%
Leverage ratio	13.2%	13.2%	-

Capital ratios and risk weighted assets	31.03.2017	31.12.2016	±%
Common Equity Tier 1 capital ratio (CET1) (transitional)	14.4%	14.5%	-0.1 p.p.*
CET1 (fully loaded)	14.0%	13.9%	+10 bps*
Total capital ratio	15.6%	14.6%	+1.0 p.p.*
Risk weighted assets (€ mn)	18,681	18,865	-1%

* p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

A. Analysis of Group Financial Results for the quarter ended 31 March 2017

A.1 Balance Sheet Analysis

A.1.1 Capital Base

Shareholders' equity totalled €3,079 mn at 31 March 2017, compared to €3,071 mn at 31 December 2016. The **Common Equity Tier 1 capital (CET1) ratio (transitional basis)** stood at 14.4% at 31 March 2017, compared to 14.5% at 31 December 2016. During 1Q2017 CET1 ratio was positively affected by the reduction in risk weighted assets (RWA), but was negatively affected by the deferred tax asset phasing-in. Adjusting for Deferred Tax Assets, the **CET1 ratio on a fully-loaded basis** totalled 14.0% at 31 March 2017, increased by 10 basis points when compared to 13.9% at 31 December 2016. At the quarter end, the Total Capital ratio stood at 15.6%, increased by 100 basis points when compared to 14.6% at 31 December 2016, positively affected by the issuance of €250 mn of Tier 2 capital in January 2017.

The Group's capital ratios are comfortably above the minimum CET1 regulatory capital ratio of 9.50% (comprising of a 4.5% Pillar I requirement, a 3.75% Pillar II requirement and a phased-in CCB of 1.25%) and the overall Total Capital Ratio requirement of 13.00%, comprising of a Pillar I requirement of 8% (of which up to 1.5% can be in the form of Additional Tier 1 capital and up to 2.0% in the form of Tier 2 capital), a Pillar II requirement of 3.75% (in the form of CET1), as well as a phased-in CCB of 1.25%. The European Central Bank (ECB) has also provided non-public guidance for an additional Pillar II CET1 buffer.

On 18 January 2017, Bank of Cyprus Holdings Public Limited Company (BOC Holdings) became the new parent of the Group. This transaction did not result in any change of economic substance and hence did not have any effect on the total equity of the Group. The Group financial results reflect the difference in the amounts of share capital, share premium and capital reduction reserves as an adjustment in equity.

A.1.2 Funding and Liquidity

Funding

Funding from Central Banks

At 31 March 2017, the Bank's funding from central banks totalled €870 mn, which relates wholly to ECB funding, compared to funding from central banks at 31 December 2016 of €850 mn, which comprised ELA of €200 mn and ECB funding of €650 mn. The ECB funding of €870 mn at the quarter end comprises €830 mn through Targeted Longer-Term Refinancing Operations (TLTRO II) and €40 mn through Longer-Term Refinancing Operations (LTRO).

In January 2017 the Bank fully repaid ELA. This is another significant milestone in the Bank's journey back to strength since 2013 and was achieved through a number of actions including the extensive deleveraging of non-core assets and operations, the equity raise in 2014, the significant increase in customer deposits over the past two years, the repayment and maturity of Cyprus Government bonds and the conversion of assets into ECB eligible collateral.

Deposits

Group customer deposits totalled €16,537 mn at 31 March 2017, compared to €16,510 mn at 31 December 2016. During the quarter, deposits remained broadly stable affected by seasonality. Cyprus deposits stood at €15,076 mn at 31 March 2017, accounting for 91% of Group customer deposits. Customer deposits in Cyprus increased by €33 mn during 1Q2017, largely driven by the increase in local deposits. The Bank's deposit market share in Cyprus reached 30,8% at 31 March 2017. Customer deposits accounted for 74% of total assets at 31 March 2017. The Loan to Deposit ratio (L/D) stood at 95% at 31 March 2017, at the same levels as at the year end, compared to a high of 151% at 31 March 2014.

Liquidity

As at 31 March 2017 the Group Liquidity Coverage Ratio (LCR) stood at 84% (compared to 49% at 31 December 2016) and is in compliance with the minimum regulatory requirement of 80%. As at 31 March 2017, the Bank was not in compliance with the local regulatory liquidity requirements with respect to its operations in Cyprus. The Net Stable Funding Ratio (NSFR ratio) is currently expected to be introduced on 1 January 2018, with a minimum requirement of 100%. As at 31 March 2017 the Group's NSFR, on the basis of Basel III standards, was 98% (compared to 95% at 31 December 2016). After repayment of ELA in January 2017, the Group is focusing on measures to improve its liquidity position and remains on track to exceed the minimum requirement by 1 January 2018 with respect to LCR, which will increase to 100% as of that date, and NSFR.

In January 2017, the Bank issued a €250 million unsecured and subordinated Tier 2 Capital Note (Note) under the Bank's EMTN Programme. The Note was priced at par with a coupon of 9.25%. The Note matures on 19 January 2027. The Bank has the option to redeem the Note early on 19 January 2022, subject to applicable regulatory consents.

A. Analysis of Group Financial Results for the quarter ended 31 March 2017 (continued)

A.1 Balance Sheet Analysis (continued)

A.1.3 Loans

Group gross loans totalled €20,011 mn at 31 March 2017, compared to €20,130 mn at 31 December 2016. Gross loans in Cyprus totalled €18,063 mn at 31 March 2017 and accounted for 90% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a 39.1% loan market share at 31 March 2017. Gross loans in the UK amounted to €1,435 mn at 31 March 2017 and accounted for 7% of Group total gross loans. New loan originations for the Group reached €690 mn for the 1Q2017 (of which €502 mn were granted in Cyprus and €188 mn by the UK subsidiary), up by 89% on the FY2016 quarterly average of €365 mn.

At 31 March 2017, Group net loans and advances to customers totalled €15,714 mn (31 December 2016: €15,649 mn), of which an amount with carrying value of €21 mn was classified as held for sale as at 31 March 2017 in line with IFRS 5.

A.1.4 Loan portfolio quality

Tackling the Group's loan portfolio quality remains the top priority for management. The Group continues to make steady progress across all asset quality metrics and the loan restructuring activity continues. The Group has been successful in engineering sustainable restructuring solutions across the spectrum of its loan portfolio. There is a shift of focus on the Retail and SME portfolios, as well as the terminated NPEs (in the Recoveries department), with recoveries via foreclosures to unlock solutions with problematic cases and non-cooperative borrowers, and collections via the specialised unit Retail Arrears Management and other available tools to ensure early and continuous engagement with clients.

Loans in arrears for more than 90 days (90+ DPD) were reduced by €298 mn (4% reduction qoq) in 1Q2017. The decrease was the result of restructuring activity, debt for asset swaps and write offs. 90+ DPD stood at €8,011 mn at 31 March 2017, accounting for 40% of gross loans (90+ DPD ratio), compared to 41% at 31 December 2016. The provisioning coverage ratio of 90+ DPD stood at 54% at 31 March 2017, in line with the previous quarter end. When taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The provisioning coverage ratio of 90+ DPD, calculated with reference to the contractual balances of customers, totalled 67% at 31 March 2017, same as at 31 December 2016.

	31.03.2017		31.12.2016	
	€ mn	**% of gross loans**	€ mn	% of gross loans
90+ DPD	**8,011**	**40.0%**	8,309	41.3%
Comprising:				
- Loans with arrears for over 90 days but not impaired	**1,409**	**7.0%**	1,408	7.0%
- Impaired loans	**6,602**	**33.0%**	6,901	34.3%
Of which:				
- impaired with no arrears	**379**	**1.9%**	472	2.3%
- impaired with arrears less than 90 days	**68**	**0.3%**	91	0.5%

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €662 mn or 6% during 1Q2017 to €10,372 mn at 31 March 2017, accounting for 52% of gross loans, compared to 55% at 31 December 2016. This is the third consecutive quarter during which the quarterly reduction of NPEs exceeded the reduction of 90+ DPD mainly due to the curing of restructured performing NPEs that met the exit criteria following satisfactory performance post their restructuring. We expect the reduction in non-performing loans to continue and we are actively exploring a number of avenues to accelerate this reduction. The provisioning coverage ratio of NPEs stood at 42% at 31 March 2017, up from 41% at 31 December 2016. When taking into account tangible collateral at fair value, NPEs are fully covered. The provisioning coverage ratio of NPEs, calculated with reference to the contractual balances of customers, stood at 55% at 31 March 2017, compared to 54% at 31 December 2016.

A. Analysis of Group Financial Results for the quarter ended 31 March 2017 (continued)

A.1 Balance Sheet Analysis (continued)

A.1.4 Loan portfolio quality (continued)

	31.03.2017		31.12.2016	
	€ mn	**% of gross loans**	€ mn	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	**10,372**	**51.8%**	11,034	54.8%
Of which:				
- NPEs with forbearance measures, no impairments and no arrears	**1,572**	**7.9%**	2,037	10.1%

A.1.5 Real Estate Management Unit

The **Real Estate Management Unit (REMU)** on-boarded €128 mn of assets in 1Q2017, via the execution of debt for asset swaps, down by 33% qoq. The focus for REMU is increasingly shifting from on-boarding of assets resulting from debt for asset swaps towards the disposal of these assets. The Group completed disposals of €110 mn in 1Q2017, compared to €56 mn in 4Q2016 (up by 98% qoq) and €166 mn in FY2016. As at 31 March 2017, assets held by REMU had a carrying value of €1.4 bn.

Assets held by REMU (Group) (€ mn)	**1Q2017**	**FY2016**
Opening balance	**1,427**	542
On-boarded assets	**128**	1,086
Sales	**(110)**	(166)
Closing balance	**1,436**	1,427

Sales (Cyprus) (€ mn)	**1Q2017**	**FY2016**
Sales	**110**	155
SPAs signed	**48**	15
Total Sales	**158**	170

Analysis by type and country 31 March 2017	**Cyprus € mn**	**Greece € mn**	**Romania € mn**	**Total € mn**
Residential properties	**97**	**37**	**9**	**143**
Offices and other commercial properties	**270**	**55**	**10**	**335**
Manufacturing and industrial properties	**84**	**53**	**1**	**138**
Hotels	**73**	**1**	**-**	**74**
Land (fields and plots)	**731**	**5**	**9**	**745**
Properties under construction	**1**	**-**	**-**	**1**
Total	**1,256**	**151**	**29**	**1,436**

A.1 Balance Sheet Analysis (continued)

A.1.5 Real Estate Management Unit (continued)

31 December 2016	Cyprus € mn	Greece € mn	Romania € mn	Total € mn
Residential properties	90	37	9	136
Offices and other commercial properties	256	56	12	324
Manufacturing and industrial properties	82	53	1	136
Hotels	74	1	-	75
Land (fields and plots)	739	6	10	755
Properties under construction	1	-	-	1
Total	1,242	153	32	1,427

A.1.6 Non-core overseas exposures

As part of its **deleveraging strategy**, and through specific, deliberate and well-timed actions, the Bank has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position.

The remaining non-core overseas net exposures (including both on-balance sheet and off-balance sheet exposures) at 31 March 2017 are as follows:

€ mn	31 March 2017	31 December 2016
Greece	**248**	283
Romania	**111**	149
Serbia	**9**	42
Russia	**39**	44

In accordance with Group's strategy to exit from overseas non-core operations, the operations of the Bank of Cyprus branch in Romania are expected to be terminated during 2017, subject to regulatory approvals. The remaining assets and liabilities of the branch will be transferred to other entities of the Group.

In addition to the above, at 31 March 2017 there were overseas exposures of €54 mn in Romania (€57 mn as at 31 December 2016) and €195 mn in Greece (€189 mn as at 31 December 2016), not identified as non-core exposures, since they are considered by management as exposures arising in the normal course of business.

A.2 Income Statement Analysis

A.2.1 Total income

€ mn	1Q2017	4Q2016	1Q2016	qoq +%	yoy +%
Net interest income	156	162	185	-3%	-15%
Net fee and commission income	43	55	36	-21%	20%
Net foreign exchange gains and net gains on other financial instruments	11	13	6	-15%	66%
Insurance income net of claims and commissions	10	9	14	7%	-23%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	9	3	1	131%	-
Other income	4	4	2	-4%	83%
Non-interest income	**77**	**84**	**59**	-9%	29%
Total income	**233**	**246**	**244**	-5%	-4%
Net interest margin (annualised)	3.33%	3.37%	3.63%	-4 bps*	-30 bps*
Quarterly average interest earning assets (€ mn)	19,027	19,060	20,451	-0%	-7%

* p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Net interest income (NII) and net interest margin (NIM) for 1Q2017 amounted to €156 mn and 3.33% respectively. NII was down by 3% compared to €162 mn for 4Q2016 and down by 15% compared to €185 mn a year earlier, reflecting the low interest rate environment and the lower volume of loans primarily as a result of the debt for asset swaps. The NIM for 1Q2017 was at 3.33% compared to 3.37% for 4Q2016 and 3.63% a year earlier.

Quarterly average interest earning assets for 1Q2017 amounted to €19,027 mn, at similar levels to the previous quarter and down by 7% yoy, largely due to debt for asset swaps.

Non-interest income for 1Q2017 was €77 mn, comprising primarily net fee and commission income of €43 mn, net foreign exchange income and net gains on financial instruments of €11 mn and net insurance income of €10 mn. Non-interest income for 1Q2017 was lower by 9% qoq, driven by the 21% qoq drop in net fee and commission income reflecting quarterly seasonality along with the non-recurrence of some fees and commissions. Non-interest income for 1Q2017 was increased by 29% yoy, largely driven by the new and increased commission charges introduced in 4Q2016. Net insurance claims totalled €10 mn for 1Q2017, up by 7% qoq. The remaining component of non-interest income for 1Q2017 was a profit of €24 mn (compared to €20 mn for the previous quarter), which includes a net gain of €11 mn on the disposal of assets by REMU.

Total income for 1Q2017 amounted to €233 mn, compared to €246 mn for 4Q2016 (5% reduction qoq) and €244 mn for 1Q2016 (4% reduction yoy), with the reduction primarily reflecting the reduction in NII.

A.2.2 Total expenses

€ mn	1Q2017	4Q2016	1Q2016	qoq +%	yoy +%
Staff costs	(54)	(53)	(58)	1%	-7%
Other operating expenses	(41)	(40)	(38)	5%	11%
Total operating expenses	(95)	(93)	(96)	3%	0%
Special levy and contribution to Single Resolution Fund	(12)	(5)	(5)	124%	152%
Total expenses	**(107)**	**(98)**	**(101)**	9%	7%

Total expenses for 1Q2017 were €107 mn, 50% of which related to staff costs (€54 mn), 39% to other operating expenses (€41 mn) and 11% to special levy and contribution to Single Resolution Fund (SRF) (€12 mn). Total expenses for 1Q2017 were €107 mn, compared to €98 mn a quarter earlier. Total operating expenses for 1Q2017 amounted to €95 mn, at similar levels to the previous quarter and the previous year. The special levy and contribution to the SRF for 1Q2017 of €12 mn includes an amount of €6.4 mn of the 2017 annual contribution to the SRF, which was fully booked during 1Q2017 in line with IFRSs. The cost to income ratio for 1Q2017 was 46%, compared to 40% for 4Q2016. Excluding the special levy and contribution to the SRF, the cost to income ratio for 1Q2017 was 41%, compared to 38% for 4Q2016.

A.2 Income Statement Analysis (continued)

A.2.3 Profit before tax and restructuring costs

€ mn	**1Q2017**	**4Q2016**	**1Q2016**	qoq +%	yoy +%
Operating profit	**126**	**148**	**143**	-15%	-12%
Provisions	(64)	(103)	(62)	-38%	2%
Impairments of other financial and non-financial assets	(32)	(13)	(8)	131%	-
Provisions for litigation and regulatory matters	(17)	(18)	2	-8%	-
Total provisions and impairments	**(113)**	**(134)**	**(68)**	-17%	63%
Share of profit from associates and joint ventures	2	5	1	-61%	141%
Profit before tax and restructuring costs	**15**	**19**	**76**	-13%	-79%

Operating profit for 1Q2017 was €126 mn, compared to €148 mn for 4Q2016 (down by 15% qoq) and €143 mn for 1Q2016 (down by 12% yoy). The decrease mainly reflects the lower net interest income and the contribution to the SRF.

Provisions for 1Q2017 totalled €64 mn, compared to €103 mn for 4Q2016 (down by 38% qoq) and to €62 mn for 1Q2016 (up by 2% yoy), reflecting the Bank's continued strategy for directing operating profitability to faster de-risk the balance sheet. The annualised provisioning charge for 1Q2017 accounted for 1.3% of gross loans, compared to a provisioning charge of 1.7% for FY2016. The annualised provisioning charge for 1Q2017 including impairments of other financial assets accounted for 1.7% of gross loans, at the same levels for FY2016.

At 31 March 2017, accumulated provisions, including fair value adjustment on initial recognition and provisions for off-balance sheet exposures, totalled €4,334 mn (compared to €4,519 mn at 31 December 2016) and accounted for 21.7% of gross loans (compared to 22.4% at 31 December 2016). The decrease in 1Q2017 accumulated provisions of €185 mn primarily relates to increased restructuring activity and write offs. The reduction of accumulated provisions in the previous quarter amounted to €184 mn.

Impairments of other financial and non-financial assets for 1Q2017 totalled €32 mn (compared to €13 mn for 4Q2016) and were primarily affected by impairment charges relating to legacy exposures of €23 mn and impairment losses of stock of properties in Cyprus and Romania of €8 mn.

Provisions for litigation and regulatory matters for 1Q2017 amounted to €17 mn compared to €18 mn for 4Q2016. The elevated levels in 1Q2017 relate mainly to a fine imposed by the Cyprus Commission for the Protection of Competition. The fine relates to complaints filed in 2010 relating to the Bank's alleged abuse of its dominant market position in its cards business. The elevated levels in 4Q2016 were primarily driven by the increase in provisions for litigation and regulatory matters relating mainly to redress charges for the UK operations.

A.2.4 Profit after tax

€ mn	**1Q2017**	**4Q2016**	**1Q2016**	qoq +%	yoy +%
Profit after tax and before restructuring costs	**9**	**18**	**67**	-47%	-86%
Advisory, VEP and other restructuring costs	(7)	(16)	(17)	-55%	-58%
Profit after tax	**2**	**2**	**50**	6%	-96%

Profit after tax and before restructuring costs for 1Q2017 totalled €9 mn compared to €18 mn in 4Q2016 (down by 47% qoq) and €67 mn in 1Q2016 (down by 86% yoy).

Advisory, VEP and other restructuring costs for 1Q2017 totalled €7 mn compared to €16 mn for 4Q2016 (down by 55% qoq) and €17 mn for 1Q2016 (down by 58% yoy). The elevated levels in the previous year relate mainly to the London listing project.

Profit after tax attributable to the owners of the Bank for 1Q2017 was €2 mn, in line with 4Q2016 and compared to €50 mn for 1Q2016.

B. Operating Environment

Cyprus real GDP increased by 3,3% year-on-year in the first quarter of 2017 when seasonally adjusted, according to the flash estimates of the Statistical Service of the Republic of Cyprus. Growth in the first quarter was better than expected and well balanced, driven mainly by the services sectors particularly tourism, transport and trade. Construction and manufacturing activity continued to recover.

The outlook for the Cyprus economy over the medium term remains positive. The recovery is broadly based, funding conditions in the banking system have improved markedly, the stock of non-performing loans is decreasing and the unemployment rate has been declining.

According to medium term forecasts by the International Monetary Fund (World Economic Outlook, April 2017) and the European Commission (Spring Forecasts 2017) growth over the medium term will remain within a range between 2% and 3% in real terms.

Upside factors relate to a longer period of low oil prices, further improvement of economic fundamentals in the euro area and stronger investment spending as property prices are stabilising and as projects in tourism, energy and public works are being implemented.

Downside risks to the growth projections are associated with high levels of non-performing exposures, a loss of momentum in structural reforms with associated risks for public finances and a return of inflation. Downside risks may also be associated with a deterioration of the external environment for Cyprus. This may involve a continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions, and slower growth in the UK with a weakening of the pound as a result of uncertainty resulting from Brexit. The direct consequences on Cyprus from Brexit, will mostly emanate from tourist activity. The possible loss of UK tourist arrivals may be mitigated at least in part, by increases in arrivals of tourists from other destinations as airline connectivity improves. Political uncertainty in Europe triggered by a British exit or by the refugee crisis could also lead to increased economic uncertainty and undermine economic confidence.

In this context of a strengthening economy and narrowing imbalances, the Cyprus government benefited from a series of rating upgrades. Most recently on 17 March 2017, S&P Global Ratings upgraded the Cyprus sovereign to BB+ from BB, the previous upgrade being six months before, in September 2016. This is one notch below investment grade.

C. Business Overview

With the Cypriot operations accounting for 90% of gross loans and 91% of customer deposits, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus and will consequently benefit from the country's recovery.

The strategic focus of the Group is to reshape its business model to grow in the core Cypriot market through prudent new lending and carefully developing the UK franchise. Growth in new lending is focused on selected industries that are more in line with the Bank's target risk profile, such as tourism, trade, professional services, information/communication technologies, energy, education and green projects. The Bank is currently looking to carefully expand its UK operations, remaining consistent with the Group's overall credit appetite and regulatory environment. With selective presences in London and Birmingham and a predominantly retail funded franchise, the UK strategy is to support its core proposition in the property market, specifically targeting the professional buy-to-let market and further expanding its mortgage business and its savings, current accounts and trade-related products for SMEs, professionals and Cypriot residents.

Aiming at supporting investments by SMEs and mid-caps to boost the Cypriot economy and create new jobs for young people, the Bank continues to provide joint financed schemes. The Bank continues its partnership with the European Investment Fund (EIF), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Cyprus Government.

Management is also placing emphasis on diversifying income streams by boosting fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd operating in the sectors of life and general insurance respectively, constitute a leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Bank's income streams. The insurance income net of insurance claims for 1Q2017 amounted to €10 mn (compared to €14 mn for 1Q2016), contributing to 14% of non-interest income.

In order to further improve its funding structure, the Bank is **stepping up its efforts to grow lower cost deposits,** and take advantage of the increased customer confidence towards the Bank, as well as improving macroeconomic conditions. The Bank's strong capital position and overall improvement in its financial position **enhance its funding options**.

On 19 January 2017, BOC Holdings was admitted to listing and trading on the London Stock Exchange ("LSE") and the Cyprus Stock Exchange ("CSE"). The listing on the LSE is another significant milestone in the execution of the Group's strategy. It is expected to improve the liquidity of the Group's stock, which will enhance the Group's visibility and lead to a broader base of investors capable of supporting the Group in the long-term. This will further enhance the confidence of all stakeholders in the Group. BOC Holdings continues to work towards a premium listing on the LSE, and intends to apply for a step up to the premium segment of the LSE at a future date, with the intention of becoming eligible for inclusion in the FTSE UK Index series.

D. Outlook

The Group remains on track for implementing its strategic objectives aiming to become **a stronger, safer and a more focused 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:

- **Materially reduce** the level of delinquent loans
- **Further improve the funding structure**
- **Maintain an appropriate capital position** by internally generating capital
- Focus on the **core Cyprus market and the UK operations**
- **Achieve a lean operating model**
- **Deliver value** to shareholders and other stakeholders

KEY PILLARS	PLAN OF ACTION
1. Materially reduce the level of delinquent loans	• Sustain momentum in restructuring • Focus on terminated portfolios (in Recovery Unit) – "accelerated consensual foreclosures" • Real estate management via REMU • Explore alternative NPE reduction measures such as NPE sales, securitisations etc.
2. Further improve the funding structure	• Focus on shape and cost of deposit franchise • Increase loan pool for the Additional Credit Claim framework of ECB • Further diversify funding sources
3. Focus on core markets	• Targeted lending in Cyprus into promising sectors to fund recovery • New loan origination, while maintaining lending yields • Revenue diversification via fee income from international business, wealth, and insurance • Careful expansion of UK franchise by leveraging the UK subsidiary
4. Achieve a lean operating model	• Tangible savings through a targeted reduction program • Introduce technology/processes to improve distribution channels and reduce costs • HR policies aimed at enhancing productivity
5. Deliver returns	• Deliver appropriate medium term risk-adjusted returns

D. Outlook (continued)

The table below shows the Group's performance against the Medium Term Targets.

Group Key Performance Indicators		Actual Dec-2016	Actual March 2017	Medium-Term Targets
Asset Quality	90+ Days Past Due ratio	41%	40%	**<20%**
	NPEs ratio	55%	52%	**<30%**
	NPEs coverage ratio	41%	42%	**>50%**
	Provisioning charge (Cost of Risk)	1.7%	1.3%*	**<1.0%**
	Net Loans % Deposits	95%	95%	**90-110%**
Capital	Total Capital Ratio	14.6%	15.6%	**>15%**
Efficiency	Net interest margin	3.47%	3.33%	**~3.00%**
	Net fee and commission income / total income	17%**	19%	**>20%**
	Cost to Income ratio	41%	46%***	**40-45%**
Balance Sheet	Total assets	€22.2 bn	€22.5 bn	**>€25 bn**

* The annualised provisioning charge for 1Q2017 including impairments of other financial assets accounted for 1.7% of gross loans, at the same levels for FY2016

** The net fee and commission income over total income for December 2016 excludes non-recurring fees of approximately €7 mn.

*** The cost to income ratio for 1Q2017 excluding the special levy and contribution to the SRF was 41%, compared to 38% for 4Q2016.

E. Statutory Financial Results

Condensed consolidated Income Statement for the quarter ended 31 March 2017

	Three months ended 31 March	
	2017	2016
	€000	€000
Net interest income	**156,385**	184,793
Fee and commission income	**45,830**	37,798
Fee and commission expense	**(2,576)**	(1,832)
Net foreign exchange gains	**10,641**	7,429
Net gains/(losses) on financial instrument transactions	**600**	(655)
Insurance income net of claims and commissions	**10,423**	13,593
(Losses)/gains from revaluation and disposal of investment properties	**(1,925)**	3,692
Gains/(losses) on disposal of stock of property	**10,536**	(2,422)
Other income	**3,383**	1,846
	233,297	244,242
Staff costs	**(54,053)**	(64,083)
Other operating expenses	**(77,136)**	(51,950)
	102,108	128,209
Gain/(loss) on derecognition of loans and advances to customers and changes in expected cash flows	**20,393**	(15,441)
Provisions for impairment of loans and advances to customers and other customer credit losses	**(84,136)**	(46,892)
Impairment of other financial instruments	**(23,286)**	(976)
Impairment of non-financial instruments	**(8,287)**	(7,003)
Profit before share of profit from associates and joint ventures	**6,792**	57,897
Share of profit from associates and joint ventures	**1,931**	801
Profit before tax	**8,723**	58,698
Income tax	**(6,343)**	(8,136)
Profit for the period	**2,380**	50,562

Attributable:		
To the owners of the Company	**2,151**	50,225
To non-controlling interests	**229**	337
Profit for the period	**2,380**	50,562

Basic and diluted earnings per share (cent) attributable to the owners of the Company	**0.5**	0.6

F. Notes

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

€ mn	Underlying Basis	Reclassification	Statutory Basis
Net interest income	156	-	156
Net fee and commission income	43	-	43
Net foreign exchange gains and net gains on other financial instruments	11	-	11
Insurance income net of claims and commissions	10	-	10
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	9	-	9
Other income	4	-	4
Total income	**233**	**-**	**233**
Total expenses	**(107)**	**(24)**	**(131)**
Operating profit	**126**	**(24)**	**102**
Provisions	(64)	-	(64)
Impairments of other financial and non-financial instruments	(32)	-	(32)
Provisions for litigation and regulatory matters	(17)	17	-
Share of profit from associates and joint ventures	2	-	2
Profit before tax and restructuring costs	**15**	**(7)**	**8**
Tax	(6)	-	(6)
Profit attributable to non-controlling interests	(0)	-	(0)
Profit after tax and before restructuring costs	**9**	**(7)**	**2**
Advisory and other restructuring costs	(7)	7	-
Profit after tax	**2**	**-**	**2**

The reclassification difference between the underlying and statutory bases relates to €24 mn expenses (€17 mn are shown as Provisions for litigation and regulatory matters and €7 mn as Advisory and other restructuring costs), which for the purpose of management reporting are monitored and reported below the operating profit.

F.2. Credit risk concentration of gross loans and advances to customers

Geographical and industry concentrations of Group gross loans and advances to customers are presented below:

31 March 2017	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
By economic activity	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Trade	2,080,222	537	13,590	6,853	58,638	**2,159,840**	**(81,488)**	**2,078,352**
Manufacturing	660,016	-	7,017	6,846	27,317	**701,196**	**(24,298)**	**676,898**
Hotels and catering	1,308,605	-	108,265	3,219	-	**1,420,089**	**(62,052)**	**1,358,037**
Construction	2,799,834	-	3,055	66,971	13,647	**2,883,507**	**(193,563)**	**2,689,944**
Real estate	1,968,253	19,495	1,202,389	166,599	1	**3,356,737**	**(100,642)**	**3,256,095**
Private individuals	7,052,562	214	42,643	269	-	**7,095,688**	**(218,271)**	**6,877,417**
Professional and other services	1,300,912	-	56,202	12,214	97,233	**1,466,561**	**(75,984)**	**1,390,577**
Other sectors	892,572	336	1,362	32,929	-	**927,199**	**(112,758)**	**814,441**
	18,062,976	**20,582**	**1,434,523**	**295,900**	**196,836**	**20,010,817**	**(869,056)**	**19,141,761**
By customer sector								
Corporate	7,334,720	20,368	1,173,063	284,523	185,023	**8,997,697**	**(435,116)**	**8,562,581**
SMEs	4,031,893	-	231,248	11,110	11,812	**4,286,063**	**(194,505)**	**4,091,558**
Retail								
- housing	4,175,315	-	12,090	100	-	**4,187,505**	**(98,581)**	**4,088,924**
- consumer, credit cards and other	2,170,745	214	18,122	167	1	**2,189,249**	**(132,380)**	**2,056,869**
International banking services	290,203	-	-	-	-	**290,203**	**(3,409)**	**286,794**
Wealth management	60,100	-	-	-	-	**60,100**	**(5,065)**	**55,035**
	18,062,976	**20,582**	**1,434,523**	**295,900**	**196,836**	**20,010,817**	**(869,056)**	**19,141,761**
By business line								
Corporate	3,089,338	20,368	1,168,403	221,675	171,327	**4,671,111**	**(91,721)**	**4,579,390**
SMEs	1,391,176	-	231,248	10,911	11,812	**1,645,147**	**(26,963)**	**1,618,184**
Retail								
- housing	3,496,242	-	12,090	100	-	**3,508,432**	**(39,625)**	**3,468,807**
- consumer, credit cards and other	1,422,472	214	15,999	167	-	**1,438,852**	**(24,557)**	**1,414,295**
Restructuring								
- major corporate	1,482,628	-	-	33,892	-	**1,516,520**	**(117,692)**	**1,398,828**
- corporate	949,290	-	-	-	-	**949,290**	**(17,312)**	**931,978**
- SMEs	1,187,191	-	-	-	-	**1,187,191**	**(47,203)**	**1,139,988**
Recoveries								
- corporate	1,813,464	-	4,660	28,956	13,696	**1,860,776**	**(208,391)**	**1,652,385**
- SMEs	1,453,526	-	-	199	-	**1,453,725**	**(120,339)**	**1,333,386**
- retail housing	679,073	-	-	-	-	**679,073**	**(58,956)**	**620,117**
- retail other	748,273	-	2,123	-	1	**750,397**	**(107,823)**	**642,574**
International banking services	290,203	-	-	-	-	**290,203**	**(3,409)**	**286,794**
Wealth management	60,100	-	-	-	-	**60,100**	**(5,065)**	**55,035**
	18,062,976	**20,582**	**1,434,523**	**295,900**	**196,836**	**20,010,817**	**(869,056)**	**19,141,761**

The table above includes gross loans after fair value adjustment of €21,167 thousand in Cyprus, classified as held for sale under IFRS 5.

F.2. Credit risk concentration of gross loans and advances to customers (continued)

Restructuring major corporate business line includes customers with exposures over €100,000 thousand, whereas restructuring corporate business line includes customers with exposures between €6,000 thousand and €100,000 thousand.

31 December 2016	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
By economic activity	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Trade	2,044,324	-	13,964	11,141	55,100	**2,124,529**	**(87,576)**	**2,036,953**
Manufacturing	658,811	-	7,133	7,735	25,396	**699,075**	**(25,734)**	**673,341**
Hotels and catering	1,302,543	-	112,773	3,263	-	**1,418,579**	**(62,665)**	**1,355,914**
Construction	2,874,331	-	3,181	75,918	12,793	**2,966,223**	**(210,436)**	**2,755,787**
Real estate	2,022,559	19,599	1,056,924	200,825	6,934	**3,306,841**	**(114,140)**	**3,192,701**
Private individuals	6,980,383	214	45,557	3,093	-	**7,029,247**	**(227,057)**	**6,802,190**
Professional and other services	1,332,250	-	54,865	12,458	97,148	**1,496,721**	**(80,501)**	**1,416,220**
Other sectors	1,054,255	337	1,361	32,927	-	**1,088,880**	**(120,344)**	**968,536**
	18,269,456	**20,150**	**1,295,758**	**347,360**	**197,371**	**20,130,095**	**(928,453)**	**19,201,642**
By customer sector								
Corporate	7,517,473	19,936	1,040,941	334,440	179,293	**9,092,083**	**(481,340)**	**8,610,743**
SMEs	4,100,298	-	222,337	12,641	11,144	**4,346,420**	**(202,240)**	**4,144,180**
Retail								
- housing	4,202,358	-	13,314	100	-	**4,215,772**	**(100,509)**	**4,115,263**
- consumer, credit cards and other	2,064,802	214	19,166	179	6,934	**2,091,295**	**(135,350)**	**1,955,945**
International banking services	321,571	-	-	-	-	**321,571**	**(3,619)**	**317,952**
Wealth management	62,954	-	-	-	-	**62,954**	**(5,395)**	**57,559**
	18,269,456	**20,150**	**1,295,758**	**347,360**	**197,371**	**20,130,095**	**(928,453)**	**19,201,642**
By business line								
Corporate	2,557,653	19,936	1,036,331	237,203	165,592	**4,016,715**	**(71,064)**	**3,945,651**
SMEs	1,377,837	-	222,337	12,442	11,144	**1,623,760**	**(29,071)**	**1,594,689**
Retail								
- housing	3,531,293	-	13,314	100	-	**3,544,707**	**(40,640)**	**3,504,067**
- consumer, credit cards and other	1,317,434	214	17,617	179	-	**1,335,444**	**(26,435)**	**1,309,009**
Restructuring								
- major corporate	2,080,586	-	-	33,947	-	**2,114,533**	**(156,190)**	**1,958,343**
- corporate	1,014,853	-	-	-	-	**1,014,853**	**(22,795)**	**992,058**
- SMEs	1,219,572	-	-	-	-	**1,219,572**	**(50,393)**	**1,169,179**
Recoveries								
- corporate	1,864,381	-	4,610	63,290	13,701	**1,945,982**	**(231,291)**	**1,714,691**
- SMEs	1,502,889	-	-	199	-	**1,503,088**	**(122,776)**	**1,380,312**
- retail housing	671,065	-	-	-	-	**671,065**	**(59,869)**	**611,196**
- retail other	747,368	-	1,549	-	6,934	**755,851**	**(108,915)**	**646,936**
International banking services	321,571	-	-	-	-	**321,571**	**(3,619)**	**317,952**
Wealth management	62,954	-	-	-	-	**62,954**	**(5,395)**	**57,559**
	18,269,456	**20,150**	**1,295,758**	**347,360**	**197,371**	**20,130,095**	**(928,453)**	**19,201,642**

F3. Credit quality of gross loans and advances to customers

The following table presents the credit quality of the Group's gross loans and advances to customers:

	31 March 2017			31 December 2016		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**11,126,387**	**(156,801)**	**10,969,586**	10,990,773	(166,185)	10,824,588
Past due but not impaired	**2,282,913**	**(35,774)**	**2,247,139**	2,238,127	(38,743)	2,199,384
Impaired	**6,601,517**	**(676,481)**	**5,925,036**	6,901,195	(723,525)	6,177,670
	20,010,817	**(869,056)**	**19,141,761**	20,130,095	(928,453)	19,201,642

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery.

During the quarter ended 31 March 2017 the total non-contractual write-offs recorded by the Group amounted to €100,836 thousand (year 2016: €517,694 thousand). The remaining gross loan balance of these customers as at 31 March 2017 was €105,044 thousand (31 December 2016: €305,591 thousand), of which €7,848 thousand (31 December 2016: €19,651 thousand) were past due for more than 90 days but not impaired and €66,198 thousand (31 December 2016: €130,964 thousand) were impaired.

Loans and advances to customers that are past due but not impaired

	31 March 2017	31 December 2016
Past due analysis:	**€000**	€000
- up to 30 days	**453,881**	455,394
- 31 to 90 days	**419,707**	375,161
- 91 to 180 days	**173,461**	128,675
- 181 to 365 days	**164,404**	140,714
- over one year	**1,071,460**	1,138,183
	2,282,913	2,238,127

The fair value of the collateral that the Group holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 March 2017 is €1,805,545 thousand (31 December 2016: €1,762,528 thousand). The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

F3. Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers

	31 March 2017		31 December 2016	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**6,131,117**	**3,764,766**	6,384,503	3,953,086
Greece	**20,368**	**18,036**	19,936	17,962
Russia	**196,835**	**13,688**	196,144	87,381
United Kingdom	**13,703**	**5,814**	12,041	7,213
Romania	**239,494**	**53,106**	288,571	54,436
	6,601,517	**3,855,410**	6,901,195	4,120,078

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk and has been capped to the gross carrying value of the loans and advances to customers.

	31 March 2017	31 December 2016
Impaired:	**€000**	€000
- no arrears	**379,015**	471,855
- up to 30 days	**17,862**	62,119
- 31 to 90 days	**50,377**	29,201
- 91 to 180 days	**41,658**	49,572
- 181 to 365 days	**81,749**	51,438
- over one year	**6,030,856**	6,237,010
	6,601,517	6,901,195

Interest income on impaired loans

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances to customers amounting to €37,519 thousand (corresponding period of 2016: €54,270 thousand).

F4. Provision for impairment of loans and advances to customers

The movement in provisions for impairment of loans and advances is as follows:

31 March 2017	Cyprus	Greece	Russia	Other countries	**Total**
	€000	€000	€000	€000	**€000**
1 January	3,170,161	7,129	157,252	217,699	**3,552,241**
Transfer between geographical areas	23	-	-	(23)	**-**
Foreign exchange and other adjustments	26,578	-	5,917	1,477	**33,972**
Applied in writing off impaired loans and advances	(174,165)	-	(4,760)	(37,813)	**(216,738)**
Interest accrued on impaired loans and advances	(28,917)	(243)	(85)	(159)	**(29,404)**
Collection of loans and advances previously written off	3,620	-	-	-	**3,620**
Charge for the period	72,773	795	3,932	6,079	**83,579**
31 March	**3,070,073**	**7,681**	**162,256**	**187,260**	**3,427,270**
Individual impairment	**2,688,174**	**7,681**	**162,256**	**184,724**	**3,042,835**
Collective impairment	**381,899**	**-**	**-**	**2,536**	**384,435**

31 March 2016	Cyprus	Greece	Russia	Other countries	**Total**
	€000	€000	€000	€000	**€000**
1 January	3,731,750	33,833	195,017	232,833	**4,193,433**
Dissolution of subsidiaries	-	-	-	(6,154)	**(6,154)**
Foreign exchange and other adjustments	19,564	-	394	(2,265)	**17,693**
Applied in writing off impaired loans and advances	(300,537)	-	-	(1,812)	**(302,349)**
Interest accrued on impaired loans and advances	(47,063)	(233)	(183)	(723)	**(48,202)**
Collection of loans and advances previously written off	156	-	-	-	**156**
Charge/(reversal) for the period	41,597	1,862	(361)	945	**44,043**
31 March	**3,445,467**	**35,462**	**194,867**	**222,824**	**3,898,620**
Individual impairment	**2,997,496**	**31,263**	**194,651**	**217,980**	**3,441,390**
Collective impairment	**447,971**	**4,199**	**216**	**4,844**	**457,230**

The above table does not include the fair value adjustment on initial recognition of loans acquired from Laiki Bank and provisions for impairment on financial guarantees and commitments which are part of other liabilities on the balance sheet.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from real estate collaterals has been estimated to be on average 3 years, with the exception of specific cases for which, based on specific facts and circumstances, a different period has been used and for customers in Debt Recovery where an average 6 year period has been used. In accordance with the Loan Impairment and Provisioning Procedures Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the period has been capped to zero. The average liquidity haircut and selling expenses used in the provisions calculation is 10% of the current market value of the property for those collaterals for which the increase in their value is capped to zero and 10% of the projected market value of the property for those collaterals for which their value is expected to drop.

F4. Provision for impairment of loans and advances to customers (continued)

The above assumptions are also influenced by the ongoing regulatory dialogue the Bank 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 EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances.

F5. Pending litigation, claims and regulatory matters

The Group in the ordinary course of business is subject to enquiries and examinations, requests for information, audits, investigations and 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 the Company in 2013 as a result of the Bail-in Decrees, the Company 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. Most ongoing investigations and proceedings of significance relate to matters arising during the period prior to the issue of the Bail-in Decrees. 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 matters.

On 22 May 2017, the Cyprus Commission for the Protection of Competition imposed a fine of €18 mn against the Bank. The fine relates to complaints filed in 2010 relating to the Bank's alleged abuse of its dominant market position in its cards business. The Bank disagrees with the decision of the Commission and intends to legally appeal against this decision through all available court processes. A fine of €1.7 mn has also been imposed to JCC Payment Systems Ltd (JCC), a card-processing business currently 75% owned by the Bank.

F6. Liquidity reserves

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

Composition of the liquidity reserves	31 March 2017		31 December 2016	
	Liquidity reserves	**Liquidity reserves of which Delegated Reg (EU) 2015/61 LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Delegated Reg (EU) 2015/61 LCR eligible Level 1
	€000	**€000**	€000	€000
Cash and balances with central banks	**1,771,806**	**1,548,231**	1,505,120	1,146,015
Nostro and overnight placements with banks	**516,340**	**-**	423,603	-
Other placements with banks	**205,653**	**-**	376,145	-
Liquid investments	**391,812**	**396,391**	154,787	256,325
Available ECB Buffer	**16,137**	**-**	124,998	-
Other investments	**7,088**	**-**	6,340	-
Total	**2,908,836**	**1,944,622**	2,590,993	1,402,340

Investments under Liquidity Reserves are shown at market value net of haircut (as prescribed by regulators) in order to reflect the actual liquidity value that can be obtained. The Liquidity Reserves exclude Local Government of Cyprus Issues. Liquid investments include off balance sheet Bank of England Treasury Bills acquired by Bank of Cyprus UK Ltd through the encumbrance of customer loans with the Bank of England. Under LCR Liquidity Reserves, all Cyprus Government Bonds remain eligible for inclusion as Level 1 assets given that they are issued by a Member State. LCR does not require liquid assets to be eligible as collateral for central bank operations and are included at market value.

F7. Capital management

F7.1. Capital position

The capital position of the Group under CRD IV/CRR basis (after applying the transitional arrangements) is presented below.

Regulatory capital	**31 March 2017**	31 December 2016
	€000	€000
Transitional Common Equity Tier 1 (CET1)[1]	**2,694,039**	2,727,997
Tier 2 capital (T2)	**225,043**	21,423
Transitional total regulatory capital	**2,919,082**	2,749,420
Risk weighted assets – credit risk[2]	**16,785,190**	16,861,793
Risk weighted assets – market risk	**6,424**	6,231
Risk weighted assets – operational risk	**1,888,975**	1,997,200
Total risk weighted assets	**18,680,589**	18,865,224
	%	%
Transitional Common Equity Tier 1 ratio	**14.4**	14.5
Transitional total capital ratio	**15.6**	14.6

During 1Q2017 CET1 ratio was positively affected by the reduction in risk weighted assets (RWA), but was negatively affected by the deferred tax asset phasing-in.

The Group's capital ratios are comfortably above the minimum CET1 regulatory capital ratio of 9.50% (comprising of a 4.5% Pillar I requirement, a 3.75% Pillar II requirement and a phased-in CCB of 1.25%) and the overall Total Capital Ratio requirement of 13.00%, comprising of a Pillar I requirement of 8% (of which up to 1.5% can be in the form of Additional Tier 1 capital and up to 2.0% in the form of Tier 2 capital), a Pillar II requirement of 3.75% (in the form of CET1), as well as a phased-in CCB of 1.25%. The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer.

[1] CET1 includes regulatory deductions, primarily comprising deferred tax assets and intangible assets amounting to €123,245 thousand and €88,407 thousand as at 31 March 2017 and 31 December 2016 respectively. The applicable rate of the DTA phase-in was 60% and 40% as at 31 March 2017 and 31 December 2016 respectively.

[2] Includes Credit Valuation Adjustments (CVA).

F7. Capital management (continued)

F7.2. Overview of risk weighted assets

		Risk Weighted Assets		Minimum capital requirements
		31 March 2017	31 December 2016	**31 March 2017**
		€000	€000	**€000**
1	Credit risk (excluding counterparty credit risk (CCR))	**15,720,644**	15,793,717	**1,257,652**
2	Of which the standardised approach	**15,720,644**	15,793,717	**1,257,652**
6	CCR	**50,688**	53,721	**4,055**
7	Of which mark to market	**25,188**	24,283	**2,015**
11	Of which risk exposure amount for contributions to the default fund of a Central Counterparty (CCP)	**-**	-	**-**
12	Of which Credit Valuation Adjustment (CVA)	**25,500**	29,438	**2,040**
13	Settlement Risk	**-**	-	**-**
19	Market risk	**6,424**	6,231	**514**
20	Of which the standardised approach	**6,424**	6,231	**514**
22	Large Exposures	**-**	-	**-**
23	Operational risk	**1,888,975**	1,997,200	**151,118**
24	Of which basic indicator approach	**-**	108,225	**-**
25	Of which standardised approach	**1,888,975**	1,888,975	**151,118**
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,013,858**	1,014,355	**81,109**
29	Total	**18,680,589**	18,865,224	**1,494,448**

The rows not applicable to the Group are not presented in the table above.

The main changes in RWAs are observed in lines 2 and 24. The RWA movement observed in line 2 relates to balance sheet movements in improved risk weights on loans and advances to banks which are mainly affected by the counterparty rating and exposure maturities. The decrease in line 24 relates to the exclusion from the calculation of the capital requirement for operational risk in relation to operations in Russia, which were sold in 2015, following permission granted by the regulatory authorities at the beginning of January 2017.

G. Definitions & Explanations

Accelerated phase-in period	Following the Regulation (EU) 2016/445 of the ECB of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), the DTA phase-in period was reduced from 10 to 5 years, with effect as from the reporting of 31 December 2016. The applicable rate of the DTA phase-in is 60% for 2017, 80% for 2018 and 100% for 2019 (fully phased-in).
Accumulated provisions	Comprise (i) provisions for impairment of customer loans and advances, (ii) the fair value adjustment on initial recognition of loans acquired from Laiki Bank, and (iii) provisions for off-balance sheet exposures disclosed on the balance sheet within other liabilities.
Advisory, VEP and other restructuring costs	Comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations and non-core assets (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on the London Stock Exchange and 2) voluntary exit plan cost.
Contribution to SRF	Relates to the contribution made to the Single Resolution Fund.
Data from the Statistical Service of the Republic of Cyprus	The latest data was published on 10 March 2017.
Deferred Tax Asset adjustments	The DTA adjustments relate to Deferred Tax Assets totalling €447 mn and recognised on tax losses totalling €3.6 bn and can be set off against future profits of the Bank until 2028 at a tax rate of 12.5%. Furthermore, there are tax losses of c. €8.5 bn for which no deferred tax asset has been recognised. The recognition of deferred tax assets is supported by the Bank's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.
Net fee and commission income over total income	The ratio of 17% for 2016 excludes non-recurring fees of approximately €7 mn.
Gross loans	Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank amounting to €869 mn at 31 March 2017 (compared to €928 mn at 31 December 2016).
Group	The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries.
Loans in arrears for more than 90 days (90+ DPD)	Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and loans that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses existed at their initial recognition or customers in Debt Recovery).
Market Shares	Both deposit and loan market shares are based on data from the Central Bank of Cyprus.
Net loans and advances	Loans and advances net of accumulated provisions
Non-performing exposures (NPEs)	In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if: (i) the debtor 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, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.

G. Definitions & Explanations (continued)

Operating profit	Comprises profit before total provisions and impairments (as defined), share of profit from associates and joint ventures, tax, profit attributable to non-controlling interests and advisory, VEP and other restructuring costs.
Phased-in Capital Conservation Buffer (CCB)	In accordance with the legislation in Cyprus which has been set for all credit institutions through the requirements of the Capital Requirement Directive (CRR)/CRD IV. The applicable rate of the CCB is 1.25% for 2017, 1.875% for 2018 and 2.5% for 2019 (fully phased-in).
Provisioning charge (cost of risk)	Provisions for impairment of customer loans and gain/(loss) on derecognition of loans and changes in expected cash flows over average gross loans.
Provision charge	Comprises provisions for impairments of customer loans, net of gain/(loss) on derecognition and changes in expected cash flows.
Provisioning charge (cost of risk) – Medium Term Target	The Medium Term Target for the provisioning charge of <1.0% is post IFRS 9 impact.
Provisioning coverage ratio for 90+ DPD	Provisioning coverage ratio for 90+ DPD is calculated as follows: accumulated provisions (as defined) over 90+ DPD.
Provisioning coverage ratio for 90+ DPD calculated with reference to the contractual balances of customers	This ratio is calculated by adjusting both the accumulated provisions (as defined) and the customer balances to include any unrecognised interest income due on contractual balances.
Special levy	Relates to the special levy on deposits of credit institutions in Cyprus.
The remaining component of non-interest income	Comprises net foreign exchange gains, net gains on other financial instruments, gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and other income.
Total income	Comprises Net Interest Income and Non-Interest Income.
Total provisions and impairments	Comprise provision charge (as defined), provisions for litigation and regulatory matters and impairments of other financial and non-financial assets.
Underlying basis	Statutory basis adjusted for certain items as detailed in the Basis of Preparation.
Write offs	Loans together with the associated provisions 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.

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” and together with the Bank’s subsidiaries, the “Group”, for the quarter ended 31 March 2017.

At 31 December 2016, the Bank was listed on the 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. As a result of this corporate change, the comparatives are presented for the Bank together with its subsidiaries.

Financial information presented in this announcement is not the statutory financial statements of BOC Holdings and has not been reviewed or audited by BOC Holdings’ auditors. BOC Holdings’ statutory financial statements for the purposes of Chapter 4 of Part 6 of the Companies Act 2014 of Ireland for the period 11 July 2016 to 31 December 2016, upon which the auditors have given an unqualified audit report (with emphasis of matter on material uncertainty related to going concern), were published on 27 April 2017 and are expected to be delivered to the Registrar of Companies of Ireland within 28 days of 30 September 2017.

Statutory basis: Statutory information is set out on page 15. However, a number of factors have had a significant effect on the comparability of the Group’s financial position and results. Accordingly, the results are also presented on an underlying basis.

Underlying basis: The statutory results are adjusted for certain items to allow a comparison of the Group’s underlying performance, as described on page 16.

Definitions: The Group uses a number of definitions in the discussion of its business performance and financial position which are set out in section G.

The Financial Results of the Group 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.

This announcement and the presentation of the Financial Results of the Group for the quarter ended 31 March 2017 have been posted on the Group’s website www.bankofcyprus.com (Investor Relations).

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.

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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. The Bank of Cyprus Group operates through a total of 126 branches, of which 121 operate in Cyprus, 1 in Romania and 4 in the United Kingdom. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4,302 staff worldwide. At 31 March 2017, the Group's Total Assets amounted to €22.5 bn and Total Equity was €3.1 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.