0233/00025773/en
Meeting of the Board of Directors (Discussion on dividend/interest/new securities/alteration of capital/etc)
BANK OF CYPRUS HOLDINGS PLC
BOCH

Group Financial Results for the nine months ended 30 September 2018

Group Financial Results for the nine months ended 30 September 2018

Attachment:

1. **Announcement**

Regulated

Publication Date: 26/11/2018

Bank of Cyprus Holdings

Announcement

Group Financial Results for the nine months ended 30 September 2018

Nicosia, 26 November 2018

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

EUROMONEY AWARDS FOR EXCELLENCE 2017

Bank of Cyprus
The best Bank in Cyprus 2017

Key Highlights for the nine months ended 30 September 2018

Corporate actions in 3Q2018 delivering value for shareholders

- Agreement for sale of €2.7 bn gross NPEs (Project Helix), awaiting ECB approval, completion expected 1Q2019
- Completion of sale of UK subsidiary in November following receipt of regulatory approvals from the PRA and ECB
- Pricing of €220 mn AT1, expected to be issued before the year end

Continued progress on Balance Sheet repair

- Fourteen consecutive quarters of material organic NPE reduction
- Gross NPEs reduced by €293 mn (4%) qoq to €7.6 bn
- Excluding Helix, organic NPE reduction of €224 mn in line with guidance
- Helix further reduces Gross NPEs by €2.6 bn to €5.0 bn
- Gross NPE ratio at 37% pro forma for Helix (-10 p.p.)
- NPE coverage at 49% pro forma for Helix

Capital position

- CET1 ratio at 11.9% and 13.2% pro forma for Helix
- Total Capital Ratio at 13.4% and 16.2% pro forma for Helix and AT1
- Capital gain of c.60 bps from UK sale in 3Q2018 partially offsets a c.70 bps prudential capital deduction relating to specific credits

Strong liquidity position

- Cyprus deposits increased by 2% qoq to €16.9 bn
- Significant liquidity surplus of €1.9 bn
- Loan to deposit ratio at 72% and 65% pro forma for Helix

Positive Performance in 3Q2018

- Total income of €179 mn and positive operating result of €86 mn for 3Q2018
- Profit after tax of €17 mn in 3Q2018
- Cost of risk of 0.7% for 3Q2018 and 1.0% for 9M2018, in line with guidance for COR<1.0% for FY2018

Group Chief Executive Statement

"Our results this quarter reflect continuing delivery against our core objective of balance sheet repair. This was accelerated through the agreement for the sale of non-performing loans in Project Helix. Helix is an important step forward in repairing our balance sheet and stabilising our capital position. We expect execution in the first quarter of 2019, upon receipt of regulatory approval from the ECB.

This portfolio sale complements our organic non-performing exposure (NPE) reduction. During the third quarter, we reduced NPEs by €224 mn. This is our fourteenth consecutive quarter of meaningful reductions in NPEs and is in line with our post-Helix guidance. NPEs reduced to €7.6 bn (€5.0 bn pro forma for Helix).

Since the peak in 2014, and including the sale of the Helix portfolio, we have now reduced the stock of NPEs by 67% or by €10 bn. As at 30 September 2018 (including the benefit of Helix) we have €5 bn of NPEs remaining and they are covered by 49% provisioning. We remain committed to making further material progress in the coming quarters and to getting back to the business of supporting the productive Cyprus economy.

In November, we completed the sale of our UK subsidiary. The sale adds c.70 bps to capital ratios, of which c.60 bps were recorded in the third quarter, and is broadly neutral to the profit and loss account. In addition, in August, we priced €220 mn of Additional Tier 1 Capital Securities (AT1) and we expect this to be issued before the year end.

Our capital levels remain adequate at the quarter end. As at 30 September 2018, the Bank's CET1 ratio (transitional) was 11.9% and the Total Capital Ratio was 13.4%, both in excess of regulatory requirements. Pro forma for both Helix and the AT1 issuance, the capital ratios are expected to improve to 13.2% and 16.2% respectively.

During the third quarter, our deposits in Cyprus remained broadly stable and we remain in full compliance with our liquidity requirements. Following the relaxation of onerous local liquidity requirements on 1 July 2018, the Bank had significant surplus liquidity of €1.9 bn. New lending in Cyprus reached c.€1.5 bn in the first nine months of the year, exceeding new lending in Cyprus for the corresponding period in 2017. We are pleased to have maintained our leading market position in a strengthening Cypriot economy. The economy expanded by 3.9% during the first nine months of the year. Our loan to deposit ratio stood at 72% at the quarter end and at 65% pro forma for the NPE sale.

Our performance in the third quarter generated total income of €179 mn and a positive operating result of €86 mn, whilst the net result for the quarter reached €17 mn. The underlying result for the quarter was €37 mn. The Group is focusing on the fact that, post the execution of further NPE reduction, there is a need to manage costs.

We have a clear strategy for continuing the improvement in the asset quality position of the Bank and further deal with the residual c.€5 bn of non-performing loans. We remain as focused as ever on continuing to seek solutions, both organic and inorganic, to make the Bank a stronger, safer, Cyprus-focused institution, capable of supporting the local economy."

John Patrick Hourican

A. Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	**9M2018**	**9M2017 represented**[2]	**3Q2018**	**2Q2018 represented**[2]	qoq[2] +%	yoy[2] +%
Net interest income	340	426	113	114	0%	-20%
Net fee and commission income	123	128	43	41	3%	-4%
Net foreign exchange gains and net gains on financial instrument transactions and loss of control/ dissolution of subsidiaries and disposal of associates	52	32	10	13	-19%	62%
Insurance income net of claims and commissions	38	39	13	13	-1%	-4%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	16	22	(6)	2	-	-29%
Other income	17	13	6	5	23%	39%
Total income	**586**	**660**	**179**	**188**	-5%	-11%
Staff costs	(158)	(152)	(53)	(53)	2%	4%
Other operating expenses	(115)	(118)	(34)	(43)	-21%	-3%
Special levy and contribution to Single Resolution Fund	(18)	(17)	(6)	(5)	30%	7%
Total expenses	**(291)**	**(287)**	**(93)**	**(101)**	-7%	1%
Operating profit	**295**	**373**	**86**	**87**	-2%	-21%
Provision charge	(128)	(730)	(29)	(41)	-30%	-82%
(Impairments)/reversal of impairments of other financial and non-financial assets	(13)	(37)	1	(6)	-	-67%
(Provisions)/reversal of provisions for litigation and regulatory matters	(9)	(69)	(15)	7	-	-87%
Total provisions and impairments	**(150)**	**(836)**	**(43)**	**(40)**	6%	-82%
Share of profit from associates and joint ventures	8	5	4	3	14%	52%
Profit/(loss) before tax and restructuring costs	**153**	**(458)**	**47**	**50**	-7%	-
Tax	(4)	(74)	0	(0)	-	-95%
Loss/(profit) attributable to non-controlling interests	3	(1)	1	0	402%	-
Profit/(loss) after tax and before restructuring costs, discontinued operations and NPE sale (Helix)	**152**	**(533)**	**48**	**50**	-5%	-
Advisory and other restructuring costs – excluding discontinued operations and NPE sale (Helix)	(26)	(21)	(11)	(7)	43%	23%
Profit/(loss) after tax – Organic	**126**	**(554)**	**37**	**43**	-14%	-
Profit/(loss) from discontinued operations (UK)	4	1	(0)	1	-	188%
Restructuring costs relating to NPE sale (Helix)	(17)	-	(5)	(6)	-31%	-
Loss relating to NPE sale (Helix)	(150)	-	(15)	(135)	-89%	-
(Loss)/profit after tax	**(37)**	**(553)**	**17**	**(97)**	-	-93%

Key Performance Ratios	**9M2018**	**9M2017 represented**[2]	**3Q2018**	**2Q2018 represented**[2]	Qoq[2] +	Yoy[2] +
Net Interest Margin (annualised)[1]	2.51%	3.27%	2.47%	2.54%	-7 bps	-76 bps
Cost to income ratio[1]	50%	43%	52%	54%	-2 p.p.	+7 p.p.
Cost to income ratio excluding special levy and contribution to Single Resolution Fund[1]	47%	41%	49%	51%	-2 p.p.	+6 p.p.
Operating profit return on average assets (annualised)[1]	1.8%	2.4%	1.6%	1.6%	-	-60 bps
Basic earnings/(losses) per share attributable to the owners of the Company-Organic (€ cent)[1]	28.33	(124.21)	8.27	9.59	(1.32)	152.54
Basic (losses)/ earnings per share attributable to the owners of the Company (€ cent)	(8.28)	(123.92)	3.84	(21.79)	25.63	115.64

1 . Ignoring the classification of the Helix portfolio as a disposal group held for sale; 2. Represented for the loss of control of the UK subsidiary.

A. Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	30.09.2018	31.12.2017	±%
Cash and balances with central banks	4,164	3,394	23%
Loans and advances to banks	618	1,193	-48%
Debt securities, treasury bills and equity investments	1,565	1,121	40%
Net loans and advances to customers	11,051	14,602	-24%
Stock of property	1,558	1,641	-5%
Non-current assets and disposal groups as held for sale	1,521	7	-
Other assets	1,574	1,641	-4%
Total assets	**22,051**	**23,599**	**-7%**
Deposits by banks	503	495	2%
Funding from central banks	830	930	-11%
Repurchase agreements	250	257	-3%
Customer deposits	16,850	17,850	-6%
Subordinated loan stock	264	302	-13%
Other liabilities	1,101	1,148	-4%
Total liabilities	**19,798**	**20,982**	**-6%**
Shareholders' equity	**2,206**	**2,586**	**-15%**
Non-controlling interests	47	31	51%
Total equity	**2,253**	**2,617**	**-14%**
Total liabilities and equity	**22,051**	**23,599**	**-7%**

Key Balance Sheet figures and ratios	30.09.2018 before[1]	30.09.2018	31.12.2017	±[1]
Gross loans (€ mn)	16,201	**13,450**	18,755	-14%
Accumulated provisions (€ mn)	3,993	**2,425**	4,204	-5%
Customer deposits (€ mn)	16,850	**16,850**	17,850	-6%
Loans to deposits ratio (net)	72%	**65%**	82%	-9 p.p.
NPE ratio	47%	**37%**	47%	0 p.p.
NPE provisioning coverage ratio	52%	**49%**	48%	+4 p.p.
Leverage ratio	9.5%	**9.5%**	10.4%	+0.9 p.p.
Capital ratios and risk weighted assets	**30.09.2018 pro forma[2]**	**30.09.2018**	**31.12.2017**	**±**
Common Equity Tier 1 (CET1) ratio (transitional)	13.2%	**11.9%**	12.7%	-80 bps
CET1 FL (allowing for IFRS 9 transitional arrangements)[3]	12.8%	**11.6%**	12.2%	-80 bps
Total capital ratio	16.2%	**13.4%**	14.2%	-80 bps
Risk weighted assets (€ mn)	14,375	**15,711**	17,260	-9%

* p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point; 1. Ignoring the classification of the Helix portfolio of €1,184 mn (NBV) as a disposal group held for sale. 2. Pro forma for Helix, except for the Total Capital Ratio of 16.2% which is proforma for both Helix and AT1 issuance. 3. The CET1 FL ratio for 30 September 2018, including the full impact of IFRS 9 and DTA, amounts to 9.7% and 10.9% pro forma for Helix.

A. Financial Results – Underlying Basis (continued)

Reclassifications to comparative information were made to conform to current year presentation. Investments previously classified in 'Life insurance business assets attributable to policyholders' totalling €91 mn were reclassified to 'Investments' and an amount of €2 mn was reclassified from 'Prepayments, accrued income and other assets' to 'Life insurance assets attributable to policyholders'.

Negative interest income on loans and advances to banks and central banks amounting to €4 mn was reclassified from 'Interest income' to 'Interest expense'. In addition, comparatives have been represented for the results of Bank of Cyprus UK Limited ('BOC UK') and its subsidiary, Bank of Cyprus Financial Services Limited ('BOC FS', and together the 'UK Group'), from continuing operations to discontinued operations. The representation did not have an impact on the financial performance of the Group for the period. The Group lost control over the UK group and as a result, it did not consolidate it on 30 September 2018. The sale of the UK group was completed on 23 November 2018.

A.1. Balance Sheet Analysis

A.1.1 Capital Base

Shareholders' equity totalled €2,206 mn at 30 September 2018, compared to €2,198 mn at 30 June 2018 and €2,586 mn at 31 December 2017. The **Common Equity Tier 1 capital (CET1) ratio (transitional basis)** stood at 11.9% at 30 September 2018, at the same level as at 30 June 2018 and compared to 12.7% at 31 December 2017. During 3Q2018, the CET1 ratio was positively affected by the loss of control of the UK subsidiary and negatively affected by regulatory adjustments, comprising a prudential charge of c.70 bps relating to specific credits and regulatory deductions of c.15 bps mainly due to clarifications provided by the EBA regarding the treatment of IFRS 9 for the calculation of the DTA-related thresholds.

Adjusting for Deferred Tax Assets, the CET1 ratio on a fully-loaded basis (IFRS 9 transitional) totalled 11.6% at 30 September 2018, compared to 11.5% at 30 June 2018 and 12.2% at 31 December 2017.

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. 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 impairment amounts from the initial application of IFRS 9. The CET1 ratio on a fully-loaded basis (including the full impact of IFRS 9 and DTA) amounts to 9.7% at 30 September 2018 (and 10.9% pro forma for Helix), compared to 10.0% at 30 June 2018. On a transitional basis and on a fully phased-in basis after the five year period of transition is complete, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

As at 30 September 2018, the Total Capital Ratio stood at 13.4%, at the same level as at 30 June 2018 and compared to 14.2% at 31 December 2017.

The Group's capital ratios are above the minimum CET1 regulatory capital ratio of 9.375%, comprising a 4.50% Pillar I requirement, a 3.00% Pillar II requirement and a phased-in CCB of 1.875% and the overall Total Capital Ratio requirement of 12.875%, comprising a Pillar I requirement of 8.00% (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 3.00% (in the form of CET1), as well as a phased-in CCB of 1.875%. The European Central Bank (ECB) has also provided non-public guidance for an additional Pillar II CET1 buffer (Pillar II add-ons). The EBA final guidelines on Supervisory Review and Evaluation Process (SREP) and supervisory stress testing in July 2018 and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that CET1 held for the purposes of Pillar II add-ons cannot be used to meet any other capital requirements (Pillar 1, P2R or the combined buffer requirements), and therefore cannot be used twice. Such restrictions are, however, only expected to apply with effect from the 2019 SREP cycle. Pillar II add-ons derive from the Group's individual capital guidance, which is a point in time assessment made in the context of the SREP process and, accordingly, they may vary over time. Any future changes to capital or provisioning levels arising from the SREP process may be materially adverse.

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, 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. The Group has been designated as an O-SII and the O-SII buffer currently set by the CBC for the Group is 2%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%) on 1 January 2022.

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

Sale of Bank of Cyprus UK Limited (BOC UK)

In November 2018, the Company completed the sale of its wholly owned subsidiary bank in the UK, Bank of Cyprus UK Limited ('BOC UK') and its subsidiary Bank of Cyprus Financial Services Limited ('BOC FS', and together the 'UK Group'), following receipt of the necessary regulatory approvals from the Prudential Regulation Authority and the European Central Bank. The transaction has an overall positive impact on the Group capital ratios of c.70 bps, of which c.60 bps were recorded in 3Q2018.

Project Helix

In August 2018, the Company reached an agreement for the sale of a portfolio (the "Portfolio") of loans with a gross book value of €2.8 bn as at 30 June 2018 (of which €2.7 bn related to non-performing exposures (NPEs)) secured by real estate collateral (known as 'Project Helix', or the 'Transaction'). The gross book value of €2.8 bn included properties of €39 mn as at 30 June 2018 that will also be transferred to the buyer. The Portfolio will be transferred to a licensed Cypriot Credit Acquiring Company (the "CyCAC") by the Bank. As at 30 September 2018, the Helix portfolio included loans with gross book value of €2.8 bn (of which €2.6 bn related to NPEs) secured by real estate collateral and properties of €60 mn.

At completion, the Bank will receive gross cash consideration of c.€1.4 bn. Subject to regulatory approval, the Bank intends to participate in the senior debt in relation to such financing in an amount of €350 mn, syndicated down from €450 mn, whilst the syndication process continues.

The completion of the Transaction remains subject to a number of conditions precedent, including mainly regulatory and other approvals, including the ECB agreeing to a Significant Risk Transfer ("SRT") benefit from the Transaction. Completion is expected by 1Q2019.

The impact from this Transaction on the CET1 ratio is a decrease of c.80 bps relating to the accounting loss (including transaction costs) of c.€150 mn for 9M2018, (declining to c.€105 mn by the year end, as the time value of money of c.€45 mn unwinds). On completion, the derecognition of the Helix portfolio is expected to have a positive impact on the CET1 ratio of 130 bps, resulting from the release of risk weighted assets. The accounting loss relating to NPE sale (Helix) for 3Q2018 amounts to €15 mn and relates mainly to the effect of discounting following extension of the expected completion date.

All relevant figures and pro forma calculations are based on 30 September 2018 financial results, unless otherwise stated. Calculations on a pro forma basis assume completion of the Transaction and Significant Risk Transfer benefit from Helix, which as at the date of this announcement has not been approved by the ECB. Calculations assume no changes in the capital or provisioning levels required as result of the upcoming SREP process or otherwise. Any such changes may be materially adverse.

Additional Tier 1

In August 2018, the Bank priced €220 mn of Additional Tier 1 Capital Securities. The issuance is expected before the year end and is expected to increase the Total Capital Ratio by c.140 bps from 13.4% to 14.8% pro forma for AT1. The issuance is conditional upon the Company completing the reclassification of share premium to distributable reserves, which was approved at the Company's Annual General Meeting in August 2018 and requires the subsequent approval by the Irish Court pursuant to section 85(1) of the Companies Act 2014 of Ireland. The consent of the ECB for the Capital Reduction is required before it is approved by the Irish Court. The reduction of capital will not have any impact on regulatory capital or the total equity position of the Company, the Bank or the Group.

The distributable reserves created will provide the basis for the calculation of distributable items under the Capital Requirements Regulation (EU) No. 575/2013 ('CRR'), which provides that coupons on AT1 capital instruments may only be funded from distributable items. Distributable items for the purposes of the CRR are determined, in part, by reference to distributable reserves. The Company is currently subject to a prohibition on dividend distributions. However, such prohibition will not apply to the payment of coupons on any AT1 capital instruments issued by the Company.

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.2 Funding and Liquidity

Funding

Funding from Central Banks

At 30 September 2018, the Bank's funding from central banks totalled €830 mn, which relates wholly to ECB funding (compared to ECB funding of €830 mn as at 30 June 2018 and €930 mn as at 31 December 2017), comprising solely of funding through Targeted Longer-Term Refinancing Operations (TLTRO II).

The Bank fully repaid ELA in January 2017.

Deposits

Group customer deposits decreased by 9% qoq to €16,850 mn at 30 September 2018, compared to €18,431 mn at 30 June 2018 and €17,850 mn at 31 December 2017, reflecting the loss of control of the UK subsidiary. Cyprus deposits increased by 2% qoq to €16,850 mn at 30 September 2018, compared to €16,486 mn at 30 June 2018, accounting for 100% of Group customer deposits, after the loss of control of the UK subsidiary. The 10% increase in local deposits in 9M2018, more than offsets the 8% reduction in deposits of International Business Units (IBUs) in the same period.

The Bank's deposit market share in Cyprus reached 36.3% at 30 September 2018 (compared to 35.1% at 30 June 2018, on the same basis). Customer deposits accounted for 76% of total assets at 30 September 2018.

The Loan to Deposit ratio (L/D) stood at 72% at 30 September 2018 when ignoring the classification of the Helix portfolio as a disposal group held for sale, down from 77% at 30 June 2018 and 82% at 31 December 2017, compared to a high of 151% at 31 March 2014. Post Helix, the L/D ratio is reduced by a further 7 p.p. to 65%.

Subordinated Loan Stock

At 30 September 2018, the Bank's subordinated loan stock amounted to €264 mn (compared to €292 mn as at 30 June 2018 and €302 mn as at 31 December 2017) and relates wholly to unsecured and subordinated Tier 2 Capital Notes of nominal value €250 mn, issued by the Bank in January 2017.

The Bank's subordinated loan stock as at 30 June 2018 of €292 mn (and as at 31 December 2017 of €302 mn) included an unsecured and subordinated Tier 2 Capital Loan of nominal value £30 mn issued in December 2017 by the Bank's subsidiary in the UK.

In August 2018, the Bank priced an issue of €220 mn subordinated fixed rate reset perpetual additional tier 1 (AT1) capital securities. The issuance of the AT1 capital securities is expected to take place before year-end.

Liquidity

At 30 September 2018, the Group Liquidity Coverage Ratio (LCR) stood at 220% (compared to 199% at 30 June 2018 and 190% at 31 December 2017) and was in compliance with the minimum regulatory requirement of 100%.

The Net Stable Funding Ratio (NSFR) was not introduced on 1 January 2018, as opposed to what was expected. The minimum requirement of NSFR will be 100%. At 30 September 2018, the Group's NSFR, on the basis of Basel III standards, stood at 117% (compared to 115% as at 30 June 2018 and 111% as at 31 December 2017).

In accordance with the Capital Requirements Regulation (CRR), the local regulatory liquidity requirements set by the Central Bank of Cyprus (CBC) were abolished on 1 January 2018. The CBC introduced a macro-prudential measure in the form of a liquidity add-on imposed on top of the LCR requirement of the Bank, which became effective on 1 January 2018. The objective of the measure is to ensure that there will be a gradual release of the excess liquidity in the Cyprus banking system arising from the lower liquidity requirements under the LCR compared to the ones under the local regulatory liquidity requirements previously in place. The add-on applies stricter outflow and inflow rates on some of the parameters used in the calculation of the LCR, as well as additional liquidity requirements in the form of outflow rates on items that are not subject to outflow rates under the LCR. The measure has been implemented in two stages, the first stage was applicable from 1 January 2018 until 30 June 2018 and the second stage from 1 July 2018 until 31 December 2018, with a reduction of 50% of the add-on rates from 1 July 2018. Full abolition of the LCR add-on is expected on 1 January 2019. The CBC may propose to modify or extend the period of application of this macroprudential measure depending on the results of the follow-up of the banks' actions on how the excess liquidity is utilised. As at 30 September 2018, the Bank was in compliance with the LCR including the add-on, which stood at 162%.

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.3 Loans

Group gross loans totalled €16,201 mn at 30 September 2018, compared to €18,312 mn at 30 June 2018 and €18,755 mn at 31 December 2017. Gross loans in Cyprus totalled €15,956 mn at 30 September 2018 and accounted for 98% of Group gross loans.

The remaining UK operations as at 30 September 2018 included gross loans in the UK amounting to €28 mn, accounting for 0.2% of Group total gross loans, compared to €1,818 mn at 30 June 2018 accounting for 10% of Group total gross loans. These remaining exposures are expected to be run down over time and are now categorised as non-core overseas exposures.

New loan originations for the Group reached €1,820 mn for 9M2018 (of which €1,459 mn were granted in Cyprus), exceeding new lending in 9M2017.

At 30 September 2018, the Group net loans and advances to customers totalled €11,051 mn (compared to €14,602 mn at 31 December 2017). In addition, at 30 September 2018, net loans and advances to customers of €1,184 mn were classified as a disposal group held for sale in line with IFRS 5 and relate to Helix, compared to €1,239 mn at 30 June 2018 and Nil at 31 December 2017.

The Bank is the single largest credit provider in Cyprus with a market share of 45.4% at 30 September 2018, compared to 38.6% at 30 June 2018 and 37.4% at 31 March 2018. The market share on loans was affected as at 30 September 2018 following a decrease in total loans in the banking sector, mainly attributed to €6 bn non-performing loans of Cyprus Cooperative Bank (CyCB) which remained to SEDIPES (a legal entity without license to operate as a credit institution) as a result of the agreement between CyCB and Hellenic Bank.

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 restructuring solutions across the spectrum of its loan portfolio.

NPEs as defined by the EBA were reduced by €293 mn or 4% during 3Q2018 to €7,622 mn at 30 September 2018, accounting for 47% of gross loans (ignoring the classification of the Helix portfolio as a disposal group held for sale), compared to 43% at 30 June 2018 and 47% at 31 December 2017, on the same basis with respect to Helix, but before the loss of control of the UK operations. The organic reduction of NPEs in 3Q2018 on the residual portfolio was €224 mn, broadly in line with the guidance. This included an amount of €92 mn, which relates to a reclassification between gross loans and accumulated provisions on loans and advances to customers classified as a disposal group held for sale.

The provisioning coverage ratio of NPEs stood at 52% at 30 September 2018 (ignoring the classification of the Helix portfolio as a disposal group held for sale), at the same level as at 30 June 2018 and 48% at 31 December 2017, on the same basis with respect to Helix, but before the loss of control of the UK operations. When taking into account tangible collateral at fair value, NPEs are fully covered.

	30.09.2018[1]		30.06.2018	
	€ mn	**% of gross loans**	€ mn	% of gross loans
NPEs as per EBA definition	**7,622**	**47.0%**	7,914	43.2%
Of which, in pipeline to exit: - NPEs with forbearance measures, no arrears[2]	**1,283**	**7.9%**	1,407	7.7%

1. Ignoring the classification of the Helix portfolio of €1,184 mn (NBV) as a disposal group held for sale.
2. Until 31 March 2018, analysis was performed on an account basis. As from 30 June 2018, the analysis is performed on a customer basis.

Overall, the Group has recorded significant organic NPE reductions for fourteen consecutive quarters and expects the organic reduction of residual NPEs (post Helix) to continue during the coming quarters at a pace of c.€200 mn per quarter, as portfolio size and business line mix is expected to change radically.

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.4 Loan portfolio quality (continued)

Project Helix

In addition to the organic reduction of NPEs, the Group has accelerated balance sheet de-risking through reaching an agreement in August 2018 for the sale of a portfolio of loans with a gross book value of €2.8 bn (of which €2.7 bn relate to non-performing loans as at 30 June 2018), secured by real estate collateral ("NPLs") (known as "Project Helix", or the "Transaction"). The Portfolio has a contractual balance of c.€5.7 bn as at 31 March 2018.

The Transaction is the first NPL disposal by the Bank and represents a significant milestone in the delivery of the Bank's strategy of improving asset quality through the reduction of NPEs.

Following the completion of Project Helix, the Bank's gross NPEs will be 67% lower than its peak in 2014.

Project Helix reduces the NPE ratio by c.10 p.p. to 37% as at 30 September 2018. Ignoring the classification of the Helix portfolio as a disposal group held for sale, the NPE ratio is 47%, pro forma for the UK sale (+5 p.p.).

The NPE provision coverage as at 30 September 2018 is 49%, lowered by 3 p.p. by Project Helix. Ignoring the classification of the Helix portfolio as a disposal group held for sale, the NPE provision coverage is 52%.

The completion of the Transaction remains subject to a number of conditions precedent, including mainly regulatory and other approvals, including the ECB agreeing to a Significant Risk Transfer ("SRT") benefit from the Transaction.

All relevant figures and pro forma calculations are based on 30 September 2018 financial results, unless otherwise stated. Calculations on a pro forma basis assume completion of the Transaction and Significant Risk Transfer benefit from Helix, which as at the date of this announcement has not been approved by the ECB. Calculations assume no changes in the capital or provisioning levels required as result of the upcoming SREP process or otherwise. Any such changes may be materially adverse.

ESTIA

In July 2018, the **Government announced a scheme aimed at addressing NPEs backed by primary residence**, known as ESTIA. This Scheme is expected to address up to €0.9 bn of retail core NPEs, subject to eligibility criteria and participation rate. This Estia eligible portfolio refers to the potentially eligible portfolio based on the Bank's available data. Eligibility criteria relate primarily to the Open Market Value (OMV) of the residence, total income and net wealth of the household. These will act as a clear definition of socially protected borrowers, acting as an enabler against strategic defaulters. In accordance with the Scheme, the eligible loans are to be restructured to the lower of contractual and OMV, and the Government to subsidise one third of the instalment. The terms of the Scheme are subject to finalisation and the Scheme is expected to be launched in early 2019.

The Group continues to actively explore alternative avenues to further accelerate this reduction via structured solutions to accelerate de-risking.

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.5. Real Estate Management Unit

The **Real Estate Management Unit (REMU)** on-boarded €311 mn of assets (including construction cost) in 9M2018 via the execution of debt for asset swaps. 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 €154 mn in 9M2018, resulting in a profit on disposal of €32 mn for 9M2018. During 9M2018, the Group executed sale-purchase agreements (SPAs) with contract value of €189 mn (430 properties). In addition, the Group signed SPAs for disposals of assets with contract value of €61 mn.

Following the incorporation of Cyreit Variable Capital Investment Company PLC, properties of carrying value €166 mn were reclassified from the stock of properties (measured at the lower of cost and net realisable value under IAS 2) to investment properties (measured at fair value under IAS 40). These properties continued to be managed by REMU. In November 2018, the Bank signed an agreement for the disposal of its entire holding in the investment shares of the Cyreit Fund, resulting in a valuation loss of €14 mn recorded in 3Q2018, relating to both properties and other receivables.

As at 30 September 2018, assets held by REMU had a carrying value of €1.6 bn, in addition to assets reclassified to investment properties of €166 mn, which were subsequently classified as a disposal group held for sale. Stock of properties of €60 mn was transferred to a disposal group held for sale as it was included in the portfolio for the NPE sale.

Assets held by REMU (Group) **€ mn**	**9M2018**	**9M2017**	**3Q2018**	**2Q2018**	qoq ±%	yoy ±%
Opening balance	1,641	1,427	1,524	1,552	-2%	15%
On-boarded assets (including construction cost)	311	356	91	86	5%	-13%
Sales	(154)	(204)	(28)	(71)	-61%	-25%
Transfer to investment properties	(166)	-	-	-	-	-
Transfer to non-current assets and disposal groups held for sale	(60)	-	(21)	(39)	-46%	-
Closing balance	1,558	1,548	1,558	1,524	2%	1%

1. Ignoring the classification of the Helix portfolio as a disposal group held for sale

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

Analysis by type and country **30 September 2018 (€ mn)**	**Cyprus**	**Greece**	**Romania**	**Total**
Residential properties	**163**	**26**	**0**	**189**
Offices and other commercial properties	**221**	**47**	**7**	**275**
Manufacturing and industrial properties	**81**	**36**	**0**	**117**
Hotels	**37**	**0**	**-**	**37**
Land (fields and plots)	**850**	**8**	**4**	**862**
Properties under construction	**78**	**-**	**-**	**78**
Total	**1,430**	**117**	**11**	**1,558**

31 December 2017 (€ mn)	**Cyprus**	**Greece**	**Romania**	**Total**
Residential properties	146	29	0	175
Offices and other commercial properties	288	39	9	336
Manufacturing and industrial properties	113	34	0	147
Hotels	78	0	-	78
Land (fields and plots)	837	6	5	848
Properties under construction	57	-	-	57
Total	1,519	108	14	1,641

A. Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.6 Non-core overseas exposures

The remaining non-core overseas net exposures (including both on-balance sheet and off-balance sheet exposures) at 30 September 2018 are as follows:

€ mn	**30 September 2018**	**31 December 2017**
Greece	**176**	193
Romania	**35**	79
Serbia	**7**	9
Russia	**25**	31
UK	**23**	-

The Group continues its efforts for further deleveraging and disposal of non-essential assets and operations in Greece, Romania and Russia. In addition, further to the loss of control of the UK operations, residual exposures of €23 mn remain in the UK as at 30 September 2018, relating to legacy exposures. These exposures are expected to be run down over time and are now categorised as non-core overseas exposures.

In accordance with the Group's strategy to exit from overseas non-core operations, the operations of the branch in Romania are expected to be terminated, subject to the completion of deregistration formalities with respective authorities.

In addition to the above, at 30 September 2018 there were overseas exposures of €156 mn in Greece (compared to exposures of €154 mn at 30 June 2018 and €168 mn as at 31 December 2017 in Greece), not identified as non-core exposures, since they are considered by management as exposures arising in the normal course of business.

A. Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis

A.2.1 Total income

€ mn	9M2018	9M2017 represented[2]	3Q2018	2Q2018 represented[2]	qoq[2] ±%	yoy ±%[2]
Net interest income	**340**	**426**	**113**	**114**	0%	-20%
Net fee and commission income	123	128	43	41	3%	-4%
Net foreign exchange gains and net gains on financial instrument transactions and loss of control/ dissolution of subsidiaries and disposal of associates	52	32	10	13	-19%	62%
Insurance income net of claims and commissions	38	39	13	13	-1%	-4%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	16	22	(6)	2	-	-29%
Other income	17	13	6	5	23%	39%
Non-interest income	**246**	**234**	**66**	**74**	-12%	5%
Total income	**586**	**660**	**179**	**188**	-5%	-11%
Net Interest Margin (annualised)[1]	**2.51%**	**3.27%**	**2.47%**	**2.54%**	-7 bps	-76 bps
Average interest earning assets (€ mn)[1]	**18,109**	**17,413**	**18,236**	**17,951**	2%	4%

. 1. Ignoring the classification of the Helix portfolio as a disposal group held for sale; 2. Represented for the loss of control of the UK subsidiary.

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

Net interest income (NII) and net interest margin (NIM) for 9M2018 amounted to €340 mn and 2.51% respectively, when ignoring the classification of the Helix portfolio as a disposal group held for sale. NII was down by 20% compared to €426 mn a year earlier, and the yoy decline in NIM of 76 bps reflects the lower volume on loans, pressure on lending rates and the cost of liquidity compliance. The NII for 3Q2018 amounted to €113 mn at similar levels to 2Q2018 and the NIM for 3Q2018 was 2.47%, down by 7 bps from 2.54%, on the same basis, reflecting a change in the mix of quarterly average interest earning assets.

Average interest earning assets for 9M2018 amounted to €18,109 mn, ignoring the classification of the Helix portfolio as a disposal group held for sale, up by 4% yoy. **Quarterly average interest earning assets** for 3Q2018 amounted to €18,236 mn on the same basis, increased by 2% compared to the previous quarter.

Non-interest income for 9M2018 amounted to €246 mn, up 5% yoy, mainly comprising net fee and commission income of €123 mn, net foreign exchange income and net gains on financial instrument transactions and loss of control/ dissolution of subsidiaries and disposal of associates of €52 mn, net insurance income of €38 mn and net gains from revaluation and disposal of investment properties and on disposal of stock of properties of €16 mn.

Net fee and commission income for 3Q2018 amounted to €43 mn, compared to €41 mn for 2Q2018. Net fee and commission income for 9M2018 amounted to €123 mn, compared to €128 mn a year earlier, on the same basis, down by 4% yoy, mainly due to the implementation of IFRS 9 under which certain commission income types are not recognised on Stage 3 loans.

Net foreign exchange gains and net gains on financial instrument transactions and loss of control/ dissolution of subsidiaries and disposal of associates of €52 mn for 9M2018, increased by 62% yoy, mainly due to the gains on disposal of bonds during the 1Q2018 of €19 mn.

Net gains from revaluation and disposal of investment properties and on disposal of stock of properties for 9M2018 amounted to €16 mn, which included a net profit from the disposal of stock of properties of €32 mn (REMU gains) and a loss on the disposal of the Cyreit of €14 mn, compared to €22 mn for 9M2017, which included a net profit from the disposal of stock of properties of €24 mn (REMU gains).

Net losses from revaluation and disposal of investment properties and on disposal of stock of properties for 3Q2018 amounted to €6 mn, comprising a net profit from the disposal of stock of properties of €8 mn (REMU gains) and a loss on disposal of the Cyreit of €14 mn, compared to net gains of €2 mn for 2Q2018, including a net profit from the disposal of stock of properties of €10 mn (REMU gains) and a valuation loss of €7 mn.

Total income for 9M2018 amounted to €586 mn, compared to €660 mn for 9M2017, down by 11% yoy. Total income for 3Q2018 amounted to €179 mn, compared to €188 mn for 2Q2018, down by 5% qoq.

A. Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses

€ mn	**9M2018**	**9M2017 represented[2]**	**3Q2018**	**2Q2018 represented[2]**	qoq[2] ±%	yoy[2] ±%
Staff costs	(158)	(152)	(53)	(53)	2%	4%
Other operating expenses	(115)	(118)	(34)	(43)	-21%	-3%
Total operating expenses	(273)	(270)	(87)	(96)	-9%	1%
Special levy and contribution to Single Resolution Fund (SRF)	(18)	(17)	(6)	(5)	30%	7%
Total expenses	**(291)**	**(287)**	**(93)**	**(101)**	-7%	1%
Cost to income ratio[1]	50%	43%	52%	54%	-2 p.p.	+7 p.p.
Cost to income ratio excluding special levy and contribution to Single Resolution Fund[1]	47%	41%	49%	51%	-2 p.p.	+6 p.p.

1. Ignoring the classification of the Helix portfolio as a disposal group held for sale; 2. Represented for the loss of control of the UK subsidiary.

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

Total expenses for 9M2018 were €291 mn (compared to €287 mn for 9M2017), 54% of which related to staff costs (€158 mn), 40% to other operating expenses (€115 mn) and 6% (€18 mn) to special levy and contribution to Single Resolution Fund (SRF). Total expenses for 3Q2018 were €93 mn, compared to €101 mn in 2Q2018 (down by 7% qoq).

Total operating expenses for 9M2018 were €273 mn, increased 1% yoy, compared to €270 mn for 9M2017. Total operating expenses for 3Q2018 were €87 mn, decreased by 9% qoq, compared to €96 mn in 2Q2018.

Staff costs of €158 mn for 9M2018 were increased by 4% yoy, mainly due to the effect of the renewal of the annual collective agreement with the employees' union. Staff costs for 3Q2018 were €53 mn, at similar levels as the previous quarter. The renewal of the collective agreement for 2018 is under discussion.

Other operating expenses for 9M2018 were €115 mn, decreased by 3% from 9M2017. Other operating expenses for 3Q2018 were €34 mn, decreased by 21% from 2Q2018, mainly due to increased advisory costs relating to compliance and stress tests in 2Q2018 and a timing issue between 2Q2018 and 3Q2018.

The **cost to income ratio excluding special levy and contribution to Single Resolution Fund** for 3Q2018 was 49%, compared to 51% for 2Q2018, principally reflecting the lower other operating expenses in 3Q2018. Management remain focused on cost reduction.

A. Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.3 Profit/(loss) before tax and restructuring costs

€ mn	9M2018	9M2017 represented[2]	3Q2018	2Q2018 represented[2]	qoq[2] ±%	yoy[2] ±%
Operating profit	**295**	**373**	**86**	**87**	-2%	-21%
Provision charge	(128)	(730)	(29)	(41)	-30%	-82%
(Impairments)/reversal of impairments of other financial and non-financial assets	(13)	(37)	1	(6)	-	-67%
(Provisions)/reversal of provisions for litigation and regulatory matters	(9)	(69)	(15)	7	-	-87%
Total provisions and impairments	**(150)**	**(836)**	**(43)**	**(40)**	6%	-82%
Share of profit from associates and joint ventures	8	5	4	3	14%	52%
Profit/(loss) before tax and restructuring costs	**153**	**(458)**	**47**	**50**	-7%	-

1. Ignoring the classification of the Helix portfolio as a disposal group held for sale; 2. Represented for the loss of control of the UK subsidiary.

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

Operating profit for 9M2018 was €295 mn, compared to €373 mn for 9M2017, down by 21% yoy, mainly due to the lower volume on loans and pressure on lending rates. Operating profit for 3Q2018 was €86 mn, at similar levels to the previous quarter.

The **provision charge** for 9M2018 totalled €128 mn, compared to €730 mn for 9M2017 (down by 82% yoy), as the previous year was affected by the additional provisions of c.€500 mn taken in 2Q2017. The provision charge for 3Q2018 totalled €29 mn, compared to €41 mn for 2Q2018 (down by 30% qoq).

The annualised provisioning charge for 9M2018, ignoring the classification of the Helix portfolio as a disposal group held for sale, accounted for 1.0% of gross loans (with an annualised charge of 0.7% for 3Q2018), compared to a provisioning charge of 1.2% for 1H2018 and to 4.4% for 9M2017. An amount of c.€500 mn reflecting the one-off effect of the change in the provisioning assumptions was included in the cost of risk for 9M2017, but was not annualised.

At 30 September 2018, accumulated provisions, including fair value adjustment on initial recognition and provisions for off-balance sheet exposures and ignoring the classification of the Helix portfolio as a disposal group held for sale, totalled €3,993 mn (compared to €4,100 mn at 30 June 2018 and to €4,204 mn at 31 December 2017) and accounted for 24.7% of gross loans on the same basis (compared to 22.4% at 30 June 2018 and at 31 December 2017). Ignoring the classification of the Helix portfolio as a disposal group held for sale, the decrease in accumulated provisions in 3Q2018 amounted to €107 mn, whilst the decrease in accumulated provisions in the previous quarter amounted to €145 mn.

Impairments of other financial and non-financial assets for 9M2018 totalled €13 mn, compared to €37 mn for 9M2017 (down by 67% yoy). Reversal of impairments of other financial and non-financial assets for 3Q2018 totalled €1 mn (compared to an impairment loss of €6 mn for 2Q2018) and includes a valuation loss on properties of €7 mn and a reversal of previously recognised expected credit losses relating to balances with central banks of €8 mn.

Provisions for litigation and regulatory matters for 3Q2018 amounted to €15 mn primarily relating to litigation for securities issued by the BOC PCL between 2007 and 2011 (compared to a reversal of provisions for litigation and regulatory matters for 2Q2018 of €7 mn that related to a reversal of provisions of previously provided cases with a favourable outcome). **Provisions for litigation and regulatory matters** for 9M2018 amounted to €9 mn, compared to provisions of €69 mn for 9M2017. The charge for the 9M2017 related mainly to redress provision for the UK operations, a fine imposed by the Cyprus Commission for the Protection of Competition and the increase in provision for litigation for securities issued by BOC PCL between 2007 and 2011.

A. Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.4 (Loss)/profit after tax

€ mn	9M2018	9M2017 represented[2]	3Q2018	2Q2018 represented[2]	Qoq[2] ±%	Yoy[2] ±%
Profit/(loss) before tax and restructuring costs	**153**	**(458)**	**47**	**50**	**-7%**	-
Tax	(4)	(74)	0	(0)	-	-95%
Loss/ (profit) attributable to non-controlling interests	3	(1)	1	0	402%	-
Profit/(loss) after tax and before restructuring costs, discontinued operations and NPE sale (Helix)	**152**	**(533)**	**48**	**50**	-5%	-
Advisory and other restructuring costs – excluding discontinued operations and NPE sale (Helix)	(26)	(21)	(11)	(7)	43%	23%
Profit/(loss) after tax - Organic	**126**	**(554)**	**37**	**43**	-14%	-
Profit/(loss) from discontinued operations (UK)	4	1	(0)	1	-	188%
Restructuring costs relating to NPE sale (Helix)	(17)	-	(5)	(6)	-31%	-
Loss relating to NPE sale (Helix)	(150)	-	(15)	(135)	-89%	-
(Loss)/profit after tax	**(37)**	**(553)**	**17**	**(97)**	-	-93%

1. Ignoring the classification of the Helix portfolio as a disposal group held for sale; 2. Represented for the loss of control of the UK subsidiary.

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

The **tax charge** for 9M2018 totalled €4 mn compared to €74 mn a year earlier, which included an increased charge due to the reduction of the level of DTA (€62 mn).

Profit after tax and before restructuring costs, discontinued operations and NPE sale (Helix) for 9M2018 was €152 mn, compared to loss of €533 mn for 9M2017, reflecting the additional provisions of c.€500 mn taken in 2Q2017. Profit after tax and before restructuring costs, discontinued operations and NPE sale (Helix) for 3Q2018 was €48 mn, compared to €50 mn for 2Q2018.

Advisory and other restructuring costs - excluding discontinued operations and NPE sale (Helix) for 9M2018 amounted to €26 mn, compared to €21 mn a year earlier. Advisory and other restructuring costs excluding discontinued operations and NPE sale (Helix) for 3Q2018 amounted to €11 mn, compared to €7 mn for 2Q2018.

Profit after tax arising from the organic operations of the Group (before discontinued operations and NPE sale (Helix)) for 9M2018 amounted to €126 mn, compared to a loss of €554 mn a year earlier, reflecting the additional provisions of c.€500 mn taken in 2Q2017. Profit after tax arising from the organic operations of the Group (before discontinued operations and NPE sale (Helix)) for 3Q2018 amounted to €37 mn (compared to €43 mn for 2Q2018).

Profit from discontinued operations for 9M2018 amounted to €4 mn and relate to the UK operations, compared to a profit of €1 mn for 9M2017. Profit from discontinued operations for 2Q2018 amounted to €1 mn.

Restructuring costs relating to NPE sale (Helix) for 3Q2018 were €5 mn, compared to €6 mn for 2Q2018, comprising mainly advisory costs and legal fees. Restructuring costs relating to NPE sale (Helix) for 9M2018 amounted to €17 mn.

Loss relating to NPE sale (Helix) including transactions costs for 3Q2018 amounts to €15 mn and relates mainly to the effect of discounting following extension of the expected completion date. The loss arising from Helix is expected to decline to c.€105 mn by the year end, as the time value of money of c.€45 mn unwinds to completion.

Loss after tax attributable to the owners of the Company for 9M2018 was €37 mn, compared to a loss of €553 mn for 9M2017. **Profit after tax** attributable to the owners of the Company for 3Q2018 was €17 mn, compared to a loss of €97 mn for 2Q2018.

B. Operating Environment

The Cyprus economy continued to perform robustly in the first nine-months of the year and real GDP increased by 3,9% in the period on a seasonally adjusted basis, compared with the same period the year before (Cyprus Statistical Service, CSS). This follows a 4.2% increase in 2017 and 4.8% in 2016. Growth was driven by tourist activity, professional services and construction. On the expenditure side growth was driven by private consumption and fixed investment. Exports continued to perform strongly in 2018 but imports have also been rising and net exports will have a negative contribution to overall growth.

In the medium term growth is expected to remain fairly strong. Real GDP is projected to increase by 3,5% in 2019 and by 2,9% in 2020 according to the European Commission (European Economic Forecast, Autumn 2018).

In the labour market, employment has been rising rapidly since 2016. As a result the unemployment rate dropped to 11% in 2017 from 16.1% in 2014 and continued to drop in 2018 to 8.1% in the second quarter and 7.5% in the third quarter, the latter based on monthly estimates (Eurostat). Wage growth has remained contained, but recent increases in public wages and diminishing slack in the economy are expected to encourage wage rises in the private sector as well.

Regarding prices, consumer inflation accelerated to 1.3% year-on-year in the ten months to October compared with 0.5% in whole 2017. Inflation in 2018 has been driven by the housing and transportation expenditure categories, reflecting primarily higher energy costs. Inflation is expected to accelerate further in the medium term as tighter labour market conditions gradually lead to higher wages, but will remain relatively modest by historical standards.

In public finances developments in recent years have been very strong. The budget turned into surplus in 2015 and rose to 1.8% of GDP in 2017, one of the highest in the euro area. The budget surplus is expected to increase to 2.8% of GDP in 2018 according to the European Commission (European Economic Forecast, Autumn 2018), excluding the impact of banking support measures related to the Cyprus Cooperative Bank (CyCB). The budget surplus will remain sizable in 2019-2020 according to the European Commission.

The budget surplus is driven by buoyant revenue growth underpinned by strong economic activity. Expenditure increases will be driven mainly by public sector pay rises and social transfers, but are expected to lag revenue growth. The budget cost of the ESTIA Scheme - a State-supported scheme to aid the loan repayment of vulnerable groups with non-performing exposures (NPEs) backed by primary residences - will be relatively low and its impact on the budget balance will be marginal.

Gross Government debt will increase in 2018 to 104.2% of GDP from 95.7% in 2017 according to the Ministry of Finance, following the placement of €3.2 bn Government bonds in the CyCB to facilitate the sale of the good assets of the bank. However, its underlying dynamics remain stable and it is expected to decline significantly in coming years. The debt ratio will decline to 98.4% in 2019 and to 91% in 2020 according to the European Commission (European Economic Forecast, Autumn 2018).

In the banking sector, the stock of NPEs declined significantly since the start of the crisis. In the year to June NPEs dropped by 27.7% driven by the sale of loans by the Bank, and the ratio to gross loans dropped to 38.9% from 42.5% at the end of December 2017. The ratio of provisions to NPEs at the end of June was 48.6%. The CyCB transaction implies an additional steep reduction in the stock of NPEs and the corresponding ratio can be expected to drop toward 30% of gross loans.

In July 2018, the Government has taken additional steps to address regulatory issues relating to NPEs. Parliament voted on Government legislative proposals for strengthening the foreclosure and insolvency framework and facilitating the securitisation of NPEs and the sale of loans. The Government will also introduce a subsidy scheme (ESTIA) in January 2019 to aid eligible borrowers in arrears service their primary home mortgages. Taken together, these measures will support further reductions in the remaining stock of NPEs.

In the context of a strengthening recovery, stabilising trends in public sector and significant progress in reducing NPEs in the banking sector, the Cyprus sovereign has benefited from a series of upgrades. Most recently, in October 2018 Fitch Ratings upgraded its Long-Term Issuer Default ratings for Cyprus to investment grade (BBB-) with a stable outlook. In September 2018, S&P Global Ratings also upgraded Cyprus to investment grade (BBB-) with stable outlook. In July 2018 Moody's Investors Service upgraded Cyprus' sovereign rating to Ba2 from Ba3 and changed the outlook to stable from positive.

C. Business Overview

As the Cypriot operations account for 98% of gross loans and 100% of customer deposits, after the loss of control of the UK operations, 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. Most recently, in September 2018, Fitch Ratings affirmed their long-term issuer default rating of B- and revised the outlook to positive from stable. At the end of August 2018, Standard and Poor's upgraded their long-term issuer credit rating on the Bank to 'B+' from 'B' and changed the outlook to stable from positive. The Bank currently has a long-term deposit rating from Moody's Investors Service of Caa1 with a positive outlook. The key drivers for the ratings were the improvement in the Bank's financial fundamentals, mainly in asset quality, and its funding position.

Tackling the Bank's loan portfolio quality is of utmost importance for the Group. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio, and expects the reduction of residual NPEs (post the NPE sale (Helix)) to continue at a revised pace of c.€200 mn per quarter, as portfolio size and business line mix is expected to change radically post execution of Helix. In parallel, the Group continues to actively explore alternative avenues to further accelerate this reduction via structured solutions.

Project Helix

In August 2018, the Company reached an agreement for the sale of a Portfolio of loans with a gross book value of €2.8 bn as at 30 June 2018 (of which €2.7 bn relate to non-performing loans) secured by real estate collateral. The Portfolio 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 Apollo Global Management LLC (NYSE:APO) (together with its consolidated subsidiaries "Apollo"), the purchaser of the Portfolio. Funds managed by Apollo will provide equity capital in relation to the financing of the purchase of the Portfolio. The purchaser was selected following a competitive sale process. Following a transitional period where servicing is retained by the Bank, it is intended that the servicing of the Portfolio will be carried out by a long-term servicer. Arrangements in relation to the migration of servicing from the Bank to the long-term servicer, including the timing of the migration, remain under discussion between the parties.

The transaction is the first NPL disposal by the Bank and represents a significant milestone in the delivery of the Bank's strategy of improving asset quality through the reduction of NPEs. Following the completion of Project Helix, the Bank's gross NPEs will be 67% lower than its peak in 2014.

The completion of the transaction remains subject to a number of conditions precedent, including mainly regulatory and other approvals, including the ECB agreeing to a Significant Risk Transfer ("SRT") benefit from the transaction. All relevant figures and pro forma calculations are based on 30 June 2018 financial results, unless otherwise stated. Calculations assume no changes in the capital or provisioning levels required as result of the upcoming SREP process or otherwise. Any such changes may be materially adverse.

ESTIA

In July 2018, the Government announced ESTIA, a scheme aimed at addressing NPEs backed by primary residence. This Scheme is expected to address up to €0.9 bn of retail core NPEs, subject to eligibility criteria and participation rate. This Estia-eligible portfolio refers to the potentially eligible portfolio based on the Bank's available data. Eligibility criteria relate primarily to the OMV of the residence, total income and net wealth of the household. These will act as a clear definition of socially protected borrowers, acting as an enabler against strategic defaulters. In accordance with the Scheme, the eligible loans are to be restructured to the lower of contractual and OMV, and the Government to subsidise one third of the instalment. The terms of the Scheme are subject to finalisation and the Scheme is expected to be launched in early 2019.

C. Business Overview (continued)

Sale of Bank of Cyprus UK Limited (BOC UK)

In November 2018, the Company completed the sale of its wholly owned subsidiary bank in the UK, Bank of Cyprus UK Limited ('BOC UK') and its subsidiary Bank of Cyprus Financial Services Ltd ('BOC FS', and together the 'UK Group'), to Cynergy Capital Limited ('Cynergy'), following receipt of the necessary regulatory approvals from the Prudential Regulation Authority (PRA) and the European Central Bank.

The sale consideration amounted to £107 mn (c.€120 mn) comprising of £103 mn base consideration plus a purchase price adjustment of £4 mn. Half of the base consideration together with the purchase price adjustment was received upon completion and the remaining half is deferred over 24 months, without any performance conditions attached.

The Group lost control over the UK Group and as a result, it did not consolidate it on 30 September 2018. The sale of the UK group was completed on 23 November 2018. Comparatives have been represented for the results of the UK Group, from continuing operations to discontinued operations. The representation did not have an impact on the financial performance of the Group for the period.

The sale has an overall positive impact on the Group capital ratios of c.70 bps (of which c.60 bps were recorded in 3Q2018) and is broadly neutral to the profit and loss account, including the recycling to the Income Statement of a foreign currency gain of €18 mn previously recorded in the foreign currency translation reserve.

The decision to sell the UK Group is in line with the Group's strategy of delivering value for shareholders and focusing principally on supporting the growing Cypriot economy. In addition, the Group and BOC UK have signed a cooperation agreement, under which both organisations will cooperate in a number of key areas going forward, including continuity of servicing for existing customers. Following completion, BOC UK is expected to be rebranded to 'Cynergy Bank', a name chosen to reflect the bank's Cypriot heritage, combined with a modern and energetic focus.

Other

The strategic focus of the Group is to reshape its business model to grow in the core Cypriot market through prudent new lending. The Bank's capital position is adequate and the Group expects to continue to be able to support the recovery of the Cyprus economy through the provision of new lending. Growth in new lending in Cyprus 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.

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. To this end, the Bank continues its partnership with the European Investment Bank (EIB), the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) and the Cyprus Government.

Management is also placing emphasis on diversifying income streams by optimising 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, are leading players in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Group's income streams. The insurance income net of insurance claims for 9M2018 amounted to €38 mn, at similar levels to 9M2017, contributing to 15% of non-interest income.

In order to **further optimise its funding structure**, the Bank continues to **focus on the shape and cost of deposit franchise,** taking advantage of the increased customer confidence towards the Bank, as well as improving macroeconomic conditions.

Post the execution of further NPE reduction, the Bank is focusing on the need to manage costs.

The Bank is committed to a modernisation agenda designed to transform its business model in order to ensure it can compete efficiently and better service the needs of its customers. To facilitate momentum in delivering changes through an accelerated multi-year **Digital Transformation Programme**, the Bank continues to be working with IBM, its Strategic Digital Transformation Partner. In collaboration with IBM, the Bank aims to use market leading digital innovation to improve efficiency and agility across the Group in order to provide a significantly superior experience to its customers.

D. Strategy and Outlook

The Group is making meaningful progress on its strategic objectives of creating **a stronger, safer and a more Cypriot-focused institution to support the recovery of the Cypriot economy,** while 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 optimise the funding structure**
- **Maintain an appropriate capital position** by internally generating capital
- Focus on the **core Cypriot market**
- **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 and NPE reduction • Focus on terminated portfolios (in Recovery Unit) – "accelerated consensual foreclosures" • Real estate management via REMU • Continue to explore alternative measures for accelerating NPE reduction, such as NPE sales, securitisations etc.
2. Further optimise the funding structure	• Focus on shape and cost of deposit franchise
3. Maintain an adequate capital position	• Internally generate capital • Priced an issue of €220 mn AT1 Capital Securities expected to be issued before the year end
4. Focus on core Cyprus market	• Targeted lending in Cyprus into growing sectors to fund recovery • New loan origination, while maintaining lending yields • Revenue diversification via fee income from international business, wealth, and insurance
5. Achieve a lean operating model	• Implementation of digital transformation program underway, aimed at enhancing productivity through alternative distribution channels and reducing operating costs over time • Post the execution of further NPE reduction, the Bank is focusing on the need to manage costs.
6. Deliver value	• Deliver appropriate medium-term risk-adjusted returns

D. Strategy and Outlook (continued)

Project Helix and the sale of the UK Group meaningfully change the shape of the Group going forward. The timing of completion of Project Helix is largely dependent on regulatory approvals and therefore remains uncertain. These actions collectively are expected to result in a stronger, safer, more Cyprus focused Bank.

The organic reduction of residual NPEs (post Helix) is expected to continue during the coming quarters at a pace of c.€200 mn per quarter, as portfolio size and business line mix is expected to change radically. The cost of risk is expected to be below 1% for FY2018. Furthermore, with the completion of these transactions, the Group's capital ratios are expected to be strengthened.

Updated 2019 and Medium Term Guidance will be communicated with full year 2018 results. Refer to the investors' presentation for the results of the nine months ended 30 September 2018 results pro-forma for Helix.

E. Statutory Financial Results

Unaudited Interim Consolidated Income Statement

	Nine months ended 30 September	
	2018	2017 (represented)
	€000	€000
Continuing operations		
Turnover	**749,277**	836,612
Interest income	**447,743**	582,101
Income similar to interest income	**38,446**	-
Interest expense	**(111,730)**	(155,985)
Expense similar to interest expense	**(34,054)**	-
Net interest income	**340,405**	426,116
Fee and commission income	**131,291**	136,243
Fee and commission expense	**(11,062)**	(7,880)
Net foreign exchange gains	**28,768**	32,072
Net gains on financial instrument transactions and loss of control/dissolution of subsidiaries and disposal of associates	**41,618**	187
Insurance income net of claims and commissions	**37,631**	39,072
Net losses from revaluation and disposal of investment properties	**(15,356)**	(2,677)
Net gains on disposal of stock of property	**30,874**	24,382
Other income	**17,311**	12,468
	601,480	659,983
Staff costs	**(157,918)**	(152,148)
Special levy on deposits on credit institutions in Cyprus	**(18,283)**	(17,028)
Other operating expenses	**(168,050)**	(207,351)
	257,229	283,456
Net gains on derecognition of financial assets measured at amortised cost	**26,016**	154,901
Credit losses to cover credit risk on loans and advances to customers	**(318,734)**	(884,517)
Credit gains/(losses) of other financial instruments	**1,857**	(7,443)
Impairment of non-financial instruments	**(17,204)**	(30,262)
Loss before share of profit from associates and joint ventures	**(50,836)**	(483,865)
Share of profit from associates and joint ventures	**7,966**	5,235
Loss before tax from continuing operations	**(42,870)**	(478,630)
Income tax	**(3,887)**	(74,515)
Loss after tax from continuing operations	**(46,757)**	(553,145)
Discontinued operations		
Profit after tax from discontinued operations	**7,243**	1,299
Loss for the period	**(39,514)**	(551,846)

Attributable to:		
Owners of the Company – continuing operations	**(44,179)**	(554,049)
Owners of the Company – discontinued operations	**7,243**	1,299
Total loss attributable to the owners of the Company	**(36,936)**	(552,750)
Non-controlling interests – continuing operations	**(2,578)**	904
Loss for the period	**(39,514)**	(551,846)

Basic and diluted losses per share attributable to the owners of the Company (€ cent) – continuing operations	**(9.9)**	(124.2)
Basic and diluted losses per share attributable to the owners of the Company (€ cent)	**(8.3)**	(123.9)

E. Statutory Financial Results (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Nine months ended 30 September	
	2018	2017
	€000	€000
Loss for the period	**(39,514)**	(551,846)
Other comprehensive income (OCI)		
OCI to be reclassified in the consolidated income statement in subsequent periods		
Fair value reserve (debt instruments)		
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)	**(1,497)**	-
Transfer to the consolidated income statement on disposal	**(21,256)**	-
	(22,753)	-
Foreign currency translation reserve		
Profit on translation of net investment in foreign branches and subsidiaries	**6,665**	696
Loss on hedging of net investments in foreign branches and subsidiaries	**(6,285)**	(335)
Transfer to the consolidated income statement on loss of control/dissolution of foreign operations	**(17,431)**	210
	(17,051)	571
Available-for-sale investments		
Net gains from fair value changes before tax	**-**	39,230
Share of net gains from fair value changes of associates	**-**	1,920
Transfer to the consolidated income statement on impairment	**-**	(86)
Transfer to the consolidated income statement on sale	**-**	(498)
	-	40,566
	(39,804)	41,137
OCI not to be reclassified in the consolidated income statement in subsequent periods		
Fair value reserve (equity instruments)		
Share of net losses from fair value changes of associates	**(2,251)**	-
Net gains on investments in equity instruments designated at FVOCI	**2,928**	-
	677	-
Property revaluation		
Tax	**16**	445
Actuarial gain on the defined benefit plans		
Remeasurement gains on defined benefit plans	**4,098**	1,939
	4,791	2,384
Other comprehensive (loss)/income after tax for the period	**(35,013)**	43,521
Total comprehensive loss for the period	**(74,527)**	(508,325)

Attributable to:		
Owners of the Company	**(71,947)**	(509,392)
Non-controlling interests	**(2,580)**	1,067
Total comprehensive loss for the period	**(74,527)**	(508,325)

E. Statutory Financial Results (continued)

Unaudited Interim Consolidated Balance Sheet

	30 September 2018	31 December 2017
Assets	**€000**	€000
Cash and balances with central banks	**4,163,809**	3,393,934
Loans and advances to banks	**618,252**	1,192,633
Derivative financial assets	**29,307**	18,027
Investments	**1,264,296**	830,483
Investments pledged as collateral	**300,368**	290,129
Loans and advances to customers	**11,051,149**	14,602,454
Life insurance business assets attributable to policyholders	**423,972**	429,890
Prepayments, accrued income and other assets	**177,029**	226,105
Stock of property	**1,558,494**	1,641,422
Investment properties	**20,873**	19,646
Property and equipment	**258,399**	279,814
Intangible assets	**162,651**	165,952
Investments in associates and joint ventures	**120,556**	118,113
Deferred tax assets	**380,778**	383,498
Non-current assets and disposal groups classified as held for sale	**1,520,824**	6,500
Total assets	**22,050,757**	23,598,600
Liabilities		
Deposits by banks	**502,838**	495,308
Funding from central banks	**830,000**	930,000
Repurchase agreements	**250,345**	257,322
Derivative financial liabilities	**34,580**	50,892
Customer deposits	**16,850,428**	17,849,919
Insurance liabilities	**606,408**	605,448
Accruals, deferred income and other liabilities	**416,362**	444,602
Subordinated loan stock	**263,342**	302,288
Deferred tax liabilities	**43,283**	46,113
Total liabilities	**19,797,586**	20,981,892
Equity		
Share capital	**44,620**	44,620
Share premium	**2,794,358**	2,794,358
Revaluation and other reserves	**200,973**	273,708
Accumulated losses	**(833,817)**	(527,128)
Equity attributable to the owners of the Company	**2,206,134**	2,585,558
Non-controlling interests	**47,037**	31,150
Total equity	**2,253,171**	2,616,708
Total liabilities and equity	**22,050,757**	23,598,600

Reclassifications to comparative information were made to conform to current year presentation. Investments previously classified in 'Life insurance business assets attributable to policyholders' totalling €91,190 thousand were reclassified to 'Investments' and an amount of €2,402 thousand was reclassified from 'Prepayments, accrued income and other assets' to 'Life insurance assets attributable to policyholders'.

Negative interest income on loans and advances to banks and central banks amounting to €4,491 thousand was reclassified from 'Interest income' to 'Interest expense'. In addition, comparatives have been represented for the results of Bank of Cyprus UK Ltd and its subsidiary, Bank of Cyprus Financial Services Ltd (UK group) from continuing operations to discontinued operations. The changes did not have an impact on the financial performance of the Group for the period. The Group lost control over the UK group and as a result, it did not consolidate it on 30 September 2018. The sale of the UK group was completed on 23 November 2018.

E. Statutory Financial Results (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Accumulated losses	Property revaluation reserve	Financial instruments fair value reserve	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2018	44,620	2,794,358	(21,463)	(527,128)	92,878	54,485	6,059	105,651	36,098	**2,585,558**	31,150	**2,616,708**
Impact of adopting IFRS 9 at 1 January 2018 (Section F2)	-	-	-	(299,150)	-	(8,470)	-	-	-	**(307,620)**	-	**(307,620)**
Restated balance at 1 January 2018	**44,620**	**2,794,358**	**(21,463)**	**(826,278)**	**92,878**	**46,015**	**6,059**	**105,651**	**36,098**	**2,277,938**	**31,150**	**2,309,088**
Loss for the period	-	-	-	(36,936)	-	-	-	-	-	**(36,936)**	(2,578)	**(39,514)**
Other comprehensive income/(loss) after tax for the period	-	-	-	4,098	16	(22,074)	-	-	(17,051)	**(35,011)**	(2)	**(35,013)**
Total comprehensive (loss)/ income for the period	-	-	-	(32,838)	16	(22,074)	-	-	(17,051)	**(71,947)**	(2,580)	**(74,527)**
Decrease in value of in-force life insurance business	-	-	-	5,794	-	-	-	(5,794)	-	**-**	-	**-**
Tax on decrease in value of in-force life insurance business	-	-	-	(724)	-	-	-	724	-	**-**	-	**-**
Transfer of realised profits on disposal of properties	-	-	-	4,143	(4,143)	-	-	-	-	**-**	-	**-**
Transfer of property revaluation reserve and other reserve of subsidiary to accumulated losses	-	-	-	14,014	(7,955)	-	(6,059)	-	-	**-**	-	**-**
Loss of control of subsidiary	-	-	-	1,996	(1,996)	-	-	-	-	**-**	-	**-**
Decrease in share capital of subsidiary	-	-	-	(722)	-	-	-	-	-	**(722)**	(489)	**(1,211)**
Transfer of loss on disposal of FVOCI equity investments to accumulated losses	-	-	-	(67)	-	67	-	-	-	**-**	-	**-**
Increase in non-controlling interests due to change in the shareholding of subsidiary	-	-	-	865	-	-	-	-	-	**865**	18,956	**19,821**
30 September 2018	**44,620**	**2,794,358**	**(21,463)**	**(833,817)**	**78,800**	**24,008**	**-**	**100,581**	**19,047**	**2,206,134**	**47,037**	**2,253,171**

E. Statutory Financial Results (continued)

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital reduction reserve	Treasury shares	Accumulated losses	Property revaluation reserve	Financial instruments fair value reserve	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2017	**892,294**	**552,618**	**1,952,486**	**(25,333)**	**(544,930)**	**90,936**	**7,139**	**6,059**	**103,251**	**36,626**	**3,071,146**	**34,959**	**3,106,105**
(Loss)/profit for the period	-	-	-	-	(552,750)	-	-	-	-	-	**(552,750)**	904	**(551,846)**
Other comprehensive income after tax for the period	-	-	-	-	1,939	445	40,403	-	-	571	**43,358**	163	**43,521**
Total comprehensive (loss)/income for the period	-	-	-	-	(550,811)	445	40,403	-	-	571	**(509,392)**	1,067	**(508,325)**
Increase in value of in-force life insurance business	-	-	-	-	(2,286)	-	-	-	2,286	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	286	-	-	-	(286)	-	**-**	-	**-**
Transfer of realised profits on disposal of properties	-	-	-	-	7,403	(7,403)	-	-	-	-	**-**	-	**-**
Cancellation of shares due to reorganisation	(892,294)	-	-	-	-	-	-	-	-	-	**(892,294)**	-	**(892,294)**
Change of parent company to Bank of Cyprus Holdings Public Limited Company and issue of new shares	44,620	2,241,740	(1,952,486)	-	558,420	-	-	-	-	-	**892,294**	-	**892,294**
Disposals of treasury shares	-	-	-	3,870	(3,863)	-	-	-	-	-	**7**	-	**7**
30 September 2017	**44,620**	**2,794,358**	**-**	**(21,463)**	**(535,781)**	**83,978**	**47,542**	**6,059**	**105,251**	**37,197**	**2,561,761**	**36,026**	**2,597,787**

F. Notes

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

€000	Underlying basis	Reclassification	Statutory basis
Net interest income	340,405	-	340,405
Net fee and commission income	122,845	(2,616)	120,229
Net foreign exchange gains and net gains on financial instrument transactions and loss of control/dissolution of subsidiaries and disposal of associates	52,111	18,275	70,386
Insurance income net of claims and commissions	37,631	-	37,631
Net gains from revaluation and disposal of investment properties and on disposal of stock of property	15,518	-	15,518
Other income	17,311	-	17,311
Total income	**585,821**	**15,659**	**601,480**
Total expenses	**(291,104)**	**(53,147)**	**(344,251)**
Operating profit	**294,717**	**(37,488)**	**257,229**
Provisions charge	(128,370)	(164,348)	(292,718)
Impairments of other financial and non-financial instruments	(12,421)	(2,926)	(15,347)
Provisions for litigation and regulatory matters	(8,768)	8,768	-
Share of profit from associates and joint ventures	7,966	-	7,966
Profit before tax, restructuring costs and discontinued operations	**153,124**	**(195,994)**	**(42,870)**
Income tax	(3,887)	-	(3,887)
Loss attributable to non-controlling interests	2,578	-	2,578
Profit after tax and before restructuring costs, the NPE sale (Helix) and discontinued operations	**151,815**	**(195,994)**	**(44,179)**
Advisory and other restructuring costs-excluding the NPE sale (Helix)	(25,431)	25,431	-
Profit after tax (Organic)	**126,384**	**(170,563)**	**(44,179)**
Restructuring costs relating to NPE sale (Helix)	(16,929)	16,929	-
Loss relating to NPE sale (Helix)	(150,125)	150,125	-
Profit after tax from discontinued operations	3,734	3,509	7,243
Loss after tax (attributable to the owners of the Company)	**(36,936)**	**-**	**(36,936)**

The reclassification differences between the statutory and underlying bases mainly relate to the impact from the NPE sale (Helix) and related restructuring costs and items associated with the classification of the UK as discontinued operations. In detail:

- €2.6 million fee and commission expense on the amounts deposited in regards to the AT1 issue disclosed within 'Advisory and other restructuring excluding the NPE sale (Helix)' under the underlying basis.
- 'Net foreign exchange gains and net gains on financial instrument transactions and loss of control/dissolution of subsidiaries and disposal of associates' under the statutory basis include an amount of €14.2 million relating to net gains on loans and advances to customers measured at fair value through profit or loss (FVPL) disclosed within 'Provisions charge' under the underlying basis. Additionally, it includes €3.8 million relating to the UK disclosed within discontinued operations in the underlying basis.
- 'Restructuring costs relating to NPE sale (Helix)' of €16.9 million, 'Provisions for litigation and regulatory matters' of €8.8 million and 'Advisory and other restructuring costs-excluding the NPE sale (Helix)' of €23.9 million disclosed as expenses under the statutory basis are shown separately under the underlying basis (from the total of €23.9 million around €1 million relates to restructuring costs on the loss of control over the UK group therefore is classified as discontinued operations in the underlying basis).
- Additionally €3.6 million for UK regulatory matters included within expenses in the statutory basis, are disclosed within discontinued operations in the underlying basis.
- The loss of disposal of Helix of €150.1 million disclosed within 'Provisions charge' under the statutory basis is separately disclosed under the underlying basis.
- Impairments of other financial instruments relating to UK of €2.7 million is classified as a cost on discontinued operations per the underlying basis.

F. Notes (continued)

F.2 Transitional Consolidated Balance Sheet on adoption of IFRS 9

	31 December 2017 (IAS 39 presentation)	Reclassifications and re-measurements	1 January 2018 (revised for IFRS 9 adoption)
Assets	**€000**	**€000**	**€000**
Cash and balances with central banks	3,393,934	(5,872)	3,388,062
Loans and advances to banks	1,192,633	(20)	1,192,613
Derivative financial assets	18,027	-	18,027
Investments	830,483	(1,861)	828,622
Investments pledged as collateral	290,129	-	290,129
Loans and advances to customers	14,602,454	(318,211)	14,284,243
Life insurance business assets attributable to policyholders	429,890	-	429,890
Prepayments, accrued income and other assets	226,105	(576)	225,529
Stock of property	1,641,422	-	1,641,422
Investment properties	19,646	-	19,646
Property and equipment	279,814	-	279,814
Intangible assets	165,952	-	165,952
Investments in associates and joint ventures	118,113	-	118,113
Deferred tax assets	383,498	-	383,498
Non-current assets held for sale	6,500	-	6,500
Total assets	23,598,600	(326,540)	23,272,060
Liabilities			
Deposits by banks	495,308	-	495,308
Funding from central banks	930,000	-	930,000
Repurchase agreements	257,322	-	257,322
Derivative financial liabilities	50,892	-	50,892
Customer deposits	17,849,919	-	17,849,919
Insurance liabilities	605,448	-	605,448
Accruals, deferred income and other liabilities	444,602	(18,920)	425,682
Subordinated loan stock	302,288	-	302,288
Deferred tax liabilities	46,113	-	46,113
Total liabilities	20,981,892	(18,920)	20,962,972
Equity			
Share capital	44,620	-	44,620
Share premium	2,794,358	-	2,794,358
Revaluation and other reserves	273,708	(8,470)	265,238
Accumulated losses	(527,128)	(299,150)	(826,278)
Equity attributable to the owners of the Company	2,585,558	(307,620)	2,277,938
Non-controlling interests	31,150	-	31,150
Total equity	2,616,708	(307,620)	2,309,088
Total liabilities and equity	23,598,600	(326,540)	23,272,060

The classification, measurement and impairment requirements of IFRS 9 were applied retrospectively by adjusting the opening balance sheet at the date of the initial adoption. The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. As permitted by IFRS 9 the Group has not restated comparative periods. The impact on the implementation date, 1 January 2018, was therefore recognised through the consolidated statement of changes in equity. The effect of the adoption of IFRS 9 remains subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

The recognition and measurement of credit losses under IFRS 9 differs from that under IAS 39. Credit loss exposure on financial assets for the period ended 30 September 2017 are computed in accordance to IAS 39 and are therefore not necessarily comparable to the amounts recorded for the current period, which is reported under IFRS 9.

F. Notes (continued)

F.3 Customer deposits

Analysis of customer deposits is presented below:

	30 September 2018	31 December 2017
By type of deposit	**€000**	€000
Demand	**6,688,983**	6,313,244
Savings	**1,270,762**	1,536,576
Time or notice	**8,890,683**	10,000,099
	16,850,428	17,849,919
By currency		
Euro	**14,905,236**	13,829,991
US Dollar	**1,512,347**	1,743,513
British Pound	**305,370**	2,110,265
Russian Rouble	**42,443**	49,788
Swiss Franc	**8,010**	14,943
Other currencies	**77,022**	101,419
	16,850,428	17,849,919

By customer sector	Cyprus	United Kingdom	**Total**
30 September 2018	€000	€000	**€000**
Corporate	1,857,554	-	**1,857,554**
SMEs	760,318	-	**760,318**
Retail	9,873,010	-	**9,873,010**
Restructuring			
– Corporate	80,365	-	**80,365**
– SMEs	33,616	-	**33,616**
– Retail other	8,406	-	**8,406**
Recoveries	5,780	-	**5,780**
International banking services	3,811,840	-	**3,811,840**
Wealth management	419,539	-	**419,539**
	16,850,428	**-**	**16,850,428**
31 December 2017			
Corporate	1,529,521	29,742	**1,559,263**
SMEs	665,940	201,536	**867,476**
Retail	8,670,625	1,635,736	**10,306,361**
Restructuring			
– Corporate	145,084	-	**145,084**
– SMEs	40,743	-	**40,743**
Recoveries	6,615	-	**6,615**
International banking services	4,163,384	-	**4,163,384**
Wealth management	760,993	-	**760,993**
	15,982,905	**1,867,014**	**17,849,919**

F. Notes (continued)

F.4 Loans and advances to customers

	30 September 2018	31 December 2017
Loans and advances to customers measured at amortised cost	**€000**	€000
Gross loans and advances to customers at amortised cost	**12,714,644**	18,086,230
Allowance for ECL/provisions for impairment of loans and advances to customers	**(2,058,390)**	(3,483,776)
	10,656,254	14,602,454
Loans and advances to customers measured at fair value through profit and loss	**394,895**	-
	11,051,149	14,602,454

F.5 Credit risk concentration of gross loans and advances to customers

Geographical and industry and business line concentrations of Group gross loans and advances to customers at amortised cost are presented below:

30 September 2018	Cyprus	Other countries	**Total**	**Fair value adjustment on initial recognition**	**Gross loans at amortised cost after fair value adjustment on initial recognition**
By economic activity	€000	€000	**€000**	**€000**	**€000**
Trade	1,500,185	45,726	**1,545,911**	**(27,856)**	**1,518,055**
Manufacturing	440,650	18,835	**459,485**	**(6,559)**	**452,926**
Hotels and catering	851,767	3,746	**855,513**	**(20,535)**	**834,978**
Construction	997,672	9,719	**1,007,391**	**(15,618)**	**991,773**
Real estate	1,111,870	40,994	**1,152,864**	**(17,398)**	**1,135,466**
Private individuals	6,282,980	12,003	**6,294,983**	**(143,851)**	**6,151,132**
Professional and other services	893,189	54,361	**947,550**	**(37,786)**	**909,764**
Other sectors	727,897	1,052	**728,949**	**(8,399)**	**720,550**
	12,806,210	**186,436**	**12,992,646**	**(278,002)**	**12,714,644**
By business line					
Corporate	3,462,353	166,391	**3,628,744**	**(49,953)**	**3,578,791**
SMEs	1,192,461	15,083	**1,207,544**	**(17,416)**	**1,190,128**
Retail					
- housing	3,003,887	-	**3,003,887**	**(47,979)**	**2,955,908**
- consumer, credit cards and other	1,084,577	926	**1,085,503**	**(163)**	**1,085,340**
Restructuring					
- major corporate	239,160	39	**239,199**	**(4,349)**	**234,850**
- corporate	325,354	-	**325,354**	**(5,677)**	**319,677**
- SMEs	611,185	-	**611,185**	**(13,302)**	**597,883**
- retail housing	352,166	-	**352,166**	**(3,590)**	**348,576**
- retail other	218,131	-	**218,131**	**(6,366)**	**211,765**
Recoveries					
- corporate	158,472	3,997	**162,469**	**(6,716)**	**155,753**
- SMEs	630,647	-	**630,647**	**(27,044)**	**603,603**
- retail housing	686,407	-	**686,407**	**(41,826)**	**644,581**
- retail other	511,594	-	**511,594**	**(45,502)**	**466,092**
International banking services	239,775	-	**239,775**	**(2,453)**	**237,322**
Wealth management	90,041	-	**90,041**	**(5,666)**	**84,375**
	12,806,210	**186,436**	**12,992,646**	**(278,002)**	**12,714,644**

At 30 September 2018, gross loans and advances to customers at amortised cost before fair value adjustment on initial recognition relating to the remaining UK operations amounted to €27,917 thousand and are disclosed within ‘Other countries’.

F. Notes (continued)

F.5 Credit risk concentration of gross loans and advances to customers (continued)

31 December 2017	Cyprus	United Kingdom	Other countries	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**
Trade	1,969,360	13,859	58,247	**2,041,466**	**(71,636)**	**1,969,830**
Manufacturing	630,101	6,468	27,983	**664,552**	**(19,968)**	**644,584**
Hotels and catering	1,283,512	103,808	6,208	**1,393,528**	**(47,257)**	**1,346,271**
Construction	2,310,057	3,398	24,000	**2,337,455**	**(144,899)**	**2,192,556**
Real estate	1,760,498	1,339,680	95,934	**3,196,112**	**(89,647)**	**3,106,465**
Private individuals	6,677,670	97,992	301	**6,775,963**	**(195,686)**	**6,580,277**
Professional and other services	1,181,920	54,616	71,548	**1,308,084**	**(61,954)**	**1,246,130**
Other sectors	1,000,434	1,231	35,890	**1,037,555**	**(37,438)**	**1,000,117**
	16,813,552	**1,621,052**	**320,111**	**18,754,715**	**(668,485)**	**18,086,230**
By business line						
Corporate	3,321,730	1,293,304	245,540	**4,860,574**	**(83,251)**	**4,777,323**
SMEs	1,219,350	238,509	17,079	**1,474,938**	**(14,566)**	**1,460,372**
Retail						
- housing	3,007,487	72,856	-	**3,080,343**	**(30,274)**	**3,050,069**
- consumer, credit cards and other	1,085,146	13,977	296	**1,099,419**	**(14,348)**	**1,085,071**
Restructuring						
- major corporate	1,292,607	-	33,860	**1,326,467**	**(55,850)**	**1,270,617**
- corporate	777,460	-	-	**777,460**	**(15,303)**	**762,157**
- SMEs	1,085,221	-	-	**1,085,221**	**(37,096)**	**1,048,125**
- retail housing	437,892	-	-	**437,892**	**(6,319)**	**431,573**
- retail other	226,623	-	-	**226,623**	**(8,037)**	**218,586**
Recoveries						
- corporate	1,709,190	2,406	23,336	**1,734,932**	**(179,336)**	**1,555,596**
- SMEs	950,171	-	-	**950,171**	**(69,852)**	**880,319**
- retail housing	652,421	-	-	**652,421**	**(52,206)**	**600,215**
- retail other	737,566	-	-	**737,566**	**(94,367)**	**643,199**
International banking services	256,554	-	-	**256,554**	**(3,005)**	**253,549**
Wealth management	54,134	-	-	**54,134**	**(4,675)**	**49,459**
	16,813,552	**1,621,052**	**320,111**	**18,754,715**	**(668,485)**	**18,086,230**

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.

F. Notes (continued)

F.5 Credit risk concentration of gross loans and advances to customers (continued)

Loans and advances to customers classified as held for sale

Geographical and industry and business line concentrations of Group gross loans and advances to customers at amortised cost classified as held for sale are presented below:

30 September 2018	Cyprus	Other countries	**Total**	**Fair value adjustment on initial recognition**	**Gross loans at amortised cost after fair value adjustment on initial recognition**
By economic activity	€000	€000	**€000**	**€000**	**€000**
Trade	368,078	-	**368,078**	**(12,669)**	**355,409**
Manufacturing	202,466	-	**202,466**	**(7,185)**	**195,281**
Hotels and catering	254,880	-	**254,880**	**(11,915)**	**242,965**
Construction	1,008,222	-	**1,008,222**	**(75,170)**	**933,052**
Real estate	425,787	53,251	**479,038**	**(13,891)**	**465,147**
Private individuals	201,828	-	**201,828**	**(7,162)**	**194,666**
Professional and other services	135,155	53	**135,208**	**(5,595)**	**129,613**
Other sectors	187,866	5,789	**193,655**	**(6,630)**	**187,025**
	2,784,282	**59,093**	**2,843,375**	**(140,217)**	**2,703,158**
By business line					
Corporate	15,333	-	**15,333**	**(584)**	**14,749**
SMEs	7,102	-	**7,102**	**(118)**	**6,984**
Retail					
- consumer, credit cards and other	200	-	**200**	**(1)**	**199**
Restructuring					
- major corporate	410,546	59,040	**469,586**	**(14,224)**	**455,362**
- corporate	363,315	-	**363,315**	**(5,779)**	**357,536**
- SMEs	319,377	-	**319,377**	**(9,627)**	**309,750**
- retail other	258	-	**258**	**-**	**258**
Recoveries					
- corporate	1,097,013	53	**1,097,066**	**(76,637)**	**1,020,429**
- SMEs	453,223	-	**453,223**	**(25,581)**	**427,642**
- retail housing	6,773	-	**6,773**	**(1,031)**	**5,742**
- retail other	111,135	-	**111,135**	**(6,635)**	**104,500**
International banking services	7	-	**7**	**-**	**7**
	2,784,282	**59,093**	**2,843,375**	**(140,217)**	**2,703,158**

There were no loans and advances to customers classified as held for sale at 31 December 2017.

F. Notes (continued)

F.6 Credit quality of gross loans and advances to customers

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

30 September 2018	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans before fair value adjustment on initial recognition	4,360,010	3,680,262	4,117,388	834,986	**12,992,646**
Fair value adjustment on initial recognition	(53,722)	(47,477)	(43,464)	(133,339)	**(278,002)**
Gross loans after fair value adjustment on initial recognition	**4,306,288**	**3,632,785**	**4,073,924**	**701,647**	**12,714,644**

Gross loans at amortised cost before fair value adjustment on initial recognition	Stage 1	Stage 2	Stage 3	POCI	**Total**
30 September 2018					
By business line	€000	€000	€000	€000	**€000**
Corporate	1,582,944	1,429,297	536,529	79,974	**3,628,744**
SMEs	509,938	578,774	106,950	11,882	**1,207,544**
Retail					
- housing	1,470,187	1,087,034	433,897	12,769	**3,003,887**
- consumer, credit cards and other	597,554	213,469	248,583	25,897	**1,085,503**
Restructuring					
- major corporate	5,365	111,871	45,451	76,512	**239,199**
- corporate	27,791	58,539	233,766	5,258	**325,354**
- SMEs	49,503	79,462	430,000	52,220	**611,185**
- retail housing	3,318	5,035	332,403	11,410	**352,166**
- retail other	4,096	792	200,641	12,602	**218,131**
Recoveries					
- corporate	-	-	115,508	46,961	**162,469**
- SMEs	-	-	512,160	118,487	**630,647**
- retail housing	-	-	497,915	188,492	**686,407**
- retail other	106	-	332,406	179,082	**511,594**
International banking services	53,120	98,175	78,890	9,590	**239,775**
Wealth management	56,088	17,814	12,289	3,850	**90,041**
	4,360,010	**3,680,262**	**4,117,388**	**834,986**	**12,992,646**

F.6 Credit quality of gross loans and advances to customers (continued)

Fair value adjustment on initial recognition 30 September 2018	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	(5,489)	(30,989)	(12,494)	(981)	**(49,953)**
SMEs	(6,247)	(9,644)	(903)	(622)	**(17,416)**
Retail					
- housing	(44,766)	(480)	(2,373)	(360)	**(47,979)**
- consumer, credit cards and other	4,450	(253)	(2,233)	(2,127)	**(163)**
Restructuring					
- major corporate	28	(2,074)	(1,286)	(1,017)	**(4,349)**
- corporate	(273)	(684)	(2,648)	(2,072)	**(5,677)**
- SMEs	(31)	(745)	(4,323)	(8,203)	**(13,302)**
- retail housing	(87)	-	(2,002)	(1,501)	**(3,590)**
- retail other	21	-	(3,148)	(3,239)	**(6,366)**
Recoveries					
- corporate	-	-	(596)	(6,120)	**(6,716)**
- SMEs	-	-	(1,825)	(25,219)	**(27,044)**
- retail housing	-	-	(3,081)	(38,745)	**(41,826)**
- retail other	-	-	(4,987)	(40,515)	**(45,502)**
International banking services	(260)	(1,150)	(275)	(768)	**(2,453)**
Wealth management	(1,068)	(1,458)	(1,290)	(1,850)	**(5,666)**
	(53,722)	**(47,477)**	**(43,464)**	**(133,339)**	**(278,002)**

Gross loans at amortised cost after fair value adjustment on initial recognition 30 September 2018	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,577,455	1,398,308	524,035	78,993	**3,578,791**
SMEs	503,691	569,130	106,047	11,260	**1,190,128**
Retail					
- housing	1,425,421	1,086,554	431,524	12,409	**2,955,908**
- consumer, credit cards and other	602,004	213,216	246,350	23,770	**1,085,340**
Restructuring					
- major corporate	5,393	109,797	44,165	75,495	**234,850**
- corporate	27,518	57,855	231,118	3,186	**319,677**
- SMEs	49,472	78,717	425,677	44,017	**597,883**
- retail housing	3,231	5,035	330,401	9,909	**348,576**
- retail other	4,117	792	197,493	9,363	**211,765**
Recoveries					
- corporate	-	-	114,912	40,841	**155,753**
- SMEs	-	-	510,335	93,268	**603,603**
- retail housing	-	-	494,834	149,747	**644,581**
- retail other	106	-	327,419	138,567	**466,092**
International banking services	52,860	97,025	78,615	8,822	**237,322**
Wealth management	55,020	16,356	10,999	2,000	**84,375**
	4,306,288	**3,632,785**	**4,073,924**	**701,647**	**12,714,644**

F. Notes (continued)

F.6 Credit quality of gross loans and advances to customers (continued)

The following table presents the credit quality of the Group's loans and advances to customers at amortised cost by geographical concentration:

30 September 2018	Cyprus	Other countries	**Total**	**Fair value adjustment on initial recognition**	**Gross loans at amortised cost after fair value adjustment on initial recognition**
By staging	€000	€000	**€000**	**€000**	**€000**
Stage 1	4,347,941	12,069	**4,360,010**	**(53,722)**	**4,306,288**
Stage 2	3,664,353	15,909	**3,680,262**	**(47,477)**	**3,632,785**
Stage 3	3,961,714	155,674	**4,117,388**	**(43,464)**	**4,073,924**
POCI	832,202	2,784	**834,986**	**(133,339)**	**701,647**
	12,806,210	**186,436**	**12,992,646**	**(278,002)**	**12,714,644**

Loans and advances to customers classified as held for sale

The credit quality of loans and advances to customers at amortised cost classified as held for sale by business line concentration is presented below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans before fair value adjustment on initial recognition	2,416	112,011	2,200,852	528,096	**2,843,375**
Fair value adjustment on initial recognition	(195)	(3,251)	(24,775)	(111,996)	**(140,217)**
Gross loans after fair value adjustment on initial recognition	**2,221**	**108,760**	**2,176,077**	**416,100**	**2,703,158**

F. Notes (continued)

F.6 Credit quality of gross loans and advances to customers (continued)

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

Gross loans at amortised cost before fair value adjustment on initial recognition	Stage 1	Stage 2	Stage 3	POCI	**Total**
30 September 2018					
By business line	€000	€000	€000	€000	**€000**
Corporate	-	94	14,601	638	**15,333**
SMEs	45	7,057	-	-	**7,102**
Retail					
- consumer, credit cards and other	-	76	121	3	**200**
Restructuring					
- major corporate	-	26,107	427,929	15,550	**469,586**
- corporate	46	48,962	304,383	9,924	**363,315**
- SMEs	2,325	29,715	255,422	31,915	**319,377**
- retail other	-	-	258	-	**258**
Recoveries					
- corporate	-	-	780,785	316,281	**1,097,066**
- SMEs	-	-	345,315	107,908	**453,223**
- retail housing	-	-	643	6,130	**6,773**
- retail other	-	-	71,388	39,747	**111,135**
International banking services	-	-	7	-	**7**
	2,416	**112,011**	**2,200,852**	**528,096**	**2,843,375**
Fair value adjustment on initial recognition					
30 September 2018					
By business line					
Corporate	-	-	(584)	-	**(584)**
SMEs	-	(118)	-	-	**(118)**
Retail					
- consumer, credit cards and other	-	-	-	(1)	**(1)**
Restructuring					
- major corporate	-	19	(9,910)	(4,333)	**(14,224)**
- corporate	-	(2,381)	(2,898)	(500)	**(5,779)**
- SMEs	(195)	(771)	(3,003)	(5,658)	**(9,627)**
Recoveries					
- corporate	-	-	(4,291)	(72,346)	**(76,637)**
- SMEs	-	-	(3,641)	(21,940)	**(25,581)**
- retail housing	-	-	-	(1,031)	**(1,031)**
- retail other	-	-	(448)	(6,187)	**(6,635)**
	(195)	**(3,251)**	**(24,775)**	**(111,996)**	**(140,217)**

F.6 Credit quality of gross loans and advances to customers (continued)

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

Gross loans at amortised cost after fair value adjustment on initial recognition	Stage 1	Stage 2	Stage 3	POCI	**Total**
30 September 2018					
By business line	€000	€000	€000	€000	**€000**
Corporate	-	94	14,017	638	**14,749**
SMEs	45	6,939	-	-	**6,984**
Retail					
- consumer, credit cards and other	-	76	121	2	**199**
Restructuring					
- major corporate	-	26,126	418,019	11,217	**455,362**
- corporate	46	46,581	301,485	9,424	**357,536**
- SMEs	2,130	28,944	252,419	26,257	**309,750**
- retail other	-	-	258	-	**258**
Recoveries					
- corporate	-	-	776,494	243,935	**1,020,429**
- SMEs	-	-	341,674	85,968	**427,642**
- retail housing	-	-	643	5,099	**5,742**
- retail other	-	-	70,940	33,560	**104,500**
International banking services	-	-	7	-	**7**
	2,221	**108,760**	**2,176,077**	**416,100**	**2,703,158**

The following table presents the credit quality of the Group's loans and advances to customers at amortised cost classified as held for sale by geographical concentration:

30 September 2018	Cyprus	Other countries	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
By staging	€000	€000	**€000**	**€000**	**€000**
Stage 1	2,416	-	**2,416**	**(195)**	**2,221**
Stage 2	112,011	-	**112,011**	**(3,251)**	**108,760**
Stage 3	2,141,759	59,093	**2,200,852**	**(24,775)**	**2,176,077**
POCI	528,096	-	**528,096**	**(111,996)**	**416,100**
	2,784,282	**59,093**	**2,843,375**	**(140,217)**	**2,703,158**

F.7 Credit losses

F.7.1 Credit losses to cover credit risk on loans and advances to customers

	Nine months ended 30 September	
	2018	2017
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**459,303**	871,920
Recoveries of loans and advances to customers previously written off	**(100,983)**	-
Changes in expected cash flows	**(32,882)**	-
Financial guarantees and commitments	**(6,704)**	12,597
	318,734	884,517

F. Notes (continued)

F.7 Credit losses (continued)

F.7.2 Credit losses of loans and advances to customers, including loans and advances to customers held for sale

The movement in provisions for impairment of loans and advances to customers, including the loans and advances to customer held for sale and the closing balance analysis by staging is as follows:

30 September 2018	Cyprus	United Kingdom	Other countries	**Total**
	€000	€000	€000	**€000**
1 January	3,236,103	7,522	240,151	**3,483,776**
Change in the basis of calculation of gross carrying values (IFRS 9 Grossing up adjustment)	1,632,322	126	57,049	**1,689,497**
Impact of adopting IFRS 9 at 1 January 2018	283,002	4,227	947	**288,176**
Restated balance at 1 January 2018	5,151,427	11,875	298,147	**5,461,449**
Transfer from Romanian branch	19,258	-	(19,258)	**-**
Foreign exchange and other adjustments	5,779	-	(6,915)	**(1,136)**
Write offs	(2,371,936)	(2,745)	(80,159)	**(2,454,840)**
Interest (provided) not recognised in the income statement	121,817	19	(4,686)	**117,150**
Charge for the period- continuing operations	473,881	(542)	(14,036)	**459,303**
Charge for the period – discontinued operations	-	(624)	-	**(624)**
Loss of control of UK operations	-	(3,594)	-	**(3,594)**
30 September	**3,400,226**	**4,389**	**173,093**	**3,577,708**
Stage 1	20,912	138	-	**21,050**
Stage 2	101,583	3,736	-	**105,319**
Stage 3	2,836,405	515	170,330	**3,007,250**
POCI	441,326	-	2,763	**444,089**
Total	**3,400,226**	**4,389**	**173,093**	**3,577,708**

The credit losses of loans and advances to customers include credit losses relating to loans and advances to customers classified as held for sale. Their balance at 30 September 2018 by staging and geographical area is presented in the table below:

	Cyprus	United Kingdom	Other countries	Total
30 September 2018	€000	€000	€000	€000
Stage 1	853	-	-	853
Stage 2	53,487	-	-	53,487
Stage 3	1,228,062	45	48,209	1,276,316
POCI	188,662	-	-	188,662
Total	**1,471,064**	**45**	**48,209**	**1,519,318**
Collectively assessed	**1,471,064**	**45**	**48,209**	**1,519,318**

F. **Notes** (continued)

F.7 **Credit losses** (continued)

F.7.2 **Credit losses of loans and advances to customers, including loans and advances to customers held for sale** (continued)

30 September 2017	Cyprus	United Kingdom	Other countries	**Total**
	€000	€000	€000	**€000**
1 January	3,170,161	10,782	371,298	**3,552,241**
Transfer between geographical areas	23	(23)	-	**-**
Transfer upon acquisition of property through a restructuring activity	(12,792)	-	-	**(12,792)**
Foreign exchange and other adjustments	51,915	(158)	(6,337)	**45,420**
Applied in writing off impaired loans and advances	(556,072)	(117)	(125,510)	**(681,699)**
Interest accrued on impaired loans and advances	(80,423)	(3)	(1,153)	**(81,579)**
Collection of loans and advances previously written off	5,392	287	2	**5,681**
Charge for the period	857,194	1,117	13,226	**871,537**
30 September	**3,435,398**	**11,885**	**251,526**	**3,698,809**
Individual impairment	**2,556,716**	**8,959**	**250,016**	**2,815,691**
Collective impairment	**878,682**	**2,926**	**1,510**	**883,118**

The above table does not include the fair value adjustments on initial recognition of loans acquired from Laiki Bank and provisions for impairment on financial guarantees which are part of other liabilities on the balance sheet. There were no loans and advances to customers classified as held for sale as at 30 September 2017 or as at 31 December 2017.

As from 1 January 2018, to comply with the requirements of IFRS 9, relating to the measurement and presentation of the gross carrying amount and accumulated allowance for impairment as impacted from interest income on impaired loans, the gross carrying amounts of the loans have been increased by an amount of €1,689,497 thousand and an equivalent adjustment was effected on the accumulated allowance for impairment. There was no impact on the net carrying amount of the customer loans and advances from this change in the presentation.

During the nine months ended 30 September 2018, the total non-contractual write-offs recorded by the Group amounted to €2,229,691 thousand (year 2017: €466,248 thousand).

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. 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.

At 30 September 2018, the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers other than those classified as held for sale is c.32% (31 December 2017: c.34%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers other than those classified as held for sale has been estimated to be on average 6.5 years (year 2017: average of 6 years).

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

For stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios; base, adverse and favourable with 50%, 30% and 20% probability respectively. 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, whereas under the favourable scenario applied haircuts are decreased by 5%, with no change in the recovery period.

Collectively assessed
For the calculation of collectively assessed provisions three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively.

Any positive cumulative average future change in property values forecasted was capped to zero both for the nine months ended 30 September 2018, the corresponding period of 2017 and the year ended 31 December 2017. This applies to all scenarios.

F. Notes (continued)

F.7 Credit losses (continued)

F.7.2 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The above assumptions are also influenced by the ongoing regulatory dialogue Bank of Cyprus Public Company Ltd (BOC PCL) maintains with its lead regulator, the European Central Bank (ECB), and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the European Banking Authority (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 credit losses of loans and advances.

F.8 Rescheduled loans and advances to customers

Credit quality

	Cyprus	Other countries	**Total**
30 September 2018	€000	€000	**€000**
Stage 1	443,458	127	**443,585**
Stage 2	765,002	42	**765,044**
Stage 3	2,101,100	62,151	**2,163,251**
POCI	276,535	1,113	**277,648**
	3,586,095	**63,433**	**3,649,528**
31 December 2017			
Neither past due nor impaired	3,158,894	5,462	**3,164,356**
Past due but not impaired	1,218,160	2,354	**1,220,514**
Impaired	1,895,892	91,252	**1,987,144**
	6,272,946	**99,068**	**6,372,014**

F.9 Credit risk disclosures

According to the EBA standards and ECB's 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 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.
(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR) (Article 178).
(iii) Material exposures (as defined below) 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 under probation that present more than 30 days past due within the probation period.

Exposures include all on and off balance sheet exposures, except those held for trading, and are categorised as such for their entire amount without taking into account the existence of collateral.

The following materiality criteria are applied:

- When the problematic exposures of a customer that fulfil the NPE criteria set out above are 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 problematic part of the exposure is classified as non-performing.

- Material arrears/excesses are defined as follows:
  - Retail exposures:
    - Loans: Arrears amount greater than €500 or number of instalments in arrears is greater than one.
    - Overdrafts: Excess amount is greater than €500 or greater than 10% of the approved limit.
  - Exposures other than retail: Total customer arrears/excesses are greater than €1,000 or greater than 10% of the total customer funded balances.

F. Notes (continued)

F.9 Credit risk disclosures (continued)

NPEs may cease to be considered as non-performing only when all of the following conditions are met:

(i) The extension of forbearance measures does not lead to the recognition of impairment or default.
(ii) One year has passed since the forbearance measures were extended.
(iii) Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
(iv) No unlikely-to-pay criteria exist for the debtor.
(v) The debtor has made post-forbearance payments of a non-insignificant amount of capital (different capital thresholds exist according to the facility type).

F. Notes (continued)

F.9 Credit risk disclosures (continued)

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

30 September 2018	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value and fair value adjustment on initial recognition			
	Group gross customer loans and advances[1,2]	Of which NPEs	Of which exposures with forbearance measures		Total provision for impairment, accumulated negative changes in fair value and fair value adjustment on initial recognition[2]	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which on NPEs			Total exposures with forbearance measures	Of which on NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
General governments	**77,206**	3	1,578	-	**3,718**	-	468	-
Other financial corporations	**196,477**	22,885	28,722	4,165	**19,952**	12,251	3,213	1,818
Non-financial corporations	**6,528,431**	2,116,214	2,023,871	1,177,943	**1,044,500**	960,193	481,158	456,400
Of which: Small and Medium sized Enterprises (SMEs)[3]	**4,935,934**	1,553,257	1,401,923	827,764	**813,515**	725,011	291,279	267,604
Of which: Commercial real estate[3]	**4,646,973**	1,406,352	1,453,549	856,906	**643,653**	577,514	341,319	319,239
Non-financial corporations by sector								
Construction	**976,180**	405,227			**186,402**			
Wholesale and retail trade	**1,491,243**	560,514			**248,846**			
Accommodation and food service activities	**980,786**	105,191			**59,891**			
Real estate activities	**1,290,419**	469,520			**253,270**			
Manufacturing	**443,621**	149,032			**84,095**			
Other sectors	**1,346,182**	426,730			**211,996**			
Households	**6,647,654**	2,845,741	2,034,033	1,478,267	**1,330,449**	1,259,605	490,847	476,310
Of which: Residential mortgage loans[3]	**5,030,851**	2,106,902	1,640,586	1,167,984	**847,751**	788,152	341,058	328,569
Of which: Credit for consumption[3]	**918,483**	413,351	246,104	196,452	**239,071**	234,881	78,630	77,411
Total on-balance sheet	**13,449,768**	**4,984,843**	**4,088,204**	**2,660,375**	**2,398,619**	**2,232,049**	**975,686**	**934,528**

[1] Excluding loans and advances to central banks and credit institutions and held for sale.
[2] Including the accumulated negative changes in fair value of the performing loans and advances at FVPL.
[3] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

F.9 Credit risk disclosures (continued)

31 December 2017	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
	Group gross customer loans and advances[4]	Of which NPEs	Of which exposures with forbearance measures		Total provision for impairment and fair value adjustment on initial recognition	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which on NPEs			Total exposures with forbearance measures	Of which on NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
General governments	**88,780**	2,618	4,263	2,358	**2,098**	1,128	1,367	1,061
Other financial corporations	**387,169**	264,809	202,501	180,836	**97,237**	95,696	41,254	40,532
Non-financial corporations	**10,586,922**	5,187,722	4,025,293	2,851,028	**2,702,685**	2,604,430	1,228,304	1,181,589
Of which: Small and Medium sized Enterprises (SMEs)[5]	**8,695,078**	4,843,832	3,630,398	2,661,059	**2,464,383**	2,378,953	1,089,330	1,049,587
Of which: Commercial real estate[5]	**8,002,352**	4,153,585	3,497,693	2,431,002	**2,037,490**	1,952,487	1,013,916	973,244
Non-financial corporations by sector								
Construction	**2,303,375**	1,743,627			**893,938**			
Wholesale and retail trade	**1,973,382**	876,763			**495,099**			
Accommodation and food service activities	**1,314,939**	420,392			**222,789**			
Real estate activities	**2,768,637**	1,028,638			**518,261**			
Manufacturing	**648,131**	342,666			**172,232**			
Other sectors	**1,578,458**	775,636			**400,366**			
Households	**7,691,844**	3,348,567	2,452,419	1,700,494	**1,350,241**	1,287,442	500,603	480,676
Of which: Residential mortgage loans[5]	**5,254,483**	2,294,294	1,918,345	1,277,136	**732,039**	684,818	307,742	292,726
Of which: Credit for consumption[5]	**1,000,327**	504,304	285,386	221,049	**275,873**	266,760	84,288	80,526
Total on-balance sheet	**18,754,715**	**8,803,716**	**6,684,476**	**4,734,716**	**4,152,261**	**3,988,696**	**1,771,528**	**1,703,858**

[4] Excluding loans and advances to central banks and credit institutions.
[5] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

F. Notes (continued)

F.10 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 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. 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.

F.11 Liquidity regulation

The Group has to comply with provisions on the Liquidity Coverage Ratio (LCR) under CRD IV/CRR (as supplemented by the Commission Delegated Regulation (EU) No 2015/61 which prescribes the criteria for liquid assets and methods of calculation as from 1 October 2015 and the Commission Implementing Regulation (EU) No 2016/322 which prescribes supervisory reporting requirements and applied from 10 September 2016). It also monitors its position against the Net Stable Funding Ratio (NSFR) as proposed under Basel III. The LCR is designed to promote 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.

In October 2014, the Basel Committee on Banking Supervision proposed the methodology for calculating the NSFR. It is noted that the NSFR did not become effective on 1 January 2018 as expected.

As at 30 September 2018 the Group was in compliance with its regulatory liquidity requirements with respect to the LCR. On the basis of the Commission Delegated Regulation (EU) 2015/61 the Group's LCR as at 30 September was 220% (31 December 2017: 190%); on the basis of Basel standards the Group's NSFR was 117% (31 December 2017: 111%).

In addition to the above, each banking unit must also comply with any liquidity requirements applicable in the country where it operates.

On 1 January 2018, the local regulatory liquidity requirements with which the BOC PCL was not in full compliance (with respect to its operations in Cyprus), were abolished, in accordance with the CRR. In December 2017, the CBC introduced a macroprudential measure in the form of a liquidity add-on that was imposed on top of the LCR of BOC PCL with effect on 1 January 2018. The objective of the measure is to ensure that there will be a gradual release of the excess liquidity in the Cyprus banking system arising from the lower liquidity requirements under the LCR compared to the ones under the local regulatory liquidity requirements in place.

The LCR add-on applies stricter outflow and inflow rates on some of the parameters used in the calculation of the LCR than those defined in the Commission Delegated Regulation (EU) 2015/61 as well as additional liquidity requirements in the form of outflow rates on items that are not subject to outflow rates as per the aforementioned regulation. The measure has been implemented in two stages. The first stage required stricter outflow and inflow rates which were applicable from 1 January 2018 until 30 June 2018. The second stage requires more relaxed outflow and inflow rates compared to the initial ones, and have been applicable since 1 July 2018 until 31 December 2018. Specifically, there has been a reduction of 50% of the add-on rates as from 1 July 2018. The additional liquidity requirement is expected to be implemented up to 31 December 2018. The CBC may propose to modify or extend the period of application of this macroprudential measure depending on the results of the follow-up of the banks' actions on how the excess liquidity is utilised. As at 30 September 2018, BOC PCL was in compliance with the liquidity requirements including the add-on.

F. Notes (continued)

F.12 Liquidity reserves

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

Composition of the liquidity reserves	30 September 2018			31 December 2017		
	Liquidity reserves	**Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible Level 1**		Liquidity reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible Level 1	
		Level 1	**Level 2A**		Level 1	Level 2A
	€000	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**3,981,022**	**3,981,022**	**-**	3,239,985	2,896,935	-
Nostro and placements with banks	**375,636**	**-**	**-**	960,166	-	-
Liquid investments	**870,145**	**963,303**	**91,079**	591,565	548,706	69,782
Available ECB Buffer	**98,921**	**-**	**-**	2,151	-	-
Total	**5,325,724**	**4,944,325**	**91,079**	4,793,867	3,445,641	69,782

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 Law Government of Cyprus Issues.

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.

The Liquidity reserves are managed by Group Treasury.

F.13 Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholders' value.

With the exception of certain specified provisions, the CRR and Capital Requirements Directive (CRD IV) came into effect on 1 January 2014. The CRR and CRD IV transposed the new capital, liquidity and leverage standards of Basel III into the EU's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions and investment firms. It is directly applicable in all EU member states. CRD IV 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 IV into national laws and it allowed national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, which will be largely fully effective by 2019. In addition, the Regulation (EU) 2016/445 of the ECB on the exercise of options and discretions available in Union law (ECB/2016/4) provides certain transitional arrangements which supersede the national discretions unless they are stricter than the EU Regulation 2016/445.

The CET1 ratio of the Group at 30 September 2018 stands at 11.9% and the total capital ratio at 13.4% on a transitional basis.

The minimum Pillar I total capital requirement is 8.0% and may be met, in addition to the 4.5% CET1 requirement, with up to 1.5% by Additional Tier 1 capital and with up to 2.0% by Tier 2 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).

F. **Notes** (continued)

F.13 **Capital management** (continued)

The Group's minimum phased-in CET1 capital ratio requirement for 2017 was 9.50%, comprised of a 4.50% Pillar I requirement, a 3.75% Pillar II requirement and the Capital Conservation Buffer (CCB) of 1.25%. Following the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2017 and based on the confirmation received in December 2017, the Pillar II requirement applicable from 1 January 2018, has been reduced to 3.00% from 3.75%. As a result, the Group's minimum phased-in CET1 capital ratio has been reduced to 9.375% from 9.50%, comprising of a 4.50% Pillar I requirement, a 3.00% Pillar II requirement and the CCB of 1.875% applicable as from 1 January 2018. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer.

The overall Total Capital Ratio Requirement for 2017 was 13.00%, comprising of a Pillar I requirement of 8.00% (of which up to 1.50% can be in the form of Additional Tier 1 capital and up to 2.00% in the form of Tier 2 capital), a Pillar II requirement of 3.75% (in the form of CET1), and the CCB of 1.25%. Following the 2017 SREP, the overall Total Capital Ratio Requirement has been reduced to 12.875% from 13.00%, comprising of 8.00% Pillar I requirement, a 3.00% Pillar II requirement and the CCB of 1.875% applicable as from 1 January 2018.

The above minimum ratios apply for both BOC PCL and the Group. BOC PCL is 100% subsidiary of the Company and its principal activities are the provision of banking, financial services and management and disposal of property predominately acquired in exchange of debt.

The capital position of the Group and BOC PCL at 30 September 2018 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.

Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015 which came into force on 1 January 2016, the CBC is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV.

In accordance with the provisions of the above law, the CBC sets, on a quarterly basis, the Countercyclical Capital buffer (CCyB) level in accordance with the methodology described in this law. The CCyB is effective as from 1 January 2016 and is determined for all the countries in the European Economic Area (EEA) by their local competent authorities ahead of the beginning of each quarter. The CBC has set the level of the CCyB for Cyprus at 0% for the year 2018 and the year 2017. The CCyB for the Group has been calculated at 0% as at 30 September 2018 and for the year 2017.

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. The Group has been designated as an O-SII and the CBC set the O-SII buffer for the Group at 2.0%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%) on 1 January 2022.

The Capital Conservation Buffer (CCB) is gradually phased-in at 0.625% in 2016, 1.25% in 2017, 1.875% in 2018 and is fully implemented on 1 January 2019 at 2.5%.

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. Although the precise calibration and ultimate designation of the Group's MREL has not yet been finalised, BOC PCL is monitoring developments in this area very closely.

The Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firms of the Group comply with the regulatory capital requirements of the CySEC laws and regulations.

F. Notes (continued)

F.13 Capital management (continued)

F.13.1 Capital position

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

Regulatory capital	Group		BOC PCL	
	30 September 2018	31 December 2017	**30 September 2018**	31 December 2017
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[6,7]	**1,865,988**	2,184,152	**1,843,612**	2,022,949
Transitional Additional Tier 1 capital (AT1)	**-**	-	**-**	-
Tier 2 capital (T2)	**238,991**	266,174	**250,000**	255,026
Transitional total regulatory capital[6]	**2,104,979**	2,450,326	**2,093,612**	2,277,975
Risk weighted assets – credit risk[8]	**13,991,565**	15,538,637	**13,957,448**	14,491,974
Risk weighted assets – market risk	**2,195**	4,731	**-**	2,448
Risk weighted assets – operational risk	**1,717,125**	1,717,125	**1,613,463**	1,613,463
Total risk weighted assets	**15,710,885**	17,260,493	**15,570,911**	16,107,885
Transitional Common Equity Tier 1 ratio (%)	**11.9**	12.7	**11.8**	12.6
Transitional total capital ratio (%)	**13.4**	14.2	**13.4**	14.1

IFRS 9 and Deferred Tax Asset fully loaded				
Common Equity Tier 1 ratio (%)	**9.7**	n/a	**9.7**	n/a
Total capital ratio (%)	**11.4**	n/a	**11.3**	n/a

During the nine months ended 30 September 2018, the CET1 was negatively affected by the loss for the period and the phase in of transitional adjustments, mainly deferred tax asset and the adoption of IFRS 9.

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. 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 impairment amounts from the initial application of IFRS 9.

The Risk-Weighted Assets (RWA) were negatively affected by the change in the default definition. 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, early adopted changes that almost aligned the EBA CRR definition with the NPE definition as from 1 January 2018. The RWAs were positively affected by the Group’s ongoing efforts for risk weighted assets optimisation.

As a result of the above, the CET1 ratio decreased by 80 bps during the period.

[6] CET1 includes regulatory deductions, primarily comprising deferred tax assets and intangible assets amounting to €267,068 thousand and €135,205 thousand as at 30 September 2018 and 31 December 2017 respectively.
[7] 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 deferred tax asset phased-in period reduced from 10 to 5 years, with effect as from the reporting of 31 December 2016.
[8] Includes Credit Valuation Adjustments (CVA).

F. Notes (continued)

F.13 Capital management (continued)

F.13.2 Overview of RWA

		RWA		Minimum capital requirements
		30 September 2018	30 June 2018	**30 September 2018**
		€000	€000	**€000**
1	Credit risk (excluding counterparty credit risk (CCR))	**13,398,266**	14,788,723	**1,071,861**
2	*Of which the standardised approach*	***13,398,266***	*14,788,723*	***1,071,861***
6	CCR	**37,181**	35,165	**2,974**
7	*Of which mark to market*	***22,781***	*20,277*	***1,822***
11	*Of which risk exposure amount for contributions to the default fund of a Central Counterparty (CCP)*	**-**	-	**-**
12	*Of which Credit Valuation Adjustment (CVA)*	***14,400***	*14,888*	***1,152***
13	Settlement Risk	**-**	-	**-**
19	Market risk	**2,195**	2,195	**176**
20	*Of which the standardised approach*	***2,195***	*2,195*	***176***
22	Large exposures	**-**	-	
23	Operational risk	**1,717,125**	1,717,125	**137,370**
25	*Of which standardised approach*	***1,717,125***	*1,717,125*	***137,370***
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	**556,118**	825,132	**44,489**
29	Total	**15,710,885**	17,368,340	**1,256,870**

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

The drivers behind the changes in RWAs observed in line 2 mainly relate to the loss of control of Bank of Cyprus UK Ltd and a significant decrease in regulatory high risk and defaulted exposure amounts and their redistribution to lower risk exposure classes due to customer loan restructurings and debt-for-property and debt-for-equity swaps deleveraging actions.

F. Notes (continued)

F.13 Capital management (continued)

F.13.3 Standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects

The table below illustrates the effect of all CRM techniques applied in accordance with the CRR under the financial collateral comprehensive method.

Exposure classes	**30 September 2018**		31 December 2017	
	RWA and RWA density		RWA and RWA density	
	RWA	**RWA density**	RWA	RWA density
	€000	**%**	€000	%
Central governments or central banks	327,267	6.5	-	0.0
Regional government or local authorities	1,438	1.9	767	20.0
Public sector entities	-	0.0	1	0.0
Multilateral development banks	-	0.0	-	0.0
International organisations	-	0.0	-	0.0
Institutions	206,195	28.3	309,468	26.2
Corporates	2,896,052	98.8	3,687,153	98.6
Retail	1,064,530	71.4	1,470,032	70.9
Secured by mortgages on immovable property	1,088,594	37.6	1,422,667	36.0
Exposures in default	3,800,587	110.7	3,194,550	107.3
Higher-risk categories	2,108,013	150.0	2,529,759	150.0
Covered bonds	13,806	10.0	10,014	10.0
Collective investment undertakings	195	100.0	47	100.0
Equity	256,734	215.5	326,093	227.7
Other items	2,190,973	92.8	2,547,073	105.9
Total	**13,954,384**	**66.7**	15,497,624	69.0

Exposure classes with zero exposure values are not included in the table above.

The RWA density decreased since 31 December 2017. The material decrease in 'Other items' and the increase in 'Central governments or central banks' are due to the reallocation of the DTA exposures under RWA from the former to the latter. A decrease in the RWA intensity observed in 'Regional government or local authorities' results from improved credit mitigation.

F.14 Leverage ratio

According to CRR Article 429, the leverage ratio, expressed as a percentage, is calculated as the capital measure divided by the total exposure measure of the Group.

The leverage ratio of the Group is presented below:

	30 September 2018	31 December 2017
Transitional basis	**€000**	€000
Capital measure (CET1)	**1,865,988**	2,184,152
Total exposure measure	**22,077,227**	23,547,545
Leverage ratio (%)	**8.5**	9.3
IFRS 9 fully loaded		
Capital measure (CET1)	**1,483,026**	n/a
Total exposure measure	**21,954,588**	n/a
Leverage ratio (%)	**6.8**	n/a

F.15 Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and SREP and ECB 2018 Stress Test

The Group prepares the ICAAP and ILAAP reports annually. Both reports for 2017 were approved by the Board of Directors and have been submitted to the ECB in April 2018.

The Group also undertakes a quarterly review of its ICAAP results considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies and processes are reviewed and any changes since the annual ICAAP exercise are taken into consideration. The ICAAP process demonstrates that the Group has sufficient capital under both the base case and stress scenarios.

A quarterly review is also performed for the ILAAP through quarterly stress tests submitted to the Assets and Liabilities Committee (ALCO) and Board Risk Committee. During the quarterly review, the liquidity risk drivers are assessed and, if needed, the stress test assumptions are amended accordingly. The quarterly review 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.

The ECB, as part of its supervisory role, has been conducting the SREP and onsite inspections 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. Additional capital and other requirements could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time.

ECB 2018 Stress Test
The EBA in cooperation with the European Systemic Risk Board (ESRB) initiated the 2018 EU-wide stress tests to assess the resilience of financial institutions to adverse market developments which has been completed in the fourth quarter of 2018. The Group participates in the bi-annual ECB 2018 Stress test, as in 2016.

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 on loans classified at FVPL, and (iii) provisions for off-balance sheet exposures disclosed on the balance sheet within other liabilities.
Advisory and other restructuring costs	Comprise mainly: 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
AT1	AT1 (Additional Tier 1) is defined in accordance with Articles 51 and 52 of the Capital Requirements Regulation (EU) No 575/2013.
CET1 capital ratio (transitional basis)	CET1 capital ratio (transitional basis) is defined in accordance with the Basel II requirements.
CET1 fully loaded (FL)	The CET1 fully loaded (FL) ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013.
Contribution to SRF	Relates to the contribution made to the Single Resolution Fund.
Cost to Income ratio	Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined).
Data from the Statistical Service of the Republic of Cyprus	The latest data included was published on 14 November 2018.
Deferred Tax Asset adjustments	The DTA adjustments relate to Deferred Tax Assets totalling €381 mn and recognised on tax losses totalling €3.05 bn and can be set off against future profits of the Bank until 2028 at a tax rate of 12.5%. There are tax losses of c.€7.1 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.
ECB	European Central Bank
ELA	Emergency Liquidity Assistance
Gross loans	Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €480 mn at 30 September 2018 (compared to €514 mn at 30 June 2018, €566 mn at 31 March 2018 and to €668 mn at 31 December 2017). Additionally, gross loans (i) include loans and advances to customers measured at fair value through profit and loss of €395 mn and (ii) are reported after the reclassification between gross loans and expected credit losses on loans and advances to customers classified as a disposal group held for sale of €92 mn.
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.

Leverage ratio	The leverage ratio is the ratio of tangible total equity to total assets for the relevant period.
Market Shares	Both deposit and loan market shares are based on data from the Central Bank of Cyprus. The Bank is the single largest credit provider in Cyprus with a market share of 45.4% at 30 September 2018, compared to 38.6% at 30 June 2018 and 37.4% at 31 March 2018. The market share on loans was affected as at 30 September 2018 following a decrease in total loans in the banking sector, mainly attributed to €6 bn non-performing loans of Cyprus Cooperative Bank (CyCB) which remained to SEDIPES (a legal entity without license to operate as a credit institution) as a result of the agreement between CyCB and Hellenic Bank. The market share on loans was affected as at 30 June 2018 following a decrease in total loans in the banking sector of €2.1bn, as reported by CBC, (due to loan reclassifications, revaluations, exchange rate or other adjustments).
Net fee and commission income over total income	Net fee and commission income over total income is the net fee and commission income divided by the total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the average interest earning assets. Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net customer loans and advances, plus investments (excluding equities and mutual funds) and derivatives.
Net loans and advances	Loans and advances net of accumulated provisions (as defined).
Net loan to deposit ratio	Net loan to deposits ratio is calculated as the net loans and advances to customers divided by customer deposits, including net loans and deposits held for sale, where applicable.
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), on the basis of Basel III standards. Its calculation is a SREP requirement. EBA is working on finalising the NSFR and enforcing it as a regulatory ratio.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains and net gains on other financial instruments and loss of control/dissolution of subsidiaries and disposal of associates, 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)	According to the EBA reporting standards on forbearance and non-performing exposures (NPEs), published in 2014 and ECB’s Guidance to Banks on Non-Performing Loans published in March 2017, a loan is considered an NPE 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. The NPEs are reported before the deduction of accumulated provisions (as defined).
NPE ratio	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
Operating profit	Comprises profit before total provisions and impairments (as defined), share of profit from associates and joint ventures, tax, loss/(profit) attributable to non-controlling interests, advisory and other restructuring costs and profit/(loss) from discontinued operations.
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the average of total assets for the relevant period.

G. Definitions & Explanations (continued)

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 restructuring costs, discontinued operations and NPE sale (Helix)	Excludes advisory and other restructuring costs. It also excludes profit/(loss) from discontinued operations and any restructuring costs or loss relating to NPE sale (Helix).
Provision charge	The provision charge comprises provisions for impairments of customer loans and provisions for off-balance sheet exposures, net of gain/(loss) on derecognition of loans and advances to customers and changes in expected cash flows.
Provisioning charge (cost of risk)	Provisioning charge (cost of risk) (year to date) is calculated as the provision charge (as defined) divided by average gross loans (the average balance calculated as the average of the opening balance and the closing balance). An amount of c.€500 mn reflecting the one-off effect of the change in the provisioning assumptions was included in the cost of risk for 9M2017, but was not annualised.
Provisioning coverage ratio for NPEs	Provisioning coverage ratio for NPEs is calculated as accumulated provisions (as defined) over NPEs (as defined).
Quarterly average interest earning assets	Average of interest earning assets as at the beginning and end of the relevant quarter. Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net customer loans and advances, plus investments (excluding equities and mutual funds) and derivatives.
qoq	Quarter on quarter change
Special levy	Relates to the special levy on deposits of credit institutions in Cyprus.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy and contribution to the Single Resolution Fund. It does not include 'advisory and other restructuring costs-excluding discontinued operations and NPE sale (Helix)' or any restructuring costs or loss relating to NPE sale (Helix). 'Advisory and other restructuring costs-excluding discontinued operations and NPE sale (Helix)' amount to €11 mn for 3Q2018, €7 mn for 2Q2018, €8 mn for 1Q2018 and €29 mn for the year ended 31 December 2017. Restructuring costs relating to NPE sale (Helix) amount to €5 mn for 3Q2018, €6 mn for 2Q2018, €6 mn for 1Q2018 and €Nil for the year ended 31 December 2017. Loss relating to NPE sale (Helix) amounts to €15 mn for 3Q2018, €135 mn for 2Q2018, €Nil for 1Q2018 and €Nil for the year ended 31 December 2017.
Total income	Total income comprises net interest income and non-interest income (as defined).
Total provisions and impairments	Total provisions and impairments comprise provision charge (as defined), plus (provisions)/reversal of provisions for litigation and regulatory matters plus (impairments)/reversal of impairments of other financial and non-financial assets.
Underlying basis	Statutory basis adjusted for certain items as detailed in the Basis of Presentation.
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.
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” and together with the Bank’s subsidiaries, the “Group”, for the nine months ended 30 September 2018.

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.

Financial information presented in this announcement is being published for the purposes of providing an overview of Group financial results for the nine months ended 30 September 2018. 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 of Ireland. The Group statutory financial statements for the year ended 31 December 2017, upon which the auditors have given an unqualified report, were published on 27 March 2018 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 2018 on 26 November 2018.

Statutory basis: Statutory information is set out on pages 22-50. 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 (as described on page 27) to allow a comparison of the Group’s underlying performance, as set out on pages 4-5.

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 2018 have been posted on the Group’s website www.bankofcyprus.com (Investor Relations/Financial Results).

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 Group Financial Results for the nine months ended 30 September 2018 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. 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 122 branches, of which 121 operate in Cyprus and 1 in Romania. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4,163 staff worldwide. At 30 September 2018, the Group's Total Assets amounted to €22.1 bn and Total Equity was €2.3 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.