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3rd Quarter Financial Report
**BANK OF CYPRUS HOLDINGS PLC**
BOCH

# Group Financial Results for the nine months ended 30 September 2021

Please find attached the below Announcement.

Attachments:

1. **Group Financial Results**
2. **Investor Presentation**

**Regulated**

Publication Date: 30/11/2021

Bank of Cyprus Holdings

Announcement

# Group Financial Results for the nine months ended 30 September 2021

Nicosia, 30 November 2021

## Key Highlights for the nine months ended 30 September 2021

### Strong Recovery Continues

- 5.3% GDP growth in 3Q2021, well above the eurozone average of 3.7%
- GDP expected to grow by c.5.5%[1] in FY2021 and recover to pre-pandemic levels by year-end
- Continuing to support the recovery; new lending of €1.3 bn in 9M2021, up 35% yoy

### Positive Operating Performance

- Total income of €139 mn for 3Q2021, down 8% qoq, partly impacted by Helix 2 completion; operating profit of €41 mn for 3Q2021
- Strong net fees and commissions at €44 mn for 3Q2021; 32% of total income
- Profit after tax and before non-recurring items of €13 mn for 3Q2021 and €64 mn for 9M2021
- Profit after tax of €19 mn for 3Q2021 and €20 mn for 9M2021

### Operating Efficiency

- Total operating expenses[2] of €89 mn for 3Q2021, flat qoq
- Cost to income ratio[2] at 64% for 3Q2021, up 6 p.p. qoq, mainly impacted by Helix 2 completion

### Strong Capital and Liquidity

- CET1 ratio of 15.3%[3,4] and Total Capital ratio of 20.4%[3,4]
- Deposits at €17.1 bn up 2% qoq; significant surplus liquidity of €6.0 bn (LCR 294%)

### Single Digit NPE Ratio[4]

- NPE sale signed in November 2021 (Helix 3), reducing NPE ratio to 8.6%[4] (3.6%[4] net), already in line with 2022 target
- NPEs reduced to €0.9 bn[4] (€0.4 bn[4] net)
- Organic NPE reduction of c.€300 mn in 9M2021
- 96% of performing loans[5] under expired payment deferrals with an instalment due by 22 November 2021, presented no arrears

**On-track to achieve our medium term targets**

1. Source: Ministry of Finance
2. Excluding special levy on deposits and other levies/contributions
3. Allowing for IFRS 9 and temporary treatment for certain FVOCI instruments transitional arrangements
4. Pro forma for Helix 3
5. As at 30 September 2021

## Group Chief Executive Statement

*"As the strong recovery in economic activity continued into the third quarter of the year, we continued to deliver against our medium term strategic targets.*

*Earlier this month, we reached a milestone agreement for the sale of €0.6 bn NPEs in Project Helix 3, reducing our pro forma NPE ratio to single digit of 8.6%, a year earlier than anticipated, in a profitable and capital accretive transaction. Overall, since the peak in 2014, we have now reduced the stock of NPEs by €14.1 bn or 94% to less than €1 bn and the NPE ratio by 54 percentage points, from 63% to less than 9% on a pro forma basis.*

*Our cost of risk stood at 66 bps year to date and the performance of the loans under expired payment deferrals remains strong. Our remaining stock of NPEs at the quarter end amounts to €0.9 bn pro forma for Helix 3 and we remain on track to achieve an NPE ratio of c.5% in the medium term.*

*We recorded a reported profit of €20 mn for the first nine months of the year, impacted by NPE sales and restructuring expenses. Recurring profit – a more indicative measure of our performance - totalled €64 mn year to date. Revenues remain stable despite the impact of the derecognition of non-performing loans following the completion of Helix 2 at the end of June. Our net fees and commissions remain strong, up 20% year to date and now amounting to 30% of total income. We continue working on our business model in order to improve our profitability and our operating expenses were flat in the quarter. Our cost to income ratio (excluding levies and contributions) for the year to date stood at 61%. We stand by our commitment to reduce our cost to income ratio to our target of mid-50% in the medium term.*

*The Bank's capital position remains sound and comfortably in excess of our regulatory requirements. As at 30 September 2021, our capital ratios (on a transitional basis) were 20.4% for the Total Capital ratio and 15.3% for CET1 ratio, both pro forma for Helix 3.*

*We continue to support the domestic economy and extended €1.3 bn of new loans in the first nine months of the year, an increase of 35% compared to the same period last year. We remain committed to being part of the country's economic growth, which is expected to fully offset the contraction in 2020 by the end of the year, and, with the implementation of the Cyprus Recovery and Resilience Plan, is expected to be sustained at pre-pandemic levels. At the same time, we remain focused and on track with achieving our medium term targets."*

***Panicos Nicolaou***

## A. Group Financial Results – Underlying Basis

### Unaudited Interim Condensed Consolidated Income Statement

| € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| Net interest income | 223 | 250 | 71 | 76 | -6% | -11% |
| Net fee and commission income | 128 | 106 | 44 | 45 | -2% | 20% |
| Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates | 14 | 14 | 6 | 6 | 1% | -3% |
| Insurance income net of claims and commissions | 43 | 42 | 12 | 18 | -36% | 2% |
| Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties | 8 | 2 | 2 | 4 | -42% | - |
| Other income | 11 | 11 | 4 | 3 | 42% | -3% |
| **Total income** | **427** | **425** | **139** | **152** | -8% | 0% |
| Staff costs | (152) | (145) | (51) | (51) | 0% | 4% |
| Other operating expenses | (108) | (104) | (38) | (38) | 2% | 3% |
| Special levy on deposits and other levies/contributions | (24) | (24) | (9) | (6) | 52% | 2% |
| **Total expenses** | **(284)** | **(273)** | **(98)** | **(95)** | 4% | 4% |
| **Operating profit** | **143** | **152** | **41** | **57** | -29% | -6% |
| Loan credit losses | (57) | (118) | (22) | (15) | 42% | -52% |
| Impairments of other financial and non-financial assets | (13) | (36) | (2) | (6) | -62% | -63% |
| Provisions for litigation, claims, regulatory and other matters | (6) | (4) | (2) | (3) | -56% | 34% |
| **Total loan credit losses, impairments and provisions** | **(76)** | **(158)** | **(26)** | **(24)** | 3% | -52% |
| **Profit/(loss) before tax and non-recurring items** | **67** | **(6)** | **15** | **33** | -52% | - |
| Tax | (3) | (7) | (2) | 1 | - | -59% |
| (Profit)/loss attributable to non-controlling interests | (0) | 4 | (0) | (0) | - | - |
| **Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)** | **64** | **(9)** | **13** | **34** | -59% | - |
| Advisory and other restructuring costs – organic | (19) | (9) | (1) | (15) | -93% | 102% |
| **Profit/(loss) after tax – organic (attributable to the owners of the Company)** | **45** | **(18)** | **12** | **19** | -31% | - |
| Provisions/net (loss)/profit relating to NPE sales[1] | (6) | (87) | 10 | (14) | - | -94% |
| Restructuring and other costs relating to NPE sales[1] | (19) | (17) | (3) | (12) | -71% | 22% |
| **Profit/(loss) after tax (attributable to the owners of the Company)** | **20** | **(122)** | **19** | **(7)** | - | - |

## A. Group Financial Results – Underlying Basis (continued)

### Unaudited Interim Condensed Consolidated Income Statement – Key Performance Ratios

| Key Performance Ratios[2] | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| Net Interest Margin (annualised) | 1.49% | 1.87% | 1.34% | 1.49% | -15 bps | -38 bps |
| Cost to income ratio | 66% | 64% | 71% | 62% | +9 p.p. | +2 p.p. |
| Cost to income ratio excluding special levy on deposits and other levies/contributions | 61% | 59% | 64% | 58% | +6 p.p. | +2 p.p. |
| Operating profit return on average assets (annualised) | 0.8% | 1.0% | 0.7% | 1.0% | -0.3 p.p. | -0.2 p.p. |
| Basic earnings/(losses) per share attributable to the owners of the Company (€ cent) | 4.39 | (27.25) | 4.22 | (1.66) | 5.88 | 31.64 |
| Basic earnings/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)[3] | 14.31 | (1.99) | 3.08 | 7.48 | (4.40) | 16.30 |

1. 'Provisions/net (loss)/profit relating to NPE sales' refer to the net (loss)/profit on transactions completed and the net loan credit losses on transactions under consideration, whilst 'Restructuring and other expenses relating to NPE sales' refer mainly to the restructuring costs relating to these trades. For further details please refer to Section A.2.4. 2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant. 3. As of 30 June 2021, the management monitors 'basic earnings/(losses) per share attributable to the owners of the Company' calculated using 'Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)', rather than 'Profit/(loss) after tax – organic (attributable to the owners of the Company)' which was previously the case, as the management believes it is a more appropriate measure of monitoring recurring performance, as it excludes 'Advisory and other restructuring costs – organic' which do not relate to the underlying or recurring business of the Group as a banking and financial services institution, but mainly to the cost of the Tier 2 Capital Notes tender offer of €12 mn, as well as certain costs relating to restructuring activities the Bank has associated with the organic reduction of NPEs, which have been decreasing as the level of NPEs is being reduced. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

### Commentary on Underlying Basis

The financial information presented in this Section provides an overview of the Group financial results for the nine months ended 30 September 2021 on the 'underlying basis' which the management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and one-off items.

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

With respect to the 'Balance Sheet Analysis', please note the following in relation to the disclosure of pro forma figures and ratios with respect to Projects Helix 3 and Helix 2. Further details are provided in Section A.1.5 'Loan portfolio quality'.

Project Helix 2 refers to the sale of portfolios of loans with a total gross book value of €1.3 bn on completion, secured over real estate collateral, to funds affiliated with Pacific Investment Management Company LLC ("PIMCO"), the agreements for which were announced on 3 August 2020 and on 18 January 2021. **Project Helix 2 sale was completed in June 2021.** In relation to the disclosure of pro forma figures and ratios with respect to Project Helix 2, in comparative periods, where numbers are provided on a pro forma basis this is stated.

Project Helix 3 refers to the agreement the Group reached in November 2021 with funds affiliated with PIMCO, for the sale of a portfolio of NPEs with gross book value of €568 mn, as well as real estate properties with book value of c.€120 mn. All relevant figures are based on 30 September 2021 financial results, unless otherwise stated. Numbers on a pro forma basis are based on 30 September 2021 underlying basis figures and are adjusted for Project Helix 3 and assume its completion, currently expected to occur in 1H2022, which remains subject to customary regulatory and other approvals. Where numbers are provided on a pro forma basis this is stated.

## A. Group Financial Results – Underlying Basis (continued)

### Unaudited Interim Condensed Consolidated Balance Sheet

| € mn | 30.09.2021 | 31.12.2020 | ±% |
|---|---|---|---|
| Cash and balances with central banks | 8,750 | 5,653 | 55% |
| Loans and advances to banks | 284 | 403 | -29% |
| Debt securities, treasury bills and equity investments | 2,143 | 1,913 | 12% |
| Net loans and advances to customers | 9,787 | 9,886 | -1% |
| Stock of property | 1,154 | 1,350 | -14% |
| Investment properties | 118 | 128 | -8% |
| Other assets | 1,954 | 1,550 | 26% |
| Non-current assets and disposal groups held for sale | 361 | 631 | -43% |
| **Total assets** | **24,551** | **21,514** | **14%** |
| Deposits by banks | 402 | 392 | 3% |
| Funding from central banks | 2,978 | 995 | - |
| Customer deposits | 17,128 | 16,533 | 4% |
| Loan stock | 649 | 272 | - |
| Other liabilities | 1,303 | 1,247 | 5% |
| **Total liabilities** | **22,460** | **19,439** | **16%** |

| | | | |
|---|---|---|---|
| **Shareholders' equity** | **1,846** | **1,831** | **1%** |
| Other equity instruments | 220 | 220 | - |
| **Total equity excluding non-controlling interests** | **2,066** | **2,051** | **1%** |
| Non-controlling interests | 25 | 24 | 3% |
| **Total equity** | **2,091** | **2,075** | **1%** |
| **Total liabilities and equity** | **24,551** | **21,514** | **14%** |

| **Key Balance Sheet figures and ratios** | **30.09.2021** (pro forma)[1] | **30.09.2021** (as reported)[2] | **31.12.2020** (as reported)[2] | ±[2] |
|---|---|---|---|---|
| Gross loans (€ mn) | **10,295** | **10,864** | 12,261 | -11% |
| Allowance for expected loan credit losses (€ mn) | **530** | **849** | 1,902 | -55% |
| Customer deposits (€ mn) | **17,128** | **17,128** | 16,533 | 4% |
| Loans to deposits ratio (net) | **57%** | **58%** | 63% | -5 p.p. |
| NPE ratio | **8.6%** | **13.3%** | 25.2% | -11.9 p.p. |
| NPE coverage ratio | **60%** | **59%** | 62% | -3 p.p. |
| Leverage ratio | **7.8%** | **7.8%** | 8.8% | -1 p.p. |
| **Capital ratios and risk weighted assets** | **30.09.2021** (pro forma)[1] | **30.09.2021** (as reported)[2] | **31.12.2020** (as reported)[2] | ±[2] |
| Common Equity Tier 1 (CET1) ratio (transitional)[3] | **15.3%** | **14.7%** | 14.8% | -10 bps |
| Total capital ratio | **20.4%** | **19.7%** | 18.4% | +130 bps |
| Risk weighted assets (€ mn) | **10,637** | **10,991** | 11,636 | -6% |

1. Pro forma for the sale of NPEs (Project Helix 3) of €0.6 bn on the basis of 30 September 2021 figures; calculations assume completion of Project Helix 3, which remains subject to required customary regulatory and other approvals. 2. Including the NPE portfolios classified as "Non-current assets and disposal groups held for sale", where relevant. 3.The CET1 fully loaded ratio as at 30 September 2021 amounts to 13.3% and 13.9% pro forma for Helix 3 (compared to 12.9% as at 30 June 2021 and to 12.9% and 13.3% pro forma for Helix 2 (Portfolios A and B) as at 31 December 2020). p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis

### A.1.1 Capital Base

**Total equity excluding non-controlling interests** totalled €2,066 mn at 30 September 2021, compared to €2,046 mn at 30 June 2021 and €2,051 mn at 31 December 2020. Shareholders' equity totalled €1,846 mn at 30 September 2021, compared to €1,826 mn at 30 June 2021 and €1,831 mn at 31 December 2020.

The **Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 14.7% as at 30 September 2021 and 15.3% pro forma for the Project Helix 3 agreement reached in November 2021 (referred to as "pro forma for Helix 3"), compared to 14.2% as at 30 June 2021 and 14.8% as at 31 December 2020 (and 15.2% pro forma for the Project Helix 2 Portfolios A and B, referred to as "pro forma for Helix 2"). During 3Q2021, the CET1 ratio was positively affected mainly by the pre-provision income, the impact of Helix 3 and the decrease in risk-weighted assets (RWA), and negatively affected mainly by provisions and impairments. Throughout, the capital ratios (and pro forma capital ratios) as at 30 September 2021 include unaudited / unreviewed profits for 9M2021, unless otherwise stated.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually. The amount added back to CET1 each year decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed at the end of the five years. The impact on the capital position for year 2018 was 5% of the impact on the impairment amount from the initial application of IFRS 9, increased to 15% (cumulative) for year 2019, 30% (cumulative) for year 2020 and 50% (cumulative) for year 2021. This will increase to 75% (cumulative) for year 2022 and will be fully phased in (100%) by 1 January 2023. The phasing-in of the impairment amount from the initial application of IFRS 9 had a negative impact of c.45 bps on the CET1 ratio on 1 January 2021.

The **CET1 ratio on a fully loaded basis** amounted to 13.3% as at 30 September 2021 and 13.9% pro forma for Helix 3, compared to 12.9% as at 30 June 2021 and 12.9% as at 31 December 2020 (and 13.3% pro forma for Helix 2). On a transitional basis and on a fully phased-in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

The **Total Capital ratio** stood at 19.7% as at 30 September 2021 and 20.4% pro forma for Helix 3, compared to 19.2% as at 30 June 2021 and 18.4% as at 31 December 2020 (and 18.7% pro forma for Helix 2).

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

The Group's **minimum phased-in Common Equity Tier 1 (CET1) capital ratio is currently at 9.7%** (comprising a 4.5% Pillar I requirement, a 1.7% Pillar II requirement, the Capital Conservation Buffer of 2.5% and the Other Systemically Important Institution Buffer of 1.0%).

The SREP **Total Capital Requirement is at 14.5%,** comprising an 8.0% Pillar I requirement (of which up to 1.5% can be in the form of AT1 capital and up to 2.0% in the form of T2 capital), a 3.0% Pillar II requirement, the Capital Conservation Buffer of 2.5% and the Other Systemically Important Institution Buffer of 1.0%. The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer. Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time.

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, the Central Bank of Cyprus (CBC) is 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 Bank has been designated as an O-SII and the O-SII buffer was initially set by the CBC at 2%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%). In April 2020, the CBC decided to delay the phasing-in (0.5%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022 as originally set. In November 2021, the Bank received notification from the CBC that the total O-SII buffer is reduced by 50 bps to 1.50%, therefore the phasing-in of the O-SII buffer on 1 January 2022 and 1 January 2023 has been revised to 0.25% for each period.

In the context of the SREP conducted by the ECB in 2021, the Pillar II requirement is expected to be c.3.27%, compared to the current level of 3.00%. The additional Pillar II requirement add-on of c.0.27% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the Pillar II requirement add-on takes into consideration Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.1 Capital Base (continued)

As a result, the Group's minimum phased-in CET1 capital ratio is expected to be set at c.10.09% compared to the current level of 9.69% (comprising a 4.50% Pillar I requirement, a c.1.84% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's Total Capital requirement is expected to be c.15.02% compared to the current level of 14.50% (comprising an 8.00% Pillar I requirement, of which up to 1.5% can be in the form of AT1 capital and up to 2.0% in the form of T2 capital, a c.3.27% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. **The new SREP requirements are expected to be effective from 1 March 2022 and remain subject to ECB final confirmation. The Group's CET1 and Total Capital ratio remain above the expected new requirements.**

The European Banking Authority (EBA) final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that, as of 1 January 2020, own funds held for the purposes of P2G cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

Based on the SREP decision of prior years, the Company (Bank of Cyprus Holdings PLC) and the Bank are under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2020. Following the 2021 SREP pre-notification received in November 2021, the Company and the Bank will still be under equity dividend distribution prohibition for 2022. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital. No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company or the Bank.

The ECB, as part of its supervisory role, has completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on the Bank's progress in disposing the properties in scope. The amount was directly deducted from own funds as at 30 June 2021 resulting in a decrease in the Group's CET1 ratio by c.44 bps as at 30 June 2021.

The Group participated in the ECB SREP Stress Test of 2021, the results of which were published by the ECB on 30 July 2021. For further information please refer to the 'Additional Risk and Capital Management Disclosures' of the 'Interim Financial Report 2021'.

#### Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, known as Project Helix 3.

The impact of this transaction on the Group's CET1 ratio is an increase of 8 bps as at 30 September 2021. Overall, by completion (currently expected to occur in 1H2022), and including the positive impact already recorded in the income statement for 3Q2021, the transaction is expected to have a total positive impact of c.67 bps on the Group's CET1 ratio.

All relevant figures and pro forma calculations are based on 30 September 2021 financial results, unless otherwise stated. Calculations on a pro forma basis assume completion of the transaction, which remains subject to customary regulatory and other approvals. Further details are provided in Section A.1.5 'Loan portfolio quality'.

#### Project Helix 2

In June 2021, the Company completed Project Helix 2 (Portfolios A and B), which refers to the sale of portfolios of loans with a total gross book value of €1,331 mn on completion (of which €1,305 mn relate to non-performing exposures), secured over real estate collateral, the agreements for which were announced on 3 August 2020 and on 18 January 2021.

The consideration for the sale amounts to c.€560 mn, of which c.€165 mn were received in cash by completion. The remaining amount is payable in four instalments up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios.

The capital impact of Project Helix 2 on the Group's CET1 ratio during 2Q2021 was an increase of c.20 bps, of which c.10 bps arose on completion. Post completion, the transaction is expected to have an additional positive capital impact of c.64 bps on the Group's CET1 ratio on the basis of 30 June 2021 figures, upon the full payment of the deferred consideration and without taking into consideration any positive impact from the earnout, thus making the transaction overall capital accretive. Further details are provided in Section A.1.5 'Loan portfolio quality'.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.1 Capital Base (continued)

#### Tier 2 Capital Notes

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

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

The New T2 Notes were priced at par with a fixed coupon of 6.625% per annum, payable annually in arrears and resettable on 23 October 2026. The maturity date for the New T2 Notes is 23 October 2031. The Company will have the option to redeem the New T2 Notes early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents.

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

During 3Q2021, Old T2 Notes of €4 mn were purchased by the Bank in the open market, as part of the Bank's ongoing active management of its capital position and liabilities. As at 30 September 2021, the Tier 2 Capital Notes comprise c.299 bps of the Group's Total Capital ratio, of which c.26 bps relate to the remaining Old T2 Notes of €39 mn. The Old T2 Notes are redeemable at the option of the Bank in January 2022.

#### Legislative amendments for the conversion of DTA to DTC

Legislative amendments allowing for the conversion of specific deferred tax assets (DTA) into deferred tax credits (DTC) became effective in March 2019. The law amendments cover the utilisation of income tax losses transferred from Laiki Bank to the Bank in March 2013. The introduction of CRD IV in January 2014 and its subsequent phasing-in led to a more capital-intensive treatment of this DTA for the Bank. With this legislation, institutions are allowed to treat such DTAs as 'not relying on profitability', according to CRD IV and as a result not deducted from CET1, hence improving a credit institution's capital position.

The Group understands that, in response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government is considering the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already acknowledged, to maintain the conversion of such DTAs into tax credits.

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10 mn per year. The Group estimates that such increased fees could range up to €5.3 mn per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. In this respect, an amount of €3 mn was recorded in 4Q2020 to bring the total amount provided for years 2018-2020 to €16 mn, being the maximum expected increased amount for these years (€13 mn in 4Q2019 and €19 mn in FY2019).

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.2. Regulations and Directives

### A.1.2.1 Revised rules on capital and liquidity (CRR II and CRD V)

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force. As this was an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Being a Regulation, CRR II is directly applicable in each member state. Member states were required to transpose the CRD V into national law. CRD V was transposed and implemented in Cyprus law in early May 2021. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities, MREL), and most changes became effective as of June 2021. The key changes introduced consist of, among others, changes to qualifying criteria for CET1, AT1 and Tier 2 instruments, introduction of MREL requirements and binding Leverage Ratio and Net Stable Funding Ratio (NSFR) requirements.

Some of the amendments were introduced in June 2020 as part of the "CRR quick-fix" which brought forward certain CRR II changes in light of the challenges posed to the banking sector by the COVID-19. The key measures in the CRR quick fix include an extension of the IFRS 9 transitional arrangements for the dynamic component by 2 years, the introduction of a prudential filter on exposures to central governments, regional governments or local authorities at FVOCI, the acceleration of CRR II amendments to exempt certain software assets from capital deduction and to revise the SME discount factors.

### A.1.2.2 The 2021 Banking Package (CRR III and CRD VI and BRRD)

In October 2021, the European Commission adopted legislative proposals for further amendments to CRR, CRD IV and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. Please refer to Note G.2. 'Capital management', for information on what the 2021 Banking Package includes. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

### A.1.2.3 Bank Recovery and Resolution Directive (BRRD)

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

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

In April 2021, the Bank received notification from the Single Resolution Board (SRB) of the final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank, determined as the preferred resolution point of entry. **As per the decision, the final MREL requirement was set at 23.32% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) and must be met by 31 December 2025. Furthermore, the Bank must comply by 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE.** The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

In November 2021, the Bank received a draft notification from the SRB regarding the 2022 MREL decision, by which the above requirements and timelines remain unchanged, except for the final MREL requirement for 31 December 2025 now set at 23.74% of risk weighted assets. The revised MREL requirements remain subject to SRB and CBC final confirmation.

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

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.2. Regulations and Directives (continued)

### A.1.2.3 Bank Recovery and Resolution Directive (BRRD) (continued)

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

The MREL ratio of the Bank as at 30 September 2021, calculated according to the SRB's eligibility criteria currently in effect and based on the Bank's internal estimate, stood at 18.97% of risk weighted assets (RWA) and at 10.17% of LRE. Pro-forma for Helix 3, the MREL ratio of the Bank as at 30 September 2021, calculated on the same basis, stood at 19.83% of risk weighted assets. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, currently at 3.5% and expected to increase to 3.75% on 1 January 2022. The MREL ratios (and pro forma MREL ratios) as at 30 September 2021 include unaudited / unreviewed profits for 9M2021, unless otherwise stated.

The Bank's MREL ratio as at 30 September 2021 includes 36 bps relating to the remaining Old T2 Notes of €39 mn. The Old T2 Notes are redeemable at the option of the Bank in January 2022.

The successful Tier 2 capital refinancing in April 2021 and the inaugural issuance of MREL-compliant senior notes in June 2021 are part of the Bank's funding plan to meet the interim and final MREL requirements. **The MREL interim requirement of 1 January 2022 has already been achieved.**

### A.1.3 Funding and Liquidity

#### Funding

***Funding from Central Banks***

At 30 September 2021, the Bank's funding from central banks amounted to €2,978 mn, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,985 mn as at 30 June 2021 and €995 mn as at 31 December 2020.

In June 2021 the Bank borrowed an amount of €300 mn under the eighth TLTRO III operation, increasing the borrowing under TLTRO III to €3.0 bn, as the Bank had already borrowed an amount of €1.7 bn under the seventh TLTRO III operation in March 2021 and an amount of €1 bn under the fourth TLTRO III operation in June 2020, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements.

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

The potential NII benefit from the TLTRO III borrowing for the period from June 2021 to June 2022 amounts to c.€15 mn, based on current ECB rates and provided the Bank meets the net lending thresholds, recognised over the respective period in the income statement.

The TLTRO III borrowing of €3.0 bn is expected to be repaid by mid-2022.

***Deposits***

Customer deposits totalled €17,128 mn at 30 September 2021 (compared to €16,801 mn at 30 June 2021 and €16,533 mn at 31 December 2020) and increased by 2% in the third quarter and by 4% since the year end.

The Bank's deposit market share in Cyprus reached 34.8% as at 30 September 2021, compared to 34.6% as at 30 June 2021 and 35.0% at 31 December 2020. Customer deposits accounted for 70% of total assets and 76% of total liabilities at 30 September 2021 (compared to 77% of total assets and 85% of total liabilities at 31 December 2020).

The net Loans to Deposits (L/D) ratio stood at 58% as at 30 September 2021 (compared to 59% as at 30 June 2021 and 63% as at 31 December 2020 on the same basis). The decrease of 5 p.p. in the nine months to 30 September 2021 is mainly due to the completion of Project Helix 2 in June 2021 and the increase in deposits since the year end. Pro forma for Helix 3, the L/D ratio as at 30 September 2021 stood at 57%.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.3 Funding and Liquidity (continued)

#### Funding (continued)

***Loan Stock***

At 30 September 2021 the Group's loan stock (including accrued interest) amounted to €649 mn (compared to €645 mn at 30 June 2021 and €272 mn at 31 December 2020) and relates to unsecured subordinated Tier 2 Capital Notes and senior preferred notes.

For further information please refer to Sections A.1.1 Capital Base and A.1.2.3 Bank Recovery and Resolution Directive (BRRD) / Minimum Requirement for Own Funds and Eligible Liabilities (MREL) respectively.

#### Liquidity

At 30 September 2021 the Group Liquidity Coverage Ratio (LCR) stood at 294% (compared to 303% at 30 June 2021 and 254% at 31 December 2020), above the minimum regulatory requirement of 100%. The liquidity surplus in LCR at 30 September 2021 amounted to €6.0 bn (compared to €5.7 bn at 30 June 2021 and €4.2 bn at 31 December 2020). The increase in 3Q2021 is mainly driven by the increase in customer deposits. The increase in 2Q2021 was mainly due to the issuance of €300 mn senior preferred notes, the completion of Project Helix 2 and the increase in deposits. The increase in 1Q2021 was driven mainly by the increase in the TLTRO III borrowing in March 2021.

The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF). The regulatory limit, enforced in June 2021, has been set at 100% as per CRR II. The NSFR weights under CRR II do not have material deviations from those under Basel III guidelines which the Group followed prior to CRR II enforcement. At 30 September 2021 the Group's NSFR stood at 148% (compared to 150% at 30 June 2021 and 139% at 31 December 2020).

### A.1.4 Loans

Group gross loans totalled €10,864 mn at 30 September 2021, compared to €10,893 mn at 30 June 2021 and €12,261 mn at 31 December 2020, reduced by 11% since the year end following the completion of Project Helix 2.

New lending granted in Cyprus reached €427 mn for 3Q2021 (compared to €407 mn for 2Q2021 and €487 mn for 1Q2021) and totalled €1,321 mn for 9M2021 (up by 35% yoy). New lending in 3Q2021 comprised €188 mn of corporate loans, €151 mn of retail loans (of which €109 mn were housing loans), €39 mn of SME loans and €49 mn of shipping and international loans. New corporate loans in 3Q2021 have increased by c.60% yoy, as the economic activity continues to improve. At the same time, demand for retail housing loans remains strong, supported by Government schemes.

At 30 September 2021, the Group net loans and advances to customers totalled €9,787 mn (compared to €9,967 mn at 30 June 2021 and €9,886 mn at 31 December 2020). In addition, at 30 September 2021 net loans and advances to customers of €250 mn were classified as held for sale in line with IFRS 5 and related to Project Helix 3, compared to Nil as at 30 June 2021 and to €493 mn as at 31 December 2020, of which €485 mn related to Project Helix 2 and €8 mn to Helix Tail.

The Bank is the single largest credit provider in Cyprus with a market share of 39.1% at 30 September 2021, at the same level as at 30 June 2021 and compared to 42.4% at 31 March 2021 and 41.9% at 31 December 2020. The decrease in 2Q2021 is mainly due to the completion of Project Helix 2.

### A.1.5 Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics and the loan restructuring activity has continued despite challenges brought upon by COVID-19. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio. The Group's near-term priorities include completing the balance sheet de-risking, whilst managing the post-pandemic NPE inflow.

The loan credit losses for 3Q2021 totalled €22 mn (excluding 'Provisions/net (loss)/profit relating to NPE sales'), compared to €15 mn for 2Q2021 and totalled €57 mn for 9M2021, compared to €118 mn in 9M2020. Further details regarding loan credit losses are provided in Section A.2.3 'Profit/(loss) before tax and non-recurring items'.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.5 Loan portfolio quality (continued)

#### Loan moratorium

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. The payment holiday for all these loans expired on 31 December 2020.

**Performing loans as at 30 September 2021 under expired payment deferrals amounted to €4.8 bn** (compared to €4.9 bn as at 30 June 2021 and €5.3 bn as at 31 December 2020), of which €4.7 bn or 98% had an instalment due by 22 November 2021 with a strong performance; 96% present no arrears (of which €0.59 bn have been restructured) and only 4% (€186 mn) are in arrears (of which €178 mn are less than 30 days-past-due).

Performing loans to **private individuals** as at 30 September 2021 under expired payment deferrals amounted to €1.8 bn, of which 98% had an instalment due by 22 November 2021. Of those, 92% present no arrears (of which c.€36 mn have been restructured) and only 8% (€142 mn) are in arrears (of which €135 mn are less than 30 days-past-due).

Similarly, performing loans to **businesses** as at 30 September 2021 under expired payment deferrals amounted to €3.0 bn, of which 98% had an instalment due by 22 November 2021. Of those, 99% present no arrears (of which c.€556 mn have been restructured, mostly in the tourism sector) and only 1% (€44 mn) are in arrears.

In 3Q2021, net reclassifications of €157 mn of loans under expired payment deferrals were made from Stage 2 to Stage1, mainly due to improved macro assumptions. In addition, reclassifications of c.€8 mn of loans under expired payment deferrals were made mainly from Stage 2 to Stage 3 in 3Q2021. References made to 'loans under expired payment deferrals' in this paragraph include current account and overdrafts.

The Bank will continue to monitor this portfolio closely, to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers. To that end, the Bank has enhanced its monitoring process to include transactional analysis to establish funds availability to meet upcoming instalments and performance of daily monitoring of arrears and excesses, as well as NPEs inflows and outflows.

The Bank has a strong track record in dealing with restructurings. Targeted restructuring solutions are offered to alleviate pandemic-related short-term cash flow burden, following rigorous assessment of repayment ability. To date, most restructurings relate to tourism.

Following continuing signs of recovery in 3Q2021, the majority of COVID-19 related management overlays applied in FY2020 and 1H2021 were removed in 3Q2021. A reversal of loan impairments related to COVID-19 amounting to €17 mn (62 bps) was included in 3Q2021 loan credit losses of €22 mn (cost of risk of 78 bps for 3Q2021) as a result of stronger than expected economic performance. In comparison, loan impairments related to COVID-19 amounting to €3.5 mn (12 bps) were included in 2Q2021 loan credit losses of €15 mn (cost of risk of 52 bps for 2Q2021) and €9 mn (29 bps) were included in 1Q2021 loan credit losses of €20 mn (cost of risk of 66 bps for 1Q2021). Overall, a reversal of loan impairments related to COVID-19 amounting to c.€5 mn (5 bps) are included in 9M2021 loan credit losses of €57 mn (annualised cost of risk of 0.66%). Overall, in FY2020, the impact of IFRS 9 FLI driven by the update of the macroeconomic assumptions resulted in a €54 mn charge (43 bps) included in the FY2020 loan credit losses of €149 mn (cost of risk of 1.18%). Further details on the cost of risk are provided in Section A.2.3 Profit/(loss) before tax and non-recurring items.

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable under COVID-19 remain in place. The Group will continue to monitor the situation, so that any changes arising from the uncertainty on the macroeconomic outlook, impacted by the additional progress in vaccinations and medication, degree of recurrence of the disease due to virus mutations, such as the Omicron variant, and the persistent positive effect of fiscal and monetary policy, are timely captured.

Finally, the provision coverage of Stage 3 loans under payment deferrals that expired on 31 December 2020 of c.25% as at 30 September 2021 is considered to be adequate, as it is higher than the coverage of re-performing NPEs (NPEs in the pipeline to exit, subject to meeting all exit criteria) of 22%.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.5 Loan portfolio quality (continued)

#### Loan moratorium (continued)

The table below presents the loans under payment deferrals that expired on 31 December 2020, by IFRS 9 staging.

| IFRS 9 staging for expired loan payment deferrals (€ bn) | | | |
|---|---|---|---|
| **€ bn** | **30.09.2021** | **30.06.2021** | **31.12.2020** |
| Stage 1 | 3.61 | 3.58 | 3.96 |
| Stage 2 | 1.46 | 1.62 | 1.58 |
| Stage 3 | 0.23 | 0.25 | 0.33 |
| **Total** | **5.30**[1] | **5.45** | **5.87** |
| 1 Includes overdrafts and current accounts of c.€0.25 bn (30 June 2021: c.€0.26 bn) | | | |

A second scheme for the suspension of loan repayments for interest and principal (loan moratorium) was launched in January 2021 for customers impacted by the second lockdown. Payment deferrals were offered to the end of June 2021, however, the total months under loan moratorium, including the loan moratorium offered in 2020, cannot exceed a total of nine months. The application period expired on 31 January 2021 and loans of c.€20 mn were approved for the second moratorium. Close monitoring of the credit quality of loans in moratoria continues.

Following the outbreak of COVID-19, the sectors most adversely affected are tourism and trade. The Group has a well – diversified performing loan portfolio. For further information on the Group's non-legacy loan book exposure to tourism and trade and the performance of these loans after the expiry of the loan moratorium, please refer to Section C. Business Overview.

For further information please refer to the presentation for the Group Financial Results for the nine months ended 30 September 2021 (slides 11 and 42).

#### Non-performing exposure reduction

**Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA)** were reduced by €140 mn, or 9%, in 3Q2021 comprising net organic NPE reductions of €131 mn and further net NPE reductions of €9 mn relating to Project Helix 3 loans during 3Q2021 (compared to a reduction of €1,423 mn in 2Q2021, including Project Helix 2 loans on completion of €1,305 mn) to €1,449 mn at 30 September 2021 (compared to €1,589 mn at 30 June 2021 and €3,086 mn at 31 December 2020). Pro forma for Helix 3, NPEs are reduced by a further €568 mn to €881 mn on the basis of 30 September 2021 figures.

The NPEs account for 13.3% of gross loans as at 30 September 2021, compared to 14.6% as at 30 June 2021 and 25.2% as at 31 December 2020, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. The reduction in NPE ratio by c.12 p.p. in the year to date is driven by the completion of Project Helix 2. Pro forma for Helix 3, the NPE ratio is reduced to 8.6% on the basis of 30 September 2021 figures.

The NPE coverage ratio stands at 59% at 30 September 2021, compared to 60% at 30 June 2021 and 62% at 31 December 2020 on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. Pro forma for Helix 3, NPE coverage ratio is 60% on the basis of 30 September 2021 figures.

## A.1. Balance Sheet Analysis (continued)

### A.1.5 Loan portfolio quality (continued)

#### Non-performing exposure reduction (continued)

As of 1 January 2021, the new regulation on Definition of Default has been implemented, affecting NPE exposures and the calculation of Days-Past-Due (please refer to Section H. Definitions & Explanations for the changes in the definition).

| | **30.09.2021 Pro forma for Helix 3** | | **30.09.2021** | | 31.12.2020 Pro forma for Helix 2 | | 31.12.2020 | |
|---|---|---|---|---|---|---|---|---|
| | € mn | % gross loans | € mn | % gross loans | € mn | % gross loans | € mn | % gross loans |
| NPEs as per EBA definition | 881 | 8.6% | 1,449 | 13.3% | 1,760 | 16.1% | 3,086 | 25.2% |
| Of which, in pipeline to exit: | | | | | | | | |
| -NPEs with forbearance measures, no arrears[1] | 172 | 1.7% | 180 | 1.7% | 245 | 2.2% | 303 | 2.5% |

1. The analysis is performed on a customer basis.

#### Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 mn as at 30 September 2021, as well as real estate properties with book value of c.€120 mn as at 30 September 2021, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), known as Project Helix 3. This portfolio of loans had a contractual balance of €993 mn as at the reference date of 31 May 2021 and comprises c.20,000 loans, mainly to retail clients. As at 30 September 2021, this portfolio of loans, as well as the real estate properties included in Helix 3, were classified as a disposal group held for sale. At completion, currently expected to occur in 1H2022, the Bank will receive gross cash consideration of c.€385 mn.

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

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

Project Helix 3 represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. Pro forma for Helix 3, the Group's NPE ratio is in single digit. Helix 3 reduced the stock of NPEs by 39% to €881 mn pro forma on the basis of 30 September 2021 figures, and its NPE ratio by 5 p.p., to 8.6% pro forma on the basis of 30 September 2021 figures. Overall, since the peak in 2014 and pro forma for Helix 3, the stock of NPEs has been reduced by €14.1 bn or 94% to less than €1 bn and the NPE ratio by 54 percentage points, from 63% to less than 9%.

Project Helix 3 also reduced the Group's properties held by REMU by 9% to €1,264 mn pro forma on the basis of 30 September 2021 figures (see Section A.1.6. Real Estate Management Unit, REMU).

All relevant figures and pro forma calculations are based on 30 September 2021 financial results, unless otherwise stated. Calculations on a pro forma basis assume completion of the transaction, which remains subject to customary regulatory and other approvals.

#### Project Helix 2

In June 2021, the Company completed Project Helix 2 (Portfolios A and B), which refers to the sale of portfolios of loans with a total gross book value of €1,331 mn as at the completion date (of which €1,305 mn relate to non-performing exposures) ("Portfolios A and B") secured over real estate collateral, and stock of properties with carrying value amounting to €73 mn, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), the agreements for which were announced on 3 August 2020 and on 18 January 2021. The Bank retained the servicing of these Portfolios for a transitional period to the end of 3Q2021, against a servicing fee (see Section A.2.1 Total income).

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

### A.1.5 Loan portfolio quality (continued)

#### Project Helix 2 (continued)

The consideration for the sale amounts to c.€560 mn, of which c.€165 mn were received in cash by completion. The remaining amount is payable in four instalments up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios.

Project Helix 2 represents another milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs. Project Helix 2 (Portfolios A and B) reduced the NPE ratio by c.9 percentage points, on the basis of 30 June 2021 figures.

**The Group has early achieved its 2022 target for single digit NPE ratio and remains on track to achieve an NPE ratio of c.5% in the medium term.**

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

The **Real Estate Management Unit (REMU)** is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2017 amount to €1.34 bn and exceed properties on-boarded for the same period of €1.32 bn.

The Group completed disposals of €107 mn in 9M2021 (compared to €48 mn in 9M2020), resulting in a profit on disposal of €9.5 mn for 9M2021 (compared to a profit on disposal of €6 mn for 9M2020), following the relaxation of restrictive measures. Asset disposals are across all property classes, with 53% of sales by value in 9M2021 relating to land.

The Group completed disposals of €26 mn in 3Q2021 resulting in a profit on disposal of €2 mn for 3Q2021, compared to disposals of €52 mn in 2Q2021, resulting in a profit on disposal of €4 mn for 2Q2021. In addition, disposals in 2Q2021 have been adjusted to include properties of €5 mn relating to Project Helix 2 that had been transferred to non-current assets and disposal groups held for sale in 1Q2021.

As at 30 September 2021, assets held by REMU with carrying value of €101 mn (comprising stock of property of €95 mn and investment properties of €6 mn) were classified as non-current assets and disposal groups held for sale, as they are included in Project Helix 3. **Pro forma for Helix 3, assets held by REMU were reduced by 14% in 9M2021.**

During the nine months ended 30 September 2021, the Group executed sale-purchase agreements (SPAs) for disposals of 553 properties (with contract value of €113 mn), compared to SPAs for disposals of 320 properties (with contract value of €56 mn) for 9M2020. **Pro forma for Helix 3, the Group executed SPAs of 974 properties with contract value of €212 mn during 9M2021, representing an increase (by contact value) of c.280% yoy.**

In addition, the Group had a strong pipeline of €82 mn by contract value as at 30 September 2021, of which €53 mn related to SPAs signed (compared to a pipeline of €54 mn as at 30 September 2020, of which €31 mn related to SPAs signed).

REMU on-boarded €29 mn of assets in 9M2021 (compared to additions of €74 mn in 9M2020), via the execution of debt for asset swaps and repossessed properties.

Details with respect to the prudential charge relating to the onsite inspection findings are provided in Section A.1.1 'Capital Base'.

#### Assets held by REMU

As at 30 September 2021, assets held by REMU had a carrying value of €1,264 mn (comprising properties of €1,154 mn classified as 'Stock of property' and €110 mn as 'Investment properties'), compared to €1,473 mn as at 31 December 2020 (comprising properties of €1,350 mn classified as 'Stock of property' and €123 mn as 'Investment properties').

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €8 mn as at 30 September 2021 (compared to €5 mn as at 31 December 2020), relate to legacy properties held by the Group before the set-up of REMU in January 2016.

# A. Group Financial Results – Underlying Basis (continued)

## A.1. Balance Sheet Analysis (continued)

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

#### Assets held by REMU (continued)

| Assets held by REMU (Group) € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| Opening balance | **1,473[1]** | **1,506[1]** | 1,404 | 1,449[1] | -3% | -2% |
| On-boarded assets (including construction cost) | **29** | **74** | 8 | 10 | -23% | -61% |
| Sales | **(107)** | **(48)** | (26) | (57)[2] | -57% | 124% |
| Net impairment loss | **(30)** | **(38)** | (21) | (3) | - | -20% |
| Transfer to non-current assets and disposal groups held for sale | **(101)** | **(11)** | (101) | 5[2] | - | - |
| **Closing balance** | **1,264** | **1,483[1]** | 1,264 | 1,404 | -10% | -15% |

1 Following certain segmental reclassifications to better align with current management information, investment properties of €16 mn as at 30 June 2021 (31 December 2020: €16 mn) relating to land, were transferred under REMU. Comparative information was restated to account for this change. 2 Sales in 2Q2021 have been adjusted to include properties of €5 mn relating to Project Helix 2 that had been transferred to non-current assets and disposal groups held for sale in 1Q2021.

| Analysis by type and country 30 September 2021 (€ mn) | Cyprus | Greece | Romania | Total |
|---|---|---|---|---|
| Residential properties | **88** | **24** | **0** | **112** |
| Offices and other commercial properties | **217** | **25** | **3** | **245** |
| Manufacturing and industrial properties | **56** | **24** | **0** | **80** |
| Hotels | **25** | **-** | **-** | **25** |
| Land (fields and plots) | **534** | **5** | **1** | **540** |
| Golf courses and golf-related property | **262** | **-** | **-** | **262** |
| **Total** | **1,182** | **78** | **4** | **1,264** |

| 31 December 2020 (restated)[1] (€ mn) | Cyprus | Greece | Romania | Total |
|---|---|---|---|---|
| Residential properties | 158 | 24 | 0 | 182 |
| Offices and other commercial properties | 240 | 26 | 5 | 271 |
| Manufacturing and industrial properties | 74 | 29 | 0 | 103 |
| Hotels | 24 | 1 | - | 25 |
| Land (fields and plots) | 622 | 6 | 2 | 630 |
| Golf courses and golf-related property | 262 | - | - | 262 |
| **Total** | 1,380 | 86 | 7 | 1,473 |

1 Following certain segmental reclassifications to better align with current management information, investment properties of €16 mn as at 30 June 2021 (31 December 2020: €16 mn) relating to land, were transferred under REMU. Comparative information was restated to account for this change.

## A. Group Financial Results – Underlying Basis (continued)

## A.2. Income Statement Analysis

### A.2.1 Total income

| € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| **Net interest income** | 223 | 250 | 71 | 76 | -6% | -11% |
| Net fee and commission income | 128 | 106 | 44 | 45 | -2% | 20% |
| Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates | 14 | 14 | 6 | 6 | 1% | -3% |
| Insurance income net of claims and commissions | 43 | 42 | 12 | 18 | -36% | 2% |
| Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties | 8 | 2 | 2 | 4 | -42% | - |
| Other income | 11 | 11 | 4 | 3 | 42% | -3% |
| **Non-interest income** | **204** | **175** | **68** | **76** | -10% | 16% |
| **Total income** | **427** | **425** | **139** | **152** | -8% | 0% |
| Net Interest Margin (annualised)[1] | 1.49% | 1.87% | 1.34% | 1.49% | -15 bps | -38 bps |
| Average interest earning assets (€ mn)[1] | 20,087 | 17,865 | 21,195 | 20,381 | 4% | 12% |

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

**Net interest income (NII)** for 9M2021 amounted to €223 mn, compared to €250 mn in 9M2020, down by 11% yoy mainly due to the continuing pressure from the low interest rate environment, lower volume of loans including the impact from the completion of Helix 2, as well as lower interest collections on NPEs, partially offset by the increase in TLTRO III in 9M2021 and the reduction in the cost of deposits.

Net interest income (NII) for 3Q2021 amounted to €71 mn, compared to €76 mn for 2Q2021, mainly reflecting the completion of Helix 2 in June 2021. The reduction in NII in 3Q2021 has been offset by an amount of €2.7 mn relating to the unwinding of the net present value and interest income of the deferred consideration, which is expected to continue until 2023, reducing thereafter on the basis of repayments and assuming no early repayment in 2023.

**Average interest earning assets (AIEA)** for 9M2021 amounted to €20,087 mn, up by 12% yoy driven by the increase in liquid assets following the increase in the borrowing under TLTRO III by €2.0 bn in 9M2021. Quarterly average interest earning assets for 3Q2021 amounted to €21,195 mn, up by 4% qoq, mainly due to the increase in liquid assets following the increase in customer deposits by c.€330 mn.

**Net interest margin (NIM)** for 9M2021 amounted to 1.49% (compared to 1.87% for 9M2020) negatively impacted by the decrease in NII and the increase in average interest earning assets. Net interest margin (NIM) for 3Q2021 amounted to 1.34% (compared to 1.49% in 2Q2021) negatively impacted mainly by the decrease in NII.

**Non-interest income** for 9M2021 amounted to €204 mn (compared to €175 mn for 9M2020), up by 16% yoy, comprising net fee and commission income of €128 mn, net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €14 mn, net insurance income of €43 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €8 mn and other income of €11 mn. The yoy increase is driven by higher net fee and commission income, as well as higher REMU disposal gains and lower revaluation losses on investment properties.

Non-interest income for 3Q2021 amounted to €68 mn (compared to €76 mn for 2Q2021), down 10% qoq, comprising net fee and commission income of €44 mn, net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €6 mn, net insurance income of €12 mn, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €2 mn and other income of €4 mn. The qoq decrease is mainly due to lower net insurance income and lower gains on disposal of stock of properties.

## A. Group Financial Results – Underlying Basis (continued)

### A.2. Income Statement Analysis (continued)

#### A.2.1 Total income (continued)

**Net fee and commission income** for 9M2021 amounted to €128 mn, compared to €106 mn for 9M2020, up by 20% yoy, mainly resulting from the introduction of liquidity fees to a broader group of corporate clients and a new price list for charges and fees, both implemented as of 1 February 2021. Net fee and commission income for 9M2021 includes an amount of c.€7 mn relating to an NPE sales-related servicing fee, for a transitional period that ended at the end of 3Q2021. Net fee and commission income for 3Q2021 amounted to €44 mn, compared to €45 mn for 2Q2021 (down 2% qoq), mainly due to a fee of c.€2 mn relating to a specific client transaction in 2Q2021.

**Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates** of €14 mn for 9M2021 (comprising net foreign exchange gains of €12 mn and net gains on financial instrument transactions of €2 mn), at similar levels as for 9M2020 (down 3% yoy).

Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €6 mn for 3Q2021 (comprising net foreign exchange gains of €5 mn and net gains on financial instrument transactions of c.€1 mn), at similar levels as for 2Q2021 (up by 1% qoq).

**Net insurance income** of €43 mn for 9M2021, compared to €42 mn for 9M2020, up by 2% yoy mainly due to higher gross written premiums, partly offset by the impact from the changes in the discount rate in the life insurance business and by higher costs and claims in the general insurance business (as claims in 9M2020 had been positively impacted by lockdowns). Net insurance income of €12 mn in 3Q2021, compared to €18 mn in 2Q2021, down by 36% qoq, impacted mainly by seasonality, higher claims and changes in the discount rate.

**Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties** for 9M2021 amounted to €8 mn (comprising a profit on disposal of stock of properties of €9.5 mn and net losses from revaluation and disposal of investment properties of €1.5 mn), compared to €2 mn in 9M2020 which had been impacted by the lockdown measures.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 3Q2021 amounted to €2 mn (relating mainly to a profit on disposal of stock of properties of €2 mn), compared to €4 mn in 2Q2021 (comprising a profit on disposal of stock of properties of c.€4.5 mn and net losses from revaluation of investment properties of c.€0.5 mn). REMU profit remains volatile.

**Total income** for 9M2021 amounted to €427 mn, compared to €425 mn for 9M2020 (broadly flat yoy). Total income for 3Q2021 amounted to €139 mn, compared to €152 mn for 2Q2021 (down by 8% qoq).

## A.2. Income Statement Analysis (continued)

### A.2.2 Total expenses

| € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| Staff costs | (152) | (145) | (51) | (51) | 0% | 4% |
| Other operating expenses | (108) | (104) | (38) | (38) | 2% | 3% |
| **Total operating expenses** | (260) | (249) | (89) | (89) | 1% | 4% |
| Special levy on deposits and other levies/contributions | (24) | (24) | (9) | (6) | 52% | 2% |
| **Total expenses** | **(284)** | **(273)** | **(98)** | **(95)** | 4% | 4% |
| Cost to income ratio[1] | 66% | 64% | 71% | 62% | +9 p.p. | +2 p.p. |
| Cost to income ratio excluding special levy on deposits and other levies/contributions[1] | 61% | 59% | 64% | 58% | +6 p.p. | +2 p.p. |

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

**Total expenses** for 9M2021 were €284 mn (compared to €273 mn for 9M2020, up by 4% yoy), 53% of which related to staff costs (€152 mn), 38% to other operating expenses (€108 mn) and 9% (€24 mn) to special levy on deposits and other levies/contributions. Total expenses for 3Q2021 were €98 mn compared to €95 mn for 2Q2021, up by 4% qoq. The yoy increase of 4% is driven by the 4% yoy increase in staff costs. The qoq increase of 4% is driven by the 52% qoq increase in special levy on deposits and other levies/contributions. Further details are provided below.

**Total operating expenses** for 9M2021 were €260 mn, compared to €249 mn for 9M2020 (up by 4% yoy). Total operating expenses for 3Q2021 were €89 mn, at broadly the same level as for 2Q2021 (up by 1% qoq).

**Staff costs** for 9M2021 were €152 mn, compared to €145 mn for 9M2020 (up by 4% yoy). Staff costs for 3Q2021 were €51 mn, flat qoq. The Group employed 3,558 as at 30 September 2021 (compared to 3,558 as at 30 June 2021 and 3,573 as at 31 December 2020), including 96 persons relating to Project Helix 2 who were transferred to the buyer upon full migration at the end of 3Q2021.

In July 2021, the Bank reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Bank and are in line with market best-practice. This renewal is expected to increase staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years. The Group's medium-term guidance, which includes maintaining annual 'total operating expenses' below €350 mn, remains unchanged.

**Other operating expenses** for 9M2021 were €108 mn, compared to €104 mn for 9M2020 (up by 3% yoy). Other operating expenses for 3Q2021 were €38 mn, at similar levels for 2Q2021 (up by 2% qoq).

**Special levy on deposits and other levies/contributions** for 9M2021 amounted to €24 mn, broadly flat yoy. Special levy on deposits and other levies/contributions for 3Q2021 amounted to €9 mn (compared to €6 mn for 2Q2021), up by 52% qoq, owing to the €3 mn contribution of the Bank to the Deposit Guarantee Fund (DGF) which relates to 2H2021 and was recorded in 3Q2021, in line with IFRSs.

As from 1 January 2020 and until 3 July 2024 the Bank is subject to contribution to the Deposit Guarantee Fund (DGF) on a semi-annual basis. The contributions are calculated based on the Risk Based Methodology (RBM) as approved by the management committee of the Deposit Guarantee and Resolution of Credit and Other Institutions Schemes (DGS) and is publicly available on the CBC's website. In line with the RBM, the contributions are broadly calculated on the covered deposits of all authorised institutions and the target level is to reach at 0.8% of these deposits by 3 July 2024.

# A. Group Financial Results – Underlying Basis (continued)

## A.2. Income Statement Analysis (continued)

### A.2.2 Total expenses (continued)

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 9M2021 was 61%, compared to 59% for 9M2020 (up by 2 p.p. yoy). The cost to income ratio excluding special levy on deposits and other levies/contributions for 3Q2021 was 64%, compared to 58% for 2Q2021, with the increase of 6 p.p. qoq driven by the decrease in total income.

**Adjusting for the interest income on the Helix 2 Portfolios**, the cost to income ratio excluding special levy on deposits and other levies/contributions for 9M2021 increases to 63%, whilst for 3Q2021 was 64%, compared to 61% for 2Q2021 (up by 3 p.p. qoq).

**The cost to income ratio excluding special levy on deposits and other levies/contributions is expected to remain in the mid-60% for the FY2021 when adjusted for the interest income on the Helix 2 Portfolios and to decrease to mid-50% in the medium term.**

## A. Group Financial Results – Underlying Basis (continued)

## A.2. Income Statement Analysis (continued)

### A.2.3 Profit/(loss) before tax and non-recurring items

| € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| **Operating profit** | **143** | **152** | **41** | **57** | -29% | -6% |
| Loan credit losses | (57) | (118) | (22) | (15) | 42% | -52% |
| Impairments of other financial and non-financial assets | (13) | (36) | (2) | (6) | -62% | -63% |
| Provisions for litigation, claims, regulatory and other matters | (6) | (4) | (2) | (3) | -56% | 34% |
| **Total loan credit losses, impairments and provisions** | **(76)** | **(158)** | **(26)** | **(24)** | 3% | -52% |
| **Profit/(loss) before tax and non-recurring items** | **67** | **(6)** | **15** | **33** | -52% | - |
| Cost of risk[1] | **0.66%** | **1.25%** | **0.78%** | **0.52%** | +26 bps | -59 bps |

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

**Operating profit** for 9M2021 was €143 mn, compared to €152 mn for 9M2020 (down by 6% yoy). Operating profit for 3Q2021 was €41 mn, compared to €57 mn for 2Q2021 (down by 29% qoq), driven by a lower total income qoq.

**Loan credit losses** for 9M2021 totalled €57 mn, compared to €118 mn for 9M2020. Loan credit losses for 3Q2021 totalled €22 mn, compared to €15 mn for 2Q2021.

The annualised loan credit losses charge (**cost of risk**) for 9M2021 accounted for 0.66% of gross loans and includes a reversal of loan impairments related to COVID-19 of 5 bps (compared to an annualised loan credit losses charge of 1.25% for 9M2020, of which 45 bps reflect loan impairments related to COVID-19). Cost of risk for 3Q2021 amounted to 78 bps (€22 mn) and includes a reversal of loan impairments related to COVID-19 of 62 bps (€17 mn) as a result of stronger than expected economic performance and partly offsetting the impact of model recalibration to address the new default definition, and updated default/curing experience. This is compared to a cost of risk of 52 bps (€15 mn) for 2Q2021, of which 12 bps (€3.5 mn) reflect loan impairments related to COVID-19. Further details are provided in Section A.1.5 'Loan portfolio quality'.

Cost of risk for FY2021 is currently expected to be at similar levels as for 9M2021. Close monitoring of sectors vulnerable to COVID-19 continues.

At 30 September 2021, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures totalled €849 mn (compared to €947 mn at 30 June 2021 and €1,902 mn at 31 December 2020) and accounted for 7.8% of gross loans including portfolios held for sale (compared to 8.7% and 15.5% of gross loans including portfolios held for sale at 30 June 2021 and at 31 December 2020 respectively). The decrease in the allowance for expected loan credit losses in 3Q2021 amounted to €98 mn, compared to a decrease of €922 mn in 2Q2021, following the completion of Project Helix 2 in June 2021.

**Impairments of other financial and non-financial assets** for 9M2021 amounted to €13 mn, compared to €36 mn for 9M2020 (down by 63% yoy), driven by lower revaluation losses on properties yoy. Impairments of other financial and non-financial assets for 3Q2021 amounted to €2 mn, compared to €6 mn for 2Q2021 (down by 62% qoq).

**Provisions for litigation, claims, regulatory and other matters** for 9M2021 totalled €6 mn, compared to €4 mn for 9M2020. Provisions for litigation, claims, regulatory and other matters for 3Q2021 totalled €2 mn (compared to €3 mn for 2Q2021, which related mainly to a potential fine to be imposed on the Bank relating to the findings of a regulatory investigation with regards to transfer of liquidity by the Bank to its subsidiaries in the period 2016-2017 allegedly without prior regulatory approval).

**Profit before tax and non-recurring items** for 9M2021 totalled €67 mn, compared to a loss of €6 mn for 9M2020. Profit before tax and non-recurring items for 3Q2021 totalled €15 mn, compared to €33 mn for 2Q2021 (down by 52% qoq).

## A. Group Financial Results – Underlying Basis (continued)

## A.2. Income Statement Analysis (continued)

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

| € mn | 9M2021 | 9M2020 | 3Q2021 | 2Q2021 | qoq ±% | yoy ±% |
|---|---|---|---|---|---|---|
| **Profit/(loss) before tax and non-recurring items** | **67** | **(6)** | **15** | **33** | -52% | - |
| Tax | (3) | (7) | (2) | 1 | - | -59% |
| (Profit)/loss attributable to non-controlling interests | (0) | 4 | (0) | (0) | - | - |
| **Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)** | **64** | **(9)** | **13** | **34** | -59% | - |
| Advisory and other restructuring costs – organic | (19) | (9) | (1) | (15) | -93% | 102% |
| **Profit/(loss) after tax – organic (attributable to the owners of the Company)** | **45** | **(18)** | **12** | **19** | -31% | - |
| Provisions/net (loss)/profit relating to NPE sales[1] | (6) | (87) | 10 | (14) | - | -94% |
| Restructuring and other costs relating to NPE sales[1] | (19) | (17) | (3) | (12) | -71% | 22% |
| **Profit/(loss) after tax (attributable to the owners of the Company)** | **20** | **(122)** | **19** | **(7)** | - | - |

1. 'Provisions/net (loss)/profit relating to NPE sales' refer to the net (loss)/profit on transactions completed and the net loan credit losses on transactions under consideration, whilst 'Restructuring and other expenses relating to NPE sales' refer mainly to the restructuring costs relating to these trades. For further details please see below. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

The **tax charge** for 9M2021 is €3 mn, compared to €7 mn for 9M2020. The tax charge for 3Q2021 is €2 mn, compared to a tax credit of €1 mn for 2Q2021.

**Profit after tax and before non-recurring items (attributable to the owners of the Company)** for 9M2021 was €64 mn, compared to a loss of €9 mn for 9M2020. Profit after tax and before non-recurring items (attributable to the owners of the Company) for 3Q2021 was €13 mn, compared to €34 mn for 2Q2021. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 5.2% for 9M2021 and 3.3% for 3Q2021.

**Advisory and other restructuring costs - organic** for 9M2021 amounted to €19 mn, compared to €9 mn for 9M2020. Advisory and other restructuring costs - organic for 3Q2021 amounted to €1 mn, compared to €15 mn for 2Q2021. The 2Q2021 charge included an amount of €12 mn which related to the tender offer for the Existing Tier 2 Capital Notes, due January 2027, with aggregate nominal amount of €207 mn, thereby forfeiting the relevant obligation for future coupon payments).

**Profit after tax arising from the organic operations (attributable to the owners of the Company)** for 9M2021 amounted to €45 mn, compared to a loss of €18 mn for 9M2020. Profit after tax arising from the organic operations (attributable to the owners of the Company) for 3Q2021 amounted to €12 mn, compared to €19 mn for 2Q2021.

**Provisions/net loss relating to NPE sales** for 9M2021 was €6 mn (compared to €87 mn for 9M2020). Net profit relating to NPE sales for 3Q2021 was €10 mn that related to Project Helix 3, compared to provisions/net loss relating to NPE sales of €14 mn for 2Q2021 that related to the completion mechanics for Project Helix 2, expected to unwind over time in 'net interest income' until the full payment of the deferred consideration.

**Restructuring and other costs relating to NPE sales** for 9M2021 was €19 mn (compared to €17 mn for 9M2020). Restructuring and other costs relating to NPE sales for 3Q2021 was €3 mn (compared to €12 mn for 2Q2021).

**Profit after tax** attributable to the owners of the Company for 9M2021 was €20 mn (compared to a loss of €122 mn for 9M2020). Profit after tax attributable to the owners of the Company for 3Q2021 was €19 mn (compared to a loss of €7 mn for 2Q2021).

## B. Operating Environment

The EU economy rebounded strongly, from the pandemic recession, in the first half of the year, and the European Commission in its Autumn forecasts expects growth of 5% in the year and 4.3% in 2022. According to the same European Commission forecasts, the Cyprus economy is expected to advance by 5.4% in 2021, 4.2% in 2022 and 3.5% in 2023, a favourable outlook. Consumer inflation is expected to decelerate and the unemployment rate to continue to drop. The budget deficits will continue to narrow in 2022-2023 and the debt to GDP ratio will return to its declining trajectory. A surge in new COVID-19 cases poses a downward risk to upbeat growth forecasts.

Real GDP seasonally adjusted, rebounded strongly in the second and third quarters of the year rising by 13.3% and 5.3% respectively from the previous year, and almost recovered fully the level of GDP in 2019 for the first three quarters. Growth was driven by consumption expenditures, particularly government consumption, and by fixed investment which included a significant contribution from ship registrations. Net of ship registrations domestic demand is the main driver to growth, with net exports contributing positively, reflecting the partial recovery in services exports.

On the supply side, growth in the first half of the year for which data is available, was driven by manufacturing, construction and trade, transport, and accommodation services. These were also the sectors that contracted the most by the COVID-19 pandemic the previous year.

In the tourism sector, developments remained subdued, but were better than expected, especially in the second and third quarters. A successful vaccination campaign in Cyprus and in the EU were positive factors for the tourism recovery. There was a steady monthly recovery of tourist arrivals, as the tourism season extended until October. Tourism arrivals in October 2021 increased by 289% from the previous year and reached 90% of corresponding levels in 2019.

In the labour market the unemployment rate increased to an average 8.5% seasonally adjusted in the first half of the year, from an average of 7.6% in 2020. This was driven by a bigger increase in the labour force when the increase in the volume of employment was slower. In the short- and the medium-term, employment is expected to increase at a faster rate on the back of strong economic expansion and the implementation of the Recovery and Resilience Plan, which is also expected to facilitate the reallocation of the labour force through retraining and up-skilling. The unemployment rate is expected to drop to 7.5% in 2021 and to 7.1% in 2022 according to the European Commission.

Consumer prices had declined by 0.6% on average in 2020 driven by a sharp decline in energy prices, the hit to demand from the pandemic, and the cut to the value-added tax rate for the tourism sector in July-December 2020. Consumer prices started to rise from April 2021 onwards, and accelerated in the second and third quarters. Consumer prices increased by an average of 2% in January-October 2021, rising by more than 4% in July-October 2021. The economic recovery and a rise in global energy prices support inflation this year. The marked acceleration in inflation in recent months is expected to slow as supply catches up with pent-up demand and base effects wane.

Public finances deteriorated in 2020 as a result of the pandemic, resulting in a budget deficit of 5.7% of GDP and a debt ratio of 115.1%. However, Cyprus's public finances have strengthened in 2021, with a marked improvement recorded in July-September 2021, owing to steep increases in revenues, particularly income tax receipts and social security contributions. On the expenditure side capital spending remained unchanged in January-September 2021, offsetting large increases in pandemic-related social protection payments. According to the European Commission’s autumn forecasts, the budget deficit of the general government in relation to GDP, will narrow to 4.9% in 2021 and to 1.4% in 2022.

General government debt in nominal terms remained nearly unchanged at the end of September 2021 from the previous December. The ratio of public debt to GDP is expected to decline to 104.1% in 2021 and to 97.6% in 2022 according to the European Commission.

On the external sector, the current-account deficit which widened to 10.1% of GDP in 2020, will shrink gradually from 2022 onwards as services earnings recover, and as EU recovery funds are credited in the secondary income account. However, the current-account deficit will remain elevated in the medium term, owing partly to long-term structural issues, and in part to strong imports growth linked to the EU investment plans, which will weigh on the trade balance.

The monetary policy of the ECB is expected to remain highly accommodative in the medium term. The ECB is running two simultaneous quantitative easing, the asset purchase programme, which is open-ended and runs at €20 bn per month, and the pandemic emergency purchase programme, with a maximum size of €1.85 trillion and a provisional end date of March 2022. At its September policy meeting the ECB announced a moderate reduction in the pace of asset purchases under its pandemic emergency purchase programme. Interest rates remain exceptionally low across the euro zone and Bank borrowing costs for households and non-financial corporations remain favourable.

## B. Operating Environment (continued)

Since the 2013 financial crisis in Cyprus, banks have reduced their foreign exposure, prudential oversight has been strengthened and a new legal framework for private-debt restructuring has been implemented, helping to reduce non-performing exposures. However, weaknesses persist evidenced in low profitability, high cost to income, and concerns about a renewed rise in non-performing exposures, as a result of the coronavirus crisis. Total non-performing exposures stood at 17.4% of gross loans at the end of August, a modest decline from 17.7% at the end of the previous December. The coverage ratio stood at 50.8% in August 2021.

### Sovereign ratings

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system.

In July 2021, **Moody's Investors Service** upgraded the Government of Cyprus' long-term issuer and senior unsecured ratings to Ba1 from Ba2 (since July 2018) and changed the outlook from positive to stable. The primary driver for the upgrade was the material improvement in the underlying credit strength of the domestic banking system, which also reduces the risks of a systemic banking crisis.

**S&P Global Ratings** maintains its investment grade rating of BBB- since September 2018 and upgraded its outlook to positive from stable in its September 2021 review. The positive outlook reflects the view that Cyprus' sovereign rating could be upgraded within the next 24 months if the country's economic and budgetary performance continue to strengthen, supported by the Government's implementation of structural reforms.

**Fitch Ratings** maintains a Long-Term Issuer Default rating of investment grade at BBB- since November 2018 and a stable outlook, last affirmed in September 2021. Its outlook was upgraded to positive in October 2019 and revised to stable in April 2020, reflecting the significant impact the global COVID-19 pandemic might have on the Cyprus economy and fiscal position.

In October 2021, **DBRS Ratings** confirmed Cyprus' Long-Term Foreign and Local Currency Issuer Ratings at BBB (low) and upgraded its outlook from stable to positive trend. This reflects the expectation that Cyprus's public debt ratio will most likely return to its pre-pandemic downward path starting from 2021, supported by a solid economic growth and fiscal repair.

## C. Business Overview

### Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In November 2021, Standard and Poor's affirmed their long-term issuer credit rating on the Bank of B+ and revised the outlook to positive from stable. In July 2021, Moody's Investors Service upgraded the Bank's long-term deposit rating to B1 from B3, maintaining the positive outlook, and in November 2021, Moody's published an issuer comment for the Bank, being the biggest lender in Cyprus, highlighting the reduction of its NPE ratio to single digits and the significant de-risking of the balance sheet, a credit positive. In January 2021, Fitch Ratings affirmed their long-term issuer default rating of B- (negative outlook). In April 2020, Fitch Ratings revised their outlook to negative, reflecting the significant impact the outbreak of COVID-19 might have on the Cypriot economy and consequently on the Bank.

### COVID-19 impact

The Group continues to closely monitor developments in, and the effects of COVID-19 on both the global and Cypriot economy. Strong recovery in economic activity marked the third quarter of the year, against the backdrop of increasing vaccination coverage across Cyprus and relaxation of restrictions. At the same time, the Group has continued its focus on providing support to its customers, colleagues and community. The Group will continue to monitor the situation for any changes that may arise from the uncertainty on the macroeconomic outlook, impacted by the additional progress in vaccinations and medication, degree of recurrence of the disease due to virus mutations, such as the Omicron variant, and the persistent positive effect of fiscal and monetary policy.

Statistics are encouraging, as 83% of the adult population in Cyprus have been vaccinated with the first dose and 80% have completed their vaccination regime (University of Cyprus, as of 22 November 2021).

Upon the outbreak of COVID-19 in March 2020, the Pandemic Incident Management Plan of the Group was invoked and a dedicated team (Pandemic Incident Management Team) has been monitoring the situation domestically and globally and providing guidance on health and safety measures, travel advice and business continuity for the Group. Local government guidelines are being followed in response to the virus.

In accordance with the Pandemic Plan, the Group adopted a set of measures, which are still in place according to the current pandemic status, to ensure minimum disruption to its operations. The Pandemic Incident Management Team and the Crisis Management Committee continue to closely monitor the dynamic COVID-19 pandemic developments and status. The Group replaced face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including those with customers. Staff of critical functions have been split into separate locations. In addition, to ensure continuity of business, a number of employees have been working from home and the remote access capability has been upgraded significantly, whilst at the same time maintaining relevant control procedures to ensure authorisation in line with the Group's governance structure. Additionally, the Group follows strict rules of hygiene, increased intensity of cleaning and disinfection of spaces, and other measures to protect the health and safety of staff and customers.

The potential economic implications for the sectors in which the Group is active have been assessed and possible mitigating actions for supporting the economy have been identified, such as supporting viable affected businesses and households with new lending to cover liquidity, working capital, capital expenditure and investments related to the activity of the borrower.

The package of policy measures announced by the ECB and the European Commission, as well as the unprecedented fiscal and other measures of the Cyprus Government, have helped and should continue to help reduce the negative impact and support the recovery of the Cypriot economy.

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. The payment holiday for all these loans expired on 31 December 2020.

**Performing loans as at 30 September 2021 under expired payment deferrals amounted to €4.8 bn** (compared to €4.9 bn as at 30 June 2021 and €5.3 bn as at 31 December 2020), of which €4.7 bn or 98% had an instalment due by 22 November 2021 with a strong performance; 96% present no arrears (of which €0.59 bn have been restructured) and only 4% (€186 mn) are in arrears (of which €178 mn are less than 30 days-past-due).

Further details are provided in Section A.1.5 'Loan portfolio quality'. Close monitoring of the credit quality of these loans continues and customers with early arrears are offered solutions. The Bank has a strong track record in dealing with restructurings. Targeted restructuring solutions are offered to alleviate pandemic-related short-term cash flow burden, following rigorous assessment of repayment ability.

Following the outbreak of COVID-19, the sectors most adversely affected are tourism being the sector with the highest impact and trade with medium impact. The Group has a well – diversified performing loan portfolio.

## **COVID-19 impact** (continued)

As at 30 September 2021, the Group's non-legacy loan book exposure to tourism was limited to €1.15 bn (out of a total non-legacy loan book of €9.5 bn), of which c.€0.92 bn of performing loans as at 30 September 2021 were under expired payment deferrals. 99% of those had an instalment due by 22 November 2021 and of those 99% present no arrears (of which c.€300 mn have been restructured).

Tourism performance was better than initially anticipated. There was a steady monthly recovery of tourist arrivals, as the tourism season extended until October. Tourism arrivals in October 2021 increased by 289% from the previous year and reached 90% of corresponding levels in 2019. It is important to note, that the majority of 'accommodation' customers entered the crisis with significant liquidity, following strong performance in recent years and that 97% of the tourism portfolio is secured by property. Close monitoring of developments continues.

Respectively, as at 30 September 2021 the Group's non-legacy loan book exposure to trade was €0.93 bn, of which €0.28 bn of performing loans as at 30 September 2021 were under expired payment deferrals. 95% of those had an instalment due by 22 November 2021 and of those, 98% present no arrears (of which €13 mn have been restructured) and 2% present arrears.

## Strategic priorities for the medium term

The Bank's medium-term strategic priorities remain clear, with a sustained focus on **strengthening its balance sheet, and improving asset quality and efficiency, whilst maintaining a good capital position**, in order to continue to play a vital role in supporting the recovery of the Cypriot economy. The Group continues to explore opportunities to **grow revenues in a more capital efficient way and to improve efficiency through its digital transformation programme** in order to provide products and services while reducing operating costs. In addition, the Bank is looking **to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda** by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

### *Completing balance sheet de-risking*

**Tackling the Bank's loan portfolio quality is of utmost importance for the Group.**

Project Helix 3, signed in November 2021, represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. **Pro forma for Helix 3, the Group's NPE ratio is in single digit**. Helix 3 reduces the stock of NPEs by 39% and the NPE ratio by 5 p.p. to 8.6%, pro forma on the basis of 30 September 2021 figures. For further information please refer to Section A.1.5. Loan portfolio quality.

On a pro forma basis, in the first nine months of 2021 our NPE stock reduced by €2.2 bn to €0.9 bn, and the NPE ratio to 8.6%, including Helix 3, Helix 2 and organic reductions. Overall, since the peak in 2014 and pro forma for Helix 3, the stock of NPEs has been reduced by €14.1 bn or 94% to less than €1 bn and the NPE ratio by 54 percentage points, from 63% to less than 9%.

Projects Helix 3 and Helix 2 mark further progress against delivering on the Group's strategic objectives of becoming a stronger, safer and more efficient institution. The Group is now better positioned to manage the challenges resulting from the impact of the ongoing COVID-19 crisis, and to further support the recovery of the Cypriot economy.

**The Group has early achieved its 2022 target for single digit NPE ratio and remains on track to achieve an NPE ratio of c.5% in the medium term.** At the same time, following the outbreak of COVID-19 and the expiration of the 2020 loan moratorium at the end of year 2020, the Group continues to closely monitor the performance of loans under expired payment deferrals and nearly eleven months after deferral expiry, the performance is better than initially expected.

### *Growing revenues in a more capital efficient way*

**The accelerated de-risking of the balance sheet increases pressure on revenues in the near term. There are multiple initiatives underway to increase net interest income and less capital-intensive non-interest income, with a focus on fees, insurance and non-banking business.**

### Strategic priorities for the medium term (continued)

#### *Growing revenues in a more capital efficient way (continued)*

The Group continues to provide high quality new loans via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries more in line with the Bank's target risk profile, and following the outbreak of COVID-19, the focus remains to support the Cypriot economy in order to overcome the crisis. During the nine months ended 30 September 2021, new lending amounted to €1.3 bn, increased by 35% compared to the same period last year and recovering towards pre-pandemic levels (at c.80% of 9M2019 levels). Demand for new loans is picking up, driven mainly by corporate (up by 38% yoy for 9M2021 and up by c.60% yoy for 3Q2021), as economic activity continues to improve. At the same time, the demand for retail housing loans remains strong and above pre-COVID levels, supported by the Government interest rate subsidy scheme. The pipeline for new housing loans remains strong at €127 mn as at mid-November 2021, whilst new housing loans of c.€265 mn have been approved by the Bank since the beginning of the scheme until end-September 2021.

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) and the Cyprus Government.

In common with other European banks, the prolonged low interest rate environment also continues to present a challenge to the Group's profitability. Over the medium-term, the Group aims to grow its performing book by c.10%, as well as to grow shipping and international corporate lending with prudency.

At the same time, 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. The cost of deposits has been reduced by 73 bps to 3 bps since December 2017. Moreover, liquidity fees for specific customer groups were introduced in March 2020. The introduction of liquidity fees to a broader group of corporate clients, that was delayed due to the COVID-19 pandemic, was implemented as of 1 February 2021. Separately, a new price list for charges and fees was also implemented as of 1 February 2021. Net fees and commission income in 9M2021 is above pre-pandemic levels.

In the medium-term, the Group aims to increase the average product holding through cross selling to the under-penetrated customer base, as well as to introduce the Digital Economy Platform to generate new revenue sources, through leveraging the Bank's market position, knowledge and digital infrastructure.

Management is 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 (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring fee income, further diversifying the Group's income streams. The insurance income net of claims and commissions for 9M2021 contributed to 21% of non-interest income and amounted to €43 mn, up 2% yoy, mainly due to higher gross written premiums, partly offset by the impact from the changes in the discount rate in the life insurance business and by higher costs and claims in the general insurance business. Specifically, Eurolife increased its gross written premiums by 7% yoy and its total regular income also by 7% yoy, whilst GIC increased its gross written premiums by 8% yoy. Furthermore, there are initiatives underway to enhance revenues from the insurance business in the medium-term, in order to deliver sustainable profitability and shareholder returns.

In 9M2021, the Bank participated in TLTRO III by borrowing an additional amount of €2.0 bn, increasing its participation to €3.0 bn, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements. The Bank has exceeded the benchmark net lending threshold in the period 1 March 2020 - 31 March 2021 and qualified for the beneficial rate of -1% for the period from June 2020 to June 2021. The NII benefit from its TLTRO III borrowing for the period from June 2020 to June 2021 stood at c.€7 mn and was recognised over the respective period in the income statement. The potential NII benefit for the period from June 2021 to June 2022 amounts to c.€15 mn, based on current ECB rates and provided the Bank meets the net lending thresholds, recognised over the respective period. The TLTRO III borrowing of €3.0 bn is expected to be repaid by mid-2022.

#### *Improving operating efficiencies*

The Digital Transformation Programme that started in 2017 has begun to deliver an improved customer experience, whilst the branch footprint rationalisation to date, has further improved the Bank's operating model. The branch network is now less than half the size it was in 2013.

Management remains focused on further improvement in efficiency, through further branch footprint rationalisation, further exit solutions to release full time employees, containment of restructuring costs following the completion of balance sheet de-risking, enhancement of procurement control, as well as reduction of total operating expenses by c.10% compared to FY2019 over the medium term despite inflation, facilitated by the Digital Transformation Programme.

# C. Business Overview (continued)

## Strategic priorities for the medium term (continued)

### *Improving operating efficiencies (continued)*

The Group continues to work towards becoming a more customer centric organisation. A Transformation Office has been established at the beginning of the year further reinforcing the commitment to the Bank's modernisation agenda. The transformation programme will enable the implementation of the strategy with key shifts focusing on a leaner and more efficient operating model, profitability and optimisation of the client service and distribution models with an emphasis on the customer. Over the last three quarters a transformation plan has been prepared and will run over the next 3 years. The transformation will be gradually pivoting to implementation in the next quarter.

*Digital Transformation*

As part of its vision to be the leading financial hub in Cyprus, the Bank continues its Digital Transformation Programme, which focuses on three strategic pillars: developing digital services and products that enhance the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

In recent months, two key features, which are part of the Digital Transformation strategy and promote customer self-service functions, have been made available to subscribers via the mobile banking application. The first one is the possibility offered to new customers of the Bank to open their first account and card through the Digital Onboarding process from their mobile phone, without the need to visit a branch. In addition, the ability to temporarily freeze and unfreeze their cards is now available through the mobile app to our customers, which is a useful tool. This allows users who have misplaced or lost their card to take instant action to ensure that their card is not used during that time. Finally, other smaller features and enhancements to existing functionalities are continuously added to our digital channels, in order to meet our customer needs.

The adoption of digital products and services continued to grow and gained momentum in the third quarter of 2021 and in October 2021. As at the end of October 2021, 88.0% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by c.21.6 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 78.1% of individual customers were digitally engaged (up by 17.9 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of October 2021, active mobile banking users and active QuickPay users have grown by 20% and 50% respectively in the last 12 months. The highest number of QuickPay users to date was recorded in October 2021 with 122 thousand active users. Likewise, the highest number of QuickPay payments was recorded in October 2021 with 338 thousand transactions.

Furthermore, as part of the Digital Transformation Programme, major changes are underway in relation to enabling a modern and more efficient workplace. New technologies and tools have been introduced that will drastically change the employee experience, improving collaboration and knowledge sharing across the organisation. Further enhancements will be implemented during the last quarter of 2021 and in 2022, and the full impact will be seen over the coming months.

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

As part of its responsibility to a wider group of stakeholders, the Group aims **to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda** and is working towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

Earlier this year a dedicated executive committee, the Sustainability Committee, was set up, that will oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in the Group's business targets.

In order to further strengthen the Bank's corporate responsibility regarding the protection of the environment the Bank is proceeding with the launch of 'environmentally friendly' loan products to promote investment in energy saving and environmentally friendly products and services.

The Bank maintains a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment since June 2020.

## D. Strategy and Outlook

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

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

- **Complete balance sheet de-risking**
- **Grow revenues in a more capital efficient way;** by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital Economy)
- **Improve operating efficiency;** by achieving leaner operations through digitisation and automation
- **Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda;** by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

| KEY STRATEGIC PILLARS | ACTION TAKEN IN 9M2021 and to date | PLAN OF ACTION |
|---|---|---|
| **Complete balance sheet de-risking** | • Completion of Project Helix 2 (sale of NPE portfolios with gross book value of €1.3 bn) in June 2021<br>• Agreement for the sale of NPE portfolio with gross book value of €0.6 bn in Project Helix 3.<br>• On a pro forma basis, in the first nine months of 2021 our NPE stock reduced by €2.2 bn to €0.9 bn, and the NPE ratio to 8.6%, including Helix 3, Helix 2 and organic reductions.<br>• **Single digit NPE ratio achieved at 30 September 2021 pro forma for Helix 3**<br>• *For further information, please refer to Section A.1.5 'Loan portfolio quality' and Section C 'Business Overview'* | • The Group has early achieved its 2022 target for single digit NPE ratio and remains on track to achieve an NPE ratio of c.5% in the medium term. |
| **Grow revenues in a more capital efficient way;** by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital Economy) | • Liquidity fees to corporate clients, that was delayed due to the COVID-19 pandemic, was implemented as of 1 February 2021<br>• New price list for charges and fees was implemented as of 1 February 2021<br>• *For further information, please refer to Section C 'Business Overview'* | • **Mitigating actions against NII challenges put in place**, e.g. growing performing book and pricing away/price correctly deposits<br>• **Enhance fee and commission income**, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of Digital Economy Platform<br>• **Profitable insurance business with further opportunities to grow,** e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by DT |

## D. Strategy and Outlook (continued)

| KEY STRATEGIC PILLARS | ACTION TAKEN IN 9M2021 and to date | PLAN OF ACTION |
|---|---|---|
| **Improve operating efficiency;** by achieving leaner operations through digitisation and automation | • Renewal of collective agreement for 2021-2022 is expected to increase staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years. The Group's medium-term guidance, which includes maintaining annual 'total operating expenses' below €350 mn, remains unchanged.<br>• Further developments in the Digital Transformation Programme<br>• *For further information, please refer to Section C 'Business Overview'* | • Offer exit solutions to release full time employees<br>• Achieve further branch footprint rationalisation<br>• Contain restructuring costs following completion of balance sheet de-risking<br>• Enhance procurement control<br>• Reduce total operating expenses by c.10% over the medium term despite inflation |
| **Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda;** by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities | • The Bank reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement in respect of 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Bank and are in line with market best-practice.<br>• *For further information, please refer to Section C 'Business Overview'*<br>• *Please refer to slide 29 in the 9M2021 Group Financial Results Investors Presentation* | • Enhanced structure and corporate governance<br>• Focus on our people<br>• **Priority on ESG agenda**, e.g. introduction of 'environmentally friendly' loan products |

## D. Strategy and Outlook (continued)

The Group's near-term priorities include completing the balance sheet de-risking, whilst managing the post-pandemic NPE inflow; positioning the Bank on the path for sustainable profitability; ensuring the cost base remains appropriate, whilst further investing in the digital transformation programme in the near term in order to modernise the Bank's franchise (in fact, the cost to income ratio is expected to rise in the near term as revenues remain under pressure and operating expenses increase due to higher digitisation investment costs, and to reduce to mid-50s% in the medium term); addressing the challenges from low rates and surplus liquidity.

The medium-term priorities include delivering sustainable profitability and shareholder returns, enhancing revenues by capitalising on the Group's market leading position; enhancing operating efficiency; and optimising capital management.

The Group's medium-term strategic targets are set out below

| **Key Metrics** | | **Strategic Targets for** | |
|---|---|---|---|
| | | **2022** | **Medium-Term** |
| **Profitability** | Return on Tangible Equity (ROTE)[1] | | ~7% |
| | Total operating expenses[2] | | <€350 mn |
| **Asset Quality** | NPE ratio | <10%<br>early achieved at 30 September 2021 pro forma for Helix 3 | ~5% |
| | Cost of risk | | 70-80 bps |
| **Capital** | Supported by CET1 ratio of | At least 13% | |

1. Return on Tangible Equity (ROTE) is calculated as Profit after Tax (annualised) divided by Shareholders' equity minus intangibles assets.
2. Total operating expenses comprise staff costs and other operating expenses. Total operating expenses do not include the special levy on deposits or other levies/contributions and do not include any advisory or other restructuring costs.

Maintaining a strong capital base has been a key priority for management over the past few years and this remains equally important for the Group going forward. The Group's business plan is based on maintaining a CET1 ratio of at least 13% over the entire period of the plan. The Group's capital is to be supported by organic capital generation, by focus on less capital-intensive businesses and the further reduction of high intensity risk weighted assets. At the same time, factors that could potentially have a negative impact on the Group's capital ratios in addition to IFRS 9 phasing-in, include any potential regulatory impacts, as well as one-off cost optimisation charges. Until the completion of the de-risking and the restructuring of the business, there may be volatility in the capital ratios due to the timing of potential future impacts from regulatory changes and one-off restructuring costs.

The Group has a clear strategy in place, leveraging on its strong customer base, its renewed customer trust, its market leadership position, and further developing digital knowledge and infrastructure, in order to complete the turnaround of its business and set the Bank on a path for profitability and delivering value for shareholders.

## E. Financial Results – Statutory Basis

## Unaudited Interim Consolidated Income Statement

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| Turnover | **566,667** | 565,188 |
| Interest income | **269,395** | 295,959 |
| Income similar to interest income | **22,761** | 35,679 |
| Interest expense | **(47,828)** | (47,311) |
| Expense similar to interest expense | **(20,776)** | (34,452) |
| Net interest income | **223,552** | 249,875 |
| Fee and commission income | **134,287** | 111,910 |
| Fee and commission expense | **(6,235)** | (5,330) |
| Net foreign exchange gains | **11,572** | 14,636 |
| Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates | **(18,933)** | 4,252 |
| Insurance income net of claims and commissions | **42,598** | 41,581 |
| Net losses from revaluation and disposal of investment properties | **(2,329)** | (3,851) |
| Net gains on disposal of stock of property | **9,481** | 6,341 |
| Other income | **10,836** | 11,162 |
| | **404,829** | 430,576 |
| Staff costs | **(151,709)** | (145,561) |
| Special levy on deposits and other levies/contributions | **(24,603)** | (24,039) |
| Other operating expenses | **(139,757)** | (134,309) |
| | **88,760** | 126,667 |
| Net (losses)/gains on derecognition of financial assets measured at amortised cost | **(2,718)** | 1,760 |
| Credit losses to cover credit risk on loans and advances to customers | **(30,419)** | (211,322) |
| Credit losses of other financial instruments | **(3,325)** | (229) |
| Impairment net of reversals of non-financial assets | **(29,543)** | (35,677) |
| **Profit/(loss) before share of profit/(loss) from associates** | **22,755** | (118,801) |
| Share of profit/(loss) from associates | **137** | (97) |
| **Profit/(loss) before tax** | **22,892** | (118,898) |
| Income tax | **(2,589)** | (6,329) |
| **Profit/(loss) after tax for the period** | **20,303** | (125,227) |
| **Attributable to:** | | |
| Owners of the Company | **19,566** | (121,568) |
| Non-controlling interests | **737** | (3,659) |
| **Profit/(loss) for the period** | **20,303** | (125,227) |
| **Basic and diluted profit/(loss) per share attributable to the owners of the Company (€ cent)** | **4.4** | (27.3) |

## E. Financial Results – Statutory Basis (continued)

## Unaudited Interim Consolidated Statement of Comprehensive Income

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| **Profit/(loss) for the period** | **20,303** | (125,227) |
| **Other comprehensive income (OCI)** | | |
| **OCI that may be reclassified in the consolidated income statement in subsequent periods** | | |
| **Fair value reserve (debt instruments)** | | |
| Net gains/(losses) on investments in debt instruments measured at fair value through OCI (FVOCI) | **3,406** | (12,447) |
| Transfer to the consolidated income statement on disposal | **-** | (3,653) |
| | **3,406** | (16,100) |
| **Foreign currency translation reserve** | | |
| (Loss)/profit on translation of net investment in foreign branches and subsidiaries | **(8,045)** | 25,360 |
| Profit/(loss) on hedging of net investments in foreign branches and subsidiaries | **7,235** | (23,983) |
| Transfer to the consolidated income statement on dissolution of foreign subsidiary | **(63)** | 122 |
| | **(873)** | 1,499 |
| **Total OCI that may be reclassified in the consolidated income statement in subsequent periods** | **2,533** | (14,601) |
| **OCI not to be reclassified in the consolidated income statement in subsequent periods** | | |
| **Fair value reserve (equity instruments)** | | |
| Net gains/(losses) on investments in equity instruments designated at FVOCI | **739** | (197) |
| | **739** | (197) |
| **Property revaluation reserve** | | |
| Deferred tax | **(40)** | (459) |
| | **(40)** | **(459)** |
| **Actuarial gains/(losses) on the defined benefit plans** | | |
| Remeasurement gains/(losses) on defined benefit plans | **5,855** | (3,773) |
| **Total OCI not to be reclassified in the consolidated income statement in subsequent periods** | **6,554** | (4,429) |
| **Other comprehensive income/(loss) for the period net of taxation** | **9,087** | (19,030) |
| **Total comprehensive income/(loss) for the period** | **29,390** | (144,257) |

| | | |
|---|---|---|
| **Attributable to:** | | |
| Owners of the Company | **28,669** | (140,457) |
| Non-controlling interests | **721** | (3,800) |
| **Total comprehensive income/(loss) for the period** | **29,390** | (144,257) |

## E. Financial Results – Statutory Basis (continued)

## Unaudited Interim Consolidated Balance Sheet

| | 30 September 2021 | 31 December 2020 |
|---|---|---|
| **Assets** | **€000** | €000 |
| Cash and balances with central banks | **8,750,254** | 5,653,315 |
| Loans and advances to banks | **284,135** | 402,784 |
| Derivative financial assets | **15,296** | 24,627 |
| Investments | **874,147** | 1,876,009 |
| Investments pledged as collateral | **1,268,500** | 37,105 |
| Loans and advances to customers | **9,787,136** | 9,886,047 |
| Life insurance business assets attributable to policyholders | **525,630** | 474,187 |
| Prepayments, accrued income and other assets | **668,416** | 249,877 |
| Stock of property | **1,154,299** | 1,349,609 |
| Deferred tax assets | **303,390** | 341,360 |
| Investment properties | **117,771** | 128,088 |
| Property and equipment | **257,550** | 272,474 |
| Intangible assets | **183,280** | 185,256 |
| Investments in associates and joint venture | **-** | 2,462 |
| Non-current assets and disposal groups held for sale | **361,172** | 630,931 |
| **Total assets** | **24,550,976** | 21,514,131 |
| **Liabilities** | | |
| Deposits by banks | **402,511** | 391,949 |
| Funding from central banks | **2,977,558** | 994,694 |
| Derivative financial liabilities | **38,207** | 45,978 |
| Customer deposits | **17,128,185** | 16,533,212 |
| Insurance liabilities | **717,108** | 671,603 |
| Accruals, deferred income, other liabilities and other provisions | **344,243** | 359,892 |
| Pending litigation, claims, regulatory and other matters | **157,130** | 123,615 |
| Subordinated loan stock | **648,661** | 272,152 |
| Deferred tax liabilities | **46,679** | 45,982 |
| **Total liabilities** | **22,460,282** | 19,439,077 |
| **Equity** | | |
| Share capital | **44,620** | 44,620 |
| Share premium | **594,358** | 594,358 |
| Revaluation and other reserves | **217,301** | 209,153 |
| Retained earnings | **989,284** | 982,513 |
| **Equity attributable to the owners of the Company** | **1,845,563** | 1,830,644 |
| Other equity instruments | **220,000** | 220,000 |
| **Total equity excluding non-controlling interests** | **2,065,563** | 2,050,644 |
| **Non-controlling interests** | **25,131** | 24,410 |
| **Total equity** | **2,090,694** | 2,075,054 |
| **Total liabilities and equity** | **24,550,976** | 21,514,131 |

## E. Financial Results – Statutory Basis (continued)

## Unaudited Interim Consolidated Statement of Changes in Equity

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

## E. Financial Results – Statutory Basis (continued)

## Unaudited Interim Consolidated Statement of Changes in Equity (continued)

| | Attributable to the shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Retained earnings | Property revaluation reserve | Financial instruments fair value reserve | Life insurance in-force business reserve | Foreign currency translation reserve | **Total** | Other equity instruments | Non-controlling interests | **Total equity** |
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | **€000** | €000 | €000 | **€000** |
| **1 January 2020** | **44,620** | **1,294,358** | **(21,463)** | **490,286** | **79,286** | **33,900** | **102,051** | **16,927** | **2,039,965** | **220,000** | **28,662** | **2,288,627** |
| Loss for the period | - | - | - | (121,568) | - | - | - | - | **(121,568)** | - | (3,659) | **(125,227)** |
| Other comprehensive (loss)/income after tax for the period | - | - | - | (3,773) | (326) | (16,291) | - | 1,501 | **(18,889)** | - | (141) | **(19,030)** |
| Total comprehensive (loss)/ income after tax for the period | - | - | - | (125,341) | (326) | (16,291) | - | 1,501 | **(140,457)** | - | (3,800) | **(144,257)** |
| Increase in value of in-force life insurance business | - | - | - | (5,771) | - | - | 5,771 | - | **-** | - | - | **-** |
| Tax on increase in value of in-force life insurance business | - | - | - | 721 | - | - | (721) | - | **-** | - | - | **-** |
| Change in the holding of Undertakings for Collective Investments in Transferable Securities (UCITS) Fund | - | - | - | (33) | - | - | - | - | **(33)** | - | - | **(33)** |
| Payment of coupon to AT1 holders | - | - | - | (13,750) | - | - | - | - | **(13,750)** | - | - | **(13,750)** |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | **-** | - | (140) | **(140)** |
| **30 September 2020** | **44,620** | **1,294,358** | **(21,463)** | **346,112** | **78,960** | **17,609** | **107,101** | **18,428** | **1,885,725** | **220,000** | **24,722** | **2,130,447** |

## F. Notes

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

| € million | Underlying basis | NPE Sales | Other | Statutory basis |
|---|---|---|---|---|
| Net interest income | 223 | - | - | 223 |
| Net fee and commission income | 128 | - | - | 128 |
| Net foreign exchange gains and net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates | 14 | - | (21) | (7) |
| Insurance income net of claims and commissions | 43 | - | - | 43 |
| Net gains from revaluation and disposal of investment properties and on disposal of stock of properties | 8 | (1) | - | 7 |
| Other income | 11 | - | - | 11 |
| **Total income** | **427** | **(1)** | **(21)** | **405** |
| **Total expenses** | **(284)** | **(19)** | **(12)** | **(315)** |
| **Operating profit** | **143** | **(20)** | **(33)** | **90** |
| Loan credit losses | (57) | 15 | 8 | (34) |
| Impairments of other financial and non-financial assets | (13) | (20) | - | (33) |
| Provisions for litigation, claims, regulatory and other matters | (6) | - | 6 | - |
| **Profit before tax and non-recurring items** | **67** | **(25)** | **(19)** | **23** |
| Tax | (3) | - | - | (3) |
| **Profit after tax and before non-recurring items (attributable to the owners of the Company)** | **64** | **(25)** | **(19)** | **20** |
| Advisory and other restructuring costs-organic | (19) | - | 19 | - |
| **Profit after tax - organic* (attributable to the owners of the Company)** | **45** | **(25)** | **-** | **20** |
| Net loss on NPE sales | (6) | 6 | - | - |
| Restructuring and other expenses | (19) | 19 | - | - |
| **Profit after tax (attributable to the owners of the Company)** | **20** | **-** | **-** | **20** |

*This is the profit after tax (attributable to the owners of the Company), before the loss on NPE sales and the restructuring and other expenses.

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

*NPE sales*

- Total expenses include restructuring costs of €13 million and other expenses of €6 million relating to the agreements for the sale of portfolios of NPEs and are presented within 'Restructuring and other expenses' under the underlying basis.
- Loan credit losses under the statutory basis include the loan credit losses relating to Project Helix 2 of approximately €1.5 million, reversal of loan credit losses relating to Project Helix 3 of €30 million and an amount of €14 million which represents the effect of discounting the deferred consideration receivable from Project Helix 2 on initial recognition, and are disclosed under non-recurring items within 'Net loss on NPE sales' under the underlying basis.
- 'Net gains from revaluation and disposal of investment properties and on disposal of stock of properties' include a revaluation loss of €1 million relating to investment properties of Project Helix 3 and are presented within 'Net loss on NPE sales' under the underlying basis.
- 'Impairments of financial and other non-financial assets' under the statutory basis include an impairment loss of €19 million relating to stock of properties of Project Helix 3 and are presented within 'Net loss on NPE sales' under the underlying basis.

*Other reclassifications*

- Net losses on loans and advances to customers at FVPL of approximately €8.5 million included in 'Loan credit losses' under the underlying basis are included in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis. Their classification under the underlying basis is done in order to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.
- Net loss on the early redemption of subordinated loan stock of approximately €12.5 million included in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis is included in 'Advisory and other restructuring costs-organic' under the underlying basis, since it represents a one-off item.

## F. Notes (continued)

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

- Advisory and other restructuring costs of approximately €6 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to customers loan restructuring activities.
- Provisions for litigation, claims, regulatory and other matters amounting to €6 million included in 'Other operating expenses' under the statutory basis, are separately presented under the underlying basis, since they mainly relate to a provision set aside for a potential penalty on investigation by the ECB (approximately €3 million) and to cases that arose outside the normal activities of the Group.

### F.2 Customer deposits

The analysis of customer deposits is presented below:

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| *By type of deposit* | **€000** | €000 |
| Demand | **8,857,412** | 8,149,688 |
| Savings | **2,273,472** | 1,970,975 |
| Time or notice | **5,997,301** | 6,412,549 |
| | **17,128,185** | 16,533,212 |
| *By geographical area* | | |
| *Cyprus* | **17,128,185** | 16,533,212 |

Deposits by geographical area are based on the originator country of the deposit.

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| *By currency* | **€000** | €000 |
| Euro | **15,401,809** | 14,929,662 |
| US Dollar | **1,324,081** | 1,199,069 |
| British Pound | **309,009** | 288,102 |
| Russian Rouble | **18,573** | 28,618 |
| Swiss Franc | **9,339** | 9,901 |
| Other currencies | **65,374** | 77,860 |
| | **17,128,185** | 16,533,212 |
| *By customer sector* | | |
| Corporate | **1,249,216** | 1,037,430 |
| Global corporate | **557,049** | 607,467 |
| SMEs | **814,481** | 832,576 |
| Retail | **10,847,594** | 10,525,819 |
| Restructuring | | |
| – Corporate | **24,097** | 27,889 |
| – SMEs | **12,762** | 16,688 |
| – Retail other | **10,515** | 10,561 |
| Recoveries | | |
| – Corporate | **1,485** | 3,251 |
| International banking services | **3,281,321** | 3,180,061 |
| Wealth management | **329,665** | 291,470 |
| | **17,128,185** | 16,533,212 |

## F. Notes (continued)

## F.3 Loans and advances to customers

| | 30 September 2021 | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Gross loans and advances to customers at amortised cost | **9,844,143** | 10,400,603 |
| Allowance for ECL for impairment of loans and advances to customers | **(346,057)** | (804,417) |
| | **9,498,086** | 9,596,186 |
| Loans and advances to customers measured at FVPL | **289,050** | 289,861 |
| | **9,787,136** | 9,886,047 |

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

The credit risk concentration, which is based on industry (economic activity) and by business line, as well as the geographical concentration, is presented in the tables below. The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures, in accordance with which exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

| **30 September 2021** | Cyprus | Greece | United Kingdom | Romania | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|---|
| **By economic activity** | €000 | €000 | €000 | €000 | €000 | €000 | **€000** |
| Trade | 970,997 | 530 | 143 | 660 | 3,514 | 145 | **975,989** |
| Manufacturing | 310,651 | 231 | 9 | 443 | 1,213 | 31,693 | **344,240** |
| Hotels and catering | 874,691 | 34,820 | 36,343 | 389 | - | 40,111 | **986,354** |
| Construction | 576,500 | 8,939 | 109 | 2,262 | 647 | 57 | **588,514** |
| Real estate | 877,074 | 125,589 | 1,984 | 20,859 | - | 42,756 | **1,068,262** |
| Private individuals | 4,362,118 | 9,534 | 128,584 | 1,280 | 38,674 | 74,006 | **4,614,196** |
| Professional and other services | 586,397 | 982 | 5,576 | 2,439 | 16,221 | 28,988 | **640,603** |
| Other sectors | 440,273 | 9 | 48 | 72 | 8 | 185,575 | **625,985** |
| **Total** | **8,998,701** | **180,634** | **172,796** | **28,404** | **60,277** | **403,331** | **9,844,143** |

| **30 September 2021** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **By business line** | | | | | | | |
| Corporate | 1,981,293 | 9,709 | 97 | 227 | 15,592 | 2,373 | **2,009,291** |
| Global corporate | 1,412,201 | 160,905 | 42,961 | 22,531 | - | 312,135 | **1,950,733** |
| SMEs | 1,043,455 | 757 | 2,068 | 2,246 | 4,821 | 2,257 | **1,055,604** |
| Retail | | | | | | | |
| - housing | 3,004,785 | 3,480 | 52,274 | 726 | 5,062 | 26,080 | **3,092,407** |
| - consumer, credit cards and other | 895,801 | 1,343 | 1,217 | 197 | 250 | 1,898 | **900,706** |
| Restructuring | | | | | | | |
| - corporate | 66,004 | - | 524 | - | - | 4,239 | **70,767** |
| - SMEs | 76,489 | 20 | 351 | - | 246 | 377 | **77,483** |
| - retail housing | 76,599 | 189 | 2,040 | - | 411 | 779 | **80,018** |
| - retail other | 38,034 | 13 | 212 | - | 4 | 260 | **38,523** |
| Recoveries | | | | | | | |
| - corporate | 42,399 | - | 8 | 1,861 | 225 | 247 | **44,740** |
| - SMEs | 35,961 | 10 | 2,699 | 307 | 3,563 | 2,585 | **45,125** |
| - retail housing | 122,245 | 341 | 46,300 | 165 | 9,082 | 18,832 | **196,965** |
| - retail other | 91,677 | 34 | 4,868 | 4 | 1,537 | 1,300 | **99,420** |
| International banking services | 73,650 | 2,511 | 16,626 | 140 | 19,484 | 23,685 | **136,096** |
| Wealth management | 38,108 | 1,322 | 551 | - | - | 6,284 | **46,265** |
| | **8,998,701** | **180,634** | **172,796** | **28,404** | **60,277** | **403,331** | **9,844,143** |

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

| 31 December 2020 | Cyprus | Greece | United Kingdom | Romania | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|---|
| **By economic activity** | €000 | €000 | €000 | €000 | €000 | €000 | **€000** |
| Trade | 1,014,445 | 717 | 252 | 3,767 | 7,291 | 112 | **1,026,584** |
| Manufacturing | 350,403 | 389 | 177 | 704 | 1,399 | 31,717 | **384,789** |
| Hotels and catering | 875,572 | 35,989 | 34,736 | 504 | - | 40,185 | **986,986** |
| Construction | 613,895 | 8,689 | 123 | 2,786 | 741 | 234 | **626,468** |
| Real estate | 867,601 | 127,342 | 1,899 | 33,484 | - | 41,223 | **1,071,549** |
| Private individuals | 4,670,357 | 8,024 | 163,613 | 1,202 | 48,361 | 84,830 | **4,976,387** |
| Professional and other services | 652,928 | 407 | 5,711 | 3,968 | 23,074 | 39,933 | **726,021** |
| Other sectors | 432,569 | 13 | 219 | 838 | 5 | 168,175 | **601,819** |
| | **9,477,770** | **181,570** | **206,730** | **47,253** | **80,871** | **406,409** | **10,400,603** |

| **31 December 2020 (restated*)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **By business line** | | | | | | | |
| Corporate | 1,922,810 | 8,949 | 94 | 605 | 18,913 | 2,760 | **1,954,131** |
| Global corporate | 1,344,983 | 163,153 | 41,334 | 35,546 | 9,308 | 302,734 | **1,897,058** |
| SMEs | 1,081,773 | 708 | 2,881 | 2,393 | 4,361 | 2,337 | **1,094,453** |
| Retail | | | | | | | |
| - housing | 2,862,802 | 3,052 | 57,627 | 623 | 6,051 | 25,622 | **2,955,777** |
| - consumer, credit cards and other | 884,151 | 1,286 | 1,507 | 196 | 256 | 2,061 | **889,457** |
| Restructuring | | | | | | | |
| - corporate | 165,161 | - | 532 | - | - | 5,324 | **171,017** |
| - SMEs | 98,931 | - | 883 | - | 97 | 240 | **100,151** |
| - retail housing | 143,540 | 182 | 3,600 | 130 | 377 | 1,591 | **149,420** |
| - retail other | 79,617 | 202 | 118 | 1 | 8 | 18 | **79,964** |
| Recoveries | | | | | | | |
| - corporate | 30,963 | - | 9 | 4,948 | 1 | 256 | **36,177** |
| - SMEs | 57,559 | 9 | 3,154 | 2,643 | 8,079 | 3,770 | **75,214** |
| - retail housing | 374,056 | 326 | 70,621 | 160 | 11,947 | 27,952 | **485,062** |
| - retail other | 337,500 | 34 | 6,108 | 4 | 304 | 1,890 | **345,840** |
| International banking services | 68,923 | 2,905 | 18,262 | 4 | 21,169 | 24,075 | **135,338** |
| Wealth management | 25,001 | 764 | - | - | - | 5,779 | **31,544** |
| | **9,477,770** | **181,570** | **206,730** | **47,253** | **80,871** | **406,409** | **10,400,603** |

*Following a reorganisation of the RRD portfolio and mainly of the terminated exposures, certain loans were reclassified within the ‘Restructuring’ and ‘Recoveries’ business lines. As a result comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers for ‘Restructuring’ and ‘Recoveries’ business lines as previously presented in the 2020 Annual Financial Report.

## F. Notes (continued)

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

| 31 December 2020 | Cyprus | Greece | United Kingdom | Romania | Russia | Other countries | Gross loans at amortised cost |
|---|---|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| Restructuring | | | | | | | |
| - corporate | 175,386 | - | 524 | - | - | 5,324 | **181,234** |
| - SMEs | 86,644 | 189 | 1,633 | - | 263 | 133 | **88,862** |
| - retail housing | 130,661 | 182 | 2,849 | 130 | 219 | 1,703 | **135,744** |
| - retail other | 94,560 | 13 | 127 | - | - | 12 | **94,712** |
| Recoveries | | | | | | | |
| - corporate | 20,388 | - | - | 7,592 | - | 23 | **28,003** |
| - SMEs | 87,276 | 9 | 275 | - | 1,465 | 1,728 | **90,753** |
| - retail housing | 364,775 | 326 | 73,460 | 160 | 18,511 | 30,042 | **487,274** |
| - retail other | 327,637 | 34 | 6,157 | 4 | 355 | 2,076 | **336,263** |
| | **1,287,327** | **753** | **85,025** | **7,886** | **20,813** | **41,041** | **1,442,845** |

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value of €91,276 thousand (31 December 2020: €85,424 thousand).

*Loans and advances to customers classified as held for sale*

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

| 30 September 2021 | Cyprus | Greece | United Kingdom | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|
| **By economic activity** | €000 | €000 | €000 | €000 | €000 | **€000** |
| Trade | 57,486 | - | - | - | - | **57,486** |
| Manufacturing | 24,328 | - | 1 | - | - | **24,329** |
| Hotels and catering | 15,402 | - | 1 | - | - | **15,403** |
| Construction | 28,132 | - | - | - | - | **28,132** |
| Real estate | 6,731 | - | - | - | - | **6,731** |
| Private individuals | 372,411 | - | 1,070 | 791 | 3,547 | **377,819** |
| Professional and other services | 27,839 | - | 1 | - | - | **27,840** |
| Other sectors | 11,774 | - | 1 | - | - | **11,775** |
| | **544,103** | **-** | **1,074** | **791** | **3,547** | **549,515** |

## F. Notes (continued)

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

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

| **30 September 2021** | Cyprus | Greece | United Kingdom | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | €000 | **€000** |
| Corporate | 68 | - | - | - | - | **68** |
| SMEs | 168 | - | - | - | - | **168** |
| Retail | | | | | | |
| - housing | 1,321 | - | - | - | 34 | **1,355** |
| - consumer, credit cards and other | 530 | - | - | - | - | **530** |
| Restructuring | | | | | | |
| - corporate | 1,142 | - | - | - | - | **1,142** |
| - SMEs | 5,227 | - | - | - | - | **5,227** |
| - retail housing | 23,696 | - | 504 | - | - | **24,200** |
| - retail other | 12,630 | - | - | - | - | **12,630** |
| Recoveries | | | | | | |
| - corporate | 7,168 | - | - | - | - | **7,168** |
| - SMEs | 21,813 | - | 1 | 753 | 377 | **22,944** |
| - retail housing | 241,474 | - | 563 | 38 | 2,964 | **245,039** |
| - retail other | 228,866 | - | 6 | - | 172 | **229,044** |
| Total | **544,103** | **-** | **1,074** | **791** | **3,547** | **549,515** |

| **31 December 2020** | | | | | | |
|---|---|---|---|---|---|---|
| **By economic activity** | | | | | | |
| Trade | 137,088 | - | - | - | - | **137,088** |
| Manufacturing | 49,724 | 84 | 305 | - | 560 | **50,673** |
| Hotels and catering | 30,266 | - | 496 | - | 29 | **30,791** |
| Construction | 151,907 | - | 8 | 26 | 76 | **152,017** |
| Real estate | 68,685 | - | - | - | 314 | **68,999** |
| Private individuals | 712,742 | 1,423 | 16,225 | 10,004 | 14,969 | **755,363** |
| Professional and other services | 85,933 | 199 | 62 | 1,093 | 192 | **87,479** |
| Other sectors | 58,845 | - | - | - | - | **58,845** |
| | **1,295,190** | **1,706** | **17,096** | **11,123** | **16,140** | **1,341,255** |

## F. Notes (continued)

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

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

| **31 December 2020 (restated*)** | Cyprus | Greece | United Kingdom | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | €000 | **€000** |
| SMEs | 3 | - | - | - | - | **3** |
| Retail | | | | | | |
| - housing | 40 | - | - | - | - | **40** |
| - consumer, credit cards and other | 23 | - | - | - | - | **23** |
| Restructuring | | | | | | |
| - corporate | 64,957 | - | - | - | - | **64,957** |
| - SMEs | 84,811 | - | 257 | - | 254 | **85,322** |
| - retail housing | 66,250 | - | 1,689 | 163 | 350 | **68,452** |
| - retail other | 29,052 | 1 | 327 | - | - | **29,380** |
| Recoveries | | | | | | |
| - corporate | 85,548 | - | - | 462 | 103 | **86,113** |
| - SMEs | 371,625 | 149 | 2,407 | 919 | 1,844 | **376,944** |
| - retail housing | 312,890 | 1,305 | 10,547 | 7,649 | 10,227 | **342,618** |
| - retail other | 279,991 | 251 | 1,869 | 1,930 | 3,362 | **287,403** |
| | **1,295,190** | **1,706** | **17,096** | **11,123** | **16,140** | **1,341,255** |

*Following a reorganisation of the RRD portfolio and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers classified as held for sale for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

| **31 December 2020** | Cyprus | Greece | United Kingdom | Russia | Other countries | **Gross loans at amortised cost** |
|---|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | €000 | **€000** |
| Restructuring | | | | | | |
| - corporate | 65,947 | - | - | - | - | **65,947** |
| - SMEs | 117,541 | 1 | 1,734 | 163 | 368 | **119,807** |
| - retail housing | 21,584 | - | 402 | - | 76 | **22,062** |
| - retail other | 39,998 | - | 137 | - | 160 | **40,295** |
| Recoveries | | | | | | |
| - corporate | 132,494 | - | 1,164 | 3,552 | 2,918 | **140,128** |
| - SMEs | 365,829 | 149 | 2,993 | 842 | 1,842 | **371,655** |
| - retail housing | 298,136 | 1,305 | 9,019 | 5,705 | 7,492 | **321,657** |
| - retail other | 253,595 | 251 | 1,647 | 861 | 3,284 | **259,638** |
| | **1,295,124** | **1,706** | **17,096** | **11,123** | **16,140** | **1,341,189** |

## F.5 Analysis of loans and advances to customers by stage

The following tables present the Group's gross loans and advances at amortised cost before residual fair value adjustment on initial recognition and at amortised cost, by stage.

| 30 September 2021 | Stage 1 €000 | Stage 2 €000 | Stage 3 €000 | POCI €000 | **Total €000** |
|---|---|---|---|---|---|
| Gross loans at amortised cost before residual fair value adjustment on initial recognition | 7,321,037 | 1,783,110 | 672,877 | 183,599 | **9,960,623** |
| Residual fair value adjustment on initial recognition | (75,117) | (23,241) | (6,333) | (11,789) | **(116,480)** |
| **Gross loans at amortised cost** | **7,245,920** | **1,759,869** | **666,544** | **171,810** | **9,844,143** |

| 31 December 2020 | | | | | |
|---|---|---|---|---|---|
| Gross loans at amortised cost before residual fair value adjustment on initial recognition | 6,681,481 | 2,148,946 | 1,380,926 | 335,852 | **10,547,205** |
| Residual fair value adjustment on initial recognition | (72,591) | (25,815) | (9,376) | (38,820) | **(146,602)** |
| **Gross loans at amortised cost** | **6,608,890** | **2,123,131** | **1,371,550** | **297,032** | **10,400,603** |

*Loans and advances to customers classified as held for sale*

| 30 September 2021 | Stage 1 €000 | Stage 2 €000 | Stage 3 €000 | POCI €000 | **Total €000** |
|---|---|---|---|---|---|
| Gross loans at amortised cost before residual fair value adjustment on initial recognition | - | 1,461 | 472,038 | 95,803 | **569,302** |
| Residual fair value adjustment on initial recognition | - | (38) | (2,393) | (17,356) | **(19,787)** |
| **Gross loans at amortised cost** | **-** | **1,423** | **469,645** | **78,447** | **549,515** |

| 31 December 2020 | | | | | |
|---|---|---|---|---|---|
| Gross loans at amortised cost before residual fair value adjustment on initial recognition | 6,177 | 21,801 | 1,138,587 | 221,365 | **1,387,930** |
| Residual fair value adjustment on initial recognition | (41) | 397 | (7,650) | (39,381) | **(46,675)** |
| **Gross loans at amortised cost** | **6,136** | **22,198** | **1,130,937** | **181,984** | **1,341,255** |

## F. Notes (continued)

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

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

| **30 September 2021** | Stage 1 | Stage 2 | Stage 3 | POCI | **Total** |
|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | **€000** |
| Corporate | 1,512,475 | 453,779 | 22,321 | 20,716 | **2,009,291** |
| Global corporate | 1,337,165 | 514,663 | 65,509 | 33,396 | **1,950,733** |
| SMEs | 793,682 | 236,428 | 14,740 | 10,754 | **1,055,604** |
| Retail | | | | | |
| - housing | 2,718,855 | 308,053 | 53,733 | 11,766 | **3,092,407** |
| - consumer, credit cards and other | 728,897 | 128,661 | 26,034 | 17,114 | **900,706** |
| Restructuring | | | | | |
| - corporate | 6,326 | 36,978 | 19,891 | 7,572 | **70,767** |
| - SMEs | 14,579 | 16,244 | 40,930 | 5,730 | **77,483** |
| - retail housing | 1,942 | 12,110 | 62,642 | 3,324 | **80,018** |
| - retail other | 1,524 | 4,639 | 31,122 | 1,238 | **38,523** |
| Recoveries | | | | | |
| - corporate | - | - | 37,482 | 7,258 | **44,740** |
| - SMEs | - | - | 39,274 | 5,851 | **45,125** |
| - retail housing | - | - | 165,876 | 31,089 | **196,965** |
| - retail other | 127 | - | 83,991 | 15,302 | **99,420** |
| International banking services | 90,302 | 42,741 | 2,807 | 246 | **136,096** |
| Wealth management | 40,046 | 5,573 | 192 | 454 | **46,265** |
| | **7,245,920** | **1,759,869** | **666,544** | **171,810** | **9,844,143** |

| **31 December 2020 (restated*)** | | | | | |
|---|---|---|---|---|---|
| **By business line** | | | | | |
| Corporate | 1,519,663 | 362,199 | 37,635 | 34,634 | **1,954,131** |
| Global corporate | 1,393,025 | 367,147 | 102,881 | 34,005 | **1,897,058** |
| SMEs | 740,305 | 325,412 | 17,731 | 11,005 | **1,094,453** |
| Retail | | | | | |
| - housing | 2,223,620 | 651,980 | 68,644 | 11,533 | **2,955,777** |
| - consumer, credit cards and other | 588,339 | 251,022 | 33,095 | 17,001 | **889,457** |
| Restructuring | | | | | |
| - corporate | 29,108 | 64,706 | 60,719 | 16,484 | **171,017** |
| - SMEs | 13,263 | 25,167 | 54,003 | 7,718 | **100,151** |
| - retail housing | 2,475 | 13,599 | 127,558 | 5,788 | **149,420** |
| - retail other | 943 | 4,047 | 71,910 | 3,064 | **79,964** |
| Recoveries | | | | | |
| - corporate | - | - | 29,431 | 6,746 | **36,177** |
| - SMEs | - | - | 65,287 | 9,927 | **75,214** |
| - retail housing | - | - | 404,337 | 80,725 | **485,062** |
| - retail other | 221 | 13 | 288,374 | 57,232 | **345,840** |
| International banking services | 76,160 | 49,222 | 9,767 | 189 | **135,338** |
| Wealth management | 21,768 | 8,617 | 178 | 981 | **31,544** |
| | **6,608,890** | **2,123,131** | **1,371,550** | **297,032** | **10,400,603** |

*Following a reorganisation of the RRD portfolio and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines, as explained in F.4 'Credit risk concentration of loans and advances to customers'.

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

*Loans and advances to customers classified as held for sale*

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

| **30 September 2021** | Stage 1 | Stage 2 | Stage 3 | POCI | **Total** |
|---|---|---|---|---|---|
| **By business line** | €000 | €000 | €000 | €000 | **€000** |
| Corporate | - | - | 68 | - | **68** |
| SMEs | - | 168 | - | - | **168** |
| Retail | | | | | |
| - housing | - | - | 1,355 | - | **1,355** |
| - consumer, credit cards and other | - | - | 530 | - | **530** |
| Restructuring | | | | | |
| - corporate | - | - | 1,142 | - | **1,142** |
| - SMEs | - | 639 | 3,840 | 748 | **5,227** |
| - retail housing | - | 616 | 22,208 | 1,376 | **24,200** |
| - retail other | - | - | 12,025 | 605 | **12,630** |
| Recoveries | | | | | |
| - corporate | - | - | 6,588 | 580 | **7,168** |
| - SMEs | - | - | 21,264 | 1,680 | **22,944** |
| - retail housing | - | - | 207,801 | 37,238 | **245,039** |
| - retail other | - | - | 192,824 | 36,220 | **229,044** |
| | **-** | **1,423** | **469,645** | **78,447** | **549,515** |

| **31 December 2020 (restated*)** | | | | | |
|---|---|---|---|---|---|
| **By business line** | | | | | |
| SMEs | - | - | - | 3 | **3** |
| Retail | | | | | |
| - housing | - | 40 | - | - | **40** |
| - consumer, credit cards and other | - | 2 | 21 | - | **23** |
| Restructuring | | | | | |
| - corporate | - | 975 | 62,946 | 1,036 | **64,957** |
| - SMEs | 3,442 | 9,882 | 67,664 | 4,334 | **85,322** |
| - retail housing | 2,414 | 9,882 | 53,327 | 2,829 | **68,452** |
| - retail other | 280 | 1,417 | 26,665 | 1,018 | **29,380** |
| Recoveries | | | | | |
| - corporate | - | - | 73,449 | 12,664 | **86,113** |
| - SMEs | - | - | 325,082 | 51,862 | **376,944** |
| - retail housing | - | - | 296,934 | 45,684 | **342,618** |
| - retail other | - | - | 224,849 | 62,554 | **287,403** |
| | **6,136** | **22,198** | **1,130,937** | **181,984** | **1,341,255** |

* Following a reorganisation of the RRD portfolio and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines, as explained in F.4 'Credit risk concentration of loans and advances to customers'.

## F. Notes (continued)

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

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| Impairment loss net of reversals on loans and advances to customers | **24,437** | 212,773 |
| Recoveries of loans and advances to customers previously written off | **(8,644)** | (17,734) |
| Changes in expected cash flows | **12,018** | 17,925 |
| Financial guarantees and commitments | **2,608** | (1,642) |
| | **30,419** | 211,322 |

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

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| 1 January | **1,652,635** | 1,803,550 |
| Foreign exchange and other adjustments | **1,753** | (4,366) |
| Write offs | **(224,122)** | (289,374) |
| Interest (provided) not recognised in the income statement | **42,295** | 59,570 |
| Disposal of Helix 2/Velocity 2 portfolios | **(851,093)** | (112,098) |
| Charge for the period | **24,437** | 212,773 |
| **30 September** | **645,905** | 1,670,055 |
| Stage 1 | **16,167** | 23,813 |
| Stage 2 | **33,920** | 34,590 |
| Stage 3 | **523,279** | 1,403,378 |
| POCI | **72,539** | 208,274 |
| **30 September** | **645,905** | 1,670,055 |

The allowance for ECL, included above, for loans and advances to customers held for sale as at 30 September 2021 amounted to €299,848 thousand (30 September 2020: €538,637 thousand).

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

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| Stage 1 | **(16,145)** | 3,969 |
| Stage 2 | **969** | (5,373) |
| Stage 3 | **39,613** | 214,177 |
| | **24,437** | 212,773 |

During the nine months ended 30 September 2021 the total non-contractual write-offs recorded by the Group amounted to €204,095 thousand (nine months ended 30 September 2020: €212,782 thousand). The contractual amount outstanding on financial assets (including loans and advances to customers classified as held for sale) that were written off during the nine months ended 30 September 2021 and that are still subject to enforcement activity is €736,121 thousand (31 December 2020: €1,062,224 thousand).

## F.6 Credit losses to cover credit risk on loans and advances to customers (continued)

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties supplemented by management judgement where necessary given the difficulty in differentiating between short term impacts and long term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices, and these are capped to zero, for all scenarios, in case of any future projected increase, whereas any future projected decrease is taken into consideration.

At 30 September 2021 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (31 December 2020: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers, excluding those classified as held for sale, has been estimated to be on average seven years under the baseline scenario (31 December 2020: average seven years).

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

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

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

The above assumptions are also influenced by the ongoing regulatory dialogue BOC PCL maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of allowance for ECL.

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

Overlays in the context of COVID-19

Following the COVID-19 pandemic, the Group considered the complexities of governmental support programmes and regulatory guidance on the treatment of customer payment breaks by the ECL models. In this context, management has considered the data and measurement limitations arising from the extraordinary impact of COVID-19 and addressed them through management overlays in relation to the significant credit risk deterioration, behavioural ratings and PD. The majority of COVID-19 related management overlays applied in 2020 and up during the first six months of 2021 were removed in the third quarter of 2021 following the availability of recent financial information (such as financial statements) and continuing signs of recovery in the third quarter of 2021 (such as the repaying percentage (96%) of moratorium customers nine months after the end of moratorium).

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 30 September 2021. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook impacted by the additional progress in vaccinations and medication, degree of recurrence of the disease due to virus mutations, such as the Omicron variant, and the persistent positive effect of fiscal and monetary policy, are timely captured.

## F. Notes (continued)

## F.6 Credit losses to cover credit risk on loans and advances to customers (continued)

*SICR adjustment*
Following an assessment performed for SICR for customers that had taken up the moratorium in 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to skewed outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (adjusted for the days past due and arrears elements that did not apply during the moratorium period so as to assess if any customers exhibit severe deterioration/improvement). Additionally, stricter customers' credit ratings thresholds have been applied for customers in the hotel and catering industry sector. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2. At 30 September 2021, this overlay continued to apply only for the customers in the hotel and catering industry. The isolated impact of this overlay resulted in a transfer of loans of €65 million from Stage 1 to Stage 2 during the nine months ended 30 September 2021. This overlay had an impact on the ECL of €308 thousand for the nine months ended 30 September 2021.

Given the data available since the expiry of the moratorium, any exposures that were assessed as having experienced a SICR in 2020, and were classified to Stage 2 following overlays performed, were allowed to return to Stage 1, if no SICR was identified by the models. This overlay has been removed and led to a transfer back to Stage 1 of €451 million exposures, resulting in the reversal of ECL of approximately €3 million during the nine months ended 30 September 2021.

Additionally, exposures that did not participate in the 2020 moratorium but were identified as having experienced a SICR during 2020 and therefore transferred to Stage 2 were allowed to migrate back to Stage 1 if they did not exhibit a SICR as at 30 June 2021. This overlay has been removed and led to a transfer back to Stage 1 of €301 million exposures, resulting in an ECL release of €3.5 million during the nine months ended 30 September 2021.

*Probability of default and behavioural rating adjustment*
A PD overlay, maintained from 2020 in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model-projected and observed 2021 defaults was removed during the third quarter of 2021. This overlay had an isolated ECL impact of €11 million in 2020 and a corresponding ECL release upon its removal during the nine months ended 30 September 2021.

The PD overlay applied in 2020 relating to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium-biased rating to reflect an improved asset quality, was removed in 2021. This overlay did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating and resulted in an ECL increase of €5 million during 2020. The overlay was removed during the first quarter of 2021 and resulted in an ECL release of €5 million for the nine months ended 30 September 2021.

Other ECL changes during 2021
Cure model recalibration
The cure model is one of the main components of the loss given default (LGD) of the IFRS9 model which allows estimation of the lifetime probability of a defaulted account to return to non-default status. During the third quarter of 2021, cure model recalibration was performed mainly to address the low-default/cure environment observed in the recent period prior to moratorium and investigate the considered model development period such that is retains the through-the-cycle nature of the model. The calibration was performed on the most recent changes in definition of default introduced in January 2021 and had an ECL impact of approximately €28 million for the nine months ended 30 September 2021.

SICR trigger
During the second quarter of 2021, another qualitative factor that triggers SICR has been introduced, that is the granting of forbearance measures to performing borrowers. Stage 1 exposures that are classified as 'performing forborne' are automatically transferred to Stage 2. The impact of this new criterion was €202 million of loans and advances to customers to be transferred from Stage 1 to Stage 2 and the respective impact on the ECL was an increase of €1,486 thousand when this criterion was first introduced.

## F.7 Rescheduled loans and advances to customers

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

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Stage 1 | **108** | 199,193 |
| Stage 2 | **704,586** | 242,493 |
| Stage 3 | **392,722** | 686,944 |
| POCI | **46,357** | 98,400 |
| | **1,143,773** | 1,227,030 |

## F. Notes (continued)

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

The Group, in the ordinary course of business, is subject to enquiries and examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent restructuring of BOC PCL in 2013 as a result of the bail-in Decrees, BOC PCL is subject to a large number of proceedings and a number of investigations that either precede, or result from the events that occurred during the period of the bail-in Decrees. Most proceedings of significance relate to matters arising during the period prior to the issue of the bail-in Decrees.

Further, the Group, as part of its disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the loan securities, data quality, tax exposures and other matters agreed with the buyers. As a result, the Group may be obliged to compensate the buyers in the event of a valid claim by the buyers with respect to these representations, warranties and indemnities.

Provisions have been recognised for those cases where the Group is able to estimate probable losses. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures

## G.1 Additional Credit risk disclosures

***Definitions***

**Non-Performing Exposures (NPEs[1])** are defined as those exposures that satisfy one of the following conditions:

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.
(iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.
(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.

From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/GL/2016/07).

The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter.

For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing.

For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing.

Material arrears/excesses are defined as follows:

- Retail exposures: Total arrears/excess amount greater than €100
- Exposures other than retail: Total arrears/excess amount greater than €500

and the amount in arrears/excess in relation to the customer's total exposure is at least 1%.

**Non-performing forborne exposures** cease to be considered as NPEs and in such case are transferred out of Stage 3, 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) A period of one year has passed since the latest of the following events:
  a) The restructuring date
  b) The date the exposure was classified as non-performing
  c) The end of the grace period included in the restructuring arrangements
(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.

The debtor has made post-forbearance payments of a non-insignificant amount of capital (different capital thresholds exist according to the facility type).

Exposures are classified as **forborne** when concessions are made to debtors who are facing or about to face financial difficulties and cannot meet their contractual obligations.

[1] As per the European Banking Authorities (EBA) standards and European Central Bank's (ECB) Guidance to Banks on Non Performing Loans (which was published in March 2017).

## G.1 Additional Credit risk disclosures (continued)

**Non-performing non-forborne exposures** cease to be considered as NPEs only when all of the following conditions are met:

i. At least three months have passed since the date that the conditions for which the exposure was classified as non-performing cease to be met, and within these three months there are no default triggers, and
ii. During the three month period, the behaviour of the obligor should be taken into account, i.e. there are no arrears/excesses and instalments are being repaid normally, and
iii. During the three month period, the financial situation of the obligor should be taken into account, i.e. the financial situation of the obligor has improved, and
iv. During the three month period an Unlikely-to-Pay criteria assessment is carried out and it is assessed that the obligor can fulfill their obligations without resorting to the liquidation of collateral and there are no other Unlikely-to-Pay criteria.

The definitions of credit-impaired and default are aligned.

## G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

### G.1 Additional Credit risk disclosures (continued)

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

| 30 September 2021 | Gross loans and advances to customers | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Of which exposures with forbearance measures | | | | Of which exposures with forbearance measures | |
| | Group gross customer loans and advances[2,3] | Of which NPEs | Total exposures with forbearance measures | Of which NPEs | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | Of which NPEs | Total exposures with forbearance measures | Of which on NPEs |
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| **Loans and advances to customers** | | | | | | | | |
| **General governments** | **52,152** | - | - | - | **93** | - | - | - |
| **Other financial corporations** | **127,289** | 7,971 | 10,041 | 3,499 | **5,133** | 3,279 | 1,606 | 1,387 |
| **Non-financial corporations** | **5,200,726** | 312,380 | 872,684 | 232,800 | **145,940** | 114,631 | 76,136 | 69,384 |
| Of which: Small and Medium sized Enterprises[4](SMEs) | ***4,060,741*** | *158,795* | *598,795* | *89,243* | ***104,560*** | *74,244* | *41,977* | *36,019* |
| Of which: Commercial real estate[4] | ***3,966,267*** | *192,745* | *760,769* | *150,220* | ***91,562*** | *77,379* | *64,086* | *59,612* |
| **Non-financial corporations by sector** | | | | | | | | |
| Construction | ***581,187*** | *35,327* | | | ***27,599*** | | | |
| Wholesale and retail trade | ***957,348*** | *47,321* | | | ***33,137*** | | | |
| Accommodation and food service activities | ***1,131,022*** | *6,859* | | | ***4,781*** | | | |
| Real estate activities | ***1,126,365*** | *107,377* | | | ***6,906*** | | | |
| Manufacturing | ***339,779*** | *20,467* | | | ***13,195*** | | | |
| Other sectors | ***1,065,025*** | *95,029* | | | ***60,322*** | | | |
| **Households** | **4,759,883** | 501,561 | 486,863 | 272,512 | **201,748** | 182,137 | 89,002 | 81,444 |
| Of which: Residential mortgage loans[4] | ***3,700,738*** | *399,955* | *409,870* | *227,586* | ***127,762*** | *119,506* | *62,847* | *58,003* |
| Of which: Credit for consumption[4] | ***576,010*** | *67,036* | *62,246* | *35,098* | ***43,092*** | *36,178* | *17,694* | *16,016* |
| | **10,140,050** | **821,912** | **1,369,588** | **508,811** | **352,914** | **300,047** | **166,744** | **152,215** |
| **Loans and advances to customers classified as held for sale** | **549,515** | **548,071** | **240,438** | **239,124** | **299,848** | **299,530** | **115,538** | **115,250** |
| **Total on-balance sheet** | **10,689,565** | **1,369,983** | **1,610,026** | **747,935** | **652,762** | **599,577** | **282,282** | **267,465** |

[2] Excluding loans and advances to central banks and credit institutions.

[3]The residual fair value adjustment on initial recognition (which relates mainly to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired and bears a negative balance) is considered as part of the gross loans, therefore decreases the gross balance of loans and advances to customers.

[4] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

| 31 December 2020 | Gross loans and advances to customers | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | |
|---|---|---|---|---|---|---|---|---|
| | Group gross customer loans and advances[5,6] | Of which NPEs | Of which exposures with forbearance measures | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | Of which NPEs | Of which exposures with forbearance measures | |
| | | | Total exposures with forbearance measures | Of which NPEs | | | Total exposures with forbearance measures | Of which on NPEs |
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| **Loans and advances to customers** | | | | | | | | |
| **General governments** | **50,771** | 1 | - | - | **1,949** | - | - | - |
| **Other financial corporations** | **115,668** | 10,494 | 17,303 | 4,568 | **7,232** | 5,545 | 2,604 | 1,907 |
| **Non-financial corporations** | **5,364,716** | 574,205 | 499,948 | 304,406 | **272,331** | 245,647 | 106,238 | 101,989 |
| Of which: Small and Medium sized Enterprises[7] | ***3,797,095*** | *387,568* | *327,344* | *193,938* | ***230,595*** | *210,511* | *91,092* | *87,496* |
| Of which: Commercial real estate[7] | ***4,042,172*** | *346,607* | *367,083* | *193,959* | ***154,807*** | *139,915* | *77,104* | *74,009* |
| **Non-financial corporations by sector** | | | | | | | | |
| Construction | ***614,135*** | *75,550* | | | ***42,791*** | | | |
| Wholesale and retail trade | ***997,904*** | *134,135* | | | ***80,885*** | | | |
| Accommodation and food service activities | ***1,123,380*** | *19,836* | | | ***12,766*** | | | |
| Real estate activities | ***1,129,066*** | *140,532* | | | ***30,355*** | | | |
| Manufacturing | ***376,551*** | *45,142* | | | ***28,185*** | | | |
| Other sectors | ***1,123,680*** | *159,010* | | | ***77,349*** | | | |
| **Households** | **5,160,342** | 1,055,706 | 821,614 | 544,408 | **523,938** | 495,784 | 231,313 | 221,722 |
| Of which: Residential mortgage loans[7] | ***4,059,939*** | *882,336* | *690,514* | *465,939* | ***396,275*** | *382,063* | *185,648* | *178,570* |
| Of which: Credit for consumption[7] | ***622,102*** | *133,351* | *89,725* | *68,763* | ***82,951*** | *74,473* | *33,363* | *32,285* |
| | **10,691,497** | **1,640,406** | **1,338,865** | **853,382** | **805,450** | **746,976** | **340,155** | **325,618** |
| **Loans and advances to customers classified as held for sale** | **1,341,255** | **1,312,166** | **754,795** | **731,624** | **848,218** | **832,419** | **447,731** | **434,657** |
| **Total on-balance sheet** | **12,032,752** | **2,952,572** | **2,093,660** | **1,585,006** | **1,653,668** | **1,579,395** | **787,886** | **760,275** |

[5] Excluding loans and advances to central banks and credit institutions.
[6] The residual fair value adjustment on initial recognition (which relates mainly to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired and bears a negative balance) is considered as part of the gross loans, therefore decreases the gross balance of loans and advances to customers.
[7] The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.2 Capital management

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

The capital adequacy framework, as in force, was incorporated through the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) and came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD IV transposed the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions 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 law and national regulators were allowed to impose additional capital buffer requirements.

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

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

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

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

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

The CET1 ratio of the Group as at 30 September 2021 stands at 14.66% and the total capital ratio at 19.66% on a transitional basis. The ratios as at 30 September 2021 include unaudited/un-reviewed profits for the nine months ended 30 September 2021.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.2 Capital management (continued)

| CET1 Regulatory Capital Requirements | 2021 | 2020* |
|---|---|---|
| Pillar I – CET1 Requirement | 4.50% | 4.50% |
| Pillar II – CET1 Requirement | 1.69% | 1.69% |
| Capital Conservation Buffer (CCB)** | 2.50% | 2.50% |
| Other Systematically Important Institutions (O-SII) Buffer | 1.00% | 1.00% |
| **Minimum CET1 Regulatory Requirements** | **9.69%** | **9.69%** |

** As amended in April 2020 by ECB SREP amending decision following COVID-19 outbreak*
*** Fully phased in as of 1 January 2019*

| Minimum Total Capital Regulatory Requirements | 2021 | 2020 |
|---|---|---|
| Pillar I – Total Capital Requirement | 8.00% | 8.00% |
| Pillar II – Total Capital Requirement | 3.00% | 3.00% |
| Capital Conservation Buffer (CCB)* | 2.50% | 2.50% |
| Other Systematically Important Institutions (O-SII) Buffer | 1.00% | 1.00% |
| **Minimum Total Capital Regulatory Requirements** | **14.50%** | **14.50%** |

** Fully phased in as of 1 January 2019*

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 AT1 capital and with up to 2.0% by T2 capital.

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

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA also announced that banks are temporarily allowed to operate below the level of capital defined by Pillar II Guidance (P2G), the CCB and the Countercyclical Capital Buffer (CCyB). In July 2020, the ECB committed to allow banks to operate below P2G and the Combined Buffer Requirement until at least the end of 2022, without automatically triggering supervisory actions.

The above minimum ratios apply for both BOC PCL and the Group.

The capital position of the Group and BOC PCL as at 30 September 2021 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. Further information is provided in Section A.1.1. Capital Base.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CCyB level in accordance with the methodology described in this law. The CBC has set the level of the CCyB for risk weighted exposures in Cyprus at 0% for the years 2020 and 2021.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the CBC set the O-SII buffer at 2.0%, revised to 1.5% in November 2021 with effect from 1 January 2022.

This buffer is being phased in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented. In April 2020, the CBC decided to delay the phasing in of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set, by 0.25% each year.

## G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.2 Capital management (continued)

The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio as at 30 September 2021 and 31 December 2020. The regulated UCITS management company of the Group, BOC Asset Management Ltd, complies with the regulatory capital requirements of the CySEC laws and regulations as at 30 September 2021 and 31 December 2020. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements as at 30 September 2021 and 31 December 2020.

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

| Regulatory capital | Group | | BOC PCL | |
|---|---|---|---|---|
| | **30 September 2021**[8] | 31 December 2020[9] | **30 September 2021**[8] | 31 December 2020[9] |
| | **€000** | €000 | **€000** | €000 |
| Transitional Common Equity Tier 1 (CET1)[10] | **1,611,742** | 1,722,751 | **1,584,948** | 1,688,296 |
| Transitional Additional Tier 1 capital (AT1) | **220,000** | 220,000 | **220,000** | 220,000 |
| Tier 2 capital (T2) | **328,794** | 192,248 | **339,205** | 250,000 |
| **Transitional total regulatory capital** | **2,160,536** | 2,134,999 | **2,144,153** | 2,158,296 |
| Risk weighted assets – credit risk[11] | **9,859,753** | 10,504,937 | **9,875,376** | 10,516,023 |
| Risk weighted assets – market risk | **-** | - | **-** | - |
| Risk weighted assets – operational risk | **1,131,438** | 1,131,438 | **1,078,575** | 1,078,575 |
| **Total risk weighted assets** | **10,991,191** | 11,636,375 | **10,953,951** | 11,594,598 |
| | | | | |
| | **%** | % | **%** | % |
| Transitional Common Equity Tier 1 ratio | **14.66** | 14.80 | **14.47** | 14.56 |
| **Transitional total capital ratio** | **19.66** | 18.35 | **19.57** | 18.61 |

The capital ratios of the Group and BOC PCL as at the reporting date on a fully loaded basis are presented below:

| Fully loaded | Group | | BOC PCL | |
|---|---|---|---|---|
| | **30 September 2021**[8,12] | 31 December 2020[9,12] | **30 September 2021**[8,12] | 31 December 2020[9,12] |
| | **%** | % | **%** | % |
| Common Equity Tier 1 ratio | **13.30** | 12.94 | **13.09** | 12.69 |
| Total capital ratio | **18.38** | 16.74 | **18.28** | 16.83 |

During the nine months ended 30 September 2021 CET1 was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2021, provisions and impairments, the prudential charge relating to the Group's foreclosed assets of approximately 44 bps (further explained below), costs relating to the tender process for the Old Tier 2 Capital Notes, and was positively affected by pre-provision income, the impact of Helix 2 and Helix 3 transactions, the movement in other prudential items and the decrease in risk-weighted assets. As a result, the CET1 ratio has decreased by 14 bps during the nine months ended 30 September 2021.

[8] Includes unaudited/un-reviewed profits for the nine months ended 30 September 2021.

[9] As per Annual Report 2020 and Pillar III Disclosures 2020.

[10] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €26,803 thousand for the Group and €23,369 thousand for BOC PCL as at 30 September 2021 (31 December 2020: €27,171 thousand for the Group and €24,269 thousand for BOC PCL). As at 30 September 2021 an amount of €16,048 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2020:€21,985 thousand).

[11] Includes Credit Valuation Adjustments (CVA).

[12] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded.

## G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.2 Capital management (continued)

The Group has elected in prior years to apply the static-dynamic approach in relation to the transitional arrangements for the initial application of IFRS 9, where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually, pursuant to EU Regulation 2017/2395 and it therefore applies paragraph 4 of Article 473(a) of the CRR. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, so as to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The impact on the capital position for year 2018 was 5% of the impact on the impairment amounts from the initial application of IFRS 9, increasing to 15% (cumulative) for year 2019, to 30% (cumulative) for year 2020 and 50% (cumulative) for year 2021. This will increase to 75% (cumulative) for year 2022 and will be fully phased in (100%) by 1 January 2023.

Following the June 2020 amendments to the CRR, the Group applied the amendments in relation to the IFRS 9 transitional arrangements for Stage 1 and Stage 2 loans (i.e. the 'dynamic component') which provide for the extension of the transitional period for the 'dynamic component'. A 100% add back of IFRS 9 provisions is allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is to be made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

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

The ECB, as part of its supervisory role, has completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on BOC PCL's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021, resulting in a decrease in the Group's CET1 ratio as at 30 September 2021 by approximately 44 bps.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes.

At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL.

As at 30 September 2021, the Tier Capital 2 Notes contribute approximately 299 bps to the Group's Total Capital ratio, of which approximately 26 bps relate to the remaining Old T2 Notes. The Old T2 Notes are redeemable at the option of BOC PCL in January 2022.

**Minimum requirement for own funds and eligible liabilities**

In April 2021, BOC PCL received notification from the Single Resolution Board (SRB) of the final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for BOC PCL, determined as the preferred resolution point of entry.

As per the decision, the MREL requirement is set at 23.32% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) and must be met by 31 December 2025. Furthermore, BOC PCL must comply by 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

The MREL ratio of BOC PCL as at 30 September 2021, calculated according to the SRB's eligibility criteria currently in effect and based on BOC PCL's internal estimate, stood at 18.97% of risk weighted assets (RWA) and at 10.17% of LRE. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, currently at 3.5% and expected to increase to 3.75% on 1 January 2022. The MREL ratios as at 30 September 2021 include unaudited/unreviewed profits for the nine months ended 30 September 2021.

## G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

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

**The Group prepares the ICAAP and ILAAP reports annually**. Both reports for 2020 have been completed and submitted to the ECB at the end of April 2021 following approval by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy. Both the annual ICAAP for 2020 and the quarterly ICAAP reviews indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both in a base case and in stress conditions.

The Group also undertakes a quarterly review for the ILAAP through quarterly stress tests submitted to the ALCO and the Risk Committee of the Board of Directors. Any material changes since the year-end are assessed in terms of liquidity. 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. Both the annual ILAAP for 2020 and the quarterly ILAAP reviews indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

**The ECB, as part of its supervisory role, has been conducting the SREP and other inspections (onsite/ off-site/ targeted reviews/ deep-dives) on the Group**. SREP is a holistic assessment of, amongst other things, the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of the SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. 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-ons capital requirements are a point-in-time assessment and therefore subject to change over time.

**The Group participated in the ECB SREP Stress Test of 2021**. The exercise was initiated on 29 January 2021 with the announcement of the macro assumptions of the stress tests. The baseline scenario for EU countries was based on the projections from the national central banks on December 2020. The adverse scenario assumed the materialisation of the main financial stability risks that have been identified by the European Systemic Risk Board (ESRB) and which the EU banking sector is exposed to and reflects recent risk assessments by the EBA.

The ECB published on 30 July 2021 the results of the stress test. As per the relevant ECB press release 'the results of the 2021 stress test, which show that the euro area banking system is resilient to adverse economic developments. Banks were in better shape at the start of the exercise than they were three years ago, but capital depletion at the system level was higher'. As in previous years, the stress test is not a pass/fail exercise. By its standard procedures, the ECB considers the quantitative performance in the adverse scenario as an input when reconsidering the level of the Pillar II Guidance in its 2021 SREP assessment and the qualitative performance as one aspect when holistically reviewing the Pillar II Requirement.

The stress test was based on a static balance sheet approach, thus using the Group's financial and capital position as at 31 December 2020 as a starting point. Given the static balance sheet methodology, the 2021 ECB SREP Stress Test does not incorporate the impact of any capital accretive results post 31 December 2020.

## G.4 Liquidity regulation

The Group has to comply with provisions on the Liquidity Coverage Ratio (LCR) under CRD IV/CRR (as supplemented by Delegated Regulations (EU) 2015/61). The Group also has to comply with its Net Stable Funding Ratio (NSFR) calculated as per the Capital Requirements Regulation II (CRR II), enforced in June 2021, with the limit set at 100%.

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

As at 30 September 2021 the Group was in compliance with all regulatory liquidity requirements. As at 30 September 2021, the LCR stood at 294% for the Group (compared to 254% at 31 December 2020) and was in compliance with the minimum regulatory requirement of 100%. As at 30 September 2021 the Group's NSFR was 148% (compared to 139% at 31 December 2020 on the basis of the Basel III standards).

## G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

### G.5 Liquidity reserves

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

| Composition of the liquidity reserves | 30 September 2021 | | | 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | Internal Liquidity reserves | Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible | | Internal Liquidity reserves | Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible | |
| | | Level 1 | Level 2A | | Level 1 | Level 2A |
| | €000 | €000 | €000 | €000 | €000 | €000 |
| Cash and balances with central banks | **8,588,056** | **8,588,056** | **-** | 5,568,431 | 5,568,431 | - |
| Placements with banks | **85,768** | **-** | | 248,839 | - | - |
| Liquid investments | **418,344** | **298,875** | **185,303** | 1,409,850 | 1,240,773 | 133,073 |
| Available ECB Buffer | **72,612** | **-** | **-** | 762,001 | - | - |
| **Total** | **9,164,780** | **8,886,931** | **185,303** | 7,989,121 | 6,809,204 | 133,073 |

Internal Liquidity Reserves present the total liquid assets as defined in BOC PCL's Liquidity Policy. Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 present the liquid assets as per the definition of the aforementioned regulation i.e. High Quality Liquid Assets (HQLA).

Under Liquidity reserves as per LCR, balances in Nostro accounts and placements with banks are not included, as they are not considered HQLA (they are part of the LCR Inflows).

Liquid investments under the Liquidity reserves as per LCR are shown at market values reduced by standard weights as prescribed by the LCR regulation. Liquid investments under Internal Liquidity Reserves include all LCR and/or ECB eligible investments and are shown at market values net of haircuts based on ECB haircuts and methodology.

The reduction in liquid investments and available ECB buffer in the nine months ended 30 September 2021 is due to the utilization of ECB buffer and the encumbrance of bonds as collateral for the additional TLTRO funding obtained during 2021 (of a total nominal value of €2 billion), the proceeds of which have been placed as balances with central banks.

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

The Liquidity Reserves are managed by Treasury.

Following the outbreak of COVID-19, the ECB has adopted a broad set of policy measures to mitigate the economic impact of the crisis and to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. A high-level description of the main measures which have a direct or indirect impact on the liquidity position of banks is set out below.

The ECB announced in March 2020 that it will allow banks to operate temporarily below the defined level of 100% of the LCR. This is expected to apply until at least the end-2021. The set of collateral easing measures adopted, resulted in increasing BOC PCL's borrowing capacity from the ECB operations and improving the liquidity buffers due to the lower haircuts applied to the ECB eligible collateral BOC PCL holds, that comprises of bonds and Additional Credit Claims (ACC). The collateral easing packages are designed as temporary measures (with the exception of part of the haircut reduction on ACCs which is permanent) that will remain in place until June 2022 and will be reassessed before then. Furthermore, the ECB enlarged the scope of the ACC framework, increasing the universe of eligible loans. In relation to existing collateral, the ECB announced changes in collateral rules, temporarily accepting collaterals with a rating below investment grade, setting however a minimum acceptable rating level.

Additionally, the package contains measures that provide liquidity support to the euro area financial system, such as significant favourable amendments in the terms and characteristics of TLTRO III. Furthermore, a new series of additional longer-term refinancing operations, called Pandemic Emergency Longer-Term Refinancing Operations (PELTROs), has been introduced.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.6 Quarterly Pillar III disclosures

The quarterly Pillar III disclosures are prepared in accordance with the Capital Requirement Regulation (CRR) and the Capital Requirements Directive IV (CRD IV). The European Banking Authority (EBA) guidelines on Pillar III disclosure requirements have been fully adopted.

### G.6.1 EU KM1 – Key metrics

| | | 30/09/2021* | 30/06/2021 | 31/03/2021* | 31/12/2020 | 30/09/2020 |
|---|---|---|---|---|---|---|
| | | € million | € million | € million | € million | € million |
| | **Available own funds (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 1,601 | 1,571 | 1,665 | 1,723 | 1,735 |
| 2 | Tier 1 capital | 1,821 | 1,791 | 1,885 | 1,943 | 1,955 |
| 3 | Total capital | 2,150 | 2,124 | 2,081 | 2,135 | 2,150 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 10,991 | 11,048 | 11,546 | 11,636 | 11,888 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 14.57% | 14.22% | 14.42% | 14.80% | 14.59% |
| 6 | Tier 1 ratio (%) | 16.57% | 16.22% | 16.33% | 16.70% | 16.44% |
| 7 | Total capital ratio (%) | 19.56% | 19.23% | 18.02% | 18.35% | 18.09% |
| | **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 1.69% | 1.69% | 1.69% | 1.69% | 1.69% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |
| EU 7d | Total SREP own funds requirements (%) | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% |
| | **Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 9a | Systemic risk buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 10 | Global Systemically Important Institution buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 10a | Other Systemically Important Institution buffer (%) | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| 11 | Combined buffer requirement (%) | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| EU 11a | Overall capital requirements (%) | 14.50% | 14.50% | 14.50% | 14.50% | 14.50% |
| 12 | CET1 available after meeting the total SREP own funds requirements (€ million) | 915 | 880 | 811 | 855 | 842 |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 24,273 | 23,922 | 22,853 | 21,406 | 21,378 |
| 14 | Leverage ratio (%) | 7.50% | 7.49% | 8.25% | 9.08% | 9.14% |
| | **Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)** | | | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14c | Total SREP leverage ratio requirements (%) | 3.00% | 3.00% | 0.00% | 0.00% | 0.00% |
| | **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14e | Overall leverage ratio requirement (%) | 3.00% | 3.00% | 0.00% | 0.00% | 0.00% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 7,622 | 7,059 | 6,495 | 6,146 | 5,945 |
| EU 16a | Cash outflows - Total weighted value | 3,158 | 3,078 | 3,031 | 3,028 | 3,035 |
| EU 16b | Cash inflows - Total weighted value | 430 | 474 | 502 | 517 | 468 |
| 16 | Total net cash outflows (adjusted value) | 2,728 | 2,604 | 2,529 | 2,512 | 2,567 |
| 17 | Liquidity coverage ratio (%) | 279% | 271% | 257% | 245% | 232% |
| | **Net Stable Funding Ratio **** | | | | | |
| 18 | Total available stable funding | 18,170 | 19,429 | | | |
| 19 | Total required stable funding | 12,311 | 12,945 | | | |
| 20 | NSFR ratio (%) | 148% | 150% | | | |

* Amount and ratios exclude interim profits

** Net Stable Funding Ratio as at 30 September and 30 June 2021 is calculated as per CRR II enforced in 30 June 2021. Thus, no comparatives of previous periods exist.

### G.6.2 Own Funds

#### G.6.2.1 IFRS9 Template

**Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR**

| | | 30/09/2021* | 30/06/2021 | 31/03/2021* | 31/12/2020 | 30/09/2020 |
|---|---|---|---|---|---|---|
| | | € million | € million | € million | € million | € million |
| 1 | Common Equity Tier 1 (CET1) capital | 1,601 | 1,571 | 1,665 | 1,723 | 1,735 |
| 2 | CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 1,436 | 1,412 | 1,489 | 1,477 | 1,502 |
| 2a | CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied | 1,595 | 1,566 | 1,661 | 1,720 | 1,726 |
| 3 | Tier 1 capital | 1,821 | 1,791 | 1,885 | 1,943 | 1,955 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 1,656 | 1,632 | 1,709 | 1,697 | 1,722 |
| 4a | Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 1,815 | 1,786 | 1,881 | 1,940 | 1,946 |
| 5 | Total Capital | 2,150 | 2,124 | 2,081 | 2,135 | 2,150 |
| 6 | Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 1,987 | 1,966 | 1,920 | 1,909 | 1,937 |
| 6a | Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 2,144 | 2,118 | 2,077 | 2,132 | 2,142 |
| **Risk-weighted assets** | | | | | | |
| 7 | Total risk-weighted assets | 10,991 | 11,048 | 11,546 | 11,636 | 11,888 |
| 8 | Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 10,826 | 10,888 | 11,370 | 11,391 | 11,655 |

* Amounts and ratios exclude interim profits.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.6 Quarterly Pillar III disclosures (continued)

### G.6.2 Own Funds (continued)

#### G.6.2.1 IFRS9 Template (continued)

| | | 30/09/2021* | 30/06/2021 | 31/03/2021* | 31/12/2020 | 30/09/2020 |
|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | |
| 9 | CET1 (as a percentage of risk exposure amount) | 14.57% | 14.22% | 14.42% | 14.80% | 14.59% |
| 10 | CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 13.26% | 12.96% | 13.09% | 12.97% | 12.89% |
| 10a | CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 14.51% | 14.17% | 14.39% | 14.78% | 14.52% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | 16.57% | 16.22% | 16.33% | 16.70% | 16.44% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 15.29% | 14.99% | 15.03% | 14.90% | 14.77% |
| 12a | Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 16.51% | 16.17% | 16.29% | 16.67% | 16.37% |
| 13 | Total Capital (as a percentage of risk exposure amount) | 19.56% | 19.23% | 18.02% | 18.35% | 18.09% |
| 14 | Total Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 18.35% | 18.06% | 16.88% | 16.76% | 16.62% |
| 14a | Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 19.50% | 19.18% | 17.99% | 18.32% | 18.02% |
| **Leverage ratio** | | | | | | |
| 15 | Leverage ratio total exposure measure | 24,273 | 23,922 | 22,853 | 21,406 | 21,378 |
| 16 | Leverage ratio | 7.50% | 7.49% | 8.25% | 9.08% | 9.14% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 6.87% | 6.87% | 7.54% | 8.02% | 8.11% |
| 17a | Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied | 7.48% | 7.47% | 8.23% | 9.06% | 9.07% |

* Amounts and ratios exclude interim profits.

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.6 Quarterly Pillar III disclosures (continued)

### G.6.2 Own Funds (continued)

#### G.6.2.2 EU OV1 – Overview of total risk exposure amounts

| | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| | | 30 September 2021 | 31 December 2020 | 30 September 2021 |
| | | € million | € million | € million |
| 1 | Credit risk (excluding CCR) | 9,811 | 10,462 | 785 |
| 2 | *Of which the standardised approach* | *9,811* | *10,462* | *785* |
| 3 | *Of which the foundation IRB (FIRB) approach* | - | - | - |
| 4 | *Of which: slotting approach* | - | - | - |
| EU 4a | *Of which: equities under the simple riskweighted approach* | - | - | - |
| 5 | *Of which the advanced IRB (AIRB) approach* | - | - | - |
| 6 | Counterparty credit risk - CCR | 17 | 6 | 1 |
| 7 | *Of which the standardised approach* | *8* | - | *1* |
| 8 | *Of which internal model method (IMM)* | - | - | - |
| EU 8a | *Of which exposures to a CCP* | - | - | - |
| EU 8b | *Of which credit valuation adjustment - CVA* | *9* | *2* | *1* |
| 9 | *Of which other CCR* | - | *4* | - |
| 15 | Settlement risk | - | - | - |
| 16 | Securitisation exposures in the non-trading book (after the cap) | 32 | 37 | 3 |
| 17 | *Of which SEC-IRBA approach* | - | - | - |
| 18 | *Of which SEC-ERBA (including IAA)* | - | - | - |
| 19 | *Of which SEC-SA approach* | *32* | *37* | *3* |
| EU 19a | *Of which 1250%/ deduction* | - | - | - |
| 20 | Position, foreign exchange and commodities risks (Market risk) | - | - | - |
| 21 | *Of which the standardised approach* | - | - | - |
| 22 | *Of which IMA* | - | - | - |
| EU 22a | Large exposures | - | - | - |
| 23 | Operational risk | 1,131 | 1,131 | 90 |
| EU 23a | *Of which basic indicator approach* | - | - | - |
| EU 23b | *Of which standardised approach* | *1,131* | *1,131* | *90* |
| EU 23c | *Of which advanced measurement approach* | - | - | - |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | 57 | 79 | 5 |
| **29** | **Total** | **10,991** | **11,636** | **879** |

The decrease in TREA is at its majority derives from credit risk driven by the Helix 2 transaction and increased exposure values with central banks.

### G.6.3 Liquidity

### EU LIQ1 - Quantitative information of LCR

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
| EU 1a | Quarter ending on: | 30 September 2021 | 30 June 2021 | 31 March 2021 | 31 December 2020 | 30 September 2021 | 30 June 2021 | 31 March 2021 | 31 December 2020 |
| | | € million | € million | € million | € million | € million | € million | € million | € million |
| EU 1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 7,622 | 7,059 | 6,495 | 6,146 |
| CASH - OUTFLOWS | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 7,411 | 7,141 | 6,824 | 6,648 | 483 | 463 | 446 | 430 |
| 3 | Stable deposits | 5,857 | 5,672 | 5,430 | 5,292 | 294 | 284 | 275 | 265 |
| 4 | Less stable deposits | 1,554 | 1,468 | 1,394 | 1,356 | 189 | 179 | 171 | 165 |
| 5 | Unsecured wholesale funding | 4,098 | 4,016 | 4,017 | 4,059 | 2,206 | 2,157 | 2,141 | 2,171 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - | - | - | - | - | - | - |
| 7 | Non-operational deposits (all counterparties) | 4,097 | 4,016 | 4,017 | 4,059 | 2,205 | 2,157 | 2,141 | 2,171 |
| 8 | Unsecured debt | 1 | - | - | - | 1 | - | - | - |
| 9 | Secured wholesale funding | | | | | - | - | - | - |
| 10 | Additional requirements | 313 | 303 | 280 | 267 | 119 | 115 | 110 | 106 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 100 | 96 | 93 | 90 | 100 | 96 | 92 | 89 |
| 12 | Outflows related to loss of funding on debt products | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | Credit and liquidity facilities | 213 | 207 | 188 | 178 | 20 | 19 | 18 | 17 |
| 14 | Other contractual funding obligations | 135 | 127 | 113 | 106 | 133 | 125 | 117 | 106 |
| 15 | Other contingent funding obligations | 2,442 | 2,448 | 2,430 | 2,434 | 217 | 217 | 216 | 215 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 3,158 | 3,078 | 3,031 | 3,028 |
| CASH - INFLOWS | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | - | - | - | - | - | - | - | - |
| 18 | Inflows from fully performing exposures | 328 | 367 | 375 | 391 | 255 | 298 | 320 | 326 |
| 19 | Other cash inflows | 869 | 872 | 912 | 934 | 176 | 177 | 182 | 191 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | - | - | - | - |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | - | - | - | - |
| 20 | TOTAL CASH INFLOWS | 1,197 | 1,239 | 1,287 | 1,325 | 430 | 474 | 502 | 517 |
| EU-20a | Fully exempt inflows | - | - | - | - | - | - | - | - |
| EU-20b | Inflows Subject to 90% Cap | - | - | - | - | - | - | - | - |
| EU-20c | Inflows Subject to 75% Cap | 1,197 | 1,239 | 1,287 | 1,325 | 430 | 474 | 502 | 517 |
| TOTAL ADJUSTED VALUE | | - | - | - | - | - | - | - | - |
| EU-21 | LIQUIDITY BUFFER | | | | | 7,622 | 7,059 | 6,495 | 6,146 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 2,728 | 2,604 | 2,529 | 2,512 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 279% | 271% | 257% | 245% |

# G. Additional Risk & Capital Management disclosures – including quarterly Pillar III disclosures (continued)

## G.6 Quarterly Pillar III disclosures (continued)

### G.6.3 Liquidity (continued)

### EU LIQB - Qualitative information on LCR, which complements template EU LIQ1

| Row number | Qualitative information | |
|---|---|---|
| (a) | Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time | The main drivers of the LCR results have been the amount of HQLA (numerator) and the deposits amounts (part of the denominator). The rest of the items of the denominator are of smaller magnitude and have remained relatively stable over time. |
| (b) | Explanations on the changes in the LCR over time | LCR has been steadily increasing in the recent years. This has been the result of increasing HQLA mainly due to the increase in Customer Deposits as well as other sources of funding (ECB funding and own issues). Net outflows have remained relatively steady due to the fact that the customer deposit increase is mainly due to retail deposits (which carry a low outflow rate) and the additional funding obtained is of a long term nature and thus excluded from the LCR outflows. |
| (c) | Explanations on the actual concentration of funding sources | Customer Deposits have always been the main funding source of BOC PCL. Other funding sources include Central bank funding, issued notes, and Interbank loans. The different funding options are governed by limits and guidelines as per the RAS of BOC PCL, the Liquidity Policy, the Public Funding Policy and the Collateral Management Policy. BOC PCL has a medium-term strategic objective to further diversify its funding sources via issuances of debt from the wholesale market. The main driver for the issuances is the requirement to comply with MREL. |
| (d) | High-level description of the composition of the institution`s liquidity buffer. | The Liquidity Buffer is comprised of mainly Available Central Bank reserves. The rest of the buffer is made up of Level 1 securities and, to a lesser extent, Level 2A securities. |
| (e) | Derivative exposures and potential collateral calls | As per Article 30 (1), (2) and (3) of Commission Delegated Regulation (EU) 2015/61, potential outflows due to derivative and financing transactions are calculated based on:<br><br>a) Credit deterioration of BOC PCL's credit quality. During the actual acute stress period experienced in 2013, additional independent amounts had to be placed by BOC PCL (reflecting the increased credit risk of BOC PCL as perceived by counterparties). The potential outflow takes into account the percentage increase of independent amounts experienced in 2013 as well as the current outstanding derivatives in terms of notional, the type of derivative and the currency pair in the case of FX swaps/ FX forwards.<br><br>b) Adverse market movements affecting the mark to market. The potential negative impact on the mark to market of derivatives and the underlying collateral of repos is calculated in the case of adverse market movements. The methodology followed is based on the Historical Look Back Approach for market valuation changes as per Commission Delegated Regulation (EU) 2017/208. |
| (f) | Currency mismatch in the LCR | With regards to the currency mismatch, it is noted that for US Dollars, the ratio presents a gap when comparing the buffer with its net outflows. BOC PCL maintains large amounts of customer deposits in USD (included in LCR outflows). Part of the proceeds received are invested in either USD MM placements (which form part of the LCR inflows and not the liquidity buffer) or are converted to Euro through the use of short term FX Swaps which are very liquid instruments. Part of the proceeds are also invested in USD liquid assets in the form of bonds which are mostly categorised as Level 1 HQLA in LCR and, to a lesser extent, Level 2A HQLA. Thus, although a gap exists, BOC PCL is in a position to cover any USD requirements either through the cash invested in USD MM placements or by terminating or not renewing the EUR/USD FX Swaps. |
| (g) | Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile | n/a |

## H. Definitions & Explanations

## Reconciliations of Alternative Performance Measures

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

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

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Gross loans and advances to customers as per the underlying basis (as defined below) | **10,863,932** | 12,261,404 |
| **Reconciling items:** | | |
| Residual fair value adjustment on initial recognition *(Note 1 below)* | **(116,480)** | (146,602) |
| Loans and advances to customers classified as held for sale (Section F.4) | **(549,515)** | (1,341,255) |
| Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*) | **(19,787)** | (46,675) |
| Loans and advances to customers measured at fair value through profit or loss (Section F.3) | **(289,050)** | (289,861) |
| Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss | **(44,957)** | (36,408) |
| **Gross loans and advances to customers at amortised cost as per Section F.3** | **9,844,143** | 10,400,603 |

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

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Loans and advances to customers classified as held for sale as per the underlying basis | **569,302** | 1,387,930 |
| **Reconciling items:** | | |
| Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*) | **(19,787)** | (46,675) |
| **Loans and advances to customers classified as held for sale as per Section F.4** | **549,515** | 1,341,255 |

## H. Definitions & Explanations (continued)

## Reconciliations of Alternative Performance Measures (continued)

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

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined below) | **849,363** | 1,901,978 |
| **Reconciling items:** | | |
| Residual fair value adjustment on initial recognition *(Note 1 below)* | **(116,480)** | (146,602) |
| Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss | **(44,957)** | (36,408) |
| Allowance for expected credit losses on loans and advances to customers classified as held for sale (Section F.6) | **(299,848)** | (848,218) |
| Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*) | **(19,787)** | (46,675) |
| Provisions for financial guarantees and commitments | **(22,234)** | (19,658) |
| **Allowance for ECL for impairment of loans and advances to customers as per Section F.3** | **346,057** | 804,417 |

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

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis | **319,635** | 894,893 |
| **Reconciling items:** | | |
| Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (*Note 1 below*) | **(19,787)** | (46,675) |
| **Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per Section F.6** | **299,848** | 848,218 |

## H. Definitions & Explanations (continued)

## Reconciliations of Alternative Performance Measures (continued)

### 3. Reconciliation of NPEs

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| NPEs (as defined below and as per Section G.1) | **1,448,515** | 3,085,646 |
| **Reconciling items:** | | |
| Loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)* | **(548,071)** | (1,312,165) |
| Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale *(Note 3 below)* | **(19,749)** | (47,011) |
| Loans and advances to customers measured at fair value through profit or loss (NPEs) | **(121,992)** | (118,479) |
| POCI (NPEs) *(Note 4 below)* | **(85,826)** | (227,065) |
| Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)* | **(6,333)** | (9,376) |
| **Stage 3 gross loans and advances to customers at amortised cost as per Section F.5** | **666,544** | 1,371,550 |
| **NPE ratio** | | |
| NPEs (as per table above) (€000) | **1,448,515** | 3,085,646 |
| Gross loans and advances to customers (as per table above) (€000) | **10,863,932** | 12,261,404 |
| Ratio of NPE/Gross loans (%) | **13.3%** | 25.2% |

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

**Note 2**: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €469,645 thousand Stage 3 loans (31 December 2020: €1,130,937 thousand Stage 3 loans) and an amount of €78,426 thousand POCI - Stage 3 loans (out of a total of €78,447 thousand POCI loans) (31 December 2020: €181,228 thousand POCI - Stage 3 loans (out of a total of €181,984 thousand POCI loans)), as disclosed in Section F.5.

**Note 3**: The residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €2,393 thousand for Stage 3 loans (31 December 2020: €7,650 thousand for Stage 3 loans) and an amount of €17,356 thousand POCI – Stage 3 loans (out of a total of €17,356 thousand POCI loans) (31 December 2020: €39,361 thousand for POCI - Stage 3 loans (out of a total of €39,381 thousand POCI loans)), as disclosed in Section F.5.

**Note 4**: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €85,826 thousand POCI - Stage 3 loans (out of a total of €183,599 thousand POCI loans) (31 December 2020: €227,065 thousand POCI - Stage 3 loans (out of a total of €335,852 thousand POCI loans)) as disclosed in Section F.5.

## H. Definitions & Explanations (continued)

## Reconciliations of Alternative Performance Measures (continued)

### 4. Reconciliation of Gross Loans – Pro forma

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| Gross Loans (as per table 1 (a) above) | **10,863,932** | 12,261,404 |
| **Reconciling items:** | | |
| Gross loans and advances to customers classified as held for sale (30 September 2021: Project Helix 3, 31 December 2020: Project Helix 2, Portfolios A and B) | **(549,515)** | (1,309,206) |
| Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (30 September 2021: Project Helix 3, 31 December 2020: Project Helix 2, Portfolios A and B) | **(19,787)** | (44,947) |
| **Gross loans and advances to customers – pro forma** | **10,294,630** | 10,907,251 |

### 5. Reconciliation of NPEs – Pro forma

| | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| NPEs (as per table 3 above) | **1,448,515** | 3,085,646 |
| **Reconciling items:** | | |
| Gross loans and advances to customers (NPEs) classified as held for sale (30 September 2021: Project Helix 3, 31 December 2020: Project Helix 2, Portfolios A and B) *(Note 1 below)* | **(548,071)** | (1,280,391) |
| Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale (30 September 2021: Project Helix 3, 31 December 2020: Project Helix 2, Portfolios A and B) | **(19,749)** | (45,269) |
| **NPEs - pro forma** | **880,695** | 1,759,986 |

| **NPE ratio – Pro forma** | **30 September 2021** | 31 December 2020 |
|---|---|---|
| | **€000** | €000 |
| NPEs - Pro forma (as per table above) (€000) | **880,695** | 1,759,986 |
| Gross loans and advances to customers - Pro forma (as per table above) (€000) | **10,294,630** | 10,907,251 |
| Ratio of NPE/Gross loans – Pro forma (%) | **8.6%** | 16.1% |

**Note 1:** Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €469,645 thousand Stage 3 loans (31 December 2020: €1,106,816 thousand Stage 3 loans) and an amount of €78,426 thousand POCI – Stage 3 loans for project Helix 3 (out of a total €469,645 thousand Stage 3 loans classified as held for sale and €78,447 thousand POCI – Stage 3 loans classified as held for sale as disclosed in Section F.5 and Note 2 of Table 3 in these 'Definitions and explanations' respectively) (31 December 2020: €173,575 thousand POCI – Stage 3 loans for project Helix 2, Portfolios A and B (out of a total €1,130,937 thousand Stage 3 loans classified as held for sale and €181,228 thousand POCI – stage 3 loans classified as held for sale)).

## H. Definitions & Explanations (continued)

## Ratios Information

### 1. Net Interest Margin

| | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| **1.1. Reconciliation of Net interest income** | **€000** | €000 |
| Net interest income as per the underlying basis/Unaudited Interim Consolidated Income Statement | **223,552** | 249,875 |
| **Net interest income used in the calculation of NIM (annualised)** | **298,888** | 333,775 |

| **1.2. Interest earning assets** | **30 September 2021** | 30 June 2021 | 31 March 2021 | 31 December 2020 |
|---|---|---|---|---|
| | **€000** | €000 | €000 | €000 |
| Cash and balances with central banks | **8,750,254** | 8,227,491 | 6,926,347 | 5,653,315 |
| Loans and advances to banks | **284,135** | 436,091 | 420,593 | 402,784 |
| Loans and advances to customers | **9,787,136** | 9,966,542 | 9,959,849 | 9,886,047 |
| Loans and advances to customers held for sale | **249,667** | - | 471,628 | 493,037 |
| Cash held for sale | **-** | - | 79,373 | 68,425 |
| Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') | **381,056** | 378,141 | - | - |
| *Investments* | | | | |
| Debt securities | **1,946,811** | 1,998,076 | 1,923,324 | 1,708,844 |
| Less: Investments which are not interest bearing | **(7,355)** | (7,531) | (18,883) | (18,618) |
| **Total interest earning assets** | **21,391,704** | 20,998,810 | 19,762,231 | 18,193,834 |
| | | | | |
| **1.3. Quarterly average interest earning assets (€000)** | | | | |
| - as at 30 September 2021 | **20,086,645** | | | |
| - as at 30 September 2020 | 17,864,837 | | | |

| **1.4. Net interest margin** | Nine months ended 30 September | |
|---|---|---|
| | **2021** | 2020 |
| | **€000** | €000 |
| Net interest income (annualised) (as per table 1.1. above) (€000) | **298,888** | 333,775 |
| Quarterly average interest earning assets (as per table 1.3. above) (€000) | **20,086,645** | 17,864,837 |
| NIM (%) | **1.49%** | 1.87% |

### 2. Operating profit return on average assets

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

| | **30 September 2021** | 30 June 2021 | 31 March 2021 | 31 December 2020 |
|---|---|---|---|---|
| | **€000** | €000 | €000 | €000 |
| **Total assets used in the computation of the operating profit return on average assets per the Unaudited Interim Consolidated Balance Sheet** | **24,550,976** | 24,211,313 | 23,043,592 | 21,514,131 |

## Ratios Information (continued)

### 2. Operating profit return on average assets (continued)

| | **30 September 2021** | 30 September 2020 |
|---|---|---|
| Annualised operating profit (€000) | **191,304** | 203,048 |
| Quarterly average total assets (€000) | **23,330,003** | 21,109,991 |
| Operating profit return on average assets (annualised) (%) | **0.8%** | 1.0% |

## H. Definitions & Explanations (continued)

| | |
|---|---|
| Advisory and other restructuring costs | Comprise mainly (a) fees of external advisors in relation to: (i) disposal of operations and non-core assets, and (ii) customer loan restructuring activities, and (b) the cost of the tender offer for the Existing Tier 2 Capital Notes. |
| Allowance for expected loan credit losses (previously 'Accumulated provisions') | Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers, (iii) allowance for expected credit losses for off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities, and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL. |
| AT1 | AT1 (Additional Tier 1) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date. |
| Basic earnings/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company) | Basic earnings/(losses) after tax and before non-recurring items per share (attributable to the owners of the Company) is the Profit/(loss) after tax and before non-recurring items (as defined below) (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the period, excluding treasury shares. |
| CET1 capital ratio (transitional basis) | CET1 capital ratio (transitional basis) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date. |
| CET1 fully loaded (FL) ratio | The CET1 fully loaded (FL) ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date. |
| Cost to Income ratio | Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined). |
| Data from the Statistical Service | The latest data from the Statistical Service of the Republic of Cyprus, Cyprus Statistical Service, was published on 19 November 2021. |
| Digital transactions ratio | This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs. Digital transactions have been adjusted to include Payroll & Group Transfers performed through 1Bank at transaction level. Historical values have been adjusted accordingly for this change. |
| Digitally engaged customers ratio | This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard. Digital engagement has been adjusted to include Standing Orders & Group Transfers performed through 1Bank at transaction level. Historical values have been adjusted accordingly for this change. |
| ECB | European Central Bank |
| Gross loans | Gross loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment<br><br>Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €181 mn at 30 September 2021 (compared to €185 mn at 30 June 2021 and €230 mn at 31 December 2020).<br><br>Additionally, gross loans include loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment of €334 mn at 30 September 2021 (compared to €332 mn at 30 June 2021 and €326 mn at 31 December 2020). |

## H. Definitions & Explanations (continued)

| | |
|---|---|
| Group | The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or the "Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries. |
| Legacy exposures | Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) non-core overseas exposures. |
| Leverage ratio | The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet. |
| Loan credit losses (PL) (previously 'Provision charge') | Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the reporting period/year. |
| Loan credit losses charge (previously 'Provisioning charge') (cost of risk) | Loan credit losses charge (cost of risk) (year to date) is calculated as the annualised 'loan credit losses' (as defined) divided by average gross loans. The average gross loans are calculated as the average of the opening balance and the closing balance, for the reporting period/year. |
| Market Shares | Both deposit and loan market shares are based on data from the CBC. The Bank is the single largest credit provider in Cyprus with a market share of 39.1% at 30 September 2021, compared to 39.1% at 30 June 2021, 42.4% at 31 March 2021 and 41.9% at 31 December 2020. The decrease in 2Q2021 is mainly due to the completion of Project Helix 2. |
| MSCI ESG Rating | The use by the Bank of any MSCI ESG Research LLC or its affiliates ('MSCI') data, and the use of MSCI Logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation or promotion of the Bank by MSCI. MSCI Services and data are the property of MSCI or its information providers and are provided "as-is" and without warranty. MSCI Names and logos are trademarks or service marks of MSCI. |
| Net fee and commission income over total income | Fee and commission income less fee and commission expense divided by total income (as defined). |
| Net Interest Margin | Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined). |
| Net loans and advances to customers | Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities). |
| Net loans to deposits ratio | Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined) divided by customer deposits. |
| Net Stable Funding Ratio (NSFR) | The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF). The regulatory limit has been set at 100% as per the CRR II enforced in June 2021. The NSFR weights under CRR II do not have material deviations from those under Basel III guidelines which the Group followed prior to CRR II enforcement. |
| New lending | New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year to date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending. |

## H. Definitions & Explanations (continued)

| | |
|---|---|
| Non-interest income | Non-interest income comprises Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), Insurance income net of claims and commissions, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income. |
| Non-performing exposures (NPEs) | As per the European Banking Authorities (EBA) standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), non-performing exposures (NPEs) are defined as those exposures that satisfy one of the following conditions:<br>(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.<br>(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.<br>(iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.<br>(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.<br>(v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.<br><br>From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/RTS/2016/07).<br><br>The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter.<br><br>For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing.<br><br>For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing.<br><br>Material arrears/excesses are defined as follows:<br>- Retail exposures: Total arrears/excess amount greater than €100<br>- Exposures other than retail: Total arrears/excess amount greater than €500<br>and the amount in arrears/excess in relation to the customer's total exposure is at least 1%. |
| Non-recurring items | Non-recurring items as presented in the 'Unaudited Interim Condensed Consolidated Income Statement – Underlying basis' relate to the following items, as applicable: (i) Advisory and other restructuring costs - organic, (ii) Provisions/net (loss)/profit relating to NPE sales, and (iii) Restructuring and other expenses relating to NPE sales. |
| NPE coverage ratio (previously 'NPE Provisioning coverage ratio') | The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined). |
| NPE ratio | NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined). |

## H. Definitions & Explanations (continued)

| | |
|---|---|
| NPE sales | NPE sales refer to sales of NPE portfolios completed, as well as contemplated and potential future sale transactions, irrespective of whether or not they met the held for sale classification criteria at the reporting dates. |
| Operating profit | The operating profit comprises profit before Total loan credit losses, impairments and provisions (as defined), tax, (profit)/loss attributable to non-controlling interests and non-recurring items (as defined). |
| Operating profit return on average assets | Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable. |
| Phased-in Capital Conservation Buffer (CCB) | In accordance with the legislation in Cyprus which has been set for all credit institutions, the applicable rate of the CCB is 1.25% for 2017, 1.875% for 2018 and 2.5% for 2019 (fully phased-in). |
| Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) | This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined). |
| Profit/(loss) after tax – organic (attributable to the owners of the Company) | This refers to the profit or loss after tax (attributable to the owners of the Company), excluding any 'non-recurring items' (as defined, except for the 'advisory and other restructuring costs – organic'). |
| Project Helix | Project Helix refers to the sale of a portfolio of loans with a gross book value of €2.8 bn completed in June 2019. |
| Project Helix 2 | Project Helix 2 refers to the sale of portfolios of loans with a total gross book value of €1.3 bn completed in June 2021. For further information please refer to section A.1.5 Loan portfolio quality. |
| Quarterly average interest earning assets | This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. Average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable. Interest earning assets include: cash and balances with central banks (including cash and balances with central banks classified as non-current assets held for sale), plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus 'deferred consideration receivable' included within 'other assets', plus investments (excluding equities and mutual funds). |
| Qoq | Quarter on quarter change |
| Special levy on deposits and other levies/contributions | Relates to the special levy on deposits of credit institutions in Cyprus, contributions to the Single Resolution Fund (SRF), contributions to the Deposit Guarantee Fund (DGF), as well as the DTC levy. |
| Total Capital ratio | Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date. |

## H. Definitions & Explanations (continued)

| | |
|---|---|
| Total expenses | Total expenses comprise staff costs, other operating expenses and the special levy on deposits and other levies/contributions. It does not include (i) 'advisory and other restructuring costs-organic', or (ii) any restructuring costs relating to NPE sales. (i) 'Advisory and other restructuring costs-organic' amounted to €1 mn for 3Q2021 (compared to €15 mn for 2Q2021, €3 mn for 1Q2021 and €1 mn for 4Q2020), (ii) Restructuring costs relating to NPE sales amounted to €3 mn for 3Q2021 (compared to €6 mn for 2Q2021, €4 mn for 1Q2021 and c.€1.5 mn for 4Q2020). |
| Total income | Total income comprises net interest income and non-interest income (as defined). |
| Total loan credit losses, impairments and provisions | Total loan credit losses, impairments and provisions comprises loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus provisions for litigation, claims, regulatory and other matters. |
| Underlying basis | This refers to the statutory basis after being adjusted for certain items as explained in the Basis of Presentation. |
| Write offs | Loans together with the associated loan credit losses are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance. |
| Yoy | Year on year change |

## Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings” or “the Company”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” or “BOC PCL”, and together with the Bank’s subsidiaries, the “Group”, for the nine months ended 30 September 2021.

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

Financial information presented in this announcement is being published for the purposes of providing an overview of the Group financial results for the nine months ended 30 September 2021.

The financial information in this announcement does not constitute statutory financial statements of BOC Holdings within the meaning of section 340 of the Companies Act 2014. The Group statutory financial statements for the year ended 31 December 2020, upon which the auditors have given an unqualified report, were published on 30 March 2021 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 2021 on 29 November 2021.

**Statutory basis:** Statutory information is set out on pages 33-37. However, a number of factors have had a significant effect on the comparability of the Group’s financial position and performance. Accordingly, the results are also presented on an underlying basis.

**Underlying basis:** The financial information presented under the underlying basis provides an overview of the Group financial results for the nine months ended 30 September 2021, which the management believes best fits the true measurement of the financial performance and position of the Group. For further information, please refer to ‘Commentary on Underlying Basis’ on page 5. The statutory results are adjusted for certain items (as described on pages 38-39) to allow a comparison of the Group’s underlying financial position and performance, as set out on pages 4-6.

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

This announcement and the presentation for the Group Financial Results for the nine months ended 30 September 2021 have been posted on the Group’s website www.bankofcyprus.com (Investor Relations/Financial Results).

**Definitions:** The Group uses definitions in the discussion of its business performance and financial position which are set out in section H, together with explanations.

The Group Financial Results for the nine months ended 30 September 2021 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

## Forward Looking Statements

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

## Contacts

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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 90 branches in Cyprus, of which 10 operate as cash offices. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 3,558 staff worldwide. At 30 September 2021, the Group’s Total Assets amounted to €24.5 bn and Total Equity was €2.1 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.

Bank of Cyprus Holdings

# Announcement

## Investor Presentation of the Group Financial Results for the nine months ended 30 September 2021

Nicosia, 30 November 2021

***Group Profile***

*The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Bank of Cyprus Group operates through a total of 90 branches in Cyprus, of which 10 operate as cash offices. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 3,558 staff worldwide. At 30 September 2021, the Group's Total Assets amounted to €24.5 bn and Total Equity was €2.1 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries*

Further to today's announcement by Bank of Cyprus Holdings Public Limited Company (the 'Company') of the financial results of the Bank of Cyprus Group for the nine months ended 30 September 2021 (the 'Results Announcement'), the Company confirms that it has uploaded an investor presentation (the 'Investor Presentation') to its website www.bankofcyprus.com (Investor Relations).

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

The Investor Presentation includes additional financial information not presented within the Results Announcement, primarily relating to (i) NPE analysis (movements by segments and customer type), (ii) rescheduled loans analysis, (iii) details of historic restructuring activity including REMU activity, (iv) analysis of new lending, (v) Income statement by business line, (vi) NIM and interest income analysis and (vii) Loan portfolio analysis in accordance with the three-stages model for impairment of IFRS 9.

Moreover, the Investor Presentation includes additional financial information not presented in the Results Announcement of current and expected medium term levels for (i) NPE coverage and (ii) ESG performance metrics.

Except in relation to any non-IFRS measure, the financial information contained in the Investor Presentation has been prepared in accordance with the Group's significant accounting policies as described in the Group's Annual Financial Report 2020 and updated in the Interim Financial Report 2021.

The Investor Presentation should be read in conjunction with the information contained in the Results Announcement and neither the financial information in the Results Announcement nor in the Investor Presentation constitutes statutory financial statements prepared in accordance with International Financial Reporting Standards.

For further information, please contact Investor Relations at investors@bankofcyprus.com.