Bank of Cyprus Holdings

Announcement

Group Financial Results for the quarter ended 31 March 2023

Nicosia, 16 May 2023

Key Highlights for the quarter ended 31 March 2023

Economic outlook remains strong

- Economy to grow by c.2.8%[1] in 2023, significantly above the eurozone average
- Another seasonally strong quarter of new lending of €624 mn, up 41% qoq and broadly flat yoy
- Gross performing loan book of €9.9 bn, up 1% qoq and yoy

Strong profitability benefiting from tailwinds

- NII of €162 mn up 127% yoy, underpinned by interest rate rises
- Total operating expenses[2] down 3% yoy; cost to income ratio[2] at 34% down 26 p.p. yoy
- Profit after tax of €95 mn for 1Q2023 vs €17 mn for 1Q2022
- ROTE[3] of 21.3% for 1Q2023 vs 4.0% for 1Q2022, with rates higher than expected and anticipated increases in deposit costs not yet developing

Resilient asset quality

- Asset quality in line with target
- NPE ratio at 3.8% (1.1%[4] net) down 7.6 p.p. yoy
- Coverage at 73%; cost of risk at 44 bps flat qoq and yoy, reflecting resilient credit portfolio quality

Robust capital and liquidity

- CET1 ratio of 15.2%,[5] and Total Capital ratio of 20.3%[5]
- Organic capital generation of c.90 bps[6]
- Retail funded deposit base at €19.0 bn up 7% yoy and flat qoq
- Highly liquid balance sheet with €9.2 bn placed at the ECB

Resumption of dividend payments after 12 years

- €0.05 dividend per ordinary share (€22.3 mn out of FY2022 profitability); payout ratio of 14% on adjusted recurring profitability[7] or 31% based on FY2022 profit after tax[8]
- Payout ratio expected to build prudently and progressively to 30-50% of adjusted recurring profitability[7]

1. Projections in accordance with Ministry of Finance
2. Excluding special levy on deposits and other levies/contributions
3. ROTE is calculated as annualised profit after tax (attributed to the owners of the Company) divided by the quarterly average shareholders' equity minus intangible assets
4. Calculated as NPEs net of provisions over net loans
5. Includes unaudited/unreviewed profits for 1Q2023 and for CRR compliance purposes an accrual for dividend at a payout ratio of 30% of the Group's adjusted recurring profitability in line with the Group's approved dividend policy. Any recommendation for a dividend is subject to regulatory approval
6. Based on profit after tax before non-recurring items
7. Profit after tax before non-recurring items (attributable to the owners of the Company) taking into consideration the AT1 coupon
8. As reported in the 2022 Annual Report

*On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. Further information on IFRS 17 is provided under the sections "Commentary on Underlying Basis' and F9.

Group Chief Executive Statement

"This year we have achieved a significant milestone with the delivery of our longstanding intention to resume dividend payments after 12 years. This represents an important step in the Group's journey of delivering sustainable profitability and shareholder returns. We have proposed a dividend of €0.05 per ordinary share, in respect of 2022 earnings, equivalent to a 14% payout ratio on adjusted recurring profitability or 31% based on profit after tax as reported in 2022 annual report. Going forward, dividends are expected to build prudently and progressively towards a payout ratio in the range of 30-50%.

The dividend decision was supported by the strong start to the year with the performance in the quarter ahead of our FY2023 targets. Overall, we generated profit after tax of €95 mn, corresponding to a ROTE of 21.3%. Total income amounted to €234 mn, of which €162 mn relates to net interest income, more than double last year's level. The growth in net interest income was underpinned by interest rate rises as well as a continued modest deposit pass-through level. Our non interest income of €72 mn (increased by 8% on prior year) remained a significant contributor to our profitability and diversified business model.

Despite elevated inflation, our cost base was 3% lower on the prior period, reflecting the benefits from recent efficiency actions. As a result, the cost to income ratio (excluding levies and contributions) stood at 34%, compared to 60% in the prior year.

Our cost of risk remained broadly flat at 44 bps reflecting our resilient credit portfolio quality. Asset quality is in line with our targets, reflected in an NPE ratio of 3.8%, and an improved level of coverage of 73% as at quarter end.

Against the backdrop in the global and European economic environment, the Cypriot economy continues to demonstrate its strength with GDP forecast to grow by c.2.8% in 2023, which is expected to outperform the Eurozone average. As the largest financial group in Cyprus, we continued to support the economy by extending a seasonally strong €0.6 bn of new loans in 1Q2023, an increase of 41% on the prior quarter, whilst maintaining strict lending criteria. Our performing loan book grew by 1% both qoq and yoy to €9.9 bn.

Our capital position remains robust and comfortably in excess of our regulatory requirements. We ended the quarter with a CET1 ratio of 15.2% and a Total Capital ratio of 20.3%, generating c.90 bps of organic capital.

Our liquidity position remains robust, stemming from our highly liquid balance sheet and growing retail-funded deposit base. As at 31 March 2023, our cash balances amounted to €9.2 bn whilst our deposits remained flat qoq, but increased by 7% on the prior year to €19.0 bn.

2023 is providing evidence of the Group's transformation into a strong, diversified, well-capitalised and sustainably profitable banking and financial services group. We have closed the chapter on the restructuring effort of recent years and have started a new chapter in which we aim to provide sustainable returns to shareholders, while continuing to serve our customers, support the Cypriot economy and contribute to the community. Our positive set of financial results this quarter provides the foundations to help us deliver against our targets. We look forward to presenting and discussing an update of the Group's outlook at our Investor Update, on 8 June 2023."

Panicos Nicolaou

A. Group Financial Results – Underlying Basis

Unaudited Interim Condensed Consolidated Income Statement

€ mn	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq ±%	yoy ±%
Net interest income	162	71	136	19%	127%
Net fee and commission income	44	44	50	-12%	1%
Net foreign exchange gains and net gains/(losses) on financial instruments	13	2	12	12%	-
Net insurance result	10	11	10	-11%	-15%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	2	5	2	-34%	-68%
Other income	3	4	5	-38%	-31%
Total income	**234**	**137**	**215**	8%	70%
Staff costs	(46)	(47)	(42)	9%	-4%
Other operating expenses	(34)	(34)	(42)	-19%	-1%
Special levy on deposits and other levies/contributions	(11)	(10)	(11)	-7%	12%
Total expenses	**(91)**	**(91)**	**(95)**	-5%	-1%
Operating profit	**143**	**46**	**120**	19%	213%
Loan credit losses	(11)	(12)	(11)	0%	-6%
Impairments of other financial and non-financial assets	(11)	(5)	(13)	-8%	126%
Provisions for pending litigations, regulatory and other matters (net of reversals)	(6)	(0)	(8)	-26%	-
Total loan credit losses, impairments and provisions	**(28)**	**(17)**	**(32)**	-10%	68%
Profit before tax and non-recurring items	**115**	**29**	**88**	29%	-
Tax	(18)	(6)	(13)	40%	-
Profit attributable to non-controlling interests	(1)	0	(1)	-45%	-
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**96**	**23**	**74**	28%	-
Advisory and other restructuring costs – organic	(1)	(1)	(1)	-22%	-15%
Profit after tax – organic (attributable to the owners of the Company)	**95**	**22**	**73**	29%	-
Provisions/net profit/(loss) relating to NPE sales	-	(1)	2	-100%	-100%
Restructuring and other costs relating to NPE sales	-	(1)	0	-41%	-72%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	-	(3)	-	-	-100%
Profit after tax (attributable to the owners of the Company)	**95**	**17**	**75**	**26%**	-

A. Group Financial Results – Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Income Statement – Key Performance Ratios

Key Performance Ratios	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq±%	yoy±%
Net Interest Margin (annualised)	2.91%	1.32%	2.36%	55 bps	159 bps
Cost to income ratio	39%	67%	44%	-5 p.p.	-28 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	34%	60%	39%	-5 p.p.	-26 p.p.
Operating profit return on average assets (annualised)	2.3%	0.7%	1.9%	0.4 p.p.	1.6 p.p.
Basic earnings per share attributable to the owners of the Company (€ cent)[2]	21.24	3.86	16.84	4.40	17.38
Return on tangible equity (ROTE)	21.3%	4.0%	17.3%	4.0 p.p.	17.3 p.p.

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9.
2. The diluted earnings per share attributable to the owners of the Company for 1Q2023 amounted to 21.20 cents
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 quarter ended 31 March 2023 on an 'underlying basis', which the management believes best fits the true measurement of the performance and position of the Group, as this presents separately exceptional and one-off items.

Reconciliations between the statutory basis and the underlying basis are included in Section F.1 'Reconciliation of Interim Income statement for the quarter ended 31 March 2023 between statutory basis and underlying basis' and in Section H under 'Alternative Performance Measures', and Section I under 'Definitions & Explanations' to facilitate the comparability of the underlying basis to the statutory information.

Throughout this announcement, financial information in relation to FY2022 and quarterly 2022 financial information has been restated for the effects of transition to IFRS 17 which was adopted on 1 January 2023 and applied retrospectively. As a result, such 2022 financial information, ratios and metrics are presented on a restated basis unless otherwise stated. Further information on impact of IFRS 17 transition is provided below and in Section F.9 of this announcement.

Throughout this announcement, **the capital ratios as at 31 December 2022 have been restated in order to take into consideration the recommendation of dividend**. This refers to the recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting ('AGM') of a final dividend in respect of the FY2022 earnings following the approval by the European Central Bank ('ECB'). This proposed dividend amounts to €22.3 mn in total and had a negative impact of 22 bps in the Group's CET1 ratio and Total Capital ratio as at 31 December 2022. As a result the 31 December 2022 capital ratios are presented as restated for the dividend proposal unless otherwise stated. Further details are provided in Section "A.1.1 Capital Base".

Transition to IFRS 17

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' ('IFRS 17') which replaced IFRS 4 'Insurance contracts. IFRS 17 is an accounting standard that was implemented on 1 January 2023, with retrospective application and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, investment contracts with discretionary participation features issued and reinsurance contracts held. In substance, IFRS 17 impacts the phasing of profit recognition for insurance contracts as profitability is spread over the lifetime of the contract compared to being recognised substantially up-front under IFRS 4. This new accounting standard **does not change the economics of the insurance contracts but it does decrease the volatility of the Group's insurance companies profitability.**

The Group's total equity as at 31 December 2022 as restated for IFRS 17 compared to IFRS 4, was reduced by overall €52 mn (predominantly relating to the life insurance business of the Group) from the below changes:
- The removal of the present value of in-force life insurance contracts ('PVIF') asset including the associated deferred tax liability, resulting to a reduction of €101 mn in the Group's total equity.
- The remeasurement of insurance assets and liabilities (including the impact of the contractual service margin('CSM')) resulting to an increase in the Group's equity by €49 mn.

Commentary on Underlying Basis (continued)

Transition to IFRS 17 (continued)

The estimated future profit of insurance contracts is included in the measurement of the insurance contract liabilities as the contractual service margin ('CSM') and this will be gradually recognised in revenue, as services are provided over the duration of the insurance contract. A contractual service margin liability of c.€42 mn was recognised as at 31 December 2022 (reflected in the impact from the remeasurement of insurance liabilities mentioned above).

With regards to the Group's income statement for the year ended 31 December 2022 as restated for IFRS 17 **the profit after tax (attributable to the owners of the Company) was reduced by €14 mn to €57 mn (vs €71 mn under IFRS 4) reflecting mainly**:

- Profit is deferred and held as CSM liability as mentioned above to be recognised in the income statement over the contract service period.
- The impact of assumption changes relating to the future service is also deferred through CSM liability and is recognised in the income statement over the contract service period.
- There is increased use of current market values in the measurement of insurance assets and liabilities (for unit-linked business) and market volatility on unit-linked business is deferred to the CSM, thereby reducing the volatility in the income statement.

The transition to IFRS 17 had no impact on the Group's regulatory capital. However, as a result of the benefit arising from the remeasurement of the insurance assets and liabilities, the life insurance subsidiary distributed €50 mn as dividend to the Bank in February 2023, which benefited Group regulatory capital by an equivalent amount on the same date, enhancing CET1 ratio by c.50 bps. Going forward, meaningful dividend generation from the insurance business is expected to continue.

A. Group Financial Results– Underlying Basis (continued)

Unaudited Interim Condensed Consolidated Balance Sheet

€ mn	31.03.2023	31.12.2022 IFRS 17[1]	±%
Cash and balances with central banks	**9,248**	**9,567**	-3%
Loans and advances to banks	**416**	**205**	103%
Debt securities, treasury bills and equity investments	**2,897**	**2,704**	7%
Net loans and advances to customers	**10,013**	**9,953**	1%
Stock of property	**978**	**1,041**	-6%
Investment properties	**83**	**85**	-2%
Other assets	**1,752**	**1,734**	1%
Total assets	**25,387**	**25,289**	**0%**
Deposits by banks	**481**	**508**	-5%
Funding from central banks	**1,988**	**1,977**	1%
Customer deposits	**18,974**	**18,998**	0%
Debt securities in issue	**300**	**298**	1%
Subordinated liabilities	**307**	**302**	2%
Other liabilities	**1,195**	**1,157**	3%
Total liabilities	**23,245**	**23,240**	**0%**
Shareholders' equity	**1,899**	**1,807**	**5%**
Other equity instruments	**220**	**220**	-
Total equity excluding non-controlling interests	**2,119**	**2,027**	**5%**
Non-controlling interests	**23**	**22**	**3%**
Total equity	**2,142**	**2,049**	**5%**
Total liabilities and equity	**25,387**	**25,289**	**0%**

Key Balance Sheet figures and ratios	31.03.2023	31.12.2022[1]	±
Gross loans (€ mn)	**10,278**	**10,217**	1%
Allowance for expected loan credit losses (€ mn)	**282**	**282**	0%
Customer deposits (€ mn)	**18,974**	**18,998**	-0%
Loans to deposits ratio (net)	**53%**	**52%**	+1 p.p.
NPE ratio	**3.8%**	**4.0%**	-20 bps
NPE coverage ratio	**73%**	**69%**	+4 p.p.
Leverage ratio	**8.2%**	**7.8%**	+40 bps
Capital ratios and risk weighted assets	**31.03.2023**	**31.12.2022[1,2]**	**±**
Common Equity Tier 1 (CET1) ratio (transitional)	**15.2%**	**15.2%**	-
Total capital ratio (transitional)	**20.3%**	**20.4%**	-10 bps
Risk weighted assets (€ mn)	**10,164**	**10,114**	0%

1 On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9

2. The capital ratios have been restated to take into consideration the proposed dividend in respect of FY2022 earnings. For further details please refer to section A.1.1. 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 €2,119 mn as at 31 March 2023 compared to €2,027 mn as at 31 December 2022 and €2,028 mn as at 31 March 2022. Shareholders' equity totalled €1,899 mn as at 31 March 2023 compared to €1,807 mn as at 31 December 2022 and €1,808 mn as at 31 March 2022.

The **Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 15.2% as at 31 March 2023, compared to 15.2% as at 31 December 2022, as restated. Organic capital generation for 1Q2023 amounted to c.90 bps. During 1Q2023 the CET1 ratio was positively affected by pre-provision income and negatively affected by the final phasing in of IFRS 9 and other transitional arrangements, provisions and impairments as well as the other movements. Additionally, CET1 ratio as at 31 March 2023 was positively affected by €50 mn dividend distributed to the Bank in February 2023 by the life insurance subsidiary. Throughout this announcement, the capital ratios as at 31 March 2023 include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for CRR compliance purposes an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. Group Adjusted Profit after tax is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon. For further details please refer to 'Resumption of dividends' in section A.1.1.

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 was phased-in gradually, with the impact being fully phased-in (100%) by 1 January 2023. The final phasing-in of the impact of the impairment amount from the initial application of IFRS 9 was c.65 bps on the CET1 ratio on 1 January 2023. In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 24 bps on Group's CET1 ratio as at 31 March 2023.

The **Total Capital ratio** stood at 20.3% as at 31 March 2023, compared to 20.4% as at 31 December 2022 as restated.

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

In the context of the annual SREP performed by the ECB in 2022 and based on the **final SREP decision** received in December 2022, effective from 1 January 2023, the Pillar II requirement has been revised to 3.08%, compared to the previous level of 3.26%. The Pillar II requirement includes a revised Pillar II requirement add-on of 0.33% relating to ECB's prudential provisioning expectations. When disregarding the Pillar II add-on relating to ECB's prudential provisioning expectations, the Pillar 2 requirement has been reduced from 3.00% to 2.75%.

The Group's minimum phased-in CET1 capital ratio and Total Capital ratio requirements were reduced compared to 2022, when disregarding the phasing in of the Other Systemically Important Institution Buffer. The Group's minimum phased-in CET1 capital ratio is set at **10.25%**, compared to the previous level of 10.10%, comprising a 4.50% Pillar I requirement, a 1.73% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of 0.02%. The Group's minimum phased-in Total Capital ratio requirement is set at **15.10%,** compared to the previous level of 15.03% comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.08% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of 0.02%. The ECB has also maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) unchanged compared to the previous year.

The Bank has been designated as an Other Systemically Important Institution (**O-SII)** by the Central Bank of Cyprus (CBC) in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, and since November 2021 the O-SII buffer has been set to 1.50%. This buffer was phased-in gradually, having started from 1 January 2019 at 0.50%. The O-SII buffer was fully phased-in on 1 January 2023 and now stands at 1.50%.

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.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50% must be observed as from 30 November 2023. Based on the above, the CcyB for the Group is expected to increase.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.1 Capital Base (continued)

Following the 2022 SREP decision, the equity dividend distribution prohibition was lifted for both the Company and the Bank, with any dividend distribution being subject to regulatory approval. The Company (Bank of Cyprus Holdings PLC) and the Bank were under a regulatory prohibition for equity dividend distribution in the previous year. This prohibition did not apply if the distribution was made via the issuance of new ordinary shares to the shareholders, eligible as CET1 capital. No prohibition applied to the payment of coupons on any AT1 capital instruments issued by the Company or the Bank.

Resumption of dividend payments

In April 2023 the Company obtained the approval of the European Central Bank to pay a dividend. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the Annual General Meeting ('AGM') that will be held on 26 May 2023, of a final dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022 ('Dividend'). This proposed Dividend amounts to €22.3 mn in total and is equivalent to a payout ratio of 14% of the FY2022 recurring profitability adjusted for the AT1 coupon or 31% based on FY2022 profit after tax (as reported in the 2022 Annual Financial Report). Subject to approval at the AGM, the Dividend will be paid in cash on 16 June 2023 to those shareholders on the register on 5 May 2023 ("Record date") with an Ex-Dividend date of 4 May 2023.

This proposed Dividend resulted in a negative capital impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022. As noted above, throughout this announcement, **the capital ratios as at 31 December 2022 have been restated in order to take into consideration the recommendation of dividend.**

This Dividend reflects the resumption of dividend payments after 12 years, underpinning the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

Dividend policy

In April 2023 the Board of Directors approved the Group dividend policy. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's profitability after tax, before non-recurring items, adjusted for AT1 coupon (referred to as "adjusted recurring profitability"). The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

Project Helix 3

In November 2022, Project Helix 3 was completed resulting in a positive capital impact of c.50 bps on the Group's CET1 ratio mainly from the release of risk weighted assets on completion. For further information please refer to section A.1.5 "Loan portfolio quality".

Other equity instruments

At 31 March 2023, the Group's other equity instruments amounted to €220 mn flat both to the prior quarter and prior year and relates to Additional Tier 1 Capital Securities (the "AT1 securities").

The AT1 securities constitute unsecured and subordinated obligations of the Company. They carry a coupon of 12.50% per annum, payable semi-annually in arrears and resettable every five years. The AT1 securities are perpetual and can be redeemed at the option of the Company on the fifth anniversary of the issue date (i.e. 19 December 2023) and each subsequent fifth anniversary, subject to applicable regulatory consents. If the AT1 securities are not called, the coupon will reset on the fifth anniversary of the issue date (i.e.19 December 2023).

The Group continues to monitor opportunities for the optimisation of its capital position.

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

A.1.1 Capital Base (continued)

Legislative amendments for the conversion of DTA to DTC (continued)

In response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government has proceeded with the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already provided for in the Law, to maintain the conversion of such DTAs into tax credits. In May 2022 the Cyprus Parliament voted these amendments which became effective at that time. As prescribed by the amendments in the Law, the annual fee is to be determined by the Cyprus Government on an annual basis, providing however that such fee to be charged is set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10 mn per year, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e. in 2022).

In anticipation of modifications to the Law, the Group has in prior years acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Group estimates that such fees could range up to c.€5 mn per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. An amount of €4.8 mn was recorded in FY2022.

A.1.2 Regulations and Directives

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

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD IV and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal, and the 2021 Banking Package is currently in the final stage of the EU legislative process, the trilogue process, that will eventually result in the final versions of the directives and regulations. It is expected that the 2021 Banking Package will enter into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

A.1.2.2 Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In February 2023, 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 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

A. Group Financial Results – Underlying Basis (continued)

A.1.2 Regulations and Directives (continued)

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

A.1. Balance Sheet Analysis (continued)

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

The MREL ratio as at 31 March 2023, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 20.82% of risk weighted assets (RWA) and at 10.01% of LRE. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stood at 4.02% on 1 January 2023 (compared to 3.77% as at 31 December 2022) and will further increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus as announced by Central Bank of Cyprus. Throughout this announcement, the MREL ratios as at 31 March 2023 include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for CRR compliance purposes na an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made.

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

A.1.3 Funding and Liquidity

Funding

Funding from Central Banks

At 31 March 2023, the Bank's funding from central banks amounted to €1,988 mn, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €1,977 mn at 31 December 2022.

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

Following the changes in the terms of the TLTRO III announced by the ECB in October 2022, and given the Bank's strong liquidity position, the Bank proceeded with the repayment of €1 bn TLTRO III funding in December 2022.

Deposits

Customer deposits totalled €18,974 mn at 31 March 2023 (compared to €18,998 mn at 31 December 2022) flat in the first quarter and up 7% year on year. Customer deposits are mainly retail-funded and almost 60% of deposits are protected under the deposit guarantee scheme.

The Bank's deposit market share in Cyprus reached 37.3% as at 31 March 2023, compared to 37.2% as at 31 December 2022. Customer deposits accounted for 75% of total assets and 82% of total liabilities at 31 March 2023 (broadly flat since 31 December 2022).

The net loans to deposits (L/D) ratio stood at 53% as at 31 March 2023 (compared to 52% as at 31 December 2022 on the same basis), broadly flat in the first quarter.

Subordinated liabilities

At 31 March 2023, the Group's subordinated liabilities (including accrued interest) amounted to €307 mn (compared to €302 mn at 31 December 2022) and relate to unsecured subordinated Tier 2 Capital Notes ('T2 Notes').

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

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.3 Funding and Liquidity (continued)

Debt securities in issue

At 31 March 2023, the carrying value of the Group's debt securities in issue (including accrued interest) amounted to €300 mn (compared to €298 mn at 31 December 2022) and relate to senior preferred notes.

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

Liquidity

At 31 March 2023, the Group Liquidity Coverage Ratio (LCR) stood at 303% (compared to 291% at 31 December 2022), well above the minimum regulatory requirement of 100%. The LCR surplus as at 31 March 2023 amounted to €7.4 bn (compared to €7.2 bn at 31 December 2022). The increase in liquidity surplus in 1Q2023 reflects primarily the increase in the fixed income portfolio. When disregarding the TLTRO III, the Group's liquidity position remains strong with an LCR of 248% and liquidity surplus of €5.4 bn.

At 31 March 2023, the Group Net Stable Funding Ratio (NSFR) stood at 160% (compared to 168% at 31 December 2022), well above the minimum regulatory requirement of 100%.

A.1.4 Loans

Group **gross loans** totalled €10,278 mn at 31 March 2023, compared to €10,217 mn at 31 December 2022, up 1 percentage point on the prior quarter as repayments partly offset new lending.

New lending granted in Cyprus was seasonally strong and reached €624 mn for 1Q2023 (compared to €444 mn for 4Q2022 and €622 mn for 1Q2022) up by 41% qoq and broadly flat yoy, whilst maintaining strict lending criteria. The qoq increase is driven by increased seasonal business demand. New lending in 1Q2023 comprised €297 mn of corporate loans, €186 mn of retail loans (of which €108 mn were housing loans), €77 mn of SME loans and €64 mn of shipping and international loans.

At 31 March 2023, the Group net loans and advances to customers totalled €10,013 mn (compared to €9,953 mn at 31 December 2022), increased by 1% since the beginning of the year.

The Bank is the largest credit provider in Cyprus with a market share of 42.4% at 31 March 2023, compared to 40.9% at 31 December 2022.

A.1.5 Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. Today, the Group's priorities focus mainly on maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration following the ongoing macroeconomic uncertainty.

The loan credit losses for 1Q2023 totalled €11 mn, compared to €11 mn for 4Q2022 and €12 mn for 1Q2022. Further details regarding loan credit losses are provided in Section A.2.3 'Profit before tax and non-recurring items'.

The elevated inflation combined with the rising interest rate environment are expected to weigh on the purchasing power of the Bank's customers. Despite these persisting pressures there are no signs of asset quality deterioration to date. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the deteriorated macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1. 5 Loan portfolio quality (continued)

Non-performing exposures reduction

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €22 mn, or 5% in 1Q2023, compared to a reduction of €607 mn in 4Q2022 (of which c.€550 mn related to Project Helix 3), to €389 mn at 31 March 2023 (compared to €411 mn at 31 December 2022). The reduction in 1Q2023 is mainly driven by the net organic NPE reductions of €22 mn (inflows minus outflows), compared to €57 mn as at 31 December 2022.

As a result, the NPEs account for 3.8% of gross loans as at 31 March 2023, compared to 4.0% at 31 December 2022.

The NPE coverage ratio stands at 73% at 31 March 2023, compared to 69% as at 31 December 2022. When taking into account tangible collateral at fair value, NPEs are fully covered.

Project Helix 3

In November 2022, the Group completed Project Helix 3, that refers to the sale of a portfolio of loans with a gross book value of €555 mn (of which €551 mn relate to non-performing exposures), as well as real estate properties with a book value of €88 mn as at 30 September 2022, to funds managed by Pacific Investment Management Company LLC, the agreement for which was announced on 15 November 2021.

Cash consideration of c.€350 mn was received by completion, reflecting adjustments resulting from, inter alia, loan repayments received on the Portfolio since the reference date of 31 May 2021.

The transaction represented a milestone in the successful delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs with the NPE ratio reducing below 5%.

Project Sinope

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

Overall, since the peak in 2014, the stock of NPEs has been reduced by €14.6 bn or 97% to €0.4 bn and the NPE ratio by 59 percentage points, from 63% to below 4%.

A.1.6 Fixed income portfolio

Fixed income portfolio amounts to €2,747 mn as at 31 March 2023, compared to €2,500 mn as at 31 December 2022, increased by 10% since the beginning of the year. The portfolio represents 11% of total assets and comprises €2,332 mn (85%) carrying value measured at amortised cost and €415 mn (15%) at fair value through other comprehensive income ('FVOCI').

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has low average duration of c.2 years and high average rating at A1 or at Aa3 when Cyprus government bonds are excluded. The fair value of the amortised cost fixed income portfolio as at 31 March 2023 amounts to €2,245 mn, reflecting an unrealised fair value loss of €87 mn, equivalent to c.85 bps of CET1 ratio.

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.7 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 €1.6 bn and exceed properties on-boarded in the same period of €1.4 bn.

The Group completed disposals of €41 mn in 1Q2023 (compared to €37 mn in 4Q2022 and €44 mn in 1Q2022), resulting in a profit on disposal of €2 mn for 1Q2023 (compared to a profit of c.€3 mn for 4Q2022 and €6 mn for 1Q2022). Asset disposals are across all property classes, with over half of sales by value in 1Q2023 relating to land.

During 1Q2023, the Group executed sale-purchase agreements (SPAs) for disposals of 138 properties with contract value of €43 mn, compared to SPAs for disposals of 161 properties, with contract value of €51 mn for 1Q2022.

In addition, the Group had a relatively strong pipeline of €58 mn by contract value as at 31 March 2023, of which €38 mn related to SPAs signed (compared to a pipeline of €70 mn as at 31 December 2022, of which €47 mn related to SPAs signed).

REMU on-boarded €2 mn of assets in 1Q2023 (compared to additions of €2 mn in 4Q2022 and €8 mn in 1Q2022), via the execution of debt for asset swaps and repossessed properties.

As at 31 March 2023, assets held by REMU had a carrying value of €1,050 mn (comprising properties of €977 mn classified as ‘Stock of property’ and €73 mn as ‘Investment properties’), compared to €1,116 mn as at 31 December 2022 (comprising properties of €1,041 mn classified as ‘Stock of property’ and €75 mn as ‘Investment properties’).

A. Group Financial Results – Underlying Basis (continued)

A.1. Balance Sheet Analysis (continued)

A.1.7 Real Estate Management Unit (REMU) (continued)

Assets held by REMU

Assets held by REMU (Group) € mn	1Q2023	1Q2022	4Q2022	qoq ±%	yoy ±%
Opening balance	**1,116**	1,215	1,161	-4%	-8%
On-boarded assets	**2**	8	2	-4%	-75%
Sales	**(41)**	(44)	(37)	8%	-8%
Net impairment loss	**(8)**	(5)	(10)	-9%	79%
Transfer to/from own properties	**(19)**	-	-	-	-
Closing balance	**1,050**	1,174	1,116	-6%	-11%

Analysis by type and country 31 March 2023 (€ mn)	Cyprus	Greece	Romania	Total
Residential properties	64	21	0	85
Offices and other commercial properties	155	14	0	169
Manufacturing and industrial properties	47	17	0	64
Hotels	22	0	0	22
Land (fields and plots)	471	4	0	475
Golf courses and golf-related property	235	0	0	235
Total	**994**	**56**	**0**	**1,050**

31 December 2022 (€ mn)	Cyprus	Greece	Romania	Total
Residential properties	69	21	0	90
Offices and other commercial properties	180	14	0	194
Manufacturing and industrial properties	48	19	0	67
Hotels	24	0	0	24
Land (fields and plots)	502	4	0	506
Golf courses and golf-related property	235	0	0	235
Total	**1,058**	**58**	**0**	**1,116**

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis

A.2.1 Total income

€ mn	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq ±%	yoy +%
Net interest income	**162**	**71**	**136**	19%	127%
Net fee and commission income	44	44	50	-12%	1%
Net foreign exchange gains and net gains/(losses) on financial instruments	13	2	12	12%	-
Net insurance result	10	11	10	-11%	-15%
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	2	5	2	-34%	-68%
Other income	3	4	5	-38%	-31%
Non-interest income	**72**	**66**	**79**	-11%	8%
Total income	**234**	**137**	**215**	8%	70%
Net Interest Margin (annualised)	2.91%	1.32%	2.36%	55 bps	159 bps
Average interest earning assets (€ mn)	22,638	21,942	22,855	-1%	3%

1 On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Net interest income (NII) for 1Q2023 amounted to €162 mn compared to €136 mn for 4Q2022, driven by interest rate rises as well as resilient low deposit pass-through. Net interest income was up by 127% yoy, reflecting mainly the repricing of loans and liquids to higher rates and to a lesser extent the growth of the performing loan book and fixed income portfolio, notwithstanding the foregone NII on the Helix 3 portfolio (c.€3.5 mn in 1Q2022) and end of TLTRO favourable terms (c.€4 mn in 1Q2022).

Quarterly average interest earning assets (AIEA) for 1Q2023 amounted to €22,638 mn, up by 3% yoy driven by the increase in liquid assets mainly as a result of the increase in deposits by €1.3 bn yoy and the increase in the fixed income portfolio by c.€0.9 bn yoy, partly offset by the repayment of €1.0 bn TLTRO in December 2022. Quarterly average interest earning assets for 1Q2023 remained broadly flat on the prior quarter.

Net interest margin (NIM) for 1Q2023 amounted to 2.91% (compared to 2.36% for 4Q2022 and 1.32% for 1Q2022) supported by interest rate rises.

Non-interest income for 1Q2023 amounted to €72 mn (compared to €79 mn for 4Q2022, down by 11% qoq and compared to €66 mn for 1Q2022, up by 8% yoy), comprising net fee and commission income of €44 mn, net foreign exchange gains and net gains/(losses) on financial instruments of €13 mn, net insurance result of €10 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 €3 mn. The qoq decrease relates to lower net fee and commission income. The yoy increase is driven by higher net foreign exchange gains and net gains/(losses) on financial instruments.

Net fee and commission income for 1Q2023 amounted to €44 mn, down 12% qoq (compared to €50 mn for 4Q2022), impacted mainly by the termination of the liquidity fees in December 2022 and NPE sale-related servicing fee in mid-February 2023, as expected and seasonally lower transactional fees. Net fee and commission income was broadly flat yoy; when disregarding the impact of the liquidity fees and NPE sale-related servicing fee, net fee and commission income was up 16% yoy, reflecting the introduction of price adjustments in February 2022, higher non-transactional fees and higher credit card commissions.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.1 Total income (continued)

Net foreign exchange gains and net gains/(losses) on financial instruments of €13 mn for 1Q2023 (comprising net foreign exchange gains of €8 mn and net gains on financial instruments of €5 mn), compared to €2 mn for 1Q2022, reflecting mainly higher foreign exchange income through FX swaps and higher net gains on financial instruments. Net foreign exchange gains and net gains/(losses) on financial instruments were broadly flat qoq. Net foreign exchange gains and net gains/(losses) on financial instruments are considered volatile profit contributors.

Net insurance result amounted to €10 mn for 1Q2023, compared to €11 mn for 1Q2022, down 15% yoy, impacted by higher claims as well as higher attributable expenses arising from new business, partly offset by lower reinsurance expense. Net insurance result is broadly flat on prior quarter.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 1Q2023 amounted to €2 mn (comprising net gains on disposal of stock of properties of €2 mn, and net losses from revaluation of investment properties of €0.4 mn), compared to €5 mn for 1Q2022 and €2 mn for 4Q2022. REMU profit remains volatile.

Total income for 1Q2023 amounted to €234 mn, compared to €215 mn for 4Q2022 (up 8% qoq), and to €137 mn for 1Q2022 (up 70% yoy) mainly driven by the increases in the net interest income, as explained above.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses

€ mn	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq ±%	yoy ±%
Staff costs	(46)	(47)	(42)	9%	-4%
Other operating expenses	(34)	(34)	(42)	-19%	-1%
Total operating expenses	**(80)**	**(81)**	**(84)**	-5%	-3%
Special levy on deposits and other levies/contributions	(11)	(10)	(11)	-7%	12%
Total expenses	**(91)**	**(91)**	**(95)**	-5%	-1%
Cost to income ratio	**39%**	67%	44%	-5 p.p.	-28 p.p.
Cost to income ratio excluding special levy on deposits and other levies/contributions	**34%**	60%	39%	-5 p.p.	-26 p.p.

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9 p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Total expenses for 1Q2023 were €91 mn (compared to €95 mn for 4Q2022 and €91 mn for 1Q2022, down 5% qoq and 1% yoy), 50% of which related to staff costs (€46 mn), 38% to other operating expenses (€34 mn) and 12% to special levy on deposits and other levies/contributions (€11 mn). The decrease of 5% qoq is driven by seasonally lower other operating expenses, partly offset by higher staff costs. The yoy decrease of 1% reflects benefits from the efficiency actions undertaken in the previous year, partly offset by inflationary pressures, increments and accrued variable compensation.

Total operating expenses for 1Q2023 amounted to €80 mn compared to €84 mn for 4Q2022 (down 5% qoq) and to €81 mn for 1Q2022 (down 3% yoy).

Staff costs for 1Q2023 were €46 mn, down by 4% yoy resulting from the savings of the Voluntary Staff Exit Plan (VEP) that took place in 3Q2022, partially offset by inflationary pressures. Staff costs were up 9% qoq driven by the cost of living adjustments (COLA) (which relates to c.50% of the annual inflation for the year ended 31 December 2022), salary increments and the accrued staff cost rewards of c. €2 mn (variable pay).

In July 2022 the Group completed a VEP which led to the reduction of the Group's full time employees by 16%, at a total cost of €101 mn, recorded in the consolidated income statement in 3Q2022. The gross annual savings were estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. The estimated savings of the VEP are expected to be partially offset by the renewal of the collective agreement in 2023.

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

The Group employed 2,883 persons as at 31 March 2023 compared to 2,889 persons as at 31 December 2022 and 3,395 persons as at 31 March 2022.

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ("2022 LTIP" or the "2022 Plan"). The 2022 Plan involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3 year period and financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest.

These shares will then normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date.

In addition, staff costs for 1Q2023 include c.€2 mn staff cost rewards, namely the Short-Term Incentive Plan. The Plan involves variable remuneration to selected employees and will be driven by both, delivery of the Group's strategy as well as individual performance.

Other operating expenses for 1Q2023 were €34 mn compared to €42 mn for 4Q2022, down by 19% qoq and broadly flat yoy. The qoq reduction of 19% was mainly the result of seasonally higher professional and marketing expenses in the previous quarter.

A.2. Income Statement Analysis (continued)

A.2.2 Total expenses (continued)

Special levy on deposits and other levies/contributions for 1Q2023 amounted to €11 mn broadly flat qoq and includes the contribution of the Bank to the Deposit Guarantee Fund (DGF) of €4 mn which relates to 1H2023 and was recorded in 1Q2023 (in line with IFRSs). The 4Q2022 charge includes the net impact of a levy in the form of an annual guarantee fee relating to the Income Tax legislation in relation to conversion of DTA into DTC of €4.8 mn (see Section A.1.1 'Capital Base'). The yoy increase of 12% is driven mainly by the increase of deposits of €1.3 bn yoy.

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for 1Q2023 was 34% compared to 39% for 4Q2022 and 60% for 1Q2022. The qoq and yoy decrease of 5 p.p. and 26 p.p. respectively, is driven mainly by the higher total income.

A. Group Financial Results – Underlying Basis (continued)

A.2. Income Statement Analysis (continued)

A.2.3 Profit before tax and non-recurring items

€ mn	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq±%	yoy +%
Operating profit	**143**	**46**	**120**	19%	213%
Loan credit losses	(11)	(12)	(11)	0%	-6%
Impairments of other financial and non-financial assets	(11)	(5)	(13)	-8%	126%
Provisions for pending litigations, regulatory and other matters (net of reversals)	(6)	(0)	(8)	-26%	-
Total loan credit losses, impairments and provisions	**(28)**	**(17)**	**(32)**	-10%	68%
Profit before tax and non-recurring items	**115**	**29**	**88**	29%	-
Cost of risk	**0.44%**	**0.44%**	**0.42%**	2 bps	-

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

Operating profit for 1Q2023 amounted to €143 mn, compared to €120 mn for 4Q2022 (up 19% qoq), and to €46 mn for 1Q2022 (up 213% yoy). The qoq and yoy increase is driven mainly by the significant increase in net interest income.

Loan credit losses for 1Q2023 were €11 mn flat qoq and yoy and corresponds to a **cost of risk** of 44 bps, reflecting resilient credit portfolio quality. Cost of risk for 1Q2023 includes releases on management overlays for performing book in specific sectors due to continuing strong loan performance and expected improved sector performance (such as tourism) and loan credit losses on Stage 2 and Stage 3 exposures arising from post model adjustments to capture uncertain macroeconomic conditions and conservative assumptions.

At 31 March 2023, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to Section H. 'Alternative Performance Measure' and I 'Definitions & Explanations' for definition) totalled €282 mn (compared to €282 mn at 31 December 2022 and €734 mn at 31 March 2022) and accounted for 2.7% of gross loans (compared to 2.8% of gross loans for 31 December 2022 and 6.7% of gross loans including portfolios classified as held to sale for 31 March 2022).

Impairments of other financial and non-financial assets for 1Q2023 amounted to €11 mn, compared to €13 mn for 4Q2022, down by 8% qoq and compared to €5 mn for 1Q2022, up 126% yoy and they relate mainly to REMU stock impairments.

Provisions for pending litigations, regulatory and other matters (net of reversals) for 1Q2023 amounted to €6 mn, compared to €8 mn for 4Q2022 down 26% qoq and compared to almost nil for 1Q2022.

Profit before tax and non-recurring items for 1Q2023 amounted to €115 mn compared to €88 mn for 4Q2022 and €29 mn for 1Q2022.

A.2. Income Statement Analysis (continued)

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

€ mn	1Q2023	1Q2022 IFRS 17[1]	4Q2022 IFRS 17[1]	qoq ±%	yoy +%
Profit before tax and non-recurring items	**115**	**29**	**88**	29%	-
Tax	(18)	(6)	(13)	40%	-
Profit attributable to non-controlling interests	(1)	0	(1)	-45%	-
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**96**	**23**	**74**	28%	-
Advisory and other restructuring costs – organic	(1)	(1)	(1)	-22%	-15%
Profit after tax – organic (attributable to the owners of the Company)	**95**	**22**	**73**	29%	-
Provisions/net profit/(loss) relating to NPE sales	-	(1)	2	-100%	-100%
Restructuring and other costs relating to NPE sales	0	(1)	0	-41%	-72%
Restructuring costs – Voluntary Staff Exit Plan (VEP)	-	(3)	-	-	-100%
Profit after tax (attributable to the owners of the Company)	**95**	**17**	**75**	**26%**	-

1. On 1 January 2023, the Group adopted IFRS 17 'Insurance contracts which replaced IFRS 4 'Insurance contracts'. 2022 comparative information presented throughout are on a restated basis unless otherwise stated. For further details, please refer to Section F.9. p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

The **tax charge** for 1Q2023 is €18 mn compared to €13 mn for 4Q2022 and to €6 mn for 1Q2022.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 1Q2023 is €96 mn compared to €74 mn for 4Q2022 and €23 mn for 1Q2022.

Advisory and other restructuring costs – organic for 1Q2023 are €1 mn, broadly flat qoq and yoy and relate to the transformation programme and other strategic projects of the Group.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 1Q2023 amounts to €95 mn compared to €73 mn for 4Q2022 and €22 mn for 1Q2022.

Provisions/net profit/(loss) relating to NPE sales for 1Q2023 is nil, compared to a net profit of €2 mn for 4Q2022, and a net loss of €1 mn in 1Q2022.

Restructuring and other costs relating to NPE sales for 1Q2023 is nil, flat qoq and compared to €1 mn for 1Q2022 relating to the agreements for the sale of portfolios of NPEs.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) is nil for 1Q2023, compared to €3 mn for 1Q2022. For further details are provided in Section A.2.2 'Total expenses'.

Profit after tax attributable to the owners of the Company for 1Q2023 amounts to €95 mn compared to €75 mn for 4Q2022 and €17 mn for 1Q2022. ROTE stands at 21.3% for 1Q2023, compared to 17.3% for 4Q2022 and 4.0% for 1Q2022.

B. Operating Environment

The International Monetary Fund in its Spring World Economic Outlook released in April 2023, predicts slower growth for the global economy and increased financial and other vulnerabilities under tighter monetary conditions. Cyprus demonstrates relative strength and resilience in this environment with a growth outlook that outweighs average growth in the EU and with inflation dropping at a faster pace in comparison.

Growth in the global economy is expected to slow in 2023 and will remain subdued in the medium term relative to the period before Covid. Growth in the Euro area and the European Union is expected to slow to 0.8% in 2023 with some countries like Germany and the United Kingdom slipping into mild recessions according to the baseline scenario. Growth is expected to be stronger in the emerging and developing world at 3.9% this year. The risk for the more advanced countries including the United States, falling into a mild recession in the second half of 2023 and early next, remains elevated.

In Cyprus the economy rebounded strongly in 2021-22 growing by 6.6% and 5.6% respectively after a 4.4% contraction in 2020 due to Covid disruptions. The economy has proved resilient against the shocks of pandemic and the Ukraine war, attributed to a strong services sectors, particularly information, communications, professional and financial services. Tourist activity continued to rebound strongly in 2022 with total arrivals reaching 3.2 million persons or about 80% of corresponding arrivals in 2019. Receipts reached €2.4 bn or 91% of 2019 levels. In the first three months of 2023, arrivals increased by 61% on the same period a year ago and 10% higher than the corresponding arrivals in 2019. Growth in 2022 was widespread across sectors, with negative growth recorded only in construction. On the expenditure side growth in 2022 was driven by domestic demand, particularly private consumption, with net exports making a negative contribution.

Economic momentum is expected to continue in 2023 at a slower pace, driven mainly by the expected deterioration of external demand as well as slowing domestic demand caused by still high consumer price inflation. According to the Ministry of Finance, GDP is forecasted to grow by c.2.8% for 2023, outperforming Euro area average.

GDP growth will be materially supported in 2023 by EU funding in the form of grants and loans from the Recovery and Resilience Facility (RRF). Cyprus has already received €157 mn as pre-financing in September 2021 and the first payment of €85 mn in December 2022 after achieving the 14 milestones being linked to the first instalment. Cyprus is broadly on track in the implementation of its National Recovery and Resilience Plan.

Inflation measured by the Harmonised Index of Consumer Prices, was 8.1% average in 2022 compared with 8.4% in the Euro area. Inflation peaked in July 2022 at 10.6% and has been decelerating since reaching 3.8% in April 2023. In the four months January-April 2023, harmonised inflation was 5.8% and core inflation, excluding energy and food and beverages items, was 4.9%. Inflation in the Euro area is proving stickier at 8% in the first quarter of 2023 and 5.6% core, according to Eurostat. For Cyprus, the IMF forecasts harmonised inflation of 3.9% in 2023 and 2.5% in 2024. For the Euro area the IMF forecasts harmonised inflation of 5.3% in 2023 and 2.9% in 2024. Cyprus has a very high dependence on oil and petroleum products which exposes it to changes in global energy prices and imported inflationary pressures.

Fiscal consolidation will continue, leading to a material decline in debt-to-GDP ratio. The recovery in 2021 was underpinned by a significant increase in general government revenue and a relative decline in government expenditure. As a result, the budget deficit narrowed to 1.7% of GDP from a deficit of 5.8% of GDP in 2020 which included government measures to support the economy in the midst of a deep recession induced by the Covid pandemic. Developments in 2022 were favourable for public finances. Revenues grew by 14.5% while expenditures increased by considerably less, by 4.1%, generating a significant surplus of 2.3% of GDP. Part of the increase in revenues is a windfall related to the energy crisis, but overall, the current state of public finances is positive. Public debt dropped to 86.5% of GDP in 2022 from 101% of GDP in 2021. The IMF forecasts for 2023 and 2024 respectively, fiscal surpluses of 1.9% and 1.7% of GDP, and gross debt to GDP of 79.5% and 71.9% of GDP. In the longer term, public debt dynamics will depend on interest rate developments, inflation, and growth.

The ECB's Governing Council at the monetary policy meeting of 4 May 2023, decided to increase the three key ECB interest rates by 25 basis points underlying their determination to ensure the timely return of inflation to the 2% medium term target. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 3.75%, 4.00% and 3.25% respectively. Against an elevated level of uncertainty, the ECB's monetary policy decisions will be data driven, on the basis of internal assessments of the inflation trend in light of the incoming economic and financial data, and the strength of monetary policy transmission.

The banking sector has undergone significant restructuring since the financial crisis of 2013. Banks have reduced their foreign exposures, significantly shrunk their balance sheets, increased their capital buffers, and restructured and refocused their domestic operations. Prudential supervision has been strengthened and a new legal framework for private debt restructuring, including the sale of loans, is now in place. Total non-performing exposures (NPEs) at the end of January 2023 amounted to €2.3 billion, or 9.6% of gross loans. NPEs that were restructured were 43.2% of total NPEs, at the end of January, and the coverage ratio was 52%.

B. Operating Environment (continued)

Private debt has continued to decline since mid-2012, shrinking by more than half by the end of December 2022 and continued to decline into 2023. The decline reflects the long process of deleveraging since the start of the financial crisis and includes the sale or transfer of non-performing loans in recent years. Private debt, as measured by loans to residents excluding the government, stands at 76% of nominal GDP at the end of March 2023. New business lending excluding renegotiated amounts, ('pure loans' as defined by CBC) reached €3.2 bn in 2022 as a whole, exactly the same level as pure new lending in 2019, but started to lag in early months of 2023. Pure new loans in January-March were €0.76 billion or 83% of pure new loans in the corresponding period the year before. This was driven by a drop in the demand for mortgages. Cypriot banks are very liquid, and the bulk of excess deposits are held overnight at the ECB.

Cyprus' current account deficit narrowed from 10.1% of GDP in 2020 to 6.8% in 2021 before deteriorating to 8.8% of GDP in 2022. The current account deficit will narrow modestly according to the IMF, in 2023-24, to 7.8% and 7.7% of GDP respectively. The current account deficit will remain higher than pre-pandemic levels in the medium term, partly due to strong import growth linked to higher energy prices and EU investment plans, which will weigh on the trade balance. The size of the country's deficits is partly structural, a consequence of special purpose vehicles domiciled in Cyprus.

Sovereign ratings

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

Most recently, in March 2023 **Fitch Ratings** upgraded Cyprus' Long-Term Issuer Default rating at BBB which is one notch above investment grade, from BBB- and maintained the outlook stable. The upgrade reflects the improvement in public finances and the government indebtedness as well as strong growth in GDP, the resiliency of the Cypriot economy to external shocks and the improvement in the Banking sector in asset quality.

In March 2023, **DBRS Morningstar** confirmed the Republic of Cyprus's Long-Term Foreign and Local Currency – Issuer Ratings at BBB (low) and maintained the trend Stable. The affirmation is supported by a stable political environment, the government's sound fiscal and economic policies and the favourable government debt profile. The stable outlook balances recent favourable fiscal dynamics against downside risks for the economic outlooks.

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

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

C. Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In May 2023 **Moody's Investors Service** upgraded the Bank's long-term deposit rating to Ba1 from Ba2, maintaining the positive outlook. The main drivers for this upgrade are the continued strengthening of the Bank's asset quality and its improving profitability prospects that continue to reduce risks to its capital. In April 2023, **S&P Global Ratings** affirmed the long-term issuer credit rating of the Bank at BB- and revised the outlook to positive from stable. The revised outlook reflects the likelihood of further progress in Cyprus' operating environment, in particular materially easing funding risks. In December 2022, **Fitch Ratings** upgraded the Bank's long-term issuer default rating to B+ from B-, whilst maintaining the positive outlook. The two-notch upgrade reflects improved Bank's asset quality, supported by the completion of Project Helix 3 together with the organic reduction of impaired assets. The upgrade is also underpinned by Fitch's view of the resilience of the Cypriot economy, even in light of growing economic uncertainties.

Financial performance

The Group is a leading, financial and technology hub in Cyprus. In 2022 the Group completed its transformation into a diversified and well-capitalised organisation with sustainably profitable banking and other financial services. This was marked by the resumption of dividend payments after 12 years, a significant milestone, as it represents a new chapter for the Group.

In April 2023 the Company obtained the approval of the European Central Bank to pay a dividend out of FY2022 profitability. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the AGM that will be held on 26 May 2023, of a final Dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. This proposed Dividend amounts to €22.3 mn in total and is equivalent to a payout ratio of 14% of the FY2022 recurring profitability adjusted for the AT1 coupon or 31% based on FY2022 profit after tax (as reported in 2022 Annual report).

Additionally, the Board of Directors approved the Group dividend policy. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's profitability after tax, before non-recurring items, adjusted for AT1 coupon (referred to as "adjusted recurring profitability"). The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

During the quarter ended 31 March 2023, the Group's financial performance was ahead of its 2023 targets, confirming the sustainability of its business model with well-diversified revenues and disciplined cost containment, despite inflationary pressures. Overall, the Group generated a ROTE of 21.3% compared to 17.3% in the previous quarter, underpinned mainly by the interest rate rises and simultaneously a well-managed deposit pass-through.

Favourable interest rate environment

The structure of the Group's balance sheet is geared towards higher interest rates. As at 31 March 2023, cash balances with ECB (excluding TLTRO of c.€2.0 bn) amounted to c.€7.2 bn, reflecting immediate benefit from interest rate rises. The repricing of the reference rates gradually benefits the interest income on loans, as over 95% of the Group's loan portfolio is variable rate as at 31 March 2023. The net interest income for 1Q2023 stood at €162 mn, more than doubled compared to 1Q2022. This increase is underpinned by faster and steeper than expected interest rate rises as well as a resilient low deposit pass-through.

Growing revenues in a more capital efficient way

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

The Group has continued to provide high quality new lending in 1Q2023 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the Bank's target risk profile.

During the quarter ended 31 March 2023, new lending amounted to €624 mn, up by 41% qoq and broadly flat yoy. The qoq increase is driven by increased seasonal business demand. As a result, the gross performing loan book expanded to €9.9 bn up by 1% yoy, as repayments partly offset new lending.

Fixed income portfolio amounts to €2,747 mn as at 31 March 2023, compared to €2,500 mn as at 31 December 2022, increased by 10% since the beginning of the year. The portfolio represents 11% of total assets and comprises €2,332 mn (85%) carrying value measured at amortised cost and €415 mn (15%) at fair value through other comprehensive income ('FVOCI').

C. Business Overview (continued)

Growing revenues in a more capital efficient way (continued)

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has low average duration of c.2 years and high average rating at A1 or at Aa3 when Cyprus government bonds are excluded. The fair value of the amortised cost fixed income portfolio as at 31 March 2023 amounts to €2,245 mn, reflecting a fair value loss of €87 mn, equivalent to just c.85 bps of CET1 ratio.

Separately, the Group focuses to continue improving revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. In 2023 fees and commission income will negatively be affected by the termination of liquidity fees in December 2022 as well as an NPE sale-related servicing fee in mid-February 2023. As a result, net fee and commission income were reduced by 12% in the first quarter to €44 mn.

Net fee and commission income is enhanced by transaction fees from the Group's subsidiary, **JCC Payment Systems Ltd** (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. JCC's net fee and commission income contributed 9% of total non interest income and amounted to €6 mn in 1Q2023, up 21% yoy, backed by strong transaction volume.

The Group's **insurance companies,** EuroLife Ltd (Eurolife) and Genikes Insurance of Cyprus Ltd (GI) are respectively leading players in the life and general insurance business in Cyprus, and have been providing a recurring and improving income, further diversifying the Group's income streams. The net insurance result for 1Q2023 contributed 13% of non-interest income and amounted to €10 mn, down 15% yoy, impacted mainly by higher claims as well as higher attributable expenses arising from new business, partly offset by lower reinsurance expense. On 1 January 2023, the Group adopted IFRS 17, retrospectively, which impacts the profit recognition for insurance contracts by phasing of profit over their lifetime compared to recognised substantially up-front under IFRS 4. The new accounting standard does not change the economics of the insurance business and decreases the volatility of the Group's insurance companies profitability. For further details please refer to section F.9.

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

Lean operating model

Striving for a **lean operating model** is a key strategic pillar for the Group in order to deliver shareholder value, without constraining funding its digital transformation and investing in the business.

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included further branch footprint optimisation and substantial streamline of workforce. In July 2022 the Group successfully completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total cost of €101 mn. Following the completion of the VEP, the gross annual savings were estimated at c.€37 mn or 19% of staff costs with a payback period of 2.7 years. Additionally in January 2022 one of the Bank's subsidiaries completed a small-scale targeted Voluntary Staff Exit Plan (VEP), through which a small number of full-time employees were approved to leave at a total cost of €3 mn. In relation to branch restructuring, during 2022 the Group has reduced the number of branches by 20 to 60, a reduction of 25%. As a result, the Group's total operating expenses for 1Q2023 were reduced by 3% on prior year, reflecting the benefits from the efficiency actions in an inflationary environment. The cost to income ratio excluding special levy on deposits and other levies/contributions for 1Q2023 was reduced further to 34%, 26 p.p. down compared to 1Q2022.

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ("2022 LTIP" or the "2022 Plan"). The 2022 Plan involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3 year period and financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest.

These shares will then normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date.

C. Business Overview (continued)

Lean operating model (continued)

In addition, staff costs for 1Q2023 include c.€2 mn staff cost rewards, namely the Short-term Incentive Plan. The Plan involves variable remuneration to selected employees and will be driven by both, delivery of the Group's strategy as well as individual performance.

Transformation plan

The Group's focus continues to deepen the relationship with its customers as a customer centric organisation. **A transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as internal operations**. The holistic transformation aims to (i) shift to a more customer-centric operating model by defining customer segment strategies, (ii) redefine distribution model across existing and new channels, (iii) digitally transform the way the Group serves its customers and operates internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

Digital transformation

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

During 1Q2023, the Bank continued to enrich and improve its digital portfolio with new innovative services to its customers. A new functionality, that enables customers to file their card transaction disputes via the internet banking makes the process easier for the customers. Moreover, the digital onboarding process has been improved easing the customer experience. Additionally, a number of new security features have also been introduced to further secure the customer online transactions.

The adoption of digital products and services continued to grow and gained momentum in the first quarter of 2023 and beyond. As at the end of March 2023, 94.2% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 27.8 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 82.7% of individual customers were digitally engaged (up by 22.5 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of March 2023, active mobile banking users and active QuickPay users have grown by 15.1% and 29.3% respectively over the last 12 months. The highest number of QuickPay users to date was recorded in March 2023 with 173 thousand active users. Likewise, the highest number of QuickPay payments (in 2023) was recorded in March 2023 with 536 thousand transactions.

Asset quality

Balance sheet de-risking was largely completed in 2022, marked by the completion of Project Helix 3 which refers to the sale of non-performing exposures with gross book value of c.€550 mn as at the date of completion. Project Helix 3 represented a further milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs and delivering NPE ratio below 5%. As at 31 March 2023, the Group's NPE ratio stood at 3.8%.

The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration in this uncertain outlook.

C. Business Overview (continued)

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

Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to **lead the transition of Cyprus to a sustainable future**. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual. In 2022, the Company received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

The ESG strategy formulated in 2021 is continuously expanding. The Group is maintaining its leading role in the Social and Governance pillars and focus on increasing the Group's positive impacts on the Environment by transforming not only its own operations, but also the operations of its customers.

The Group has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Group's strategy:

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the Extended EXCO) by 2030

For the Group to articulate the delivery of its primary ESG targets and address regulatory expectations, a comprehensive ESG working plan has been established in 2022. The ESG working plan is closely monitored by the Sustainability Committee, Executive Committee and the Board of Directors at frequent intervals.

Environmental Pillar

The Group has estimated the Scope 1 and Scope 2 greenhouse gas ('GHG') emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. The Bank being the main contributor of GHG emissions of the Group, designed in 2022 the strategy to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. The Bank plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to c.5-10% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Bank expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Bank through installation of solar panels and other energy efficiency actions performed in 2021 and 2022 achieved a reduction in electricity consumption of 1.8 mn KWh (11% reduction) in FY2022 compared to the baseline year of 2021 and further reduction of c.255k KWh was observed in 1Q2023 compared to 1Q2022. Investments into energy savings initiatives continue into 2023 in line with the Bank's strategy to meet its carbon neutrality target.

The Bank of Cyprus is the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 emissions. The Bank has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies. Following the estimation of Financed Scope 3 GHG emissions derived from loan portfolio and in conjunction with the materiality assessment's results on climate and environmental risks the Bank will be able to identify the carbon-concentrated areas so as to take the necessary actions to minimise the environmental and climate impact associated with the loan portfolio by offering targeted climate friendly products and engaging with its customers. In 2023, following the identification of carbon-concentrated sectors and asset classes, the Bank is expected to set decarbonisation targets aligned with 1.5C climate scenario (Science based targets) which will assist in the formulation of the Bank's strategy going forward.

The Bank in 2022 launched a low emission vehicle loan product (either hybrid or electric) and is working to expand its range of environmentally friendly products. In addition, the Group has set up a Sustainable Finance Framework which will facilitate the issuance of Green, Social or Sustainable bonds. The proceeds from such bonds will be allocated to eligible activities and products designated in the Sustainable Finance Framework.

Moreover, the Bank is making substantial progress in further integrating climate risk considerations into its risk management approach, as it tries to integrate climate related risk into its risk culture. The Bank, within the context of underwriting processes, is currently in the process of incorporating the assessment of ESG and climate matters and amending its Policies and Procedures in such a way that potential impact from ESG and climate is reflected in the fundamental elements of the creditworthiness assessment. This exercise includes the design of ESG questionnaires per sector which will then be leveraged for deriving an ESG classification. In addition, the Bank is in the process to enhance the risk quantification methodology to assess how the portfolio is affected by C&E risks and will be incorporating the above elements into the stress testing infrastructure.

C. Business Overview (continued)

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

During 2022 in order to enhance the awareness and skillset towards the ESG, the Group performed several trainings to the Board of Directors, Senior Management and employees. ESG training opportunities are continuing to be offered in 2023 at all levels of the organisation. In addition, the internal communication channels are enhanced by establishing an ESG internal portal and launching Green@work which provides tips on energy efficiency actions at work. Early in 2023 the Bank launched a campaign on new Visa Debit cards produced from recyclable plastic extracted from the ocean. The campaign aims to inform the public on the level of water contamination from plastic and the impact on life below water.

Social Pillar

At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of c.€70 mn since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the work of SupportCY Network, which was developed in 2020, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the Work of IDEA Innovation Centre. The Cultural Centre undertook a number of innovative projects such as 'AISTHISEIS' - Multi sensory museum experience for people with disabilities as well as the ReInHerit program facilitating innovation and research cooperation between European museums and heritage continuing also into 2023, with 4430 people participated in events at the Cultural Foundation between January to March 2023. The IDEA Innovation Centre, invested c.€4 mn in start-up business creation since its incorporation, supported creation of 89 new companies to date, and provided support to 210+ entrepreneurs through its Startup program since incorporation. Staff have continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2023, the Group has launched the 'Winning moments' training program aiming to improve Customer experience through upgrading the customer service, in which 780 members of staff are expected to participate. Moreover, the Group continues its emphasis on staff wellness into 2023 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health.

Governance Pillar

The Group continues to operate successfully within a complex regulatory framework of a holding company which is registered in Ireland, listed on two Stock Exchanges and run in compliance with a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group operates within a framework of prudent and effective controls, which enable risk assessment and risk management based on the relevant policies under the leadership of the Board of Directors. The Group has set up a robust Governance Structure to oversee its ESG agenda. Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board of Directors. The Sustainability Committee is a dedicated executive committee set up in early 2021 to 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. The Group's ESG Governance structure continues to evolve, so as to better address the Group's evolving ESG needs. The Group's regulatory compliance continues to be an undisputed priority.

The Board composition of the Company and the Bank is diverse, with 40% of the Board members being female as at 31 March 2023. The Board displays a strong skillset stemming from broad international experience. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030. As at 31 March 2023, there is a 27% representation of women in Group's management bodies and a 39% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

C. Business Overview (continued)

Ukrainian crisis

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

Direct impact

The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations of Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 mn as at 31 March 2023 in Russia through write-offs and provisions.

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

The Group has limited direct exposure with loans related to Russia and Belarus, representing 0.3% of total assets or c.1% of net loans as at 31 March 2023. The net book value of these loans stood at €87 mn as at 31 March 2023, of which €80 mn are performing, whilst the remaining were classified as NPEs well before the current crisis. The portfolio is granular and secured mainly by real estate properties in Cyprus.

Customer deposits related to Russian and Belarusian customers account for only 4% of total customer deposits as at 31 March 2023. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €7.4 bn (LCR ratio of 303%) as at 31 March 2023.

Since 2014 the Bank, has engaged in a very demanding and rigorous anti-financial crime remediation programme. It fully adheres to all relevant UN, EU, USA, UK sanction frameworks and has implemented additional measures to monitor a complicated sanctions environment including systemic enhancements, specialised training and revision of risk appetite. As a result, the Bank has effectively terminated the relationship with professional intermediaries introducing customers to the Bank. Additionally, c.25,900 customer relationships were terminated and c.12,000 potential new customer relationships were suspended solely on compliance reasons (eg: KYC, or AML) for the years 2015-2022.

Indirect impact

Although the Group's direct exposure to Russia or Belarus is limited, the crisis in Ukraine had a negative impact on the Cypriot economy, mainly arising from the tourism and professional services sectors, increasing energy prices fuelling inflation and disruptions to global supply chains. During 2022 the performance of the tourism sector was strong despite challenges and represented 80% of 2019 levels, despite the sizeable loss of tourist arrivals from Russia and Ukraine. To date, tourist activity is recovering to pre-pandemic levels. The Group continues to monitor exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary.

Cyprus has no energy dependence on Russia as it imports oil from Greece, Italy and the Netherlands; however it is indirectly affected by pricing pressures in the international energy markets. The focus on renewables increases, and a steady increase in contribution from renewables is noted.

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

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

D. Strategy and Outlook

The strategic objectives for the Group are to become a stronger, safer and a more efficient institution with a sustainable and well-diversified business model committed to deliver sustainable shareholder returns.

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

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

In early 2023 the Company achieved a significant milestone; its longstanding intention to resume dividends after 12 years. Following the approval of the European Central Bank, the Board of Directors of the Company recommended to the shareholders for approval at the AGM that will be held on 26 May 2023, the payment of a final dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022 ('Dividend'). This proposed Dividend amounts to €22.3 mn in total and is equivalent to a payout ratio of 14% of the FY2022 recurring profitability adjusted for the AT1 coupon or 31% based on FY2022 profit after tax (as reported in the 2022 Annual Financial Report). Subject to approval at the AGM, the Dividend will be paid in cash on 16 June 2023 to those shareholders on the register on 5 May 2023 ("Record date") with an Ex-Dividend date of 4 May 2023.

Additionally, the Board of Directors approved the Group dividend policy. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's profitability after tax, before non-recurring items, adjusted for AT1 coupon (referred to as "adjusted recurring profitability"). The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

Key Metrics	FY2023[3] targets	1Q2023
Date	February 2023	
NII	40-50% yoy (€520-550 mn)	€162 mn (+127% yoy)
Cost to income ratio[1]	mid-40s	34%
Return on Tangible Equity (ROTE)[2]	>13%	21.3%
NPE ratio	<5%	3.8%
Cost of risk	50-80 bps	44 bps

1. Calculated using total operating expenses which comprise staff costs and other operating expenses. Total operating expenses do not include the special levy on deposits or other levies/contributions and do not include any advisory or other restructuring costs.
2. Return on Tangible Equity (ROTE) is calculated as Profit after Tax (annualised) divided by the quarterly average Shareholders' equity minus intangible assets.
3. Based on market forward rates as at 23 January 2023

During the quarter ended, the Group delivered another set of solid financial results, ahead of its 2023 targets across its key metrics. As a result, the Group achieved a ROTE of 21.3%, underpinned mainly by the higher interest rate rises than initially expected. Additionally, the Group's asset quality was in line with its targets as the NPE ratio stood at 3.8% at quarter end and the cost of risk amounted to 44 bps.

The Group will be holding an Investor Update event on 8 June 2023, where it will present and discuss an update of the Group's outlook.

E. Financial Results – Statutory Basis

Unaudited Interim Consolidated Income Statement

The following financial information for the first three months of 2023 and 2022 within Section E corresponds to the condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. As a result of the implementation from 1 January 2023 of IFRS 17, 2022 comparative information has been restated to reflect the impact of IFRS 17 adoption.

	Three months ended 31 March	
	2023	2022 (restated)[1]
	€000	€000
Turnover	**300,164**	201,312
Interest income	**181,828**	89,143
Income similar to interest income	**9,373**	4,606
Interest expense	**(24,557)**	(18,383)
Expense similar to interest expense	**(4,393)**	(4,011)
Net interest income	**162,251**	71,355
Fee and commission income	**46,962**	45,953
Fee and commission expense	**(2,751)**	(2,227)
Net foreign exchange gains	**8,112**	5,502
Net gains/(losses) on financial instruments	**5,928**	(6,008)
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**255**	(237)
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**1,298**	1,298
Net insurance service result	**12,320**	15,520
Net reinsurance service result	**(4,064)**	(5,600)
Net losses from revaluation and disposal of investment properties	**(443)**	(527)
Net gains on disposal of stock of property	**2,013**	5,400
Other income	**2,917**	4,252
Total operating income	**234,798**	134,681
Staff costs	**(45,637)**	(50,482)
Special levy on deposits and other levies/contributions	**(11,088)**	(9,857)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(6,315)**	(223)
Other operating expenses	**(35,159)**	(36,183)
Operating profit before credit losses and impairment	**136,599**	37,936
Credit losses on financial assets	**(15,499)**	(10,775)
Impairment net of reversals on non-financial assets	**(8,033)**	(4,822)
Profit before tax	**113,067**	22,339
Income tax	**(17,786)**	(5,296)
Profit after tax for the period	**95,281**	17,043
Attributable to:		
Owners of the Company	**94,728**	17,220
Non-controlling interests	**553**	(177)
Profit for the period	**95,281**	17,043
Basic profit per share attributable to the owners of the Company (€ cent)	**21.2**	3.9
Diluted profit per share attributable to the owners of the Company (€ cent)	**21.2**	3.9

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2023	2022 (restated)[1]
	€000	€000
Profit for the period	**95,281**	17,043
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods	**(1,930)**	(6,410)
Fair value reserve (debt instruments)	**(1,912)**	(6,420)
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)	**(1,762)**	(5,932)
Transfer to the consolidated income statement on disposal	**(150)**	(488)
Foreign currency translation reserve	**(18)**	10
(Loss)/profit on translation of net investment in foreign branches and subsidiaries	**(33)**	4,089
Profit/(loss) on hedging of net investments in foreign branches and subsidiaries	**15**	(4,079)
OCI not to be reclassified in the consolidated income statement in subsequent periods	**(24)**	558
Fair value reserve (equity instruments)	**-**	43
Net gains on investments in equity instruments designated at FVOCI	**-**	43
Property revaluation reserve	**26**	-
Deferred tax	**26**	-
Actuarial (losses)/gains on the defined benefit plans	**(50)**	515
Remeasurement (losses)/gains on defined benefit plans	**(50)**	515
Other comprehensive loss for the period net of taxation	**(1,954)**	(5,852)
Total comprehensive income for the period	**93,327**	11,191
Attributable to:		
Owners of the Company	**92,768**	11,368
Non-controlling interests	**559**	(177)
Total comprehensive income for the period	**93,327**	11,191

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Balance Sheet

	31 March 2023	31 December 2022 (restated)[1]	1 January 2022 (restated)[1]
Assets	**€000**	€000	
Cash and balances with central banks	**9,247,705**	9,567,258	9,230,883
Loans and advances to banks	**415,832**	204,811	291,632
Derivative financial assets	**46,344**	48,153	6,653
Investments at FVPL	**136,590**	190,209	199,194
Investments at FVOCI	**428,223**	467,375	748,695
Investments at amortised cost	**2,332,167**	2,046,119	1,191,274
Loans and advances to customers	**10,013,108**	9,953,252	9,836,405
Life insurance business assets attributable to policyholders	**551,295**	542,321	551,797
Prepayments, accrued income and other assets	**608,908**	609,054	583,777
Stock of property	**977,525**	1,041,032	1,111,604
Investment properties	**83,060**	85,099	117,745
Deferred tax assets	**227,953**	227,934	265,942
Property and equipment	**268,664**	253,378	252,130
Intangible assets	**49,430**	52,546	54,144
Non-current assets and disposal groups held for sale	**-**	-	358,951
Total assets	**25,386,804**	25,288,541	24,800,826
Liabilities			
Deposits by banks	**481,037**	507,658	457,039
Funding from central banks	**1,988,452**	1,976,674	2,969,600
Derivative financial liabilities	**18,063**	16,169	32,452
Customer deposits	**18,973,589**	18,998,319	17,530,883
Insurance liabilities	**617,662**	599,992	623,791
Accruals, deferred income, other liabilities and other provisions	**393,540**	379,182	356,697
Provisions for pending litigation, claims, regulatory and other matters	**130,408**	127,607	104,108
Debt securities in issue	**300,258**	297,636	302,555
Subordinated liabilities	**307,116**	302,104	340,220
Deferred tax liabilities	**34,618**	34,634	39,817
Total liabilities	**23,244,743**	23,239,975	22,757,162
Equity			
Share capital	**44,620**	44,620	44,620
Share premium	**594,358**	594,358	594,358
Revaluation and other reserves	**75,197**	76,939	99,541
Retained earnings	**1,185,027**	1,090,349	1,062,711
Equity attributable to the owners of the Company	**1,899,202**	1,806,266	1,801,230
Other equity instruments	**220,000**	220,000	220,000
Non-controlling interests	**22,859**	22,300	22,434
Total equity	**2,142,061**	2,048,566	2,043,664
Total liabilities and equity	**25,386,804**	25,288,541	24,800,826

1. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												
	Share capital	Share premium	Treasury shares	Other capital reserves	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	**€000**
31 December 2022	**44,620**	**594,358**	**(21,463)**	**322**	**1,041,152**	**74,170**	**7,142**	**101,301**	**16,768**	**1,858,370**	**220,000**	**22,300**	**2,100,670**
Impact of retrospective application of IFRS 17 adoption	-	-	-	-	49,197	-	-	(101,301)	-	**(52,104)**	-	-	**(52,104)**
31 December 2022 (restated) / 1 January 2023	**44,620**	**594,358**	**(21,463)**	**322**	**1,090,349**	**74,170**	**7,142**	**-**	**16,768**	**1,806,266**	**220,000**	**22,300**	**2,048,566**
Profit for the period	-	-	-	-	94,728	-	-	-	-	**94,728**	-	553	**95,281**
Other comprehensive (loss)/income after tax for the period	-	-	-	-	(50)	20	(1,912)	-	(18)	**(1,960)**	-	6	**(1,954)**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	94,678	20	(1,912)	-	(18)	**92,768**	-	559	**93,327**
Share-based benefits-cost	-	-	-	168	-	-	-	-	-	**168**	-	-	**168**
31 March 2023	**44,620**	**594,358**	**(21,463)**	**490**	**1,185,027**	**74,190**	**5,230**	**-**	**16,750**	**1,899,202**	**220,000**	**22,859**	**2,142,061**

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	**44,620**	**594,358**	**(21,463)**	**986,623**	**80,060**	**23,285**	**113,651**	**17,659**	**1,838,793**	**220,000**	**22,434**	**2,081,227**
Impact of retrospective application of IFRS 17 adoption	-	-	-	76,088	-	-	(113,651)	-	**(37,563)**	-	-	**(37,563)**
Restated balance at 1 January 2022	**44,620**	**594,358**	**(21,463)**	**1,062,711**	**80,060**	**23,285**	**-**	**17,659**	**1,801,230**	**220,000**	**22,434**	**2,043,664**
Profit/(loss) for the period	-	-	-	17,220	-	-	-	-	**17,220**	-	(177)	**17,043**
Other comprehensive income/(loss) after tax for the period	-	-	-	515	-	(6,377)	-	10	**(5,852)**	-	-	**(5,852)**
Total comprehensive income/(loss) after tax for the period	-	-	-	17,735	-	(6,377)	-	10	**11,368**	-	(177)	**11,191**
Defence contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Restated balance at 31 March 2022	**44,620**	**594,358**	**(21,463)**	**1,075,463**	**80,060**	**16,908**	**-**	**17,669**	**1,807,615**	**220,000**	**22,257**	**2,049,872**

F. Notes

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

€ million	Underlying basis	Other	Statutory basis
Net interest income	162	-	162
Net fee and commission income	44	-	44
Net foreign exchange gains and net gains on financial instruments	13	1	14
Net gains on derecognition of financial assets measured at amortised cost	-	0	0
Net insurance result*	10	-	10
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	2	-	2
Other income	3	-	3
Total income	**234**	**1**	**235**
Total expenses	**(91)**	**(7)**	**(98)**
Operating profit	**143**	**(6)**	**137**
Loan credit losses	(11)	11	-
Impairment of other financial and non-financial assets	(11)	11	-
Provisions for litigation, claims, regulatory and other matters (net of reversals)	(6)	6	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(23)	(23)
Profit before tax and non-recurring items	**115**	**(1)**	**114**
Tax	(18)	-	(18)
Profit attributable to non-controlling interests	(1)	-	(1)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**96**	**(1)**	**95**
Advisory and other restructuring costs - organic	(1)	1	-
Profit after tax (attributable to the owners of the Company)	**95**	**-**	**95**

* Net insurance result per underlying basis comprises the aggregate of captions '*Net insurance finance income/(expense) and net reinsurance finance income/(expense)', 'Net insurance service result' and 'Net reinsurance service result'* per the statutory basis.

The reclassification differences between the statutory basis and the underlying basis are explained below:

- Net gains on loans and advances to customers at FVPL of €1 million included in 'Loan credit losses' under the underlying basis are included in 'Net gains/(losses) on financial instruments' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

- 'Net gains on derecognition of financial assets measured at amortised cost' of approximately €0.3 million under the statutory basis comprise net gains on derecognition of loans and advances to customers included in 'Loan credit losses' under the underlying basis as to align their presentation with the loan credit losses on loans and advances to customers.

- Provisions for litigation, claims, regulatory and other matters amounting to €6 million presented within '*Operating profit before credit losses and impairment*' under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

- Advisory and other restructuring costs of approximately €1 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- 'Credit losses on financial assets' and 'Impairment net of reversals on non-financial assets' under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €12 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial assets of €3 million and impairment net of reversals of non-financial assets of €8 million, which are included in 'Impairment of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

F. Notes (continued)

F.2 Customer deposits

The analysis of customer deposits is presented below:

	31 March 2023	31 December 2022
By type of deposit	**€000**	€000
Demand	**10,398,586**	10,561,724
Savings	**2,888,682**	2,840,346
Time or notice	**5,686,321**	5,596,249
	18,973,589	18,998,319
By geographical area		
Cyprus	**13,096,705**	13,019,109
Greece	**1,847,877**	1,933,771
United Kingdom	**692,050**	706,233
United States	**159,069**	178,962
Germany	**121,182**	168,785
Romania	**65,792**	69,514
Russia	**733,833**	700,465
Ukraine	**306,864**	290,050
Belarus	**94,983**	83,299
Other countries	**1,855,234**	1,848,131
	18,973,589	18,998,319

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

	31 March 2023	31 December 2022
By currency	**€000**	€000
Euro	**17,036,294**	17,067,299
US Dollar	**1,519,474**	1,529,548
British Pound	**347,890**	333,458
Russian Rouble	**2,371**	3,466
Swiss Franc	**11,670**	11,796
Other currencies	**55,890**	52,752
	18,973,589	18,998,319
By customer sector		
Corporate and Large corporate	**1,858,324**	1,915,300
International corporate	**143,987**	139,898
SMEs	**929,693**	1,007,555
Retail	**11,441,093**	11,333,783
Restructuring		
– Corporate	**13,948**	16,017
– SMEs	**6,482**	6,375
– Retail other	**9,503**	10,152
Recoveries		
– Corporate	**1,372**	1,262
International banking services	**3,966,753**	3,957,050
Wealth management	**602,434**	610,927
	18,973,589	18,998,319

F. Notes (continued)

F.3 Loans and advances to customers

	31 March 2023	31 December 2022
	€000	€000
Gross loans and advances to customers at amortised cost	**9,986,904**	9,917,335
Allowance for ECL of loans and advances to customers	**(186,333)**	(178,442)
	9,800,571	9,738,893
Loans and advances to customers measured at FVPL	**212,537**	214,359
	10,013,108	9,953,252

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

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

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

31 March 2023	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	922,648	354	38	2	-	33	**923,075**
Manufacturing	319,571	44,930	-	-	-	27,412	**391,913**
Hotels and catering	962,462	24,304	36,071	-	-	40,095	**1,062,932**
Construction	527,293	9,090	22	359	1	20	**536,785**
Real estate	962,791	94,750	1,906	5,812	-	46,020	**1,111,279**
Private individuals	4,510,966	11,848	69,679	222	17,786	53,337	**4,663,838**
Professional and other services	558,481	612	5,297	921	385	40,859	**606,555**
Shipping	12,657	-	-	-	-	195,064	**207,721**
Other sectors	449,666	1	1	-	3	33,135	**482,806**
	9,226,535	**185,889**	**113,014**	**7,316**	**18,175**	**435,975**	**9,986,904**

F. Notes (continued)

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

31 March 2023	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,449,479	25,477	45	-	383	186	**3,475,570**
International corporate	93,814	152,202	42,816	5,812	-	373,157	**667,801**
SMEs	1,006,636	539	1,184	397	-	2,121	**1,010,877**
Retail							
- housing	3,298,760	2,568	34,931	38	93	18,123	**3,354,513**
- consumer, credit cards and other	914,586	804	554	5	-	844	**916,793**
Restructuring							
- corporate	54,862	-	842	883	-	64	**56,651**
- SMEs	41,406	-	174	-	154	-	**41,734**
- retail housing	68,727	103	2,037	-	287	176	**71,330**
- retail other	24,517	35	17	-	194	22	**24,785**
Recoveries							
- corporate	16,950	-	451	2	172	33	**17,608**
- SMEs	27,825	-	1,126	-	2,503	2,132	**33,586**
- retail housing	68,031	261	19,321	64	3,296	8,952	**99,925**
- retail other	29,975	20	1,284	-	70	391	**31,740**
International banking services	91,306	1,659	8,143	115	11,023	24,802	**137,048**
Wealth management	39,661	2,221	89	-	-	4,972	**46,943**
	9,226,535	**185,889**	**113,014**	**7,316**	**18,175**	**435,975**	**9,986,904**

31 December 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	922,093	384	37	2	-	33	**922,549**
Manufacturing	323,074	44,978	-	-	-	27,943	**395,995**
Hotels and catering	928,346	16,565	35,614	-	-	40,086	**1,020,611**
Construction	545,421	8,955	23	1,965	1	20	**556,385**
Real estate	978,708	94,823	1,866	5,848	-	45,769	**1,127,014**
Private individuals	4,496,081	11,146	73,120	401	19,103	54,584	**4,654,435**
Professional and other services	551,269	980	5,311	907	313	36,923	**595,703**
Shipping	13,338	-	-	-	-	173,830	**187,168**
Other sectors	427,535	2	-	-	3	29,935	**457,475**
	9,185,865	**177,833**	**115,971**	**9,123**	**19,420**	**409,123**	**9,917,335**

F. Notes (continued)

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

31 December 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,380,542	17,781	50	-	312	102	**3,398,787**
International corporate	139,813	152,143	42,327	5,850	-	345,175	**685,308**
SMEs	1,021,950	1,036	1,451	2,003	-	2,171	**1,028,611**
Retail							
- housing	3,272,253	2,450	36,839	219	186	18,687	**3,330,634**
- consumer, credit cards and other	885,558	856	576	5	1	900	**887,896**
Restructuring							
- corporate	66,151	-	869	869	-	63	**67,952**
- SMEs	48,027	-	432	-	158	384	**49,001**
- retail housing	70,283	104	1,841	-	291	114	**72,633**
- retail other	24,093	16	21	-	192	21	**24,343**
Recoveries							
- corporate	19,063	-	452	-	172	32	**19,719**
- SMEs	26,150	-	1,117	-	2,664	1,774	**31,705**
- retail housing	69,790	260	19,778	64	3,431	9,672	**102,995**
- retail other	31,967	12	1,265	-	49	337	**33,630**
International banking services	90,652	1,722	8,953	113	11,964	24,470	**137,874**
Wealth management	39,573	1,453	-	-	-	5,221	**46,247**
	9,185,865	**177,833**	**115,971**	**9,123**	**19,420**	**409,123**	**9,917,335**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 March 2023 of €138,318 thousand (31 December 2022: €106,701 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 March 2023 include exposures of €2.3 million in Ukraine (31 December 2022: €2.6 million).

F. Notes (continued)

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

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by geographical analysis (based on the country in which the loans are managed).

31 March 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,034,686	1,562,590	353,839	118,450	**10,069,565**
Residual fair value adjustment on initial recognition	(64,870)	(14,241)	(1,502)	(2,048)	**(82,661)**
Gross loans at amortised cost	**7,969,816**	**1,548,349**	**352,337**	**116,402**	**9,986,904**
Cyprus	7,969,616	1,548,349	351,757	116,402	**9,986,124**
Other countries	200	-	580	-	**780**
	7,969,816	**1,548,349**	**352,337**	**116,402**	**9,986,904**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,931,511	1,586,488	372,821	115,544	**10,006,364**
Residual fair value adjustment on initial recognition	(64,255)	(20,885)	(1,803)	(2,086)	**(89,029)**
Gross loans at amortised cost	**7,867,256**	**1,565,603**	**371,018**	**113,458**	**9,917,335**
Cyprus	7,867,037	1,565,603	368,922	113,458	**9,915,020**
Other countries	219	-	2,096	-	**2,315**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

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:

31 March 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,604,022	782,080	49,989	39,479	**3,475,570**
International corporate	666,785	962	35	19	**667,801**
SMEs	856,551	141,191	2,907	10,228	**1,010,877**
Retail					
- housing	2,927,236	391,971	22,211	13,095	**3,354,513**
- consumer, credit cards and other	748,896	139,496	12,839	15,562	**916,793**
Restructuring					
- corporate	2,973	19,821	23,702	10,155	**56,651**
- SMEs	10,277	11,390	17,587	2,480	**41,734**
- retail housing	4,393	21,814	42,631	2,492	**71,330**
- retail other	1,722	5,132	16,877	1,054	**24,785**
Recoveries					
- corporate	-	-	16,571	1,037	**17,608**
- SMEs	-	-	31,860	1,726	**33,586**
- retail housing	-	-	86,331	13,594	**99,925**
- retail other	98	-	26,947	4,695	**31,740**
International banking services	105,736	29,278	1,846	188	**137,048**
Wealth management	41,127	5,214	4	598	**46,943**
	7,969,816	**1,548,349**	**352,337**	**116,402**	**9,986,904**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,502,630	807,282	54,259	34,616	**3,398,787**
International corporate	685,099	150	35	24	**685,308**
SMEs	825,123	189,825	3,299	10,364	**1,028,611**
Retail					
- housing	2,982,436	305,714	30,071	12,413	**3,330,634**
- consumer, credit cards and other	704,959	152,815	14,376	15,746	**887,896**
Restructuring					
- corporate	2,842	34,246	20,689	10,175	**67,952**
- SMEs	12,643	10,603	23,374	2,381	**49,001**
- retail housing	5,168	22,018	42,155	3,292	**72,633**
- retail other	1,713	5,364	16,237	1,029	**24,343**
Recoveries					
- corporate	-	-	18,403	1,316	**19,719**
- SMEs	-	-	29,339	2,366	**31,705**
- retail housing	-	-	88,956	14,039	**102,995**
- retail other	108	-	28,569	4,953	**33,630**
International banking services	104,539	31,934	1,254	147	**137,874**
Wealth management	39,996	5,652	2	597	**46,247**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

F. Notes (continued)

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

	Three months ended 31 March	
	2023	2022
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**17,693**	14,132
Recoveries of loans and advances to customers previously written off	**(3,918)**	(4,066)
Changes in expected cash flows	**(1,571)**	912
Financial guarantees and commitments	**266**	(270)
	12,470	10,708

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:

	Three months ended 31 March	
	2023	2022
	€000	€000
1 January	**178,442**	591,417
Foreign exchange and other adjustments	**(50)**	(840)
Write offs	**(10,650)**	(45,959)
Interest (provided) not recognised in the income statement	**898**	4,012
Charge for the period	**17,693**	14,132
31 March	**186,333**	562,762
Stage 1	**16,531**	16,630
Stage 2	**31,594**	28,852
Stage 3	**120,249**	456,473
POCI	**17,959**	60,807
31 March	**186,333**	562,762

The allowance for ECL, included above, for loans and advances to customers held for sale as at 31 March 2022 amounted €308,916 thousand. There were no loans classified as held for sale as at 31 March 2023.

The charge for the period on loans and advances to customers, including the loans and advances to customers held for sale as at 31 March 2022, by stage is presented in the table below:

	Three months ended 31 March	
	2023	2022
	€000	€000
Stage 1	**(10,476)**	(1,215)
Stage 2	**9,262**	(48)
Stage 3	**18,907**	15,395
	17,693	14,132

During the three months ended 31 March 2023 the total non-contractual write-offs recorded by the Group amounted to €4,465 thousand (three months ended 31 March 2022: €36,921 thousand). The contractual amount outstanding on financial assets that were written off during the three months ended 31 March 2023 and that are still subject to enforcement activity is €39,560 thousand (31 December 2022: €972,621 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 31 March 2023 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers is approximately 32% under the baseline scenario (31 December 2022: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2022: average seven years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

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

The above assumptions are also influenced by the ongoing regulatory dialogue the Group 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 provisions.

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

Overlays in the context of current economic conditions
The two overlays introduced in 2022 in response to uncertainties from the consequences of the Ukrainian crisis, in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, continue to be in effect during the three months ended 31 March 2023. These were introduced to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €3.5 million release for the three months ended 31 March 2023 (following an update of the assessment of the sectors classified as High Risk and/or Early Warning) and a net transfer of €23 million loans from Stage 1 to Stage 2 as at 31 March 2023.

Specifically, the first overlay relates to private individuals that are expected to be affected by the increased cost of living in order to reflect the future vulnerabilities to inflation, where a scenario with higher percentage increase is applied for the cost of living. A one-notch downgrade is applied to the identified portfolio, reflecting the expected impact of inflation to their credit quality. The second overlay relates to sectors that have been classified as High Risk or Early Warning to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis-a-vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as High Risk, whereas if only one of the two has deteriorated, then the sector is classified as Early Warning. A one-notch downgrade is applied to Early Warning sectors whereas for High Risk sectors a more severe downgrade is applied accordingly.

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

In addition, the overlay on the probability of default (PD), introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy, continued to be in effect during the three months ended 31 March 2023. With this overlay the PDs were floored to the maximum of 2018/2019 level, on the basis that these years are considered as closer to a business-as-usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €3.2 million release for the three months ended 31 March 2023, as a result of multiple components including updated ratings, PD and thresholds calibrations and stage migrations.

In addition, in the three months ended 31 March 2023, for the LGD parameter, the overlay has been integrated through reduced curability period for Stage 2 and Stage 3 exposures (i.e., the maximum period that a customer is considered to cure has been reduced). The impact on the ECL was €8.4 million charge for the three months ended 31 March 2023.

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 31 March 2023. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, are timely captured.

F.7 Rescheduled loans and advances to customers

The below table presents the Group's forborne loans and advances to customers by staging.

	31 March 2023	31 December 2022
	€000	€000
Stage 1	**-**	-
Stage 2	**776,447**	857,356
Stage 3	**201,402**	215,730
POCI	**31,481**	33,212
	1,009,330	1,106,298

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

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

Provisions have been recognised for those cases where the Group is able to estimate probable losses. 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, regulatory and other matters as at 31 March 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group. Details on the material ongoing cases are disclosed within the 2022 Annual Financial Report.

F. Notes (continued)

F.9 IFRS 17 ‘Insurance Contracts’

Overview

On 1 January 2023 the Group adopted IFRS 17 ‘Insurance Contracts’ and as required by the standard applied the requirements retrospectively with comparative information restated from the transition date, 1 January 2022.

IFRS 17 is a comprehensive new accounting standard for insurance contracts which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general measurement model or ‘GMM’) for insurance contracts, supplemented by the variable fee approach (‘VFA’) for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach ('PAA') mainly for short duration insurance contracts. The main features of the new accounting standard for insurance contracts are the following:

i. The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
ii. A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., the coverage period)
iii. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
iv. The recognition of insurance revenue and insurance service expenses in the consolidated income statement based on the concept of services provided during the period
v. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
vi. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of the risks arising from these contracts.

Transition application

The standard is applied retrospectively using a fully retrospective approach (‘FRA’) as if it had always applied, unless it is impracticable to so, in which case either a modified retrospective approach (‘MRA‘) or a fair value approach (‘FVA’) can be selected. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement. Following the completion of impracticability assessments, the Group applied the following approaches:

- The FRA for all non-life groups of insurance contracts and non-individual life groups of insurance contracts, irrespective of issue date.
- The MRA for groups of life insurance contracts issued between 2016 and 2021.
- The FVA for groups of life insurance contracts issued prior to 2016.

Determination on transition of the fair value of insurance contract liabilities for which FVA was applied

Under the FVA approach required by IFRS 17, the valuation of insurance liabilities on transition is based on the requirements of IFRS 13 ‘Fair Value Measurement’. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM of the liability for remaining coverage at the transition date is determined as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured as at that date. There is judgement involved in determining an appropriate fair value, as there is a lack of observable data for actual transactions for closed book insurance businesses and a range of possible modelling approaches. In determining the fair value the Group considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the IFRS 13 calculation. The approach for setting these included the following:

- The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of ‘matching’ between the Group’s assets and related liabilities.
- Solvency II information (i.e. Best Estimate Liabilities and Risk Margin) has been utilised.

Modified retrospective approach (‘MRA’)

The Group is permitted to use the MRA only to the extent that is does not have reasonable and supportable information to apply a FRA. MRA is an approach to achieve the closest outcome to the full retrospective application, with the prescribed modifications to address some of the challenges of retrospective application. Under MRA the below simplifications are permitted:

- assessments at the date of initial recognition of groups of insurance contracts;
- contractual service margin for insurance contracts without direct participation features;
- contractual service margin for insurance contracts with direct participation features; and
- insurance finance income or expenses.

F.9 IFRS 17 'Insurance Contracts'

Transition application (continued)

In applying the modified retrospective approach, the Group used reasonable and supportable information from its existing reporting systems, with the objective to arrive at the outcome closest to the full retrospective approach. The Group applied each of the following modifications:

- Group of contracts issued between 2016 and 2021 contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.
- For group of contracts issued or initiated between 2016 and 2021, the future cash flows on initial recognition were estimated by:
  - the transactions occurred in period 2016-2021, plus
  - the expected future cashflows estimated at 31 December 2021.
- For groups of contracts issued or initiated between 2016 and 2021, the illiquidity premiums applied to the risk-free yield curves on initial recognition were estimated by determining an average spread between the risk-free yield curves and the discount rates determined retrospectively for the period between 1 January 2016 and 1 January 2022.
- For groups of contracts issued or initiated between 2016 and 2021, the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022.
- The amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the coverage units provided before 1 January 2022 and the expected coverage units at 1 January 2022.

The sections below provide a summary of the significant accounting policies applied under IFRS 17, information on the quantitative impact of transition of IFRS 17, the impacted and restated information on the 1 January 2022 and 31 December 2022 consolidated balance sheet and the restatement impact on the consolidated income statement for the year ended 31 December 2022 and the three months ended 31 March 2022.

F.9.1 Summary of significant accounting policies

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

An insurance contract is a contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event.

When identifying contracts in the scope of IFRS 17, there is a need to assess whether contracts need to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For the Group's insurance and reinsurance contracts, there were no significant changes arising from the application of these requirements.

Level of aggregation

Individual insurance contracts that are managed together and subject to similar risks are identified as a group.

Contracts that are managed together usually belong to the same product line and have similar characteristics such as being subject to a similar pricing framework or similar product management and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks.

Each group of contracts is then divided into annual cohorts (i.e. by year of issue) and each cohort into three groups, based on expected profitability: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts.

The groups of insurance contracts are established at initial recognition without subsequent reassessment and form the unit of account at which the contracts are measured.

Contract boundaries

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. The Group has determined that expected future single premium injections and regular premium increases for unit-linked life contracts, even though at the discretion of policyholders, are within the contract boundaries as the Group may not adjust the terms and conditions for such increases. Similarly for multiyear (more than one year) non-life contracts the Group has assessed that they are expected to equal their duration as the Group cannot reprice or terminate the insurance contract during the coverage period.

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Summary of significant accounting policies (continued)

Measurement

IFRS 17 introduces a standard measurement model, the General Measurement Model (GMM) and allows also for a simplified approach, the Premium Allocation Approach (PAA). IFRS 17 also provides for the Variable Fee Approach (VFA), which is mandatory to apply for insurance contracts with direct participation features upon meeting the eligibility criteria. While the GMM is the default measurement model under IFRS 17, the Group applies the VFA primarily to insurance contracts in the unit linked life portfolio. The PAA is applied for contracts with coverage periods of one year or less, or as an approximation to the general measurement model and is primarily applied by the Group to non-life insurance contracts and to non-individual life insurance contracts as well as to reinsurance contracts of the Group except for the individual life reinsurance agreement, for which the GMM was applied. For the rest of the insurance contracts (individual protection life contracts, the acquired portfolio and health long-term portfolio) the Group applies the GMM approach.

Initial measurement
Groups of insurance contracts under GMM or VFA are initially measured as the total of:

- Fulfilment cash flows, which comprise:
  - an estimate of the present value of future cash flows that are expected to arise as the Group fulfils its service under the insurance contracts; and
  - an explicit risk adjustment for non-financial risk (i.e., the risk adjustment held on balance sheet)
- Contractual Service Margin (CSM) which represents the unearned profit that the Group will recognise as it provides insurance contract services.

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect both the time value of money and financial risks, plus a risk adjustment for non-financial risk. The discount rate applied reflects the time value of money, the characteristics of the cash flows, the liquidity characteristics of the insurance contracts and, where appropriate, is consistent with observable current market prices.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing the uncertainty in relation to the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment is explicit and determined separately from other fulfilment cash flows.

Subsequent measurement
GMM
At the end of each reporting period, IFRS 17 requires that insurance contracts are measured as the sum of:

- Liability for remaining coverage (LRC), comprising fulfilment cash flows related to future service and the CSM at the reporting date; and
- Liability for incurred claims (LIC), comprising fulfilment cash flows related to past service at the reporting date (claims and expenses not yet paid, including claims incurred but not yet reported).

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

- Changes related to future service are adjusted against the CSM unless the group of contracts is onerous in which case such changes are recognised in the net insurance service result in the income statement
- Changes related to past or current service are recognised in the net insurance service result in the income statement
- The effects of the time value of money and financial risk are recognised as net insurance finance income or expense in the income statement

The amount of CSM recognised in income statement for services in a period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. Services provided are estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

VFA
The VFA is modified for contracts with direct participation features (contracts where returns are based on the performance of underlying assets). For insurance contracts under the VFA, changes in the Group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM but are recognised in profit or loss as they arise.

PAA
This is an optional simplification. The LRC is measured as premiums less insurance acquisition cash flows. There is no CSM recognised.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Summary of significant accounting policies (continued)

Directly attributable expenses

In accordance with IFRS 17, directly attributable expenses, which include both acquisition and maintenance costs are incorporated in actual and estimated future cash flows and recognised in the net insurance result. Acquisition costs are amortised. Costs that are not directly attributable remain in operating expenses.

Presentation

The amounts presented in the consolidated income statement under IFRS 17 include:

i. Net insurance finance income/(expense) and net reinsurance finance income/(expense), that comprises of:
   - Net insurance finance income/(expense) which represents the finance related change in the carrying value of a group of insurance contracts comprising interest accreted to the CSM, effects of changes in interest rates and other financial assumptions and the effect of changes in the fair value of underlying items for direct participating contracts
   - Net finance income/(expense) from reinsurance contracts held is the finance related change in the carrying value of a group of reinsurance contracts comprising interest accreted and effects of changes in interest rates and other financial assumptions.

ii. Net insurance service result, that comprises of:
   - insurance revenue that reflects the consideration to which the Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components) and includes among others CSM released during the period, revenue for insurance contracts under the PAA and changes in risk adjustment related to current service period and experience variance.
   - insurance service expenses that comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

iii. Net reinsurance service result, that comprises of amounts recovered from reinsurers and reinsurance expenses.

F.9.2 Transition impact

On transition on 1 January 2022, consistent with the disclosures in the 2022 Annual Financial Report, the Group's Total Equity and Equity attributable to the owners of the Company was reduced by €37,563 thousand, reflecting the aggregate impact of the PVIF elimination and remeasurement of insurance assets and liabilities, and net of associated tax impact. Similarly, adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the impact on the Group's Total Equity and Equity attributable to the owners of the Company as at 31 December 2022 as reported under IFRS 4 has reduced by €52,104 thousand as restated under IFRS 17, as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Total Equity	**2,081,227**	**2,100,670**
IFRS 4 Equity attributable to owners of the Company	**1,838,793**	**1,858,370**
Removal of PVIF asset	(129,890)	(115,776)
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*(37,563)*	*(52,104)*
IFRS 17 Equity attributable to owners of the Company	**1,801,230**	**1,806,266**
IFRS 17 Total Equity	**2,043,664**	**2,048,566**

The reduction of the Group's equity by €52 million as at 31 December 2022 comprises the elimination of the in-force life insurance business asset (PVIF) and the associated deferred tax liability, of a net decrease €101 million and the remeasurement of insurance assets and liabilities (including the impact of the contractual service margin) resulting in a net increase in equity by €49 million.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.2 Transition impact (continued)

On transition on 1 January 2022, the Group's Tangible Equity attributable to the owners of the Company was increased by €92,327 million. Adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the impact on the Group's Tangible Equity attributable to the owners of the Company as at 31 December 2022 as restated under IFRS 17 has increased by €63,672 million as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Tangible Equity attributable to owners of the Company	1,654,759	1,690,048
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*92,327*	*63,672*
IFRS 17 Tangible Equity attributable to owners of the Company	**1,747,086**	**1,753,720**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.2 Transition impact (continued)

Consolidated Income Statement for the year ended 31 December 2022 under the statutory basis, as restated for IFRS 17 and as reported under IFRS 4.

	Year ended 31 December 2022	
	IFRS 17 (restated)	IFRS 4 (as previously presented)
	€000	€000
Interest income	**428,849**	428,849
Income similar to interest income	**22,119**	22,119
Interest expense	**(65,721)**	(65,821)
Expense similar to interest expense	**(14,840)**	(14,840)
Net interest income	***370,407***	*370,307*
Fee and commission income	**202,583**	202,583
Fee and commission expense	**(10,299)**	(10,299)
Net foreign exchange gains	**31,291**	31,291
Net gains/(losses) on financial instruments	**(614)**	10,052
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**5,235**	5,235
Net Insurance finance income/(expense) and net reinsurance finance income/(expense)	**4,075**	-
Net insurance service result	**60,530**	-
Net reinsurance service result	**(20,039)**	-
Income from assets under insurance and reinsurance contracts	**-**	114,681
Expenses from liabilities under insurance and reinsurance contracts	**-**	(43,542)
Net losses from revaluation and disposal of investment properties	**(999)**	(999)
Net gains on disposal of stock of property	**13,970**	13,970
Other income	**16,681**	16,681
Total operating income	***672,821***	*709,960*
Staff costs	**(285,154)**	(294,361)
Special levy on deposits and other levies/contributions	**(38,492)**	(38,492)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(11,880)**	(11,880)
Other operating expenses	**(157,916)**	(166,365)
Operating profit before credit losses and impairment	***179,379***	*198,862*
Credit losses on financial assets	**(59,087)**	(59,529)
Impairment net of reversals on non-financial assets	**(29,549)**	(29,549)
Profit before tax	**90,743**	109,784
Income tax	**(31,312)**	(35,812)
Profit after tax for the period	**59,431**	73,972
Attributable to:		
Owners of the Company	56,565	71,106
Non-controlling interests	2,866	2,866
Profit for the year	**59,431**	**73,972**
Basic profit per share attributable to the owners of the Company (€ cent)	**12.7**	**15.9**

F. **Notes** (continued)

F.9 **IFRS 17 'Insurance Contracts'** (continued)

F.9.2 **Transition impact** (continued)

Consolidated Balance Sheet as at transition date and at 31 December 2022 as restated under IFRS 17 and as reported under IFRS 4 in the 2022 Annual Financial Report.

	IFRS 17 (restated)		IFRS 4 (as previously presented)	
	31 December 2022	1 January 2022	**31 December 2022**	1 January 2022
Assets	**€000**	€000	**€000**	€000
Cash and balances with central banks	**9,567,258**	9,230,883	**9,567,258**	9,230,883
Loans and advances to banks	**204,811**	291,632	**204,811**	291,632
Derivative financial assets	**48,153**	6,653	**48,153**	6,653
Investments at FVPL	**190,209**	199,194	**190,209**	199,194
Investments at FVOCI	**467,375**	748,695	**467,375**	748,695
Investments at amortised cost	**2,046,119**	1,191,274	**2,046,119**	1,191,274
Loans and advances to customers	**9,953,252**	9,836,405	**9,953,252**	9,836,405
Life insurance business assets attributable to policyholders	**542,321**	551,797	**542,321**	551,797
Prepayments, accrued income and other assets	**609,054**	583,777	**639,765**	616,219
Stock of property	**1,041,032**	1,111,604	**1,041,032**	1,111,604
Investment properties	**85,099**	117,745	**85,099**	117,745
Deferred tax assets	**227,934**	265,942	**227,521**	265,481
Property and equipment	**253,378**	252,130	**253,378**	252,130
Intangible assets	**52,546**	54,144	**168,322**	184,034
Non-current assets and disposal groups held for sale	**-**	358,951	**-**	358,951
Total assets	**25,288,541**	24,800,826	**25,434,615**	24,962,697
Liabilities				
Deposits by banks	**507,658**	457,039	**507,658**	457,039
Funding from central banks	**1,976,674**	2,969,600	**1,976,674**	2,969,600
Derivative financial liabilities	**16,169**	32,452	**16,169**	32,452
Customer deposits	**18,998,319**	17,530,883	**18,998,319**	17,530,883
Insurance liabilities	**599,992**	623,791	**679,952**	736,201
Accruals, deferred income, other liabilities and other provisions	**379,182**	356,697	**384,004**	361,977
Provisions for pending litigation, claims, regulatory and other matters	**127,607**	104,108	**127,607**	104,108
Debt securities in issue	**297,636**	302,555	**297,636**	302,555
Subordinated liabilities	**302,104**	340,220	**302,104**	340,220
Deferred tax liabilities	**34,634**	39,817	**43,822**	46,435
Total liabilities	**23,239,975**	22,757,162	**23,333,945**	22,881,470
Equity				
Share capital	**44,620**	44,620	**44,620**	44,620
Share premium	**594,358**	594,358	**594,358**	594,358
Revaluation and other reserves	**76,939**	99,541	**178,240**	213,192
Retained earnings	**1,090,349**	1,062,711	**1,041,152**	986,623
Equity attributable to the owners of the Company	**1,806,266**	1,801,230	**1,858,370**	1,838,793
Other equity instruments	**220,000**	220,000	**220,000**	220,000
Non-controlling interests	**22,300**	22,434	**22,300**	22,434
Total equity	**2,048,566**	2,043,664	**2,100,670**	2,081,227
Total liabilities and equity	**25,288,541**	24,800,826	**25,434,615**	24,962,697

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.3 Transition impact on the Consolidated Balance Sheet as at 1 January 2022

The adjustments to the Group's balance sheet as at 1 January 2022 arising on the adoption of IFRS 17 are presented below.

	Balance IFRS 4	Removal of PVIF and IFRS 4 assets and liabilities	IFRS 17 fulfilment cash flows incl. Risk adjustment *	IFRS 17 CSM	Tax effect	Other	Balance IFRS 17	Total movements
	€000	€000	€000	€000	€000	€000	€000	€000
Assets								
Prepayments, accrued income and other assets	616,219	(70,121)	37,676	-	-	3	**583,777**	*(32,442)*
Deferred tax assets	265,481	-	-	-	461	-	**265,942**	*461*
Intangible assets	184,034	(129,890)	-	-	-	-	**54,144**	*(129,890)*
All other assets	23,896,963	-	-	-	-	-	**23,896,963**	-
Total assets	**24,962,697**	**(200,011)**	**37,676**	**-**	**461**	**3**	**24,800,826**	***(161,871)***
Liabilities								
Insurance liabilities	736,201	(735,143)	579,002	43,731	-	-	**623,791**	*(112,410)*
Accruals, deferred income, other liabilities and other provisions	361,977	(5,559)	-	-	-	279	**356,697**	*(5,280)*
Deferred tax liabilities	46,435	-	-	-	(6,618)	-	**39,817**	*(6,618)*
All other liabilities	21,736,857	-	-	-	-	-	**21,736,857**	-
Total liabilities	**22,881,470**	**(740,702)**	**579,002**	**43,731**	**(6,618)**	**279**	**22,757,162**	***(124,308)***

** includes reinsurance assets and liabilities adjustments*

Transition drivers

Removal of PVIF and IFRS 4 assets and liabilities
The present value of in-force business ('PVIF') which was previously reported under IFRS 4 within 'Intangible assets' and that arose from the upfront recognition of future profits associated with in-force insurance contracts, is no longer recognized under IFRS 17. The estimated future profits are included in the measurement of the insurance contract liability as the contractual service margin ('CSM'), representing the unearned profit, which will be gradually recognized over the duration of the contract. Other IFRS 4 insurance assets and insurance contract liabilities are removed on transition, to be replaced with IFRS 17 insurance assets and liabilities.

Recognition of the IFRS 17 fulfilment cash flows and risk adjustment
The measurement of insurance contract liabilities under IFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contractual obligations associated with the insurance contract, such as premiums, expenses, insurance benefits and claims. These are recorded within the fulfilment cash flow component of the insurance contract liability, together with the risk adjustment.

Recognition of the IFRS 17 CSM
In contrast to IFRS 4 accounting, where profits were recognised upfront, under IFRS 17 they are deferred within the CSM which is systematically recognized in revenue as services are provided over the coverage period of groups of insurance contracts.

Tax effect
The removal of deferred tax liability primarily results from the removal of the associated PVIF intangible, and new deferred tax assets and liabilities are reported, where appropriate, on temporary differences between the new IFRS 17 accounting balances and their associated tax bases.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.4 Transition impact on the Consolidated Income Statement

Summary of the impact of implementing IFRS 17 on the Group's statutory income statement for the year ended 31 December 2022 is presented below.

	For the year ended 31 December 2022									
	IFRS 4	**Removal of IFRS 4 and reclassifications**	**Net insurance finance income expense**	**IFRS 17 CSM**	**IFRS 17 insurance revenue- other than CSM**	**IFRS 17 insurance expense**	**Net expense from reinsurance**	**Attributable expenses (reclassification to net insurance service result)**	**Tax Effect**	**IFRS 17 (restated)**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest income	428,849									**428,849**
Income similar to interest income	22,119									**22,119**
Interest expense	(65,821)				100					**(65,721)**
Expense similar to interest expense	(14,840)									**(14,840)**
Net interest income	*370,307*	-	-	-	100	-	-	-	-	***370,407***
Fee and commission income	202,583	-	-	-	-	-	-	-	-	**202,583**
Fee and commission expense	(10,299)	-	-	-	-	-	-	-	-	**(10,299)**
Net foreign exchange gains	31,291	-	-	-	-	-	-	-	-	**31,291**
Net gains/(losses) on financial instruments	10,052	(10,666)	-	-	-	-	-	-	-	**(614)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5,235	-	-	-	-	-	-	-	-	**5,235**
Net Insurance finance income/(expense) and net reinsurance finance income/(expense)	-	-	4,075	-	-	-	-	-	-	**4,075**
Net insurance service result	-	-	-	5,031	130,061	(74,562)	-	-	-	**60,530**
Net reinsurance service result	-	-	-	-	-	-	(20,039)	-	-	**(20,039)**
Income from assets under insurance and reinsurance contracts	114,681	(114,681)	-	-	-	-	-	-	-	**n/a**
Expenses from liabilities under insurance and reinsurance contracts	(43,542)	43,542	-	-	-	-	-	-	-	**n/a**
Net losses from revaluation and disposal of investment properties	(999)	-	-	-	-	-	-	-	-	**(999)**
Net gains on disposal of stock of property	13,970	-	-	-	-	-	-	-	-	**13,970**
Other income	16,681	-	-	-	-	-	-	-	-	**16,681**
Total operating income	*709,960*	*(81,805)*	*4,075*	*5,031*	*130,161*	*(74,562)*	*(20,039)*	-	-	***672,821***
Staff costs	(294,361)	-	-	-	-	-	-	*9,207*	-	**(285,154)**
Special levy on deposits and other levies/contributions	(38,492)	-	-	-	-	-	-	-	-	**(38,492)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(11,880)	-	-	-	-	-	-	-	-	**(11,880)**
Other operating expenses	(166,365)	-	-	-	-	-	-	*8,449*	-	**(157,916)**
Operating profit before credit losses and impairment	*198,862*	*(81,805)*	*4,075*	*5,031*	*130,161*	*(74,562)*	*(20,039)*	*17,656*	-	***179,379***
Credit losses on financial assets	(59,529)	-	-	-	442	-	-	-	-	**(59,087)**
Impairment net of reversals on non-financial assets	(29,549)	-	-	-	-	-	-	-	-	**(29,549)**
Profit before tax	109,784	*(81,805)*	*4,075*	*5,031*	*130,603*	*(74,562)*	*(20,039)*	*17,656*	-	**90,743**
Income tax	(35,812)							*77*	*4,423*	**(31,312)**
Profit after tax for the period	73,972	*(81,805)*	*4,075*	*5,031*	*130,603*	*(74,562)*	*(20,039)*	*17,733*	*4,423*	**59,431**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.4 Transition impact on the Consolidated Income Statement (continued)

The Consolidated Income Statement for the three months ended 31 March 2022 under statutory basis, as restated for IFRS 17 and as reported under IFRS 4 is presented below:

	Three months ended 31 March 2022		
	IFRS 4	IFRS 17 adjustments	**IFRS 17 (restated)**
	€000		**€000**
Turnover	201,312		**201,312**
Interest income	89,143	-	**89,143**
Income similar to interest income	4,606	-	**4,606**
Interest expense	(18,391)	8	**(18,383)**
Expense similar to interest expense	(4,011)	-	**(4,011)**
Net interest income	71,347	8	**71,355**
Fee and commission income	45,953	-	**45,953**
Fee and commission expense	(2,227)	-	**(2,227)**
Net foreign exchange gains	5,502	-	**5,502**
Net gains/(losses) on financial instruments	(2,446)	(3,562)	**(6,008)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	(237)	-	**(237)**
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	-	1,298	**1,298**
Net insurance service result	-	15,520	**15,520**
Net reinsurance service result	-	(5,600)	**(5,600)**
Income from assets under insurance and reinsurance contracts	21,919	(21,919)	**-**
Expenses from liabilities under insurance and reinsurance contracts	(5,592)	5,592	**-**
Net losses from revaluation and disposal of investment properties	(527)	-	**(527)**
Net gains on disposal of stock of property	5,400	-	**5,400**
Other income	4,252	-	**4,252**
Total operating income	143,344	(8,663)	**134,681**
Staff costs	(52,851)	2,369	**(50,482)**
Special levy on deposits and other levies/contributions	(9,857)	-	**(9,857)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(223)	-	**(223)**
Other operating expenses	(37,944)	1,761	**(36,183)**
Operating profit before credit losses and impairment	42,469	(4,533)	**37,936**
Credit losses on financial assets	(10,990)	215	**(10,775)**
Impairment net of reversals on non-financial assets	(4,822)	-	**(4,822)**
Profit before tax	26,657	(4,318)	**22,339**
Income tax	(5,505)	209	**(5,296)**
Profit after tax for the period	21,152	(4,109)	**17,043**
Attributable to:			
Owners of the Company	21,329	(4,109)	**17,220**
Non-controlling interests	(177)	-	**(177)**
Profit for the period	21,152	(4,109)	**17,043**
Basic profit per share attributable to the owners of the Company (€ cent)	4.8	(0.9)	**3.9**
Diluted profit per share attributable to the owners of the Company (€ cent)	4.8	(0.9)	**3.9**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.5 Analysis of new insurance line items included in the consolidated income statement for the year ended 31 December 2022

	Year ended 31 December 2022 IFRS 17 basis (restated) €000
Insurance finance income and expense and reinsurance finance income and expense	41,429
Return on assets backing insurance liabilities	(37,354)
Net insurance finance income and net reinsurance finance income/(expense)	**4,075**
Insurance revenue	135,495
Insurance service expenses	(74,562)
Other insurance related income/(expense)	(403)
Net insurance service result	**60,530**
Allocation of reinsurance premiums	(36,170)
Amounts recoverable from reinsurers for incurred claims	16,131
Net reinsurance service result	**(20,039)**
Net insurance result	**44,566**

G. Additional Risk and Capital Management disclosures

G.1 Additional Credit risk disclosures

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

31 March 2023	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**41,205**	-	-	-	**24**	-	-	-
Other financial corporations	**229,266**	3,239	11,704	2,858	**5,289**	2,409	2,435	2,317
Non-financial corporations	**5,146,894**	139,060	739,490	89,549	**89,726**	65,349	49,224	44,166
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,320,044*	*80,225*	*358,007*	*31,214*	*48,173*	*30,296*	*13,799*	*9,613*
Of which: Commercial real estate[3]	*3,926,524*	*114,638*	*692,528*	*80,030*	*67,215*	*53,575*	*44,142*	*40,824*
Non-financial corporations by sector								
Construction	528,108	9,934			8,866			
Wholesale and retail trade	908,772	20,453			15,007			
Accommodation and food service activities	1,204,298	21,252			9,675			
Real estate activities	1,093,780	17,945			15,817			
Manufacturing	388,976	8,817			5,157			
Other sectors	1,022,960	60,659			35,204			
Households	**4,782,076**	245,050	258,136	128,881	**91,294**	66,262	42,391	34,189
Of which: Residential mortgage loans[3]	*3,781,556*	*204,750*	*226,961*	*112,362*	*58,884*	*46,450*	*34,197*	*27,537*
Of which: Credit for consumption[3]	*552,791*	*35,106*	*35,782*	*19,004*	*24,323*	*14,566*	*7,563*	*6,451*
Total on-balance sheet	**10,199,441**	**387,349**	**1,009,330**	**221,288**	**186,333**	**134,020**	**94,050**	**80,672**

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

G. Additional Risk and Capital Management disclosures (continued)

G.1 Additional Credit risk disclosures (continued)

31 December 2022	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**39,766**	-	-	-	**25**	-	-	-
Other financial corporations	**186,281**	3,202	11,665	2,825	**6,008**	2,332	2,453	2,250
Non-financial corporations	**5,134,784**	144,522	950,499	91,100	**100,265**	69,212	53,940	44,957
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,492,414*	*84,493*	*449,891*	*33,140*	*53,939*	*33,882*	*17,643*	*11,683*
Of which: Commercial real estate[3]	*3,975,290*	*120,445*	*895,971*	*80,980*	*76,385*	*58,414*	*47,047*	*41,152*
Non-financial corporations by sector								
Construction	549,921	11,949			13,319			
Wholesale and retail trade	909,438	20,783			15,907			
Accommodation and food service activities	1,164,979	20,824			9,543			
Real estate activities	1,108,581	20,281			19,738			
Manufacturing	392,843	9,429			4,033			
Other sectors	1,009,022	61,256			37,725			
Households	**4,770,863**	260,629	290,556	143,140	**72,144**	54,643	37,362	32,087
Of which: Residential mortgage loans[3]	*3,785,834*	*220,354*	*253,794*	*125,994*	*45,805*	*37,616*	*29,759*	*25,751*
Of which: Credit for consumption[3]	*547,490*	*37,622*	*42,719*	*21,235*	*20,355*	*14,628*	*8,543*	*7,486*
Total on-balance sheet	**10,131,694**	**408,353**	**1,252,720**	**237,065**	**178,442**	**126,187**	**93,755**	**79,294**

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

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among others, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 (phasing in at 25% in 2022 and 50% in 2023) 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. This temporary treatment was in effect until 31 December 2022.

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

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

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state.

The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal, and the 2021 Banking Package is currently in the final stage of the EU legislative process, the trilogue process, that will eventually result in the final versions of the directives and regulations. It is expected that the 2021 Banking Package will come in force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

The CET1 ratio of the Group as at 31 March 2023 stands at 15.2% and the Total Capital ratio at 20.3% on a transitional basis. The ratios as at 31 March 2023 include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. Group Adjusted Profit after tax is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.

Minimum CET1 Regulatory Capital Requirements	**2023**	**2022**
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.73%	1.83%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.02%	0.02%
Minimum CET1 Regulatory Requirements	**10.25%**	**10.10%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	**2023**	**2022**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.08%	3.26%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.02%	0.02%
Minimum Total Capital Regulatory Requirements	**15.10%**	**15.03%**

** Fully phased in as of 1 January 2019*

The minimum Pillar I total capital requirement ratio of 8.00% may be met, in addition to the 4.50% CET1 requirement, with up to 1.50% by AT1 capital and with up to 2.00% by T2 capital.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). Applicable Regulation allows a part of the said Pillar II Requirements (P2R) to be met also with AT1 and T2 capital and does not require solely the use of CET1.

In the context of the annual SREP conducted by the ECB in 2022 and based on the final SREP decision received in December 2022 effective from 1 January 2023, the P2R has been revised to 3.08%, compared to the previous level of 3.26%. The revised P2R includes a revised P2R add-on of 0.33%, compared to the previous level of 0.26%, relating to ECB's prudential provisioning expectations. The P2R add-on is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. When disregarding the P2R add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00% to 2.75%. As a result, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements were reduced when disregarding the phasing in of the O-SII Buffer. The Group's minimum phased-in CET1 capital ratio requirement was set at 10.25%, comprising a 4.50% Pillar I requirement, a P2R of 1.73%, the CCB of 2.50%, the O-SII Buffer of 1.50% (fully phased in on 1 January 2023) and the CcyB of 0.02%. The Group's minimum phased-in Total Capital requirement was set at 15.10%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a P2R of 3.08%, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of 0.02%. The ECB has also maintained the P2G unchanged.

The Group is subject to a 3% Pillar I Leverage Ratio requirement.

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

The capital position of the Group and BOC PCL as at 31 March 2023 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.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB for the Group as at 31 March 2023 has been calculated at approximately 0.02%.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the countercyclical buffer rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50% must be observed as from 30 November 2023. Based on the above, the CcyB for the Group is expected to increase.

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 since November 2021 the O-SII buffer has been set to 1.50%. This buffer was phased in gradually, having started from 1 January 2019 at 0.50%. The O-SII buffer as at 31 December 2022 stood at 1.25% and was fully phased-in on 1 January 2023.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that the own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I requirement, P2R or the combined buffer requirement), and therefore cannot be used twice.

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	
	31 March 2023[1]	31 December 2022 (restated)[2]	**31 March 2023**[1]	31 December 2022 (restated)[2]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[3]	**1,548,055**	1,540,292	**1,506,130**	1,509,056
Transitional Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,068,055**	2,060,292	**2,026,130**	2,029,056
Risk weighted assets – credit risk[4]	**9,153,276**	9,103,330	**9,139,782**	9,150,831
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,010,885**	1,010,885	**997,720**	997,720
Total risk weighted assets	**10,164,161**	10,114,215	**10,137,502**	10,148,551
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	15.2	**14.9**	14.9
Total capital ratio	**20.3**	20.4	**20.0**	20.0
Leverage ratio	**7.0**	7.0	**6.9**	6.9

1. Includes unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made.
2. The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated for the recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting that will be held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 ('FY2022') which amounts to an aggregate distribution of €22,310 thousand, following the approval by the ECB in April 2023.
3. CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €28,485 thousand for the Group and €23,649 thousand for BOC PCL as at 31 March 2023 (31 December 2022: €30,421 thousand for the Group and €25,445 thousand for BOC PCL). As at 31 March 2023 an amount of €12,439 thousand, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2022: €12,934 thousand).
4. Includes Credit Valuation Adjustments (CVA).

G. Additional Risk and Capital Management (continued)

G.2 Capital management (continued)

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

Fully loaded	Group		BOC PCL	
	31 March 2023[1,2]	31 December 2022[3,4] (restated)	**31 March 2023[1,2]**	31 December 2022[3,4] (restated)
	%	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	14.5	**14.8**	14.1
Total capital ratio	**20.3**	19.6	**20.0**	19.3
Leverage ratio	**7.0**	6.7	**6.8**	6.5

[1] Includes unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Group Adjusted Profit after tax is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Group) taking into account distributions under other equity instruments such as the annual AT1 coupon. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made.
[2] IFRS 9 fully loaded as applicable.
[3] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded as applicable.
[4] The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated for the recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting that will be held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 ('FY2022') which amounts to an aggregate distribution of €22,310 thousand, following the approval by the ECB in April 2023.

During the three months ended 31 March 2023, CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, other movements and the increase in risk-weighted assets and was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary. As a result, the CET1 ratio (on a transitional basis) has remained unchanged during the three months ended 31 March 2023, whereas on a fully loaded basis the ratio has increased by 74 bps.

In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 24 bps on the Group's CET1 ratio as at 31 March 2023, decreased from 26bps on 31 December 2022 mainly due to impairment recognised during the period.

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

The amount added each year for the 'static component' was decreasing based on a weighting factor until the impact of IFRS 9 was fully absorbed back to CET1 at the end of the five years, with the impact being fully phased-in (100%) on 1 January 2023. The cumulative impact on the capital position as at 31 December 2022 was 75%, with the impact being fully phased-in (100%) on 1 January 2023.

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. This will be fully phased in (100%) by 1 January 2025. The calculation at each reporting period is against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018.

G.2 Capital management (continued)

In relation to the temporary treatment of unrealized gains and losses for certain exposures measured at fair value through other comprehensive income, Regulation EU 2020/873 allows institutions to remove from their CET1 the amount of unrealized gains and losses accumulated since 31 December 2019, excluding those of financial assets that are credit-impaired. The relevant amount was 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 applied the temporary treatment from the third quarter of 2020.

Capital requirements of subsidiaries

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. In February 2023, the activities of the regulated UCITS management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank Recovery and Resolution Directive (BRRD) requires that from January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019, as part of the reform package for strengthening the resilience and resolvability of European banks, the BRRD II came into effect and was required to be transposed into national law. BRRD II was transposed and implemented in Cyprus law in 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 February 2023, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply since 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities, updated also as changes in capital requirements become effective.

As at 31 March 2023, the MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 20.8% of RWAs and at 10.0% of LRE. The ratios as at 31 March 2023, include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period (as defined above), which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount, which stood at 4.02% as at 31 March 2023 and will further increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amount in Cyprus as announced by the CBC.

BOC PCL continues to evaluate opportunities to advance the build-up of its MREL liabilities.

G. Additional Risk and Capital Management disclosures (continued)

G.3 Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II Supervisory Review and Evaluation Process (SREP) and 2023 SSM Stress test

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2022 have been completed and submitted to the ECB at the end of March 2023 following approval by the Board of Directors. The annual ICAAP for 2022 indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under baseline and stress scenarios. The annual ILAAP for 2022 indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

The Group also undertakes quarterly reviews of its ICAAP results as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile is reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy.

The Group also undertakes quarterly reviews of the ILAAP through quarterly liquidity stress tests which are submitted to the ALCO and the Risk Committee of the Board of Directors. In these reviews actual and forecasted information is considered. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review assessment identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

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

The Group is currently participating in the 2023 SSM Stress Test as one of the 'Other Systematically Important Institutions (O-SII)'. The stress test was officially launched on 31 January 2023 and is expected to be completed by the end of July 2023. The exercise will assess EU banks' resilience to an adverse economic shock and inform the 2023 SREP. The stress test results will be used to update each bank's Pillar 2 Guidance in the context of the SREP. Qualitative findings on weaknesses in the Group's stress testing practices could also affect Pillar 2 Requirements and inform other supervisory activities.

G.4 Liquidity regulation

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

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

As at 31 March 2023, the Group was in compliance with all regulatory liquidity requirements. As at 31 March 2023, the Group's LCR stood at 303% (compared to 291% as at 31 December 2022). As at 31 March 2023 the Group's NSFR was 160% (compared to 168% as at 31 December 2022).

G. Additional Risk and Capital Management disclosures (continued)

G.5 Liquidity reserves

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

Composition of the liquidity reserves	31 March 2023			31 December 2022		
	Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible	
		Level 1	Level 2A & 2B		Level 1	Level 2A & 2B
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	**9,079,449**	**9,079,449**	**-**	9,379,888	9,379,888	-
Placements with banks	**248,347**	**-**	**-**	55,825	-	-
Liquid investments	**2,192,706**	**1,662,300**	**263,298**	1,827,698	1,344,032	214,800
Available ECB Buffer	**44,809**	**-**	**-**	147,844	-	-
Total	**11,565,311**	**10,741,749**	**263,298**	11,411,255	10,723,920	214,800

Internal Liquidity Reserves present the total liquid assets as defined in the 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).

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

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

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

H. Alternative Performance Measures

Reconciliations between the statutory basis in Section E and the underlying basis in Section A are included in Section 'F.1 Reconciliation of interim income statement between the statutory and underlying basis' above and in the tables that follow, to facilitate the comparability of the underlying basis to the statutory information.

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.

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative information previously published under IFRS 4 'Insurance Contracts' restated from the 1 January 2022 transition date and therefore reconciliations of alternative performance measures have also been restated where applicable.

1. Reconciliation of Gross loans and advances to customers

	31 March 2023	31 December 2022
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined below)	**10,277,824**	10,217,453
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(82,661)**	(89,029)
Loans and advances to customers measured at fair value through profit or loss (*Section F.3*)	**(212,537)**	(214,359)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**4,278**	3,270
Gross loans and advances to customers at amortised cost as per Section F.3	**9,986,904**	9,917,335

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

	31 March 2023	31 December 2022
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined below)	**282,411**	281,630
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(82,661)**	(89,029)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**4,278**	3,270
Provisions for financial guarantees and commitments	**(17,695)**	(17,429)
Allowance for ECL of loans and advances to customers as per Section F.3	**186,333**	178,442

H. Alternative Performance Measures (continued)

3. Reconciliation of NPEs

	31 March 2023	31 December 2022
	€000	€000
NPEs as per the underlying basis (as defined below)	**389,186**	410,563
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(35,347)**	(37,742)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(1,502)**	(1,803)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**352,337**	371,018
NPE ratio		
NPEs (*as per table above*) (€000)	**389,186**	410,563
Gross loans and advances to customers (*as per table above*) (€000)	**10,277,824**	10,217,453
Ratio of NPE/Gross loans (%)	**3.8%**	4.0%

<u>**Note 1**</u>: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €35,347 thousand POCI - NPEs (out of a total of €118,450 thousand POCI loans) (31 December 2022: €37,742 thousand POCI - NPEs (out of a total of €115,544 thousand POCI loans)) as disclosed in Section F.5.

4. Reconciliation of Loan credit losses

	Three months ended 31 March	
	2023	2022
	€000	€000
Loan credit losses as per the underlying basis	**11,207**	11,930
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**-**	1,387
	11,207	13,317
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers	**12,470**	10,708
Net (gains)/losses on derecognition of financial assets measured at amortised cost – loans and advances to customers	**(255)**	237
Net (gains)/losses on loans and advances to customers at FVPL	**(1,008)**	2,372
	11,207	13,317

Ratios Information

1. Net Interest Margin (NIM)

	Three months ended 31 March	
	2023	2022 (restated)
a. **Net interest income used in the calculation of NIM**	**€000**	€000
Net interest income as per the underlying basis/Unaudited Interim Consolidated Income Statement	**162,251**	71,355
Net interest income used in the calculation of NIM (annualised)	**658,018**	289,384

H. Alternative Performance Measures (continued)

Ratios Information (continued)

1. Net Interest Margin (NIM) (continued)

1.2. Interest earning assets	**31 March 2023**	31 December 2022
	€000	€000
Cash and balances with central banks	**9,247,705**	9,567,258
Loans and advances to banks	**415,832**	204,811
Loans and advances to customers	**10,013,108**	9,953,252
Prepayments, accrued income and other assets – Deferred consideration receivable (‘DPP’)	**315,755**	311,523
Investments		
Debt securities	**2,749,980**	2,508,862
Less: Investments which are not interest bearing	**(3,190)**	(8,968)
Total interest earning assets	**22,739,190**	22,536,738
1.3. Quarterly average interest earning assets (€000)		
- as at 31 March 2023	**22,637,964**	
- as at 31 March 2022	21,942,860	

1.4. Net Interest Margin (NIM)	**Three months ended 31 March**	
	2023	2022 (restated)
Net interest income (annualised) (*as per table 1.1. above*) (€000)	**658,018**	289,384
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**22,637,964**	21,942,860
NIM (%)	**2.91%**	1.32%

2. Cost to income ratio

The various components used in the determination of the cost to income ratio are provided below:

2.1 Total Income as per the underlying basis	**Three months ended 31 March**	
	2023	2022 (restated)
	€000	€000
Net interest income (*as per table 1.1 above*)	**162,251**	71,355
Net fee and commission income as per the underlying basis/statutory basis	**44,211**	43,726
Net foreign exchange gains and Net gains/(losses) on financial instruments as per the underlying basis	**13,032**	1,866
Net insurance result*	**9,554**	11,218
Net losses from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**1,570**	4,873
Other income (as per the statutory basis)	**2,917**	4,252
Total Income as per the underlying basis	**233,535**	137,290

**Net insurance result comprises the aggregate of captions ‘Net insurance finance income/(expense) and net reinsurance finance income/(expenses)’, ‘Net insurance service result’ and ‘Net reinsurance service result’ per the statutory basis.*

H. Alternative Performance Measures (continued)

Ratios Information (continued)

2. Cost to income ratio (continued)

2.2 Total Expenses as per the underlying basis	Three months ended 31 March	
	2023	2022 (restated)
	€000	€000
Staff costs as per the underlying basis	**45,637**	47,352
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**11,088**	9,857
Other operating expenses as per the underlying basis	**33,933**	34,365
Total Expenses as per the underlying basis	**90,658**	91,574
Cost to income ratio		
Total expenses (*as per table 2.2 above*) (€000)	**90,658**	91,574
Total income (*as per table 2.1 above*) (€000)	**233,535**	137,290
Total expenses/Total income (%)	**39%**	67%

3. Operating profit return on average assets

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

	31 March 2023	31 December 2022 (restated)
	€000	€000
Total assets used in the computation of the operating profit return on average assets per the statutory basis (Section E Unaudited Interim Consolidated Balance Sheet)	**25,386,804**	25,288,541
Quarterly average total assets (€000)		
- as at 31 March 2023	**25,337,673**	
- as at 31 March 2022 (restated)	24,874,104	

	2023	2022 (restated)
Annualised total income for the three months ended 31 March (*as per table 2.1 above*) (€000)	**947,114**	556,787
Annualised total expenses for the three months ended 31 March (*as per table 2.2 above*) (€000)	**(367,669)**	(371,383)
Annualised operating profit for the three months ended 31 March (€000)	**579,445**	185,404
Quarterly average total assets as at 31 March (*as per table above*) (€000)	**25,337,673**	24,874,104
Operating profit return on average assets (annualised) (%)	**2.3%**	0.7%

Ratios Information (continued)

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

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

	2023	2022 (restated)
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the three months ended 31 March (*Section F.1*) (€000)	**95,954**	23,555
Weighted average number of shares in issue during the period, excluding treasury shares (€000)	**446,058**	446,058
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	**21.51**	5.28

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

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

	2023	2022 (restated)
Annualised profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the three months ended 31 March (*Section F.1*) (€000)	**389,147**	95,529
Quarterly average tangible total equity as at 31 March (*as per table 5.2 below*) (€000)	**1,801,746**	1,751,317
ROTE after tax and before non-recurring items (annualised) (%)	**21.6%**	5.5%

5.1 Tangible total equity	**31 March 2023**	31 December 2022 (restated)
Equity attributable to the owners of the Company (as per the statutory basis)	**1,899,202**	1,806,266
Less: Intangible assets (as per the statutory basis)	**(49,430)**	(52,546)
Total tangible equity	**1,849,772**	1,753,720
5.2 Quarterly average tangible total equity (€000)		
- as at 31 March 2023	**1,801,746**	
- as at 31 March 2022 (restated)	1,751,317	

6. Return on tangible equity (ROTE)

	2023	2022 (restated)
Annualised profit after tax (attributable to the owners of the Company) for the three months ended 31 March (*Section F.1*) (€000)	**384,175**	69,837
Quarterly average tangible total equity as at 31 March (*as per table 5.2 above*) (€000)	**1,801,746**	1,751,317
ROTE	**21.3%**	4.0%

E. Financial Results – Statutory Basis

Unaudited Interim Consolidated Income Statement

The following financial information for the first three months of 2023 and 2022 within Section E corresponds to the condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. As a result of the implementation from 1 January 2023 of IFRS 17, 2022 comparative information has been restated to reflect the impact of IFRS 17 adoption.

	Three months ended 31 March	
	2023	2022 (restated)[1]
	€000	€000
Turnover	**300,164**	201,312
Interest income	**181,828**	89,143
Income similar to interest income	**9,373**	4,606
Interest expense	**(24,557)**	(18,383)
Expense similar to interest expense	**(4,393)**	(4,011)
Net interest income	**162,251**	71,355
Fee and commission income	**46,962**	45,953
Fee and commission expense	**(2,751)**	(2,227)
Net foreign exchange gains	**8,112**	5,502
Net gains/(losses) on financial instruments	**5,928**	(6,008)
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**255**	(237)
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**1,298**	1,298
Net insurance service result	**12,320**	15,520
Net reinsurance service result	**(4,064)**	(5,600)
Net losses from revaluation and disposal of investment properties	**(443)**	(527)
Net gains on disposal of stock of property	**2,013**	5,400
Other income	**2,917**	4,252
Total operating income	**234,798**	134,681
Staff costs	**(45,637)**	(50,482)
Special levy on deposits and other levies/contributions	**(11,088)**	(9,857)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(6,315)**	(223)
Other operating expenses	**(35,159)**	(36,183)
Operating profit before credit losses and impairment	**136,599**	37,936
Credit losses on financial assets	**(15,499)**	(10,775)
Impairment net of reversals on non-financial assets	**(8,033)**	(4,822)
Profit before tax	**113,067**	22,339
Income tax	**(17,786)**	(5,296)
Profit after tax for the period	**95,281**	17,043
Attributable to:		
Owners of the Company	**94,728**	17,220
Non-controlling interests	**553**	(177)
Profit for the period	**95,281**	17,043
Basic profit per share attributable to the owners of the Company (€ cent)	**21.2**	3.9
Diluted profit per share attributable to the owners of the Company (€ cent)	**21.2**	3.9

2. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2023	2022 (restated)[1]
	€000	€000
Profit for the period	**95,281**	17,043
Other comprehensive income (OCI)		
OCI that may be reclassified in the consolidated income statement in subsequent periods	**(1,930)**	(6,410)
Fair value reserve (debt instruments)	**(1,912)**	(6,420)
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)	**(1,762)**	(5,932)
Transfer to the consolidated income statement on disposal	**(150)**	(488)
Foreign currency translation reserve	**(18)**	10
(Loss)/profit on translation of net investment in foreign branches and subsidiaries	**(33)**	4,089
Profit/(loss) on hedging of net investments in foreign branches and subsidiaries	**15**	(4,079)
OCI not to be reclassified in the consolidated income statement in subsequent periods	**(24)**	558
Fair value reserve (equity instruments)	**-**	43
Net gains on investments in equity instruments designated at FVOCI	**-**	43
Property revaluation reserve	**26**	-
Deferred tax	**26**	-
Actuarial (losses)/gains on the defined benefit plans	**(50)**	515
Remeasurement (losses)/gains on defined benefit plans	**(50)**	515
Other comprehensive loss for the period net of taxation	**(1,954)**	(5,852)
Total comprehensive income for the period	**93,327**	11,191
Attributable to:		
Owners of the Company	**92,768**	11,368
Non-controlling interests	**559**	(177)
Total comprehensive income for the period	**93,327**	11,191

2. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Balance Sheet

	31 March 2023	31 December 2022 (restated)[1]	1 January 2022 (restated)[1]
Assets	**€000**	€000	
Cash and balances with central banks	**9,247,705**	9,567,258	9,230,883
Loans and advances to banks	**415,832**	204,811	291,632
Derivative financial assets	**46,344**	48,153	6,653
Investments at FVPL	**136,590**	190,209	199,194
Investments at FVOCI	**428,223**	467,375	748,695
Investments at amortised cost	**2,332,167**	2,046,119	1,191,274
Loans and advances to customers	**10,013,108**	9,953,252	9,836,405
Life insurance business assets attributable to policyholders	**551,295**	542,321	551,797
Prepayments, accrued income and other assets	**608,908**	609,054	583,777
Stock of property	**977,525**	1,041,032	1,111,604
Investment properties	**83,060**	85,099	117,745
Deferred tax assets	**227,953**	227,934	265,942
Property and equipment	**268,664**	253,378	252,130
Intangible assets	**49,430**	52,546	54,144
Non-current assets and disposal groups held for sale	**-**	-	358,951
Total assets	**25,386,804**	25,288,541	24,800,826
Liabilities			
Deposits by banks	**481,037**	507,658	457,039
Funding from central banks	**1,988,452**	1,976,674	2,969,600
Derivative financial liabilities	**18,063**	16,169	32,452
Customer deposits	**18,973,589**	18,998,319	17,530,883
Insurance liabilities	**617,662**	599,992	623,791
Accruals, deferred income, other liabilities and other provisions	**393,540**	379,182	356,697
Provisions for pending litigation, claims, regulatory and other matters	**130,408**	127,607	104,108
Debt securities in issue	**300,258**	297,636	302,555
Subordinated liabilities	**307,116**	302,104	340,220
Deferred tax liabilities	**34,618**	34,634	39,817
Total liabilities	**23,244,743**	23,239,975	22,757,162
Equity			
Share capital	**44,620**	44,620	44,620
Share premium	**594,358**	594,358	594,358
Revaluation and other reserves	**75,197**	76,939	99,541
Retained earnings	**1,185,027**	1,090,349	1,062,711
Equity attributable to the owners of the Company	**1,899,202**	1,806,266	1,801,230
Other equity instruments	**220,000**	220,000	220,000
Non-controlling interests	**22,859**	22,300	22,434
Total equity	**2,142,061**	2,048,566	2,043,664
Total liabilities and equity	**25,386,804**	25,288,541	24,800,826

2. 2022 comparative information has been restated to reflect the impact of IFRS 17. Refer to section F9.

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												
	Share capital	Share premium	Treasury shares	Other capital reserves	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	**€000**
31 December 2022	**44,620**	**594,358**	**(21,463)**	**322**	**1,041,152**	**74,170**	**7,142**	**101,301**	**16,768**	**1,858,370**	**220,000**	**22,300**	**2,100,670**
Impact of retrospective application of IFRS 17 adoption	-	-	-	-	49,197	-	-	(101,301)	-	**(52,104)**	-	-	**(52,104)**
31 December 2022 (restated) / 1 January 2023	**44,620**	**594,358**	**(21,463)**	**322**	**1,090,349**	**74,170**	**7,142**	**-**	**16,768**	**1,806,266**	**220,000**	**22,300**	**2,048,566**
Profit for the period	-	-	-	-	94,728	-	-	-	-	**94,728**	-	553	**95,281**
Other comprehensive (loss)/income after tax for the period	-	-	-	-	(50)	20	(1,912)	-	(18)	**(1,960)**	-	6	**(1,954)**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	94,678	20	(1,912)	-	(18)	**92,768**	-	559	**93,327**
Share-based benefits-cost	-	-	-	168	-	-	-	-	-	**168**	-	-	**168**
31 March 2023	**44,620**	**594,358**	**(21,463)**	**490**	**1,185,027**	**74,190**	**5,230**	**-**	**16,750**	**1,899,202**	**220,000**	**22,859**	**2,142,061**

E. Financial Results – Statutory Basis (continued)

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

	Attributable to the owners of the Company											
	Share capital	Share premium	Treasury shares	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	**44,620**	**594,358**	**(21,463)**	**986,623**	**80,060**	**23,285**	**113,651**	**17,659**	**1,838,793**	**220,000**	**22,434**	**2,081,227**
Impact of retrospective application of IFRS 17 adoption	-	-	-	76,088	-	-	(113,651)	-	**(37,563)**	-	-	**(37,563)**
Restated balance at 1 January 2022	**44,620**	**594,358**	**(21,463)**	**1,062,711**	**80,060**	**23,285**	**-**	**17,659**	**1,801,230**	**220,000**	**22,434**	**2,043,664**
Profit/(loss) for the period	-	-	-	17,220	-	-	-	-	**17,220**	-	(177)	**17,043**
Other comprehensive income/(loss) after tax for the period	-	-	-	515	-	(6,377)	-	10	**(5,852)**	-	-	**(5,852)**
Total comprehensive income/(loss) after tax for the period	-	-	-	17,735	-	(6,377)	-	10	**11,368**	-	(177)	**11,191**
Defence contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Restated balance at 31 March 2022	**44,620**	**594,358**	**(21,463)**	**1,075,463**	**80,060**	**16,908**	**-**	**17,669**	**1,807,615**	**220,000**	**22,257**	**2,049,872**

F. Notes

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

€ million	Underlying basis	Other	Statutory basis
Net interest income	162	-	162
Net fee and commission income	44	-	44
Net foreign exchange gains and net gains on financial instruments	13	1	14
Net gains on derecognition of financial assets measured at amortised cost	-	0	0
Net insurance result*	10	-	10
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	2	-	2
Other income	3	-	3
Total income	**234**	**1**	**235**
Total expenses	**(91)**	**(7)**	**(98)**
Operating profit	**143**	**(6)**	**137**
Loan credit losses	(11)	11	-
Impairment of other financial and non-financial assets	(11)	11	-
Provisions for litigation, claims, regulatory and other matters (net of reversals)	(6)	6	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(23)	(23)
Profit before tax and non-recurring items	**115**	**(1)**	**114**
Tax	(18)	-	(18)
Profit attributable to non-controlling interests	(1)	-	(1)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**96**	**(1)**	**95**
Advisory and other restructuring costs - organic	(1)	1	-
Profit after tax (attributable to the owners of the Company)	**95**	**-**	**95**

* Net insurance result per underlying basis comprises the aggregate of captions '*Net insurance finance income/(expense) and net reinsurance finance income/(expense)', 'Net insurance service result' and 'Net reinsurance service result'* per the statutory basis.

The reclassification differences between the statutory basis and the underlying basis are explained below:

- Net gains on loans and advances to customers at FVPL of €1 million included in 'Loan credit losses' under the underlying basis are included in 'Net gains/(losses) on financial instruments' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

- 'Net gains on derecognition of financial assets measured at amortised cost' of approximately €0.3 million under the statutory basis comprise net gains on derecognition of loans and advances to customers included in 'Loan credit losses' under the underlying basis as to align their presentation with the loan credit losses on loans and advances to customers.

- Provisions for litigation, claims, regulatory and other matters amounting to €6 million presented within '*Operating profit before credit losses and impairment*' under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

- Advisory and other restructuring costs of approximately €1 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- 'Credit losses on financial assets' and 'Impairment net of reversals on non-financial assets' under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €12 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial assets of €3 million and impairment net of reversals of non-financial assets of €8 million, which are included in 'Impairment of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

F. Notes (continued)

F.2 Customer deposits

The analysis of customer deposits is presented below:

	31 March 2023	31 December 2022
By type of deposit	**€000**	€000
Demand	**10,398,586**	10,561,724
Savings	**2,888,682**	2,840,346
Time or notice	**5,686,321**	5,596,249
	18,973,589	18,998,319
By geographical area		
Cyprus	**13,096,705**	13,019,109
Greece	**1,847,877**	1,933,771
United Kingdom	**692,050**	706,233
United States	**159,069**	178,962
Germany	**121,182**	168,785
Romania	**65,792**	69,514
Russia	**733,833**	700,465
Ukraine	**306,864**	290,050
Belarus	**94,983**	83,299
Other countries	**1,855,234**	1,848,131
	18,973,589	18,998,319

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

	31 March 2023	31 December 2022
By currency	**€000**	€000
Euro	**17,036,294**	17,067,299
US Dollar	**1,519,474**	1,529,548
British Pound	**347,890**	333,458
Russian Rouble	**2,371**	3,466
Swiss Franc	**11,670**	11,796
Other currencies	**55,890**	52,752
	18,973,589	18,998,319
By customer sector		
Corporate and Large corporate	**1,858,324**	1,915,300
International corporate	**143,987**	139,898
SMEs	**929,693**	1,007,555
Retail	**11,441,093**	11,333,783
Restructuring		
– Corporate	**13,948**	16,017
– SMEs	**6,482**	6,375
– Retail other	**9,503**	10,152
Recoveries		
– Corporate	**1,372**	1,262
International banking services	**3,966,753**	3,957,050
Wealth management	**602,434**	610,927
	18,973,589	18,998,319

F. Notes (continued)

F.3 Loans and advances to customers

	31 March 2023	31 December 2022
	€000	€000
Gross loans and advances to customers at amortised cost	**9,986,904**	9,917,335
Allowance for ECL of loans and advances to customers	**(186,333)**	(178,442)
	9,800,571	9,738,893
Loans and advances to customers measured at FVPL	**212,537**	214,359
	10,013,108	9,953,252

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

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

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

31 March 2023	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	922,648	354	38	2	-	33	**923,075**
Manufacturing	319,571	44,930	-	-	-	27,412	**391,913**
Hotels and catering	962,462	24,304	36,071	-	-	40,095	**1,062,932**
Construction	527,293	9,090	22	359	1	20	**536,785**
Real estate	962,791	94,750	1,906	5,812	-	46,020	**1,111,279**
Private individuals	4,510,966	11,848	69,679	222	17,786	53,337	**4,663,838**
Professional and other services	558,481	612	5,297	921	385	40,859	**606,555**
Shipping	12,657	-	-	-	-	195,064	**207,721**
Other sectors	449,666	1	1	-	3	33,135	**482,806**
	9,226,535	**185,889**	**113,014**	**7,316**	**18,175**	**435,975**	**9,986,904**

F. Notes (continued)

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

31 March 2023	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,449,479	25,477	45	-	383	186	**3,475,570**
International corporate	93,814	152,202	42,816	5,812	-	373,157	**667,801**
SMEs	1,006,636	539	1,184	397	-	2,121	**1,010,877**
Retail							
- housing	3,298,760	2,568	34,931	38	93	18,123	**3,354,513**
- consumer, credit cards and other	914,586	804	554	5	-	844	**916,793**
Restructuring							
- corporate	54,862	-	842	883	-	64	**56,651**
- SMEs	41,406	-	174	-	154	-	**41,734**
- retail housing	68,727	103	2,037	-	287	176	**71,330**
- retail other	24,517	35	17	-	194	22	**24,785**
Recoveries							
- corporate	16,950	-	451	2	172	33	**17,608**
- SMEs	27,825	-	1,126	-	2,503	2,132	**33,586**
- retail housing	68,031	261	19,321	64	3,296	8,952	**99,925**
- retail other	29,975	20	1,284	-	70	391	**31,740**
International banking services	91,306	1,659	8,143	115	11,023	24,802	**137,048**
Wealth management	39,661	2,221	89	-	-	4,972	**46,943**
	9,226,535	**185,889**	**113,014**	**7,316**	**18,175**	**435,975**	**9,986,904**

31 December 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	922,093	384	37	2	-	33	**922,549**
Manufacturing	323,074	44,978	-	-	-	27,943	**395,995**
Hotels and catering	928,346	16,565	35,614	-	-	40,086	**1,020,611**
Construction	545,421	8,955	23	1,965	1	20	**556,385**
Real estate	978,708	94,823	1,866	5,848	-	45,769	**1,127,014**
Private individuals	4,496,081	11,146	73,120	401	19,103	54,584	**4,654,435**
Professional and other services	551,269	980	5,311	907	313	36,923	**595,703**
Shipping	13,338	-	-	-	-	173,830	**187,168**
Other sectors	427,535	2	-	-	3	29,935	**457,475**
	9,185,865	**177,833**	**115,971**	**9,123**	**19,420**	**409,123**	**9,917,335**

F. Notes (continued)

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

31 December 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,380,542	17,781	50	-	312	102	**3,398,787**
International corporate	139,813	152,143	42,327	5,850	-	345,175	**685,308**
SMEs	1,021,950	1,036	1,451	2,003	-	2,171	**1,028,611**
Retail							
- housing	3,272,253	2,450	36,839	219	186	18,687	**3,330,634**
- consumer, credit cards and other	885,558	856	576	5	1	900	**887,896**
Restructuring							
- corporate	66,151	-	869	869	-	63	**67,952**
- SMEs	48,027	-	432	-	158	384	**49,001**
- retail housing	70,283	104	1,841	-	291	114	**72,633**
- retail other	24,093	16	21	-	192	21	**24,343**
Recoveries							
- corporate	19,063	-	452	-	172	32	**19,719**
- SMEs	26,150	-	1,117	-	2,664	1,774	**31,705**
- retail housing	69,790	260	19,778	64	3,431	9,672	**102,995**
- retail other	31,967	12	1,265	-	49	337	**33,630**
International banking services	90,652	1,722	8,953	113	11,964	24,470	**137,874**
Wealth management	39,573	1,453	-	-	-	5,221	**46,247**
	9,185,865	**177,833**	**115,971**	**9,123**	**19,420**	**409,123**	**9,917,335**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 March 2023 of €138,318 thousand (31 December 2022: €106,701 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 March 2023 include exposures of €2.3 million in Ukraine (31 December 2022: €2.6 million).

F. Notes (continued)

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

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by geographical analysis (based on the country in which the loans are managed).

31 March 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,034,686	1,562,590	353,839	118,450	**10,069,565**
Residual fair value adjustment on initial recognition	(64,870)	(14,241)	(1,502)	(2,048)	**(82,661)**
Gross loans at amortised cost	**7,969,816**	**1,548,349**	**352,337**	**116,402**	**9,986,904**
Cyprus	7,969,616	1,548,349	351,757	116,402	**9,986,124**
Other countries	200	-	580	-	**780**
	7,969,816	**1,548,349**	**352,337**	**116,402**	**9,986,904**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,931,511	1,586,488	372,821	115,544	**10,006,364**
Residual fair value adjustment on initial recognition	(64,255)	(20,885)	(1,803)	(2,086)	**(89,029)**
Gross loans at amortised cost	**7,867,256**	**1,565,603**	**371,018**	**113,458**	**9,917,335**
Cyprus	7,867,037	1,565,603	368,922	113,458	**9,915,020**
Other countries	219	-	2,096	-	**2,315**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

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:

31 March 2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,604,022	782,080	49,989	39,479	**3,475,570**
International corporate	666,785	962	35	19	**667,801**
SMEs	856,551	141,191	2,907	10,228	**1,010,877**
Retail					
- housing	2,927,236	391,971	22,211	13,095	**3,354,513**
- consumer, credit cards and other	748,896	139,496	12,839	15,562	**916,793**
Restructuring					
- corporate	2,973	19,821	23,702	10,155	**56,651**
- SMEs	10,277	11,390	17,587	2,480	**41,734**
- retail housing	4,393	21,814	42,631	2,492	**71,330**
- retail other	1,722	5,132	16,877	1,054	**24,785**
Recoveries					
- corporate	-	-	16,571	1,037	**17,608**
- SMEs	-	-	31,860	1,726	**33,586**
- retail housing	-	-	86,331	13,594	**99,925**
- retail other	98	-	26,947	4,695	**31,740**
International banking services	105,736	29,278	1,846	188	**137,048**
Wealth management	41,127	5,214	4	598	**46,943**
	7,969,816	**1,548,349**	**352,337**	**116,402**	**9,986,904**

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	2,502,630	807,282	54,259	34,616	**3,398,787**
International corporate	685,099	150	35	24	**685,308**
SMEs	825,123	189,825	3,299	10,364	**1,028,611**
Retail					
- housing	2,982,436	305,714	30,071	12,413	**3,330,634**
- consumer, credit cards and other	704,959	152,815	14,376	15,746	**887,896**
Restructuring					
- corporate	2,842	34,246	20,689	10,175	**67,952**
- SMEs	12,643	10,603	23,374	2,381	**49,001**
- retail housing	5,168	22,018	42,155	3,292	**72,633**
- retail other	1,713	5,364	16,237	1,029	**24,343**
Recoveries					
- corporate	-	-	18,403	1,316	**19,719**
- SMEs	-	-	29,339	2,366	**31,705**
- retail housing	-	-	88,956	14,039	**102,995**
- retail other	108	-	28,569	4,953	**33,630**
International banking services	104,539	31,934	1,254	147	**137,874**
Wealth management	39,996	5,652	2	597	**46,247**
	7,867,256	**1,565,603**	**371,018**	**113,458**	**9,917,335**

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

	Three months ended 31 March	
	2023	2022
	€000	€000
Impairment loss net of reversals on loans and advances to customers	**17,693**	14,132
Recoveries of loans and advances to customers previously written off	**(3,918)**	(4,066)
Changes in expected cash flows	**(1,571)**	912
Financial guarantees and commitments	**266**	(270)
	12,470	10,708

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:

	Three months ended 31 March	
	2023	2022
	€000	€000
1 January	**178,442**	591,417
Foreign exchange and other adjustments	**(50)**	(840)
Write offs	**(10,650)**	(45,959)
Interest (provided) not recognised in the income statement	**898**	4,012
Charge for the period	**17,693**	14,132
31 March	**186,333**	562,762
Stage 1	**16,531**	16,630
Stage 2	**31,594**	28,852
Stage 3	**120,249**	456,473
POCI	**17,959**	60,807
31 March	**186,333**	562,762

The allowance for ECL, included above, for loans and advances to customers held for sale as at 31 March 2022 amounted €308,916 thousand. There were no loans classified as held for sale as at 31 March 2023.

The charge for the period on loans and advances to customers, including the loans and advances to customers held for sale as at 31 March 2022, by stage is presented in the table below:

	Three months ended 31 March	
	2023	2022
	€000	€000
Stage 1	**(10,476)**	(1,215)
Stage 2	**9,262**	(48)
Stage 3	**18,907**	15,395
	17,693	14,132

During the three months ended 31 March 2023 the total non-contractual write-offs recorded by the Group amounted to €4,465 thousand (three months ended 31 March 2022: €36,921 thousand). The contractual amount outstanding on financial assets that were written off during the three months ended 31 March 2023 and that are still subject to enforcement activity is €39,560 thousand (31 December 2022: €972,621 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 31 March 2023 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers is approximately 32% under the baseline scenario (31 December 2022: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2022: average seven years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

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

The above assumptions are also influenced by the ongoing regulatory dialogue the Group 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 provisions.

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

Overlays in the context of current economic conditions
The two overlays introduced in 2022 in response to uncertainties from the consequences of the Ukrainian crisis, in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, continue to be in effect during the three months ended 31 March 2023. These were introduced to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €3.5 million release for the three months ended 31 March 2023 (following an update of the assessment of the sectors classified as High Risk and/or Early Warning) and a net transfer of €23 million loans from Stage 1 to Stage 2 as at 31 March 2023.

Specifically, the first overlay relates to private individuals that are expected to be affected by the increased cost of living in order to reflect the future vulnerabilities to inflation, where a scenario with higher percentage increase is applied for the cost of living. A one-notch downgrade is applied to the identified portfolio, reflecting the expected impact of inflation to their credit quality. The second overlay relates to sectors that have been classified as High Risk or Early Warning to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis-a-vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as High Risk, whereas if only one of the two has deteriorated, then the sector is classified as Early Warning. A one-notch downgrade is applied to Early Warning sectors whereas for High Risk sectors a more severe downgrade is applied accordingly.

F. Notes (continued)

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

In addition, the overlay on the probability of default (PD), introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy, continued to be in effect during the three months ended 31 March 2023. With this overlay the PDs were floored to the maximum of 2018/2019 level, on the basis that these years are considered as closer to a business-as-usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €3.2 million release for the three months ended 31 March 2023, as a result of multiple components including updated ratings, PD and thresholds calibrations and stage migrations.

In addition, in the three months ended 31 March 2023, for the LGD parameter, the overlay has been integrated through reduced curability period for Stage 2 and Stage 3 exposures (i.e., the maximum period that a customer is considered to cure has been reduced). The impact on the ECL was €8.4 million charge for the three months ended 31 March 2023.

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 31 March 2023. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, are timely captured.

F.7 Rescheduled loans and advances to customers

The below table presents the Group's forborne loans and advances to customers by staging.

	31 March 2023	31 December 2022
	€000	€000
Stage 1	**-**	-
Stage 2	**776,447**	857,356
Stage 3	**201,402**	215,730
POCI	**31,481**	33,212
	1,009,330	1,106,298

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

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

Provisions have been recognised for those cases where the Group is able to estimate probable losses. 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, regulatory and other matters as at 31 March 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group. Details on the material ongoing cases are disclosed within the 2022 Annual Financial Report.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts'

Overview

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' and as required by the standard applied the requirements retrospectively with comparative information restated from the transition date, 1 January 2022.

IFRS 17 is a comprehensive new accounting standard for insurance contracts which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general measurement model or 'GMM') for insurance contracts, supplemented by the variable fee approach ('VFA') for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach ('PAA') mainly for short duration insurance contracts. The main features of the new accounting standard for insurance contracts are the following:

- vii. The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- viii. A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., the coverage period)
- ix. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- x. The recognition of insurance revenue and insurance service expenses in the consolidated income statement based on the concept of services provided during the period
- xi. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- xii. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of the risks arising from these contracts.

Transition application

The standard is applied retrospectively using a fully retrospective approach ('FRA') as if it had always applied, unless it is impracticable to so, in which case either a modified retrospective approach ('MRA') or a fair value approach ('FVA') can be selected. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement. Following the completion of impracticability assessments, the Group applied the following approaches:

- The FRA for all non-life groups of insurance contracts and non-individual life groups of insurance contracts, irrespective of issue date.
- The MRA for groups of life insurance contracts issued between 2016 and 2021.
- The FVA for groups of life insurance contracts issued prior to 2016.

Determination on transition of the fair value of insurance contract liabilities for which FVA was applied

Under the FVA approach required by IFRS 17, the valuation of insurance liabilities on transition is based on the requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM of the liability for remaining coverage at the transition date is determined as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured as at that date. There is judgement involved in determining an appropriate fair value, as there is a lack of observable data for actual transactions for closed book insurance businesses and a range of possible modelling approaches. In determining the fair value the Group considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the IFRS 13 calculation. The approach for setting these included the following:

- The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of 'matching' between the Group's assets and related liabilities.
- Solvency II information (i.e. Best Estimate Liabilities and Risk Margin) has been utilised.

Modified retrospective approach ('MRA')

The Group is permitted to use the MRA only to the extent that is does not have reasonable and supportable information to apply a FRA. MRA is an approach to achieve the closest outcome to the full retrospective application, with the prescribed modifications to address some of the challenges of retrospective application. Under MRA the below simplifications are permitted:

- assessments at the date of initial recognition of groups of insurance contracts;
- contractual service margin for insurance contracts without direct participation features;
- contractual service margin for insurance contracts with direct participation features; and
- insurance finance income or expenses.

F.9 IFRS 17 'Insurance Contracts'

Transition application (continued)

In applying the modified retrospective approach, the Group used reasonable and supportable information from its existing reporting systems, with the objective to arrive at the outcome closest to the full retrospective approach. The Group applied each of the following modifications:

- Group of contracts issued between 2016 and 2021 contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.
- For group of contracts issued or initiated between 2016 and 2021, the future cash flows on initial recognition were estimated by:
  - the transactions occurred in period 2016-2021, plus
  - the expected future cashflows estimated at 31 December 2021.
- For groups of contracts issued or initiated between 2016 and 2021, the illiquidity premiums applied to the risk-free yield curves on initial recognition were estimated by determining an average spread between the risk-free yield curves and the discount rates determined retrospectively for the period between 1 January 2016 and 1 January 2022.
- For groups of contracts issued or initiated between 2016 and 2021, the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022.
- The amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the coverage units provided before 1 January 2022 and the expected coverage units at 1 January 2022.

The sections below provide a summary of the significant accounting policies applied under IFRS 17, information on the quantitative impact of transition of IFRS 17, the impacted and restated information on the 1 January 2022 and 31 December 2022 consolidated balance sheet and the restatement impact on the consolidated income statement for the year ended 31 December 2022 and the three months ended 31 March 2022.

F.9.1 Summary of significant accounting policies

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

An insurance contract is a contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event.

When identifying contracts in the scope of IFRS 17, there is a need to assess whether contracts need to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For the Group's insurance and reinsurance contracts, there were no significant changes arising from the application of these requirements.

Level of aggregation

Individual insurance contracts that are managed together and subject to similar risks are identified as a group.

Contracts that are managed together usually belong to the same product line and have similar characteristics such as being subject to a similar pricing framework or similar product management and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks.

Each group of contracts is then divided into annual cohorts (i.e. by year of issue) and each cohort into three groups, based on expected profitability: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts.

The groups of insurance contracts are established at initial recognition without subsequent reassessment and form the unit of account at which the contracts are measured.

Contract boundaries

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. The Group has determined that expected future single premium injections and regular premium increases for unit-linked life contracts, even though at the discretion of policyholders, are within the contract boundaries as the Group may not adjust the terms and conditions for such increases. Similarly for multiyear (more than one year) non-life contracts the Group has assessed that they are expected to equal their duration as the Group cannot reprice or terminate the insurance contract during the coverage period.

F.9.1 Summary of significant accounting policies (continued)

Measurement

IFRS 17 introduces a standard measurement model, the General Measurement Model (GMM) and allows also for a simplified approach, the Premium Allocation Approach (PAA). IFRS 17 also provides for the Variable Fee Approach (VFA), which is mandatory to apply for insurance contracts with direct participation features upon meeting the eligibility criteria. While the GMM is the default measurement model under IFRS 17, the Group applies the VFA primarily to insurance contracts in the unit linked life portfolio. The PAA is applied for contracts with coverage periods of one year or less, or as an approximation to the general measurement model and is primarily applied by the Group to non-life insurance contracts and to non-individual life insurance contracts as well as to reinsurance contracts of the Group except for the individual life reinsurance agreement, for which the GMM was applied. For the rest of the insurance contracts (individual protection life contracts, the acquired portfolio and health long-term portfolio) the Group applies the GMM approach.

Initial measurement

Groups of insurance contracts under GMM or VFA are initially measured as the total of:

- Fulfilment cash flows, which comprise:
  - an estimate of the present value of future cash flows that are expected to arise as the Group fulfils its service under the insurance contracts; and
  - an explicit risk adjustment for non-financial risk (i.e., the risk adjustment held on balance sheet)
- Contractual Service Margin (CSM) which represents the unearned profit that the Group will recognise as it provides insurance contract services.

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect both the time value of money and financial risks, plus a risk adjustment for non-financial risk. The discount rate applied reflects the time value of money, the characteristics of the cash flows, the liquidity characteristics of the insurance contracts and, where appropriate, is consistent with observable current market prices.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing the uncertainty in relation to the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment is explicit and determined separately from other fulfilment cash flows.

Subsequent measurement

GMM

At the end of each reporting period, IFRS 17 requires that insurance contracts are measured as the sum of:

- Liability for remaining coverage (LRC), comprising fulfilment cash flows related to future service and the CSM at the reporting date; and
- Liability for incurred claims (LIC), comprising fulfilment cash flows related to past service at the reporting date (claims and expenses not yet paid, including claims incurred but not yet reported).

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

- Changes related to future service are adjusted against the CSM unless the group of contracts is onerous in which case such changes are recognised in the net insurance service result in the income statement
- Changes related to past or current service are recognised in the net insurance service result in the income statement
- The effects of the time value of money and financial risk are recognised as net insurance finance income or expense in the income statement

The amount of CSM recognised in income statement for services in a period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. Services provided are estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

VFA

The VFA is modified for contracts with direct participation features (contracts where returns are based on the performance of underlying assets). For insurance contracts under the VFA, changes in the Group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM but are recognised in profit or loss as they arise.

PAA

This is an optional simplification. The LRC is measured as premiums less insurance acquisition cash flows. There is no CSM recognised.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.1 Summary of significant accounting policies (continued)

Directly attributable expenses

In accordance with IFRS 17, directly attributable expenses, which include both acquisition and maintenance costs are incorporated in actual and estimated future cash flows and recognised in the net insurance result. Acquisition costs are amortised. Costs that are not directly attributable remain in operating expenses.

Presentation

The amounts presented in the consolidated income statement under IFRS 17 include:

iv. Net insurance finance income/(expense) and net reinsurance finance income/(expense), that comprises of:
- Net insurance finance income/(expense) which represents the finance related change in the carrying value of a group of insurance contracts comprising interest accreted to the CSM, effects of changes in interest rates and other financial assumptions and the effect of changes in the fair value of underlying items for direct participating contracts
- Net finance income/(expense) from reinsurance contracts held is the finance related change in the carrying value of a group of reinsurance contracts comprising interest accreted and effects of changes in interest rates and other financial assumptions.

v. Net insurance service result, that comprises of:
- insurance revenue that reflects the consideration to which the Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components) and includes among others CSM released during the period, revenue for insurance contracts under the PAA and changes in risk adjustment related to current service period and experience variance.
- insurance service expenses that comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

vi. Net reinsurance service result, that comprises of amounts recovered from reinsurers and reinsurance expenses.

F.9.2 Transition impact

On transition on 1 January 2022, consistent with the disclosures in the 2022 Annual Financial Report, the Group's Total Equity and Equity attributable to the owners of the Company was reduced by €37,563 thousand, reflecting the aggregate impact of the PVIF elimination and remeasurement of insurance assets and liabilities, both net of associated tax impact. Similarly, adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the impact on the Group's Total Equity and Equity attributable to the owners of the Company as at 31 December 2022 as reported under IFRS 4 has reduced by €52,104 thousand as restated under IFRS 17, as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Total Equity	**2,081,227**	**2,100,670**
IFRS 4 Equity attributable to owners of the Company	**1,838,793**	**1,858,370**
Removal of PVIF asset	(129,890)	(115,776)
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*(37,563)*	*(52,104)*
IFRS 17 Equity attributable to owners of the Company	**1,801,230**	**1,806,266**
IFRS 17 Total Equity	**2,043,664**	**2,048,566**

The reduction of the Group's equity by €52 million as at 31 December 2022 comprises the elimination of the in-force life insurance business asset (PVIF) and the associated deferred tax liability, of a net decrease €101 million and the remeasurement of insurance assets and liabilities (including the impact of the contractual service margin) resulting in a net increase in equity by €49 million.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.2 Transition impact (continued)

On transition on 1 January 2022, the Group's Tangible Equity attributable to the owners of the Company was increased by €92,327 thousand. Adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the impact on the Group's Tangible Equity attributable to the owners of the Company as at 31 December 2022 as restated under IFRS 17 has increased by €63,672 thousand as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Tangible Equity attributable to owners of the Company	1,654,759	1,690,048
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*92,327*	*63,672*
IFRS 17 Tangible Equity attributable to owners of the Company	**1,747,086**	**1,753,720**

F. **Notes** (continued)

F.9 **IFRS 17 'Insurance Contracts'** (continued)

F.9.2 **Transition impact** (continued)

Consolidated Income Statement for the year ended 31 December 2022 under the statutory basis, as restated for IFRS 17 and as reported under IFRS 4.

	Year ended 31 December 2022	
	IFRS 17 (restated)	IFRS 4 (as previously presented)
	€000	€000
Interest income	**428,849**	428,849
Income similar to interest income	**22,119**	22,119
Interest expense	**(65,721)**	(65,821)
Expense similar to interest expense	**(14,840)**	(14,840)
Net interest income	***370,407***	*370,307*
Fee and commission income	**202,583**	202,583
Fee and commission expense	**(10,299)**	(10,299)
Net foreign exchange gains	**31,291**	31,291
Net gains/(losses) on financial instruments	**(614)**	10,052
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**5,235**	5,235
Net Insurance finance income/(expense) and net reinsurance finance income/(expense)	**4,075**	-
Net insurance service result	**60,530**	-
Net reinsurance service result	**(20,039)**	-
Income from assets under insurance and reinsurance contracts	**-**	114,681
Expenses from liabilities under insurance and reinsurance contracts	**-**	(43,542)
Net losses from revaluation and disposal of investment properties	**(999)**	(999)
Net gains on disposal of stock of property	**13,970**	13,970
Other income	**16,681**	16,681
Total operating income	***672,821***	*709,960*
Staff costs	**(285,154)**	(294,361)
Special levy on deposits and other levies/contributions	**(38,492)**	(38,492)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(11,880)**	(11,880)
Other operating expenses	**(157,916)**	(166,365)
Operating profit before credit losses and impairment	***179,379***	*198,862*
Credit losses on financial assets	**(59,087)**	(59,529)
Impairment net of reversals on non-financial assets	**(29,549)**	(29,549)
Profit before tax	**90,743**	109,784
Income tax	**(31,312)**	(35,812)
Profit after tax for the period	**59,431**	73,972
Attributable to:		
Owners of the Company	56,565	71,106
Non-controlling interests	2,866	2,866
Profit for the year	**59,431**	**73,972**
Basic profit per share attributable to the owners of the Company (€ cent)	**12.7**	**15.9**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.2 Transition impact (continued)

Consolidated Balance Sheet as at transition date and at 31 December 2022 as restated under IFRS 17 and as reported under IFRS 4 in the 2022 Annual Financial Report.

	IFRS 17 (restated)		IFRS 4 (as previously presented)	
	31 December 2022	1 January 2022	**31 December 2022**	1 January 2022
Assets	**€000**	€000	**€000**	€000
Cash and balances with central banks	**9,567,258**	9,230,883	**9,567,258**	9,230,883
Loans and advances to banks	**204,811**	291,632	**204,811**	291,632
Derivative financial assets	**48,153**	6,653	**48,153**	6,653
Investments at FVPL	**190,209**	199,194	**190,209**	199,194
Investments at FVOCI	**467,375**	748,695	**467,375**	748,695
Investments at amortised cost	**2,046,119**	1,191,274	**2,046,119**	1,191,274
Loans and advances to customers	**9,953,252**	9,836,405	**9,953,252**	9,836,405
Life insurance business assets attributable to policyholders	**542,321**	551,797	**542,321**	551,797
Prepayments, accrued income and other assets	**609,054**	583,777	**639,765**	616,219
Stock of property	**1,041,032**	1,111,604	**1,041,032**	1,111,604
Investment properties	**85,099**	117,745	**85,099**	117,745
Deferred tax assets	**227,934**	265,942	**227,521**	265,481
Property and equipment	**253,378**	252,130	**253,378**	252,130
Intangible assets	**52,546**	54,144	**168,322**	184,034
Non-current assets and disposal groups held for sale	**-**	358,951	**-**	358,951
Total assets	**25,288,541**	24,800,826	**25,434,615**	24,962,697
Liabilities				
Deposits by banks	**507,658**	457,039	**507,658**	457,039
Funding from central banks	**1,976,674**	2,969,600	**1,976,674**	2,969,600
Derivative financial liabilities	**16,169**	32,452	**16,169**	32,452
Customer deposits	**18,998,319**	17,530,883	**18,998,319**	17,530,883
Insurance liabilities	**599,992**	623,791	**679,952**	736,201
Accruals, deferred income, other liabilities and other provisions	**379,182**	356,697	**384,004**	361,977
Provisions for pending litigation, claims, regulatory and other matters	**127,607**	104,108	**127,607**	104,108
Debt securities in issue	**297,636**	302,555	**297,636**	302,555
Subordinated liabilities	**302,104**	340,220	**302,104**	340,220
Deferred tax liabilities	**34,634**	39,817	**43,822**	46,435
Total liabilities	**23,239,975**	22,757,162	**23,333,945**	22,881,470
Equity				
Share capital	**44,620**	44,620	**44,620**	44,620
Share premium	**594,358**	594,358	**594,358**	594,358
Revaluation and other reserves	**76,939**	99,541	**178,240**	213,192
Retained earnings	**1,090,349**	1,062,711	**1,041,152**	986,623
Equity attributable to the owners of the Company	**1,806,266**	1,801,230	**1,858,370**	1,838,793
Other equity instruments	**220,000**	220,000	**220,000**	220,000
Non-controlling interests	**22,300**	22,434	**22,300**	22,434
Total equity	**2,048,566**	2,043,664	**2,100,670**	2,081,227
Total liabilities and equity	**25,288,541**	24,800,826	**25,434,615**	24,962,697

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.3 Transition impact on the Consolidated Balance Sheet as at 1 January 2022

The adjustments to the Group's balance sheet as at 1 January 2022 arising on the adoption of IFRS 17 are presented below.

	Balance IFRS 4	Removal of PVIF and IFRS 4 assets and liabilities	IFRS 17 fulfilment cash flows incl. Risk adjustment *	IFRS 17 CSM	Tax effect	Other	Balance IFRS 17	Total movements
	€000	€000	€000	€000	€000	€000	€000	€000
Assets								
Prepayments, accrued income and other assets	616,219	(70,121)	37,676	-	-	3	**583,777**	*(32,442)*
Deferred tax assets	265,481	-	-	-	461	-	**265,942**	*461*
Intangible assets	184,034	(129,890)	-	-	-	-	**54,144**	*(129,890)*
All other assets	23,896,963	-	-	-	-	-	**23,896,963**	-
Total assets	**24,962,697**	**(200,011)**	**37,676**	**-**	**461**	**3**	**24,800,826**	***(161,871)***
Liabilities								
Insurance liabilities	736,201	(735,143)	579,002	43,731	-	-	**623,791**	*(112,410)*
Accruals, deferred income, other liabilities and other provisions	361,977	(5,559)	-	-	-	279	**356,697**	*(5,280)*
Deferred tax liabilities	46,435	-	-	-	(6,618)	-	**39,817**	*(6,618)*
All other liabilities	21,736,857	-	-	-	-	-	**21,736,857**	-
Total liabilities	**22,881,470**	**(740,702)**	**579,002**	**43,731**	**(6,618)**	**279**	**22,757,162**	***(124,308)***

** includes reinsurance assets and liabilities adjustments*

Transition drivers

Removal of PVIF and IFRS 4 assets and liabilities
The present value of in-force business ('PVIF') which was previously reported under IFRS 4 within 'Intangible assets' and that arose from the upfront recognition of future profits associated with in-force insurance contracts, is no longer recognized under IFRS 17. The estimated future profits are included in the measurement of the insurance contract liability as the contractual service margin ('CSM'), representing the unearned profit, which will be gradually recognized over the duration of the contract. Other IFRS 4 insurance assets and insurance contract liabilities are removed on transition, to be replaced with IFRS 17 insurance assets and liabilities.

Recognition of the IFRS 17 fulfilment cash flows and risk adjustment
The measurement of insurance contract liabilities under IFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contractual obligations associated with the insurance contract, such as premiums, expenses, insurance benefits and claims. These are recorded within the fulfilment cash flow component of the insurance contract liability, together with the risk adjustment.

Recognition of the IFRS 17 CSM
In contrast to IFRS 4 accounting, where profits were recognised upfront, under IFRS 17 they are deferred within the CSM which is systematically recognized in revenue as services are provided over the coverage period of groups of insurance contracts.

Tax effect
The removal of deferred tax liability primarily results from the removal of the associated PVIF intangible, and new deferred tax assets and liabilities are reported, where appropriate, on temporary differences between the new IFRS 17 accounting balances and their associated tax bases.

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.4 Transition impact on the Consolidated Income Statement

Summary of the impact of implementing IFRS 17 on the Group's statutory income statement for the year ended 31 December 2022 is presented below.

	For the year ended 31 December 2022									
	IFRS 4	**Removal of IFRS 4 and reclassifications**	**Net insurance finance income expense**	**IFRS 17 CSM**	**IFRS 17 insurance revenue-other than CSM**	**IFRS 17 insurance expense**	**Net expense from reinsurance**	**Attributable expenses (reclassification to net insurance service result)**	**Tax Effect**	**IFRS 17 (restated)**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest income	428,849									**428,849**
Income similar to interest income	22,119									**22,119**
Interest expense	(65,821)				100					**(65,721)**
Expense similar to interest expense	(14,840)									**(14,840)**
Net interest income	*370,307*	-	-	-	100	-	-	-	-	***370,407***
Fee and commission income	202,583	-	-	-	-	-	-	-	-	**202,583**
Fee and commission expense	(10,299)	-	-	-	-	-	-	-	-	**(10,299)**
Net foreign exchange gains	31,291	-	-	-	-	-	-	-	-	**31,291**
Net gains/(losses) on financial instruments	10,052	(10,666)	-	-	-	-	-	-	-	**(614)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5,235	-	-	-	-	-	-	-	-	**5,235**
Net Insurance finance income/(expense) and net reinsurance finance income/(expense)	-	-	4,075	-	-	-	-	-	-	**4,075**
Net insurance service result	-	-	-	5,031	130,061	(74,562)	-	-	-	**60,530**
Net reinsurance service result	-	-	-	-	-	-	(20,039)	-	-	**(20,039)**
Income from assets under insurance and reinsurance contracts	114,681	(114,681)	-	-	-	-	-	-	-	**n/a**
Expenses from liabilities under insurance and reinsurance contracts	(43,542)	43,542	-	-	-	-	-	-	-	**n/a**
Net losses from revaluation and disposal of investment properties	(999)	-	-	-	-	-	-	-	-	**(999)**
Net gains on disposal of stock of property	13,970	-	-	-	-	-	-	-	-	**13,970**
Other income	16,681	-	-	-	-	-	-	-	-	**16,681**
Total operating income	*709,960*	*(81,805)*	*4,075*	*5,031*	*130,161*	*(74,562)*	*(20,039)*	-	-	***672,821***
Staff costs	(294,361)	-	-	-	-	-	-	*9,207*	-	**(285,154)**
Special levy on deposits and other levies/contributions	(38,492)	-	-	-	-	-	-	-	-	**(38,492)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(11,880)	-	-	-	-	-	-	-	-	**(11,880)**
Other operating expenses	(166,365)	-	-	-	-	-	-	*8,449*	-	**(157,916)**
Operating profit before credit losses and impairment	*198,862*	*(81,805)*	*4,075*	*5,031*	*130,161*	*(74,562)*	*(20,039)*	*17,656*	-	***179,379***
Credit losses on financial assets	(59,529)	-	-	-	442	-	-	-	-	**(59,087)**
Impairment net of reversals on non-financial assets	(29,549)	-	-	-	-	-	-	-	-	**(29,549)**
Profit before tax	109,784	*(81,805)*	*4,075*	*5,031*	*130,603*	*(74,562)*	*(20,039)*	*17,656*	-	**90,743**
Income tax	(35,812)							*77*	*4,423*	**(31,312)**
Profit after tax for the period	73,972	*(81,805)*	*4,075*	*5,031*	*130,603*	*(74,562)*	*(20,039)*	*17,733*	*4,423*	**59,431**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.4 Transition impact on the Consolidated Income Statement (continued)

The Consolidated Income Statement for the three months ended 31 March 2022 under statutory basis, as restated for IFRS 17 and as reported under IFRS 4 is presented below:

	Three months ended 31 March 2022		
	IFRS 4	IFRS 17 adjustments	**IFRS 17 (restated)**
	€000		**€000**
Turnover	201,312		**201,312**
Interest income	89,143	-	**89,143**
Income similar to interest income	4,606	-	**4,606**
Interest expense	(18,391)	8	**(18,383)**
Expense similar to interest expense	(4,011)	-	**(4,011)**
Net interest income	71,347	8	**71,355**
Fee and commission income	45,953	-	**45,953**
Fee and commission expense	(2,227)	-	**(2,227)**
Net foreign exchange gains	5,502	-	**5,502**
Net gains/(losses) on financial instruments	(2,446)	(3,562)	**(6,008)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	(237)	-	**(237)**
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	-	1,298	**1,298**
Net insurance service result	-	15,520	**15,520**
Net reinsurance service result	-	(5,600)	**(5,600)**
Income from assets under insurance and reinsurance contracts	21,919	(21,919)	**-**
Expenses from liabilities under insurance and reinsurance contracts	(5,592)	5,592	**-**
Net losses from revaluation and disposal of investment properties	(527)	-	**(527)**
Net gains on disposal of stock of property	5,400	-	**5,400**
Other income	4,252	-	**4,252**
Total operating income	143,344	(8,663)	**134,681**
Staff costs	(52,851)	2,369	**(50,482)**
Special levy on deposits and other levies/contributions	(9,857)	-	**(9,857)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(223)	-	**(223)**
Other operating expenses	(37,944)	1,761	**(36,183)**
Operating profit before credit losses and impairment	42,469	(4,533)	**37,936**
Credit losses on financial assets	(10,990)	215	**(10,775)**
Impairment net of reversals on non-financial assets	(4,822)	-	**(4,822)**
Profit before tax	26,657	(4,318)	**22,339**
Income tax	(5,505)	209	**(5,296)**
Profit after tax for the period	21,152	(4,109)	**17,043**
Attributable to:			
Owners of the Company	21,329	(4,109)	**17,220**
Non-controlling interests	(177)	-	**(177)**
Profit for the period	21,152	(4,109)	**17,043**
Basic profit per share attributable to the owners of the Company (€ cent)	4.8	(0.9)	**3.9**
Diluted profit per share attributable to the owners of the Company (€ cent)	4.8	(0.9)	**3.9**

F. Notes (continued)

F.9 IFRS 17 'Insurance Contracts' (continued)

F.9.5 Analysis of new insurance line items included in the consolidated income statement for the year ended 31 December 2022

	Year ended 31 December 2022 IFRS 17 basis (restated)
	€000
Insurance finance income and expense and reinsurance finance income and expense	41,429
Return on assets backing insurance liabilities	(37,354)
Net insurance finance income and net reinsurance finance income/(expense)	**4,075**
Insurance revenue	135,495
Insurance service expenses	(74,562)
Other insurance related income/(expense)	(403)
Net insurance service result	**60,530**
Allocation of reinsurance premiums	(36,170)
Amounts recoverable from reinsurers for incurred claims	16,131
Net reinsurance service result	**(20,039)**
Net insurance result	**44,566**

G. Additional Risk and Capital Management disclosures

G.1 Additional Credit risk disclosures

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

31 March 2023	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which: NPEs			Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**41,205**	-	-	-	**24**	-	-	-
Other financial corporations	**229,266**	3,239	11,704	2,858	**5,289**	2,409	2,435	2,317
Non-financial corporations	**5,146,894**	139,060	739,490	89,549	**89,726**	65,349	49,224	44,166
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,320,044*	*80,225*	*358,007*	*31,214*	*48,173*	*30,296*	*13,799*	*9,613*
Of which: Commercial real estate[3]	*3,926,524*	*114,638*	*692,528*	*80,030*	*67,215*	*53,575*	*44,142*	*40,824*
Non-financial corporations by sector								
Construction	528,108	9,934			8,866			
Wholesale and retail trade	908,772	20,453			15,007			
Accommodation and food service activities	1,204,298	21,252			9,675			
Real estate activities	1,093,780	17,945			15,817			
Manufacturing	388,976	8,817			5,157			
Other sectors	1,022,960	60,659			35,204			
Households	**4,782,076**	245,050	258,136	128,881	**91,294**	66,262	42,391	34,189
Of which: Residential mortgage loans[3]	*3,781,556*	*204,750*	*226,961*	*112,362*	*58,884*	*46,450*	*34,197*	*27,537*
Of which: Credit for consumption[3]	*552,791*	*35,106*	*35,782*	*19,004*	*24,323*	*14,566*	*7,563*	*6,451*
Total on-balance sheet	**10,199,441**	**387,349**	**1,009,330**	**221,288**	**186,333**	**134,020**	**94,050**	**80,672**

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

G.1 Additional Credit risk disclosures (continued)

31 December 2022	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[1,2]	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: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**39,766**	-	-	-	**25**	-	-	-
Other financial corporations	**186,281**	3,202	11,665	2,825	**6,008**	2,332	2,453	2,250
Non-financial corporations	**5,134,784**	144,522	950,499	91,100	**100,265**	69,212	53,940	44,957
Of which: Small and Medium sized Enterprises[3] (SMEs)	*3,492,414*	*84,493*	*449,891*	*33,140*	*53,939*	*33,882*	*17,643*	*11,683*
Of which: Commercial real estate[3]	*3,975,290*	*120,445*	*895,971*	*80,980*	*76,385*	*58,414*	*47,047*	*41,152*
Non-financial corporations by sector								
Construction	549,921	11,949			13,319			
Wholesale and retail trade	909,438	20,783			15,907			
Accommodation and food service activities	1,164,979	20,824			9,543			
Real estate activities	1,108,581	20,281			19,738			
Manufacturing	392,843	9,429			4,033			
Other sectors	1,009,022	61,256			37,725			
Households	**4,770,863**	260,629	290,556	143,140	**72,144**	54,643	37,362	32,087
Of which: Residential mortgage loans[3]	*3,785,834*	*220,354*	*253,794*	*125,994*	*45,805*	*37,616*	*29,759*	*25,751*
Of which: Credit for consumption[3]	*547,490*	*37,622*	*42,719*	*21,235*	*20,355*	*14,628*	*8,543*	*7,486*
Total on-balance sheet	**10,131,694**	**408,353**	**1,252,720**	**237,065**	**178,442**	**126,187**	**93,755**	**79,294**

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

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among others, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 (phasing in at 25% in 2022 and 50% in 2023) 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. This temporary treatment was in effect until 31 December 2022.

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

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

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state.

The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal, and the 2021 Banking Package is currently in the final stage of the EU legislative process, the trilogue process, that will eventually result in the final versions of the directives and regulations. It is expected that the 2021 Banking Package will come in force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

G.2 Capital management (continued)

The CET1 ratio of the Group as at 31 March 2023 stands at 15.2% and the Total Capital ratio at 20.3% on a transitional basis. The ratios as at 31 March 2023 include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. Group Adjusted Profit after tax is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.

Minimum CET1 Regulatory Capital Requirements	**2023**	**2022**
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.73%	1.83%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.02%	0.02%
Minimum CET1 Regulatory Requirements	**10.25%**	**10.10%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	**2023**	**2022**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.08%	3.26%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.02%	0.02%
Minimum Total Capital Regulatory Requirements	**15.10%**	**15.03%**

** Fully phased in as of 1 January 2019*

The minimum Pillar I total capital requirement ratio of 8.00% may be met, in addition to the 4.50% CET1 requirement, with up to 1.50% by AT1 capital and with up to 2.00% by T2 capital.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). Applicable Regulation allows a part of the said Pillar II Requirements (P2R) to be met also with AT1 and T2 capital and does not require solely the use of CET1.

In the context of the annual SREP conducted by the ECB in 2022 and based on the final SREP decision received in December 2022 effective from 1 January 2023, the P2R has been revised to 3.08%, compared to the previous level of 3.26%. The revised P2R includes a revised P2R add-on of 0.33%, compared to the previous level of 0.26%, relating to ECB's prudential provisioning expectations. The P2R add-on is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. When disregarding the P2R add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00% to 2.75%. As a result, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements were reduced when disregarding the phasing in of the O-SII Buffer. The Group's minimum phased-in CET1 capital ratio requirement was set at 10.25%, comprising a 4.50% Pillar I requirement, a P2R of 1.73%, the CCB of 2.50%, the O-SII Buffer of 1.50% (fully phased in on 1 January 2023) and the CcyB of 0.02%. The Group's minimum phased-in Total Capital requirement was set at 15.10%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a P2R of 3.08%, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of 0.02%. The ECB has also maintained the P2G unchanged.

The Group is subject to a 3% Pillar I Leverage Ratio requirement.

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

The capital position of the Group and BOC PCL as at 31 March 2023 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.

G. Additional Risk and Capital Management disclosures (continued)

G.2 Capital management (continued)

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB for the Group as at 31 March 2023 has been calculated at approximately 0.02%.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the countercyclical buffer rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50% must be observed as from 30 November 2023. Based on the above, the CcyB for the Group is expected to increase.

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 since November 2021 the O-SII buffer has been set to 1.50%. This buffer was phased in gradually, having started from 1 January 2019 at 0.50%. The O-SII buffer as at 31 December 2022 stood at 1.25% and was fully phased-in on 1 January 2023.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that the own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I requirement, P2R or the combined buffer requirement), and therefore cannot be used twice.

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	
	31 March 2023[1]	31 December 2022 (restated)[2]	**31 March 2023**[1]	31 December 2022 (restated)[2]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[3]	**1,548,055**	1,540,292	**1,506,130**	1,509,056
Transitional Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,068,055**	2,060,292	**2,026,130**	2,029,056
Risk weighted assets – credit risk[4]	**9,153,276**	9,103,330	**9,139,782**	9,150,831
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,010,885**	1,010,885	**997,720**	997,720
Total risk weighted assets	**10,164,161**	10,114,215	**10,137,502**	10,148,551
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	15.2	**14.9**	14.9
Total capital ratio	**20.3**	20.4	**20.0**	20.0
Leverage ratio	**7.0**	7.0	**6.9**	6.9

1. Includes unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made.
2. The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated for the recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting that will be held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 ('FY2022') which amounts to an aggregate distribution of €22,310 thousand, following the approval by the ECB in April 2023.
3. CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €28,485 thousand for the Group and €23,649 thousand for BOC PCL as at 31 March 2023 (31 December 2022: €30,421 thousand for the Group and €25,445 thousand for BOC PCL). As at 31 March 2023 an amount of €12,439 thousand, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2022: €12,934 thousand).
4. Includes Credit Valuation Adjustments (CVA).

G. Additional Risk and Capital Management (continued)

G.2 Capital management (continued)

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

Fully loaded	Group		BOC PCL	
	31 March 2023[1,2]	31 December 2022[3,4] (restated)	**31 March 2023[1,2]**	31 December 2022[3,4] (restated)
	%	%	**%**	%
Common Equity Tier 1 ratio	**15.2**	14.5	**14.8**	14.1
Total capital ratio	**20.3**	19.6	**20.0**	19.3
Leverage ratio	**7.0**	6.7	**6.8**	6.5

[1] Includes unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period, which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Group Adjusted Profit after tax is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Group) taking into account distributions under other equity instruments such as the annual AT1 coupon. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made.
[2] IFRS 9 fully loaded as applicable.
[3] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded as applicable.
[4] The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated for the recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting that will be held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 ('FY2022') which amounts to an aggregate distribution of €22,310 thousand, following the approval by the ECB in April 2023.

During the three months ended 31 March 2023, CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, other movements and the increase in risk-weighted assets and was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary. As a result, the CET1 ratio (on a transitional basis) has remained unchanged during the three months ended 31 March 2023, whereas on a fully loaded basis the ratio has increased by 74 bps.

In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 24 bps on the Group's CET1 ratio as at 31 March 2023, decreased from 26bps on 31 December 2022 mainly due to impairment recognised during the period.

Transitional arrangements

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

The amount added each year for the 'static component' was decreasing based on a weighting factor until the impact of IFRS 9 was fully absorbed back to CET1 at the end of the five years, with the impact being fully phased-in (100%) on 1 January 2023. The cumulative impact on the capital position as at 31 December 2022 was 75%, with the impact being fully phased-in (100%) on 1 January 2023.

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. This will be fully phased in (100%) by 1 January 2025. The calculation at each reporting period is against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018.

G.2 Capital management (continued)

In relation to the temporary treatment of unrealized gains and losses for certain exposures measured at fair value through other comprehensive income, Regulation EU 2020/873 allows institutions to remove from their CET1 the amount of unrealized gains and losses accumulated since 31 December 2019, excluding those of financial assets that are credit-impaired. The relevant amount was 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 applied the temporary treatment from the third quarter of 2020.

Capital requirements of subsidiaries
The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. In February 2023, the activities of the regulated UCITS management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank Recovery and Resolution Directive (BRRD) requires that from January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019, as part of the reform package for strengthening the resilience and resolvability of European banks, the BRRD II came into effect and was required to be transposed into national law. BRRD II was transposed and implemented in Cyprus law in 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 February 2023, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply since 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities, updated also as changes in capital requirements become effective.

As at 31 March 2023, the MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 20.8% of RWAs and at 10.0% of LRE. The ratios as at 31 March 2023, include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for compliance with the CRR an accrual for an estimated final dividend at a payout ratio of 30% of the Group Adjusted Profit after tax for the period (as defined above), which is in line with the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. Such dividend accrual does not constitute a binding commitment for a dividend payment nor does it constitute a warranty or representation that such a payment will be made. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount, which stood at 4.02% as at 31 March 2023 and will further increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amount in Cyprus as announced by the CBC.

BOC PCL continues to evaluate opportunities to advance the build-up of its MREL liabilities.

G. Additional Risk and Capital Management disclosures (continued)

G.3 Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II Supervisory Review and Evaluation Process (SREP) and 2023 SSM Stress test

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2022 have been completed and submitted to the ECB at the end of March 2023 following approval by the Board of Directors. The annual ICAAP for 2022 indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under baseline and stress scenarios. The annual ILAAP for 2022 indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

The Group also undertakes quarterly reviews of its ICAAP results as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile is reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy.

The Group also undertakes quarterly reviews of the ILAAP through quarterly liquidity stress tests which are submitted to the ALCO and the Risk Committee of the Board of Directors. In these reviews actual and forecasted information is considered. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review assessment identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

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

The Group is currently participating in the 2023 SSM Stress Test as one of the 'Other Systematically Important Institutions (O-SII)'. The stress test was officially launched on 31 January 2023 and is expected to be completed by the end of July 2023. The exercise will assess EU banks' resilience to an adverse economic shock and inform the 2023 SREP. The stress test results will be used to update each bank's Pillar 2 Guidance in the context of the SREP. Qualitative findings on weaknesses in the Group's stress testing practices could also affect Pillar 2 Requirements and inform other supervisory activities.

G.4 Liquidity regulation

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

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

As at 31 March 2023, the Group was in compliance with all regulatory liquidity requirements. As at 31 March 2023, the Group's LCR stood at 303% (compared to 291% as at 31 December 2022). As at 31 March 2023 the Group's NSFR was 160% (compared to 168% as at 31 December 2022).

G. Additional Risk and Capital Management disclosures (continued)

G.5 Liquidity reserves

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

Composition of the liquidity reserves	**31 March 2023**			31 December 2022		
	Internal Liquidity Reserves	**Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible**		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Reg (EU) 2015/61 LCR eligible	
		Level 1	**Level 2A & 2B**		Level 1	Level 2A & 2B
	€000	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,079,449**	**9,079,449**	**-**	9,379,888	9,379,888	-
Placements with banks	**248,347**	**-**	**-**	55,825	-	-
Liquid investments	**2,192,706**	**1,662,300**	**263,298**	1,827,698	1,344,032	214,800
Available ECB Buffer	**44,809**	**-**	**-**	147,844	-	-
Total	**11,565,311**	**10,741,749**	**263,298**	11,411,255	10,723,920	214,800

Internal Liquidity Reserves present the total liquid assets as defined in the 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).

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

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

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

H. Alternative Performance Measures

Reconciliations between the statutory basis in Section E and the underlying basis in Section A are included in Section 'F.1 Reconciliation of interim income statement between the statutory and underlying basis' above and in the tables that follow, to facilitate the comparability of the underlying basis to the statutory information.

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.

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative information previously published under IFRS 4 'Insurance Contracts' restated from the 1 January 2022 transition date and therefore reconciliations of alternative performance measures have also been restated where applicable.

5. Reconciliation of Gross loans and advances to customers

	31 March 2023	31 December 2022
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined below)	**10,277,824**	10,217,453
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(82,661)**	(89,029)
Loans and advances to customers measured at fair value through profit or loss (*Section F.3*)	**(212,537)**	(214,359)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**4,278**	3,270
Gross loans and advances to customers at amortised cost as per Section F.3	**9,986,904**	9,917,335

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

	31 March 2023	31 December 2022
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined below)	**282,411**	281,630
Reconciling items:		
Residual fair value adjustment on initial recognition (*Section F.5*)	**(82,661)**	(89,029)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**4,278**	3,270
Provisions for financial guarantees and commitments	**(17,695)**	(17,429)
Allowance for ECL of loans and advances to customers as per Section F.3	**186,333**	178,442

H. Alternative Performance Measures (continued)

7. Reconciliation of NPEs

	31 March 2023	31 December 2022
	€000	€000
NPEs as per the underlying basis (as defined below)	**389,186**	410,563
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(35,347)**	(37,742)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Section F.5)*	**(1,502)**	(1,803)
Stage 3 gross loans and advances to customers at amortised cost as per Section F.5	**352,337**	371,018
NPE ratio		
NPEs (*as per table above*) (€000)	**389,186**	410,563
Gross loans and advances to customers (*as per table above*) (€000)	**10,277,824**	10,217,453
Ratio of NPE/Gross loans (%)	**3.8%**	4.0%

Note 1: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €35,347 thousand POCI - NPEs (out of a total of €118,450 thousand POCI loans) (31 December 2022: €37,742 thousand POCI - NPEs (out of a total of €115,544 thousand POCI loans)) as disclosed in Section F.5.

8. Reconciliation of Loan credit losses

	Three months ended 31 March	
	2023	2022
	€000	€000
Loan credit losses as per the underlying basis	**11,207**	11,930
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**-**	1,387
	11,207	13,317
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers	**12,470**	10,708
Net (gains)/losses on derecognition of financial assets measured at amortised cost – loans and advances to customers	**(255)**	237
Net (gains)/losses on loans and advances to customers at FVPL	**(1,008)**	2,372
	11,207	13,317

Ratios Information

2. Net Interest Margin (NIM)

	Three months ended 31 March	
	2023	2022 (restated)
a. **Net interest income used in the calculation of NIM**	**€000**	€000
Net interest income as per the underlying basis/Unaudited Interim Consolidated Income Statement	**162,251**	71,355
Net interest income used in the calculation of NIM (annualised)	**658,018**	289,384

H. Alternative Performance Measures (continued)

Ratios Information (continued)

1. Net Interest Margin (NIM) (continued)

1.5. Interest earning assets	**31 March 2023**	31 December 2022
	€000	€000
Cash and balances with central banks	**9,247,705**	9,567,258
Loans and advances to banks	**415,832**	204,811
Loans and advances to customers	**10,013,108**	9,953,252
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP')	**315,755**	311,523
Investments		
Debt securities	**2,749,980**	2,508,862
Less: Investments which are not interest bearing	**(3,190)**	(8,968)
Total interest earning assets	**22,739,190**	22,536,738
1.6. Quarterly average interest earning assets (€000)		
- as at 31 March 2023	**22,637,964**	
- as at 31 March 2022	21,942,860	

1.7. Net Interest Margin (NIM)	**Three months ended 31 March**	
	2023	2022 (restated)
Net interest income (annualised) (*as per table 1.1. above*) (€000)	**658,018**	289,384
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**22,637,964**	21,942,860
NIM (%)	**2.91%**	1.32%

2. Cost to income ratio

The various components used in the determination of the cost to income ratio are provided below:

2.1 Total Income as per the underlying basis	**Three months ended 31 March**	
	2023	2022 (restated)
	€000	€000
Net interest income (*as per table 1.1 above*)	**162,251**	71,355
Net fee and commission income as per the underlying basis/statutory basis	**44,211**	43,726
Net foreign exchange gains and Net gains/(losses) on financial instruments as per the underlying basis	**13,032**	1,866
Net insurance result*	**9,554**	11,218
Net losses from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**1,570**	4,873
Other income (as per the statutory basis)	**2,917**	4,252
Total Income as per the underlying basis	**233,535**	137,290

**Net insurance result comprises the aggregate of captions 'Net insurance finance income/(expense) and net reinsurance finance income/(expenses)', 'Net insurance service result' and 'Net reinsurance service result' per the statutory basis.*

H. Alternative Performance Measures (continued)

Ratios Information (continued)

2. Cost to income ratio (continued)

2.2 Total Expenses as per the underlying basis	Three months ended 31 March	
	2023	2022 (restated)
	€000	€000
Staff costs as per the underlying basis	**45,637**	47,352
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**11,088**	9,857
Other operating expenses as per the underlying basis	**33,933**	34,365
Total Expenses as per the underlying basis	**90,658**	91,574
Cost to income ratio		
Total expenses (*as per table 2.2 above*) (€000)	**90,658**	91,574
Total income (*as per table 2.1 above*) (€000)	**233,535**	137,290
Total expenses/Total income (%)	**39%**	67%

4. Operating profit return on average assets

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

	31 March 2023	31 December 2022 (restated)
	€000	€000
Total assets used in the computation of the operating profit return on average assets per the statutory basis (Section E Unaudited Interim Consolidated Balance Sheet)	**25,386,804**	25,288,541
Quarterly average total assets (€000)		
- as at 31 March 2023	**25,337,673**	
- as at 31 March 2022 (restated)	24,874,104	

	2023	2022 (restated)
Annualised total income for the three months ended 31 March (*as per table 2.1 above*) (€000)	**947,114**	556,787
Annualised total expenses for the three months ended 31 March (*as per table 2.2 above*) (€000)	**(367,669)**	(371,383)
Annualised operating profit for the three months ended 31 March (€000)	**579,445**	185,404
Quarterly average total assets as at 31 March (*as per table above*) (€000)	**25,337,673**	24,874,104
Operating profit return on average assets (annualised) (%)	**2.3%**	0.7%

H. Alternative Performance Measures (continued)

Ratios Information (continued)

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

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

	2023	2022 (restated)
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the three months ended 31 March (*Section F.1*) (€000)	**95,954**	23,555
Weighted average number of shares in issue during the period, excluding treasury shares (€000)	**446,058**	446,058
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	**21.51**	5.28

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

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

	2023	2022 (restated)
Annualised profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the three months ended 31 March (*Section F.1*) (€000)	**389,147**	95,529
Quarterly average tangible total equity as at 31 March (*as per table 5.2 below*) (€000)	**1,801,746**	1,751,317
ROTE after tax and before non-recurring items (annualised) (%)	**21.6%**	5.5%

5.1 Tangible total equity	**31 March 2023**	31 December 2022 (restated)
Equity attributable to the owners of the Company (as per the statutory basis)	**1,899,202**	1,806,266
Less: Intangible assets (as per the statutory basis)	**(49,430)**	(52,546)
Total tangible equity	**1,849,772**	1,753,720
5.2 Quarterly average tangible total equity (€000)		
- as at 31 March 2023	**1,801,746**	
- as at 31 March 2022 (restated)	1,751,317	

9. Return on tangible equity (ROTE)

	2023	2022 (restated)
Annualised profit after tax (attributable to the owners of the Company) for the three months ended 31 March (*Section F.1*) (€000)	**384,175**	69,837
Quarterly average tangible total equity as at 31 March (*as per table 5.2 above*) (€000)	**1,801,746**	1,751,317
ROTE	**21.3%**	4.0%

I. Definitions & Explanations

Term	Definition
Adjusted recurring profitability	The Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.
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 T2 Capital Notes, where applicable.
Allowance for expected loan credit losses (previously 'Accumulated provisions')	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale where applicable), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale where applicable), (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 after tax per share (attributable to the owners of the Company)	Basic earnings after tax per share (attributable to the owners of the Company) is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the period, excluding treasury shares.
Carbon neutral	The reduction and balancing (through a combination of offsetting investments or emission credits) of greenhouse gas emissions **from own operations**.
CET1 capital ratio (transitional basis)	CET1 capital ratio (transitional basis) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
CET1 Fully loaded (FL)	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 18 April 2023.
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
ECB	European Central Bank

I. Definitions & Explanations (continued)

Green Asset ratio	The proportion of the share of credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets.
Green Mortgage ratio	The proportion of the share of credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgages assets.
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 where applicable) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €78 mn as at 31 March 2023 (compared to €86 mn as at 31 December 2022 and €149 mn as at 31 March 2022). 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 €208 mn as at 31 March 2023 (compared to €211 mn as at 31 December 2022 and €312 mn at 31 March 2022).
Group	The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or the "Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries.
Legacy exposures	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company minus intangible assets.
Leverage Ratio Exposure (LRE)	Leverage Ratio Exposure (LRE) is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended.
Loan credit losses (PL) (previously 'Provision charge')	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the reporting period/year.
Loan credit losses charge (previously 'Provisioning charge') (cost of risk)	Loan credit losses charge (cost of risk) (year-to-date) is calculated as the annualised 'loan credit losses' (as defined) divided by average gross loans. The average gross loans are calculated as the average of the opening balance and the closing balance, for the reporting period/year.
Market Shares	Both deposit and loan market shares are based on data from the CBC. The Bank is the single largest credit provider in Cyprus with a market share of 42.4% as at 31 March 2023 compared to 40.9% as at 31 December 2022, and 41.9% as at 31 March 2022.
MSCI ESG Rating	The use by the Company and the Bank of any MSCI ESG Research LLC or its affiliates ('MSCI') data, and the use of MSCI Logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation or promotion of the Company or the Bank by MSCI. MSCI Services and data are the property of MSCI or its information providers and are provided "as-is" and without warranty. MSCI Names and logos are trademarks or service marks of MSCI.
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the 'quarterly average interest earning assets' (as defined).

I. Definitions & Explanations (continued)

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 performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding the legacy exposures (as defined).
Net Stable Funding Ratio (NSFR)	The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF). The regulatory limit, enforced in June 2021, has been set at 100% as per the CRR II.
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year-to-date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instruments and (excluding net gains on loans and advances to customers at FVPL), Net insurance result, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.
Non-performing exposures (NPEs)	As per the European Banking Authorities (EBA) standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), non-performing exposures (NPEs) are defined as those exposures that satisfy one of the following conditions: (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy. (iii) Material exposures as set by the CBC, which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/RTS/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter. For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing. For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing.

I. Definitions & Explanations (continued)

Non-performing exposures (NPEs)	Material arrears/excesses are defined as follows: (a) Retail exposures: Total arrears/excess amount greater than €100, (b) Exposures other than retail: Total arrears/excess amount greater than €500 and the amount in arrears/excess in relation to the customer's total exposure is at least 1%. The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).
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 profit/(loss) relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs relating to the Voluntary Staff Exit Plan.
NPE coverage ratio (previously 'NPE Provisioning coverage ratio')	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
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 after tax and before non-recurring items (attributable to the owners of the Company)	This refers to the profit 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 3	Project Helix 3 refers to the agreement the Group reached in November 2021 for the sale of a portfolio of NPEs with gross book value of €551 mn, as well as real estate properties with book value of c.€88 mn as at 30 September 2022. Project Helix 3 was completed in November 2022. For further information please refer to section A.1.5 Loan portfolio quality.

I. Definitions & Explanations (continued)

Project Sinope	Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of NPEs with gross book value of €12 mn as at 31 December 2021, as well as properties in Romania with carrying value €0.6 mn as at 31 December 2021. Project Sinope was completed in August 2022.
Quarterly average interest earning assets	This relates to the average of 'interest earning assets' as at the beginning and end of the relevant quarter. Average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable. Interest earning assets include: cash and balances with central banks (including cash and balances with central banks classified as non-current assets held for sale), plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus 'deferred consideration receivable' included within 'other assets', plus investments (excluding equities and mutual funds).
Qoq	Quarter on quarter change
Return on Tangible equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year to date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
Special levy on deposits and other levies/contributions	Relates to the special levy on deposits of credit institutions in Cyprus, contributions to the Single Resolution Fund (SRF), contributions to the Deposit Guarantee Fund (DGF), as well as the DTC levy, where applicable.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by CRR II applicable as at the reporting date.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy on deposits and other levies/contributions. It does not include (i) 'advisory and other restructuring costs-organic', (ii) restructuring and other costs relating to NPE sales, or (iii) restructuring costs relating to the Voluntary Staff Exit Plan. (i) 'Advisory and other restructuring costs-organic' amounted to €1 mn for 1Q2023 (compared to €1 mn for 4Q2022, and €1 mn for 1Q2022) (ii) Restructuring costs relating to NPE sales for 1Q2023 amounted to €0.2 mn (compared to €0.3 mn for 4Q2022, and €1 mn for 1Q2022), and (iii) Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) for 1Q2023 was nil (compared to nil for 4Q2022 and €3 mn for 1Q2022).
Total income	Total income comprises net interest income and non-interest income (as defined).
Total loan credit losses, impairments and provisions	Total loan credit losses, impairments and provisions comprises loan credit losses (as defined), plus impairments of other financial and non-financial assets, plus (provisions)/net reversals for litigation, claims, regulatory and other matters.
Underlying basis	This refers to the statutory basis after being adjusted for certain items as explained in the Basis of Presentation.
Write offs	Loans together with the associated loan credit losses are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.
Yoy	Year on year change

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, “BOC Holdings” or “the Company”, its subsidiary Bank of Cyprus Public Company Limited, the “Bank” or “BOC PCL”, and together with the Bank’s subsidiaries, the “Group”, for the quarter ended 31 March 2023.

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 quarter ended 31 March 2023.

The financial information in this announcement is not audited and 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 2022, upon which the auditors have given an unqualified opinion, were published on 31 March 2023 and are expected to be delivered to the Registrar of Companies of Ireland within 56 days of 30 September 2023. The Board of Directors approved the Group statutory financial statements for the quarter ended 31 March 2023 on 15 May 2023.

Statutory basis: Statutory information is set out on pages 31-101. 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 quarter ended 31 March 2023, 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 pages 5-6. The statutory results are adjusted for certain items (as described on page 36) to allow a comparison of the Group’s underlying financial position and performance, as set out on pages 4-7.

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 quarter ended 31 March 2023 have been posted on the Group’s website www.bankofcyprus.com (Group/Investor Relations/Financial Results).

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

The Group Financial Results for the quarter ended 31 March 2023 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. The Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward-looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any statement is based. Changes in our reporting frameworks and accounting standards, including the recently announced reporting changes and the implementation of IFRS 17 ‘Insurance Contracts’, which may have a material impact on the way we prepare our financial statements and (with respect to IFRS 17) may negatively affect the profitability of Group’s insurance business

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The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. At 31 March 2023, the Bank of Cyprus Group operated through a total of 64 branches in Cyprus, of which 4 operated as cash offices. The Bank of Cyprus Group employed 2,883 staff worldwide. At 31 March 2023, the Group’s Total Assets amounted to €25.4 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.