Bank of Cyprus Holdings

Announcement

Group Financial Results for the six months ended 30 June 2018

Nicosia, 28 August 2018

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

EUROMONEY AWARDS FOR EXCELLENCE 2017

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Key Highlights for the six months ended 30 June 2018

Corporate actions post 30 June 2018 delivering value for shareholders

➢ **Sale of €2.7 bn NPEs ("Helix" or "NPE sale")**

- Agreement for sale of €2.8 bn gross loans, of which €2.7 bn gross NPEs (contractual balance of c.€5.7 bn)
- Consideration of c. €1.4 bn, 24 cents on contractual and 48 cents on gross book value
- Gross NPE ratio reduced by c.10 p.p.
- Capital accretive (+c.60 bps to CET1 and Total Capital Ratio)
- Including transaction costs, Helix loss of €135 mn reported in 2Q2018, declining to c.€105 mn by y/e, as time value of money unwinds
- Intention to participate in a portion of debt tranches, with €450 mn, subject to regulatory approvals

➢ **Sale of BOC UK ("UK sale")**

- Binding agreement for the sale of BOC UK announced in July 2018
- Consideration of c.€117 mn; c.€3 mn profit on completion, subject to regulatory approvals
- Capital accretive (+c.75 bps to CET1 and + c.70 bps to Total Capital Ratio, based on 30 June 2018 results)
- In line with strategy of delivering value and focusing on supporting growth of Cypriot economy

➢ **AT1 Issuance**

- Currently in the process of finalising the terms with, and seeking binding commitments from investors in respect of a privately placed AT1 transaction, of an anticipated size of c. €200 mn, subject to market conditions

Significant progress on Balance Sheet repair

- Thirteen consecutive quarters of organic NPE reduction
- Gross NPEs reduced by €435 mn (5%) qoq to €7.9 bn
- NPE sale further reduces Gross NPEs by €2.7 bn to €5.2 bn
- Gross NPE ratio reduced to 43% and 38% pro forma for Helix (-c.10 p.p.) and UK sale (+5 p.p.)
- Gross NPEs reduced by 65% (net NPEs reduced by 72% since peak) pro forma for Helix and UK sale
- NPE coverage 52% and 49% pro forma for Helix and UK sale

Adequate capital position

- CET1 ratio at 11.9% and 14.0% pro forma for Helix and UK sale; total improvement of c.140 bps from corporate actions
- CET1 ratio fully loaded (IFRS 9 transitional) at 11.5% and 13.6% pro forma for Helix and UK sale
- Total Capital Ratio at 13.4% and 15.4% pro forma for Helix and UK sale, excluding the impact of any AT1 issuance

Strong liquidity position

- Deposits increased by 2.4% qoq to €18.4 bn
- Significant liquidity surplus of €1.4 bn as at 1 July 2018 following 50% relaxation of LCR add-on requirements
- Loan to deposit ratio at 77% and 68% pro forma for Helix and UK sale

Performance in 1H2018

- Total income of €201 mn for 2Q2018 and operating profit of €89 mn for 2Q2018
- Profit after tax-organic of €44 mn, EPS-organic of 10 cents in 2Q2018
- Loss after tax of €54 mn in 1H2018, post accounting for Helix in 1H2018

Group Chief Executive Statement

"Our results this quarter reflect continuing delivery against our core objective of balance sheet repair. Post quarter-end corporate transactions accelerate this repair and deliver value to our shareholders.

We are pleased to announce today the first sale of non-performing loans (NPLs) by the Bank (Helix), which is also the first meaningful corporate and SME NPL trade in Cyprus. This is a very meaningful trade in the context of the Bank and indeed the country.

This complements our successful programme of organic non-performing exposure reduction. During the quarter, we restructured €435 mn of NPEs, our thirteenth consecutive quarter of meaningful reductions. This was in line with our guidance and reduces NPEs to €7.9 bn.

Helix is expected to further reduce NPEs by €2.7 bn to €5.2 bn, representing an overall 65% or €10 bn reduction since their peak in 2014 (55% of the country's GDP) and is expected to improve our NPE ratio by c.10 p.p., whilst maintaining coverage at c.50%.

Since 2014 we have focused on decreasing our stock of NPEs and on improving the asset quality of the Bank. Today's transaction is a significant step forward and an important landmark on our journey of de-risking our balance sheet and enhancing our capital position.

In July, as previously announced, we signed a binding agreement for the sale of our UK subsidiary. This is in line with our strategy of delivering value to shareholders and focusing on supporting the growth of the Cypriot economy. The sale will result in a profit of c.€3 mn on completion, and is expected to add c.75 bps to the CET1 ratio and c.70 bps to the Total Capital Ratio, based on 30 June figures.

Our capital levels remain adequate at the quarter end and are expected to be strengthened once both these post quarter-end transactions are completed. As at 30 June 2018, the Bank's CET1 ratio (transitional) was 11.9% and the Total Capital Ratio was 13.4%, both in excess of regulatory requirements. Pro forma for both Helix and the UK sale, the capital ratios are expected to improve by a further c.200 bps to 14.0% and 15.4% respectively.

The pro forma Total Capital Ratio excludes the impact of any issuance of Additional Tier 1 capital, which the Bank is currently actively considering. We are in the process of finalising the terms with, and seeking binding commitments from investors, in respect of a privately placed AT1 transaction, subject to market conditions.

During the second quarter, deposits remained broadly stable and we remain in full compliance with our liquidity requirements. Following the relaxation of the local liquidity requirements on 1 July 2018, the Bank had a significant liquidity surplus of €1.4 bn. New lending reached €1.3 bn in the first six months of the year, exceeding new lending compared to the corresponding period in 2017. We are pleased to have maintained our leading market position in the strong Cypriot economy, which expanded by 4.0% during the first half of the year. The loan to deposit ratio stood at 77% at the quarter end and at 68% pro forma for both transactions.

Our performance in the second quarter generated total income of €201 mn and underlying profits of €44 mn, equivalent to earnings per share of 10 cents, in line with previous guidance. In addition to related costs of €6 mn, Helix reported a loss of €135 mn, including transaction costs, in the second quarter. The loss on Helix is expected to decline to c.€105 mn by the year end, as the time value of money unwinds.

Our results this quarter reflect continuing delivery against our core objective of balance sheet repair. The significant steps we have taken since the half-end have accelerated this process. However, we are under no illusions that there is more to be done. We have a clear strategy for continuing to improve the asset quality position of the Bank and further deal with the residual c.€5 bn of non-performing loans. We remain as focused as ever on continuing to seek solutions, both organic and inorganic, to make the Bank a stronger, safer, Cyprus-focused institution.

John Patrick Hourican

A. Financial Results – Statutory Basis

Interim Consolidated Income Statement for the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	€000	€000
Turnover	**550,688**	606,230
Interest income	**334,986**	425,678
Income similar to interest income	**26,296**	-
Interest expense	**(89,106)**	(109,393)
Expense similar to interest expense	**(22,777)**	-
Net interest income	**249,399**	316,285
Fee and commission income	**88,345**	93,416
Fee and commission expense	**(4,932)**	(5,201)
Net foreign exchange gains	**18,202**	20,570
Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	**37,378**	2,439
Insurance income net of claims and commissions	**25,094**	24,422
Net gains/(losses) from revaluation and disposal of investment properties	**422**	(1,925)
Net gains on disposal of stock of property	**21,009**	12,235
Other income	**11,276**	7,861
	446,193	470,102
Staff costs	**(116,384)**	(111,475)
Special levy on deposits on credit institutions in Cyprus	**(12,073)**	(17,700)
Other operating expenses	**(111,428)**	(133,990)
	206,308	206,937
Net gains on derecognition of financial assets measured at amortised cost	**19,381**	94,900
Credit losses to cover credit risk on loans and advances to customers	**(267,724)**	(750,920)
Credit losses of other financial instruments	**(3,331)**	(22,497)
Impairment of non-financial instruments	**(10,117)**	(13,484)
Loss before share of profit from associates and joint ventures	**(55,483)**	(485,064)
Share of profit from associates and joint ventures	**4,520**	3,949
Loss before tax	**(50,963)**	(481,115)
Income tax	**(4,814)**	(72,282)
Loss for the period	**(55,777)**	(553,397)
Attributable to:		
Owners of the Company	**(54,048)**	(553,959)
Non-controlling interests	**(1,729)**	562
Loss for the period	**(55,777)**	(553,397)
Basic and diluted losses per share (€ cent) attributable to the owners of the Company	**(12.1)**	(124.2)

A. Financial Results – Statutory Basis (continued)

Interim Consolidated Balance Sheet as at 30 June 2018

	30 June 2018	31 December 2017
Assets	**€000**	€000
Cash and balances with central banks	**4,162,858**	3,393,934
Loans and advances to banks	**804,369**	1,192,633
Derivative financial assets	**16,117**	18,027
Investments	**827,381**	830,483
Investments pledged as collateral	**276,082**	290,129
Loans and advances to customers	**13,001,182**	14,602,454
Life insurance business assets attributable to policyholders	**416,204**	429,890
Prepayments, accrued income and other assets	**239,121**	226,105
Stock of property	**1,523,873**	1,641,422
Investment properties	**20,188**	19,646
Property and equipment	**276,062**	279,814
Intangible assets	**168,502**	165,952
Investments in associates and joint ventures	**117,777**	118,113
Deferred tax assets	**380,778**	383,498
Non-current assets and disposal group classified as held for sale	**1,450,506**	6,500
Total assets	**23,681,000**	23,598,600
Liabilities		
Deposits by banks	**512,371**	495,308
Funding from central banks	**830,000**	930,000
Repurchase agreements	**247,803**	257,322
Derivative financial liabilities	**33,820**	50,892
Customer deposits	**18,431,449**	17,849,919
Insurance liabilities	**608,878**	605,448
Accruals, deferred income and other liabilities	**436,929**	444,602
Subordinated loan stock	**291,454**	302,288
Deferred tax liabilities	**45,042**	46,113
Total liabilities	**21,437,746**	20,981,892
Equity		
Share capital	**44,620**	44,620
Share premium	**2,794,358**	2,794,358
Revaluation and other reserves	**219,191**	273,708
Accumulated losses	**(860,533)**	(527,128)
Equity attributable to the owners of the Company	**2,197,636**	2,585,558
Non-controlling interests	**45,618**	31,150
Total equity	**2,243,254**	2,616,708
Total liabilities and equity	**23,681,000**	23,598,600

The Group has not restated comparative information for 2017 for financial instruments within the scope of IFRS 9. Additionally, the recognition and measurement of credit losses under IFRS 9 differs from that under IAS 39. Therefore, the comparative information for 2017, which is reported under IAS 39 is not comparable to the information presented for 2018, which is reported under IFRS 9. New or amended interim disclosures are presented for the current period according to IFRS 9, where applicable, whereas comparative period disclosures are consistent with those made in the prior periods. Adjustments arising from the adoption of IFRS 9 have been recognised directly in equity as at 1 January 2018, as disclosed in Note 7 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Reclassifications to comparative information were made to conform to current year presentation. Specifically, investments previously classified in 'Life insurance business assets attributable to policyholders' totalling €91,190 thousand were reclassified to 'Investments' and an amount of €2,402 thousand was reclassified from 'Prepayments, accrued income and other assets' to 'Life insurance assets attributable to policyholders'. Additionally, negative interest income on loans and advances to banks and central banks amounting to €2,421 thousand was reclassified from 'Interest income' to 'Interest expense'. The changes in presentation did not have an impact on the financial performance of the Group for the period.

B. Financial Results – Underlying Basis

Interim Condensed Consolidated Income Statement

€ mn	1H2018	1H2017	2Q2018	1Q2018	qoq ±%	yoy ±%
Net interest income	249	316	125	124	1%	-21%
Net fee and commission income	84	88	43	41	5%	-5%
Net foreign exchange gains and net gains on financial instrument transactions and disposal/ dissolution of subsidiaries and associates	42	23	13	29	-54%	81%
Insurance income net of claims and commissions	25	25	13	12	2%	3%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	21	10	2	19	-86%	108%
Other income	11	8	5	6	-23%	43%
Total income	**432**	**470**	**201**	**231**	-13%	-8%
Staff costs	(116)	(111)	(58)	(58)	0%	4%
Other operating expenses	(90)	(85)	(49)	(41)	20%	5%
Special levy and contribution to Single Resolution Fund	(12)	(18)	(5)	(7)	-35%	-32%
Total expenses	**(218)**	**(214)**	**(112)**	**(106)**	5%	2%
Operating profit	**214**	**256**	**89**	**125**	-28%	-16%
Provision charge	(99)	(656)	(41)	(58)	-29%	-85%
Impairments of other financial and non-financial assets	(13)	(36)	(6)	(7)	-6%	-63%
(Reversal)/provisions for litigation and regulatory matters	5	(35)	7	(2)	-	-
Total provisions and impairments	**(107)**	**(727)**	**(40)**	**(67)**	-39%	-85%
Share of profit from associates and joint ventures	4	4	3	1	103%	14%
Profit/(loss) before tax and restructuring costs	**111**	**(467)**	**52**	**59**	-12%	-
Tax	(5)	(72)	(1)	(4)	-84%	-93%
Loss/ (profit) attributable to non-controlling interests	2	(1)	0	2	-89%	-
Profit/(loss) after tax and before restructuring costs and before the NPE sale (Helix)	**108**	**(540)**	**51**	**57**	-9%	-
Advisory and other restructuring costs – excluding the NPE sale (Helix)	(15)	(14)	(7)	(8)	1%	7%
Profit/(loss) after tax - Organic	**93**	**(554)**	**44**	**49**	-11%	-
Restructuring costs relating to NPE sale (Helix)	(12)	-	(6)	(6)	1%	-
Loss relating to NPE sale (Helix)	(135)	-	(135)	-	-	-
(Loss)/profit after tax	**(54)**	**(554)**	**(97)**	**43**	-	-90%

Key Performance Ratios	**1H2018**	**1H2017**	**2Q2018**	**1Q2018**	qoq ±	Yoy ±
Net Interest Margin (annualised)[1]	2.51%	3.37%	2.51%	2.51%	-	-86 bps
Cost to income ratio	51%	46%	56%	46%	+10 p.p.	+5 p.p.
Cost to income ratio excluding special levy and contribution to Single Resolution Fund	48%	42%	53%	43%	+10 p.p.	+6 p.p.
Operating profit return on average assets (annualised)[1]	1.8%	2.3%	1.5%	2.1%	-60 bps	-50 bps
Basic earnings/(losses) per share attributable to the owners of the Company-Organic (€ cent)	20.96	(124.19)	9.89	11.07	-1.18	145.15
Basic (losses)/ earnings per share attributable to the owners of the Company (€ cent)	(12.12)	(124.19)	(21.79)	9.67	-31.46	112.07

1 . including the Helix portfolio which has been classified as non-current assets and disposal groups held for sale

B. Financial Results – Underlying Basis

Interim Condensed Consolidated Balance Sheet

€ mn	30.06.2018	31.12.2017	±%
Cash and balances with central banks	4,163	3,394	23%
Loans and advances to banks	804	1,193	-33%
Debt securities, treasury bills and equity investments	1,103	1,121	-2%
Net loans and advances to customers	13,001	14,602	-11%
Stock of property	1,524	1,641	-7%
Non-current assets and disposal group as held for sale	1,451	7	-
Other assets	1,635	1,641	0%
Total assets	**23,681**	**23,599**	**0%**
Deposits by banks	512	495	3%
Funding from central banks	830	930	-11%
Repurchase agreements	248	257	-4%
Customer deposits	18,431	17,850	3%
Subordinated loan stock	292	302	-4%
Other liabilities	1,125	1,148	-2%
Total liabilities	**21,438**	**20,982**	**2%**

Shareholders' equity	**2,198**	**2,586**	**-15%**
Non-controlling interests	45	31	46%
Total equity	**2,243**	**2,617**	**-14%**
Total liabilities and equity	**23,681**	**23,599**	**0%**

Key Balance Sheet figures and ratios	**30.06.2018 pro forma[2]**	**30.06.2018 before[1]**	**31.12.2017**	**±[1]**
Gross loans (€ mn)	13,710	**18,312**	18,755	-2%
Accumulated provisions (€ mn)	2,522	**4,100**	4,204	-2%
Customer deposits (€ mn)	16,486	**18,431**	17,850	3%
Loans to deposits ratio (net)	68%	**77%**	82%	-5 p.p.
NPE ratio	38%	**43%**	47%	-4 p.p.
NPE provisioning coverage ratio	49%	**52%**	48%	+4 p.p.
Quarterly average interest earning assets (€ mn)		**20,025**	19,826	1 %
Leverage ratio		**8.8%**	10.4%	-1.6 p.p.
Capital ratios and risk weighted assets	**30.06.2018 pro forma[2]**	**30.06.2018**	**31.12.2017**	**±**
Common Equity Tier 1 (CET1) ratio (transitional)	14.0%	**11.9%**	12.7%	-80 bps
CET1 FL (allowing for IFRS 9 transitional arrangements)[3]	13.6%	**11.5%**	12.2%	-70 bps
Total capital ratio	15.4%	**13.4%**	14.2%	-80 bps
Risk weighted assets (€ mn)	14,890	**17,368**	17,260	1%

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

1. Ignoring the classification of the Helix portfolio of €1,239 mn (NBV) as non-current assets held for sale. 2. Pro forma for both Helix and UK sale.

3. The CET1 FL ratio for 30 June 2018, including the full impact of IFRS 9 and DTA amounts to 10.0% and 11.9% pro forma for Helix and UK sale.

B. Financial Results – Underlying Basis (continued)

B.1 Reconciliation of Income Statement for the six months ended 30 June 2018 between statutory and underlying bases

€ mn	Underlying Basis	Reclassification	Statutory Basis
Net interest income	249	-	249
Net fee and commission income	84	-	84
Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	42	14	56
Insurance income net of claims and commissions	25	-	25
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	21	-	21
Other income	11	-	11
Total income	**432**	**14**	**446**
Total expenses	**(218)**	**(22)**	**(240)**
Operating profit	**214**	**(8)**	**206**
Provisions charge	(99)	(149)	(248)
Impairments of other financial and non-financial instruments	(13)	-	(13)
Reversal of provisions for litigation and regulatory matters	5	(5)	-
Share of profit from associates and joint ventures	4	-	4
Profit before tax and restructuring costs	**111**	**(162)**	**(51)**
Tax	(5)	-	(5)
Loss attributable to non-controlling interests	2	-	2
Profit after tax and before restructuring costs and before the NPE sale (Helix)	**108**	**(162)**	**(54)**
Advisory and other restructuring costs – excluding the NPE sale (Helix)	(15)	15	-
Profit after tax - Organic	**93**	**(147)**	**(54)**
Restructuring costs relating to NPE sale (Helix)	(12)	12	-
Loss relating to NPE sale (Helix)	(135)	135	-
Loss after tax (attributable to the owners of the Company)	**(54)**	**-**	**(54)**

The reclassification differences between the statutory and underlying bases relate to:

- Provisions charge under the underlying basis includes an amount of €14 million relating to net gains on loans and advances to customers of FVPL disclosed within 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
- Additionally, Provisions charge under the underlying basis includes net gains on derecognition of financial assets measured at amortised cost and credit losses to cover credit risk on loans and advances to customers separately disclosed in the Interim Consolidated Income Statement in the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
- Loss relating to NPE sale (Helix) is separately disclosed under the underlying basis as part of 'Credit losses to cover credit risk on loans and advances to customers' in the Interim Consolidated Income Statement for the six months ended 30 June 2018.
- Reversal of provisions for litigation and regulatory matters of €5 million, advisory and other restructurings costs (excluding Helix) of €15 million (corresponding period €25 million) and Restructuring costs relating to NPE sale (Helix) of €12 million are part of 'Other operating expenses' in the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis

B.2.1 Capital Base

Shareholders' equity totalled €2,198 mn at 30 June 2018, compared to €2,298 mn at 31 March 2018 and €2,586 mn at 31 December 2017. The Common Equity Tier 1 capital (CET1) ratio (transitional basis) stood at 11.9% at 30 June 2018, compared to 12.0% at 31 March 2018 and 12.7% at 31 December 2017. Adjusting for Deferred Tax Assets, the CET1 ratio on a fully-loaded basis (IFRS 9 transitional) totalled 11.5% at 30 June 2018, compared to 11.7% at 31 March 2018 and 12.2% at 31 December 2017.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios will be phased-in gradually. The amount that will be added each year will decrease based on a weighting factor until the impact of IFRS 9 is fully absorbed at the end of the five years. For the year 2018 the impact on the capital ratios will be 5% of the impact on the impairment amounts from the initial application of IFRS9. The CET1 ratio on a fully-loaded basis (including the full impact of IFRS 9 and DTA) amounts to 10.0% at 30 June 2018. On a transitional basis and on a fully phased-in basis after the five year period of transition is complete, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

As at 30 June 2018, the Total Capital Ratio stood at 13.4%, compared to 13.5% as at 31 March 2018 and 14.2% at 31 December 2017.

The Group's capital ratios are above the minimum CET1 regulatory capital ratio of 9.375%, comprising a 4.50% Pillar I requirement, a 3.00% Pillar II requirement and a phased-in CCB of 1.875% and the overall Total Capital Ratio requirement of 12.875%, comprising a Pillar I requirement of 8.00% (of which up to 1.5% can be in the form of Additional Tier 1 capital and up to 2.0% in the form of Tier 2 capital), a Pillar II requirement of 3.00% (in the form of CET1), as well as a phased-in CCB of 1.875%. The European Central Bank (ECB) has also provided non-public guidance for an additional Pillar II CET1 buffer. As per the EBA final guidelines on Supervisory Review and Evaluation Process (SREP) and supervisory stress testing in July 2018 and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology, CET1 held for purposes of P2G cannot be used to meet any other capital requirements. Such Pillar II add-ons derive from the Group's individual capital guidance, which is a point in time assessment made in the context of the SREP process and, accordingly, they may vary over time.

As per the EBA final guidelines on Supervisory Review and Evaluation Process (SREP) and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology issued in July 2018, CET1 held for purposes of P2G cannot be used to meet any other capital requirements (Pillar 1, P2R or the combined buffer requirements), and therefore cannot be used twice. In accordance with the EBA, the guidelines will be applicable from 1 January 2019 but the final decision on their adoption remains on the discretion of the relevant competent authorities.

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII buffer requirement for these systemically important banks. The Group has been designated as an O-SII and the CBC set the O-SII buffer for the Group at 2%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%) on 1 January 2022.

Sale of Bank of Cyprus UK Limited (BOC UK)

In July 2018, the Company signed an agreement to sell its wholly owned subsidiary bank in the UK, Bank of Cyprus UK Limited (BOC UK). The impact from the sale on the CET1 ratio at 30 June 2018 is an increase of c.10 bps relating to recycling of a related foreign currency gain of €17 mn into CET1, previously recorded in the foreign currency translation reserve, which was not recognised in regulatory capital. The sale is expected to be completed by the end of 2018, subject to regulatory approvals. On completion, the CET1 ratio is expected to be further positively affected by c.75 bps (based on 30 June 2018 results) resulting mainly from the release of risk weighted assets.

Project Helix

In August 2018, the Company has reached an agreement for the sale of a portfolio (the "Portfolio") of loans with a gross book value of €2.8 bn (of which €2.7 bn relate to non-performing loans) secured by real estate collateral ("NPLs") (known as "Project Helix", or the "Transaction"). The gross book value of €2.8 bn includes properties of €39 mn that will also be transferred to the buyer. The Portfolio will be transferred to a licensed Cypriot Credit Acquiring Company (the "CyCAC") by the Bank.

At completion, the Bank will receive gross cash consideration of c. €1.4 bn. The Bank intends to participate in the senior debt in relation to such financing in an amount of €450 mn, subject to regulatory approval.

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

The impact from this Transaction on the CET1 ratio at 30 June 2018 is a decrease of c.80 bps relating to the accounting loss of the Transaction of c.€135 mn, including transaction costs (declining to c.€105 mn by the year end, as the time value of money of c. €30 mn unwinds). On completion, the deconsolidation of the Helix portfolio is expected to have a positive impact on the CET1 ratio of 140 bps, resulting from the release of risk weighted assets.

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

Additional Tier 1

The Bank is currently in the process of finalising the terms with, and seeking binding commitments from investors in respect of a privately placed AT1 transaction, of an anticipated size of c.€200 mn, subject to market conditions. There can be no assurance that an AT1 transaction will take place or, if it does, the terms on which it will be implemented. A further announcement will be made in due course.

In preparation for a potential issuance of AT1 capital instruments, and as described in its announcement dated 27 July 2018, the Company will proceed (subject to approval by the shareholders and the Irish courts) with a capital reduction process which will result in the reclassification of up to €1.5 bn of the Company’s share premium as distributable reserves. This will have the effect of eliminating the Company’s accumulated losses of €0.5 bn as at 31 December 2017. The reduction of capital has been proposed as a special resolution for approval by shareholders at the Company’s Annual General Meeting on 28 August 2018. The reduction of capital will not have any impact on regulatory capital or the total equity position of the Company, the Bank or the Group.

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

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis (continued)

B.2.2 Funding and Liquidity

Funding

Funding from Central Banks

At 30 June 2018, the Bank's funding from central banks totalled €830 mn, which relates wholly to ECB funding (compared to ECB funding of €940 mn as at 31 March 2018 and €930 mn as at 31 December 2017), comprising solely of funding through Targeted Longer-Term Refinancing Operations (TLTRO II).

The Bank fully repaid ELA in January 2017.

Deposits

Group customer deposits increased by 2% qoq to €18,431 mn at 30 June 2018, compared to €17,996 mn at 31 March 2018 and €17,850 mn at 31 December 2017, reflecting the increase in customer deposits in Cyprus by €380 mn (2%) in 2Q2018. Cyprus deposits stood at €16,486 mn at 30 June 2018, accounting for 89% of Group customer deposits. The Bank's deposit market share in Cyprus reached 35.1% at 30 June 2018 (compared to 34.1% at 31 March 2018, on the same basis). Customer deposits accounted for 78% of total assets at 30 June 2018. The Loan to Deposit ratio (L/D) stood at 77% at 30 June 2018, down from 80% at 31 March 2018 and 82% at 31 December 2017, compared to a high of 151% at 31 March 2014. The 6% increase in local deposits in 1H2018, offsets the 4% reduction in deposits of International Business Units (IBUs) in the same period. Pro forma for Helix and the UK sale the L/D ratio is reduced by a further 9 p.p. to 68%.

Subordinated Loan Stock

In December 2017, the Bank's subsidiary in the UK issued a £30 mn unsecured and subordinated Tier 2 Capital Loan.

In January 2017, the Bank accessed the debt capital markets and issued a €250 mn unsecured and subordinated Tier 2 Capital Note.

Liquidity

At 30 June 2018, the Group Liquidity Coverage Ratio (LCR) stood at 199% (compared to 229% at 31 March 2018 and 190% at 31 December 2017) and was in compliance with the minimum regulatory requirement of 100% (increased from a minimum requirement of 80% on 31 December 2017).

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

In accordance with the Capital Requirements Regulation (CRR), the local regulatory liquidity requirements set by the Central Bank of Cyprus (CBC) were abolished on 1 January 2018. The CBC introduced a macro-prudential measure in the form of a liquidity add-on imposed on top of the LCR requirement of the Bank, which became effective on 1 January 2018. The objective of the measure is to ensure that there will be a gradual release of the excess liquidity in the Cyprus banking system arising from the lower liquidity requirements under the LCR compared to the ones under the local regulatory liquidity requirements previously in place. The add-on applies stricter outflow and inflow rates on some of the parameters used in the calculation of the LCR, as well as additional liquidity requirements in the form of outflow rates on items that are not subject to outflow rates under the LCR. The measure was implemented in two stages, the first stage being applicable from 1 January 2018 until 30 June 2018 and the second stage from 1 July 2018 until 31 December 2018, with a reduction of 50% of the add-on rates from 1 July 2018. As a result of the relaxation of the add-on rates, the surplus liquidity of the Bank with respect to the LCR including the add-on, increased by c.€800 mn, to €1.4 bn on 1 July 2018. As at 30 June 2018, the Bank was in compliance with the LCR including the add-on, which stood at 114%.

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis (continued)

B.2.3 Loans

Group gross loans totalled €18,312 mn at 30 June 2018, compared to €18,586 mn at 31 March 2018 and €18,755 mn at 31 December 2017. Gross loans in Cyprus totalled €16,223 mn at 30 June 2018 and accounted for 89% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a market share of 38.6% at 30 June 2018, compared to 37.4% at 31 March 2018. Gross loans in the UK amounted to €1,818 mn at 30 June 2018 and accounted for 10% of Group total gross loans.

New loan originations for the Group reached €1,309 mn for 1H2018 (of which €1,049 mn were granted in Cyprus), exceeding new lending in 1H2017.

At 30 June 2018, the Group net loans and advances to customers totalled €13,001 mn (compared to €14,373 mn as at 31 March 2018 and €14,602 mn at 31 December 2017). In addition, at 30 June 2018, net loans and advances to customers of €1,239 mn were classified as non-current assets held for sale in line with IFRS 5 and relate to Helix. There were no loans and advances to customers classified as held for sale in line with IFRS 5 at 31 March 2018 or 31 December 2017.

The net loans and advances to customers pro forma for both Helix and the UK sale amount to €11,188 mn.

B.2.4 Loan portfolio quality

Tackling the Group's loan portfolio quality remains the top priority for management. The Group continues to make steady progress across all asset quality metrics and the loan restructuring activity continues. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio.

NPEs as defined by the EBA were reduced by €435 mn or 5% during 2Q2018 to €7,914 mn at 30 June 2018, accounting for 43% of gross loans, compared to 45% at 31 March 2018 and 47% at 31 December 2017, on the same basis (ignoring the classification of the Helix portfolio as non-current assets held for sale). The organic reduction of NPEs in 2Q2018 was broadly in line with the guidance. This included an amount of €107 mn, which relates to a reclassification between gross loans and accumulated provisions on loans and advances to customers classified as held for sale.

The provisioning coverage ratio of NPEs stood at 52% at 30 June 2018 (compared to 51% at 31 March 2018 and 48% at 31 December 2017), on the same basis (ignoring the classification of the Helix portfolio as non-current assets held for sale). When taking into account tangible collateral at fair value, NPEs are fully covered.

	30.06.2018[1]		31.03.2018	
	€ mn	**% of gross loans**	€ mn	% of gross loans
NPEs as per EBA definition	**7,914**	**43.2%**	8,349	44.9%
Of which, in pipeline to exit:				
- NPEs with forbearance measures, no arrears[2]	**1,407**	**7.7%**	1,495	8.0%

1. Ignoring the classification of the Helix portfolio of €1,239 mn (NBV) as non-current assets held for sale.
2. Until 31 March 2018, analysis was performed on an account basis. As at 30 June 2018, the analysis is performed on a customer basis.

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

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis (continued)

B.2.4 Loan portfolio quality (continued)

Project Helix

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

The Portfolio has a contractual balance of €5.7 bn (as at 31 March 2018) and the Net Book Value of the assets being sold as at 30 June 2018 amounted to €1.5 bn, before the impact of the Transaction on the 2Q2018 income statement. The Portfolio comprises 14,024 loans to corporate and SME borrowers, secured over 9,065 properties.

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

Following the completion of Project Helix, the Bank's gross NPEs will be 65% lower than its peak in 2014.

Helix reduces the NPE ratio by c.10 p.p., while the UK sale increases it by 5 p.p., resulting in a pro forma NPE ratio of 38%. The pro forma NPE provision coverage is estimated at 49%, lowered by 2 p.p. by Helix.

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

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

ESTIA

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

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

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis (continued)

B.2.5. Real Estate Management Unit

The **Real Estate Management Unit (REMU)** on-boarded €220 mn of assets (including construction cost) in 1H2018 (down by 4% yoy) via the execution of debt for asset swaps. The focus for REMU is increasingly shifting from on-boarding of assets resulting from debt for asset swaps towards the disposal of these assets. The Group completed disposals of €126 mn in 1H2018 (down by 11% yoy due to two specific sales of high value assets in 1H2017), resulting in a profit on disposal of €21 mn for 1H2018. Post 30 June 2018 and up to 3 August 2018, the Group completed additional disposals of €13 mn. During the six months ended 30 June 2018 and up to 3 August 2018, the Group executed sale-purchase agreements (SPAs) with contract value of €171 mn (362 properties). In addition, the Group signed SPAs for disposals of assets with contract value of €36 mn.

Following the incorporation of Cyreit Variable Capital Investment Company PLC, properties of carrying value €166 million were reclassified from the stock of properties (measured at the lower of cost and net realisable value under IAS 2) to investment properties (measured at fair value under IAS 40). These properties continue to be managed by REMU.

As at 30 June 2018, assets held by REMU had a carrying value of €1.5 billion, in addition to assets reclassified to investment properties of €166 million, which were subsequently classified as non-current assets and disposal groups held for sale. Stock of properties of €39 million was transferred to non-current assets held for sale as it was included in the portfolio for the NPE sale.

Assets held by REMU (Group) € mn	**1H2018**	**1H2017**	**2Q2018**	**1Q2018**	qoq +%	yoy +%
Opening balance	**1,641**	1,427	**1,552**	1,641	-5%	15%
On-boarded assets (including construction cost)	**220**	229	**86**	134	-35%	-4%
Sales	**(126)**	(140)	**(71)**	(55)	29%	-11%
Transfer to investment properties	**(166)**	-	**-**	(166)	-	-
Transfer to non-current assets held for sale	**(39)**	-	**(39)**	-	-	-
Closing balance	**1,524**	1,502	**1,524**	1,552	-2%	1%

Analysis by type and country 30 June 2018 (€ mn)	**Cyprus**	**Greece**	**Romania**	**Total**
Residential properties	**159**	**27**	**0**	**186**
Offices and other commercial properties	**225**	**38**	**12**	**275**
Manufacturing and industrial properties	**96**	**34**	**1**	**131**
Hotels	**37**	**0**	**-**	**37**
Land (fields and plots)	**818**	**6**	**4**	**828**
Properties under construction	**67**	**-**	**-**	**67**
Total	**1,402**	**105**	**17**	**1,524**

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

B. Financial Results – Underlying Basis (continued)

B.2. Balance Sheet Analysis (continued)

B.2.6 Non-core overseas exposures

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

€ mn	30 June 2018	31 December 2017
Greece	**179**	193
Romania	**72**	79
Serbia	**7**	9
Russia	**28**	31

The Group continues its efforts for further deleveraging and disposal of non-essential assets and operations in Greece, Romania and Russia.

In accordance with the Group's strategy to exit from overseas non-core operations, the operations of the branch in Romania are expected to be terminated, subject to the completion of deregistration formalities with respective authorities. Most of the remaining assets and liabilities of the branch in Romania with third parties have been transferred to other entities of the Group.

In addition to the above, at 30 June 2018 there were overseas exposures of €154 mn in Greece (compared to exposures of €184 mn at 31 March 2018 and €168 mn in Greece as at 31 December 2017), not identified as non-core exposures, since they are considered by management as exposures arising in the normal course of business.

B. Financial Results – Underlying Basis (continued)

B.3. Income Statement Analysis

B.3.1 Total income

€ mn	1H2018	1H2017	2Q2018	1Q2018	qoq ±%	yoy ±%
Net interest income	**249**	**316**	**125**	**124**	**1%**	**-21%**
Net fee and commission income	84	88	43	41	5%	-5%
Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	42	23	13	29	-54%	81%
Insurance income net of claims and commissions	25	25	13	12	2%	3%
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	21	10	2	19	-86%	108%
Other income	11	8	5	6	-23%	43%
Non-interest income	**183**	**154**	**76**	**107**	-29%	19%
Total income	**432**	**470**	**201**	**231**	-13%	-8%
Net Interest Margin (annualised)[1]	2.51%	3.37%	2.51%	2.51%	-	-86 bps
Average interest earning assets (€ mn)[1]	20,064	18,952	20,025	20,020	0%	6%

1.Ignoring the classification of the Helix portfolio as non-current assets held for sale

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

Net interest income (NII) and net interest margin (NIM) for 1H2018 amounted to €249 mn and 2.51% respectively, when ignoring the classification of the Helix portfolio as non-current assets held for sale. NII was down by 21% compared to €316 mn a year earlier. The yoy decline in NIM reflects the lower volume on loans, pressure on lending rates and the cost of liquidity compliance. The NII and NIM for 2Q2018 amounted to €125 mn and 2.51% on the same basis, at similar levels to the previous quarter.

Average interest earning assets for 1H2018 amounted to €20,064 mn, ignoring the classification of the Helix portfolio as non-current assets held for sale, up by 6% yoy. **Quarterly average interest earning assets** for 2Q2018 amounted to €20,025 mn on the same basis, at the same level as the previous quarter.

Non-interest income for 1H2018 amounted to €183 mn, up 19% yoy, mainly comprising net fee and commission income of €84 mn, net foreign exchange income and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €42 mn, net insurance income of €25 mn and net gains from revaluation and disposal of investment properties and on disposal of stock of properties of €21 mn.

Net fee and commission income for 2Q2018 amounted to €43 mn, compared to €41 mn for 1Q2018 (up by 5% qoq), largely explained by seasonality. Net fee and commission income for 1H2018 amounted to €84 mn, compared to €88 mn a year earlier, down by 5% yoy, mainly due to the implementation of IFRS 9 under which certain commission income types are not recognised on Stage 3 loans.

Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €42 mn for 1H2018, increased by 81% yoy, mainly due to the gains on disposal of bonds during the 1Q2018 of €19 mn.

Net gains from revaluation and disposal of investment properties and on disposal of stock of properties for 2Q2018 amounted to €2 mn, of which net profit from the disposal of stock of properties of €10 mn (REMU gains) and a valuation loss of €7 mn, compared to €19 mn for 1Q2018, which included the net profit from the disposal of stock of properties of €11 mn (REMU gains) and a valuation gain of €8 mn.

Total income for 1H2018 amounted to €432 mn, compared to €470 mn for 1H2017, down by 8% yoy. Total income for 2Q2018 amounted to €201 mn, compared to €231 mn for 1Q2018, down by 13% qoq.

B. Financial Results – Underlying Basis (continued)

B.3. Income Statement Analysis (continued)

B.3.2 Total expenses

€ mn	**1H2018**	**1H2017**	**2Q2018**	**1Q2018**	qoq +%	yoy +%
Staff costs	(116)	(111)	(58)	(58)	0%	4%
Other operating expenses	(90)	(85)	(49)	(41)	20%	5%
Total operating expenses	(206)	(196)	(107)	(99)	8%	5%
Special levy and contribution to Single Resolution Fund (SRF)	(12)	(18)	(5)	(7)	-35%	-32%
Total expenses	**(218)**	**(214)**	**(112)**	**(106)**	5%	2%

Cost to income ratio	51%	46%	56%	46%	+10 p.p.	+5 p.p.
Cost to income ratio excluding special levy and contribution to Single Resolution Fund	48%	42%	53%	43%	+10 p.p.	+6 p.p.

Total expenses for 1H2018 were €218 mn (compared to €214 mn for 1H2017), 53% of which related to staff costs (€116 mn), 41% to other operating expenses (€90 mn) and 6% (€12 mn) to special levy and contribution to Single Resolution Fund (SRF). Total expenses for 2Q2018 were €112 mn, compared to €106 mn in 1Q2018 (up by 5%).

Total operating expenses for 1H2018 were €206 mn, increased 5% yoy, compared to €196 mn for 1H2017. Total operating expenses for 2Q2018 were €107 mn, increased 8% qoq, compared to €99 mn in 1Q2018.

Staff costs of €116 mn for 1H2018 were increased by 4% yoy, mainly due to the effect of the renewal of the annual collective agreement with the employees' union. Staff costs for 2Q2018 were €58 mn, at the same level as the previous quarter. The renewal of the collective agreement for 2018 is under discussion.

Other operating expenses for 1H2018 were €90 mn, increased by 5% from 1H2017. Other operating expenses for 2Q2018 were €49 mn, increased by 20% from 1Q2018, mainly due to increased advisory costs relating to compliance and stress tests, and to project-related expenses by the UK subsidiary.

The cost to income ratio for 2Q2018 was 56%, compared to 46% for 1Q2018, principally reflecting the 13% qoq decrease in total income.

B. Financial Results – Underlying Basis (continued)

B.3. Income Statement Analysis (continued)

B.3.3 Profit/(loss) before tax and restructuring costs

€ mn	**1H2018**	**1H2017**	**2Q2018**	**1Q2018**	qoq ±%	yoy ±%
Operating profit	**214**	**256**	**89**	**125**	-28%	-16%
Provision charge	(99)	(656)	(41)	(58)	-29%	-85%
Impairments of other financial and non-financial assets	(13)	(36)	(6)	(7)	-6%	-63%
(Reversal)/provisions for litigation and regulatory matters	5	(35)	7	(2)	-	-
Total provisions and impairments	**(107)**	**(727)**	**(40)**	**(67)**	-39%	-85%
Share of profit from associates and joint ventures	4	4	3	1	103%	14%
Profit/(loss) before tax and restructuring costs	**111**	**(467)**	**52**	**59**	-12%	-

Operating profit for 1H2018 was €214 mn, compared to €256 mn for 1H2017, down by 16% yoy. Operating profit for 2Q2018 was €89 mn, compared to €125 mn for 1Q2018, down by 28% qoq, mainly due to the gains on disposal of bonds during 1Q2018 of €19 mn and property valuation gains in 1Q2018 compared to losses in 2Q2018.

The **provision charge** for 1H2018 totalled €99 mn, compared to €656 mn for 1H2017 (down by 85% yoy), as the previous year was affected by the additional provisions of c.€500 mn taken in 2Q2017. The provision charge for 2Q2018 totalled €41 mn, compared to €58 mn for 1Q2018 (down by 29% qoq).

The annualised provisioning charge for 1H2018 accounted for 1.1% of gross loans (with an annualised charge of 1.1% for 2Q2018), compared to a provisioning charge of 0.9% for 1Q2018 and to 4.2% for 1H2017. An amount of c.€500 mn reflecting the one-off effect of the change in the provisioning assumptions was included in the cost of risk for 1H2017 but was not annualised.

At 30 June 2018, accumulated provisions, including fair value adjustment on initial recognition and provisions for off-balance sheet exposures and ignoring the classification of the Helix portfolio as non-current assets as held for sale, totalled €4,100 mn (compared to €4,245 mn at 31 March 2018 and to €4,204 mn at 31 December 2017) and accounted for 22.4% of gross loans on the same basis (compared to 22.8% at 31 March 2018 and to 22.4% at 31 December 2017). The decrease in accumulated provisions in 2Q2018 amounted to €145 mn, whilst the increase in accumulated provisions in the previous quarter amounted to €41 mn.

Impairments of other financial and non-financial assets for 1H2018 totalled €13 mn, compared to €36 mn for 1H2017 (down by 63% yoy). Impairments of other financial and non-financial assets for 2Q2018 totalled €6 mn, at similar levels to the previous quarter.

Reversal for litigation and regulatory matters for 2Q2018 amounted to €7 mn (compared to provisions of €2 mn for 1Q2018) relating to the reversal of provisions of previously provided cases with a favourable outcome. Reversal of provisions for litigation and regulatory matters for 1H2018 amounted to €5 mn, compared to provisions of €35 mn for 1H2017. The charge for the six months ended 30 June 2017 relates mainly to a fine imposed by the Cyprus Commission for the Protection of Competition, the increase in provision for litigation for securities issued by BOC PCL between 2007 and 2011 and redress provision for the UK operations.

B. Financial Results – Underlying Basis (continued)

B.3. Income Statement Analysis (continued)

B.3.4 (Loss)/profit after tax

€ mn	1H2018	1H2017	2Q2018	1Q2018	qoq +%	yoy +%
Profit/(loss) before tax and restructuring costs	**111**	**(467)**	**52**	**59**	-12%	-
Tax	(5)	(72)	(1)	(4)	-84%	-93%
Loss/ (profit) attributable to non-controlling interests	2	(1)	0	2	-89%	-
Profit/(loss) after tax and before restructuring costs and before the NPE sale (Helix)	**108**	**(540)**	**51**	**57**	-9%	-
Advisory and other restructuring costs – excluding the NPE sale (Helix)	(15)	(14)	(7)	(8)	1%	7%
Profit/(loss) after tax - Organic	**93**	**(554)**	**44**	**49**	-11%	-
Restructuring costs relating to NPE sale (Helix)	(12)	-	(6)	(6)	1%	-
Loss relating to NPE sale (Helix)	(135)	-	(135)	-	-	-
(Loss)/profit after tax	**(54)**	**(554)**	**(97)**	**43**	-	-90%

The **tax charge** for 1H2018 totalled €5 mn compared to €72 mn a year earlier, which included increased charge due to the reduction of the level of DTA (€62 mn). The tax charge for 2Q2018 was €1 mn compared to €4 mn for 1Q2018.

Profit after tax and before restructuring costs and before the NPE sale (Helix) for 1H2018 was €108 mn, compared to loss after tax and before restructuring costs and before Helix for 1H2017 of €540 mn, reflecting the additional provisions of c.€500 mn taken in 2Q2017. Profit after tax and before restructuring costs and before Helix for 2Q2018 was €51 mn, compared to €57 mn for 1Q2018.

Advisory and other restructuring costs excluding the NPE sale (Helix) for 1H2018 amounted to €15 mn, compared to €14 mn a year earlier. Advisory and other restructuring costs excluding the NPE sale (Helix) for 2Q2018 amounted to €7 mn, compared to €8 mn for 1Q2018.

Profit after tax arising from the organic operations of the Group (before the NPE sale (Helix)) for 1H2018 amounted to €93 mn, compared to a loss of €554 mn a year earlier, reflecting the additional provisions of c.€500 mn taken in 2Q2017. Profit after tax arising from the organic operations of the Group (before the NPE sale (Helix)) for 2Q2018 amounted to €44 mn (compared to €49 mn for 1Q2018), equivalent to an organic generation of EPS of 10 cents.

Restructuring costs relating to NPE sale (Helix) for 2Q2018 were €6 mn (at the same levels as the previous quarter), comprising mainly advisory costs and legal fees.

Loss relating to NPE sale (Helix) including transactions costs for 2Q2018 amounts to €135 mn. The loss arising from Helix is expected to decline to c.€105 mn by the year end, as the time value of money unwinds over the next two quarters.

Loss after tax attributable to the owners of the Company for 1H2018 was €54 mn, compared to a loss of €554 mn for 1H2017. **Loss after tax** attributable to the owners of the Company for 2Q2018 was €97 mn, compared to a profit of €43 mn for 1Q2018.

C. Operating Environment

The recovery of Cyprus since 2014 is gaining momentum and the medium-term outlook remains favourable, driven by improving macroeconomic conditions, falling unemployment and broadening investments. At the same time, the Cypriot economy continues to face challenges primarily in relation to high public indebtedness and a high level of NPEs.

Real GDP increased by 3.9% in 2017 and by 4.0% in the first half of 2018 year-on-year and seasonally adjusted (Cyprus Statistical Service, CSS). The main drivers of the growth were tourism, business services and increasing construction activity. On the expenditure side, growth is driven by domestic demand, namely private consumption and fixed investment. Net exports continued to make a negative contribution to growth since imports increased faster than exports.

Tourist arrivals increased by 14.6% in 2017 and continued to increase in 2018, up by 9.6% year-on-year in the first seven months (CSS). The unemployment rate dropped to 11% on average in 2017 and further to 9.4% in the first quarter and to 8.4% in the second quarter of 2018, seasonally adjusted, the latter based on monthly estimates (Eurostat). Average consumer inflation was marginally positive at 0.5% in 2017 after four consecutive years of deflation and continued to rise in 2018, up by 0.6% in the first seven months of the year (CSS), driven by housing and transport costs.

GDP growth is expected to average about 4% per annum in 2018-2019 according to the IMF (Country Report, June 2018). The outlook over the medium-term reflects positive underlying dynamics in relation to both public and private debt and improved conditions for the reduction of the high level of non-performing exposures aided by recent legislation improving the foreclosure and insolvency framework and facilitating the sale of non-performing exposures.

In public finance, the budget surplus increased steeply to 1.8% of GDP in 2017 (CSS) and is expected to remain substantial in 2018-2019 also averaging around 2.1% of GDP, according to the IMF and the European Commission (IMF country report June 2018; European Commission post programme surveillance report, Spring 2018).

The debt-to-GDP ratio dropped to 97.5% in 2017 and is expected to increase to about 106% in 2018 due to the Cyprus Government's (the Government) capital injection into the Cyprus Cooperative Bank (CyCB) (European Commission, post programme surveillance report, Spring 2018). However, it is expected that this will be a one-off increase that will not affect the underlying debt dynamics in any significant way. While total interest costs will increase as a result of the new bonds issued for the CyCB, it is expected that debt will remain affordable. In 2017, the primary surplus reached 5% of GDP where interest payments were 3.2% of GDP (CSS) or 8% of revenues, compared with 10.4% of revenues in 2013. Strong GDP growth and substantial budget surpluses will allow the debt-to-GDP ratio to drop again to near 100% in 2019 (European Commission).

In April 2018, in order to facilitate the sale of the Cyprus Cooperative Bank (CyCB), the Government issued Bonds by Private Placement for a total nominal amount of €2.35 bn maturing between 15 to 20 years (Public Debt Management Office, Newsletter, May 2018). The proceeds of the bond issuance and additional funds were deposited at the State account held at CyCB, for a total of €2.5 bn. Subsequently the Government proceeded with an additional domestic issuance so that the total government bonds issued for the sale of CyCB reached €3.19 bn (total net effect on government debt, per Moody's Investors Service, Credit Opinion, 27 July 2018). The bonds issued in April were exchanged with new bonds maturing between 2018 and 2022, while the cash placement reached €351 mn. Against the State's total deposit of €3.54 bn with CyCB, CyCB pledged assets comprising NPEs, as well as other non-core assets with a total nominal value of c.€8.34 bn (Public Debt Management Office, Newsletter, July 2018).

In parallel, the Cyprus Parliament passed amendments to the legislation that strengthens the foreclosure, tax and insolvency laws and facilitates the sale of NPEs (Sale of Loans Law), as well as introduced the Securitisation Law, all of which came into effect in July 2018. Also in July, the Government proposed ESTIA, a Scheme that aims to address NPEs backed by primary residence. The eligibility criteria of the Scheme aim to protect socially vulnerable borrowers and it is expected to act as a deterrent and enabler against debts of strategic defaulters.

In the context of a strengthening economy and improving macroeconomic conditions, the Cypriot sovereign has benefited from a series of upgrades. Most recently in July 2018, Moody's Investors Service upgraded Cyprus' sovereign rating to Ba2 from Ba3 and changed the outlook to stable from positive. The upgrade and stable outlook reflect the ongoing recovery and favourable developments in the banking system where the resolution of the CyCB through the sale of its healthy assets and liabilities, materially reduced systemic risks emanating from the banking sector. In April 2018, Fitch Ratings upgraded its Long-Term Issuer Default ratings to 'BB+' from 'BB' which is one notch below investment grade, maintaining its 'positive' outlook. In March 2018, S&P Global Ratings affirmed its long-term sovereign rating at BB+, also one notch below investment grade, and maintained its 'positive' outlook.

D. Business Overview

As the Cypriot operations account for 89% of gross loans and 89% of customer deposits, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus and will consequently benefit from the country's recovery. Most recently in July 2018, Standard and Poor's affirmed the Bank 'B/B' long and short-term issuer credit ratings with a positive outlook. In March 2018, Fitch Ratings Limited affirmed their long-term issuer default rating of B- with stable outlook. The Bank currently has a long-term deposit rating from Moody's Investors Service of Caa1 with a positive outlook. The key drivers for the ratings were the improvement in the Bank's financial fundamentals, mainly in asset quality, and its funding position.

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

Project Helix

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

The transaction is the first NPL disposal by the Bank and represents a significant milestone in the delivery of the Bank's strategy of improving asset quality through the reduction of NPEs. Following the completion of Project Helix, the Bank's gross NPEs will be 65% lower than its peak in 2014.

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

ESTIA

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

Sale of Bank of Cyprus UK Limited (BOC UK)

In July 2018, the Company signed an agreement to sell its wholly owned subsidiary bank in the UK. The sale is expected to be completed by the end of 2018, subject to regulatory approvals. The sale consideration of £103 mn (c.€117 mn) is subject to customary purchase price adjustments for the period up to completion. The consideration is payable in cash, of which half is deferred over 24 months from completion, without any performance conditions attached. The accounting profit from the sale is estimated at c.€3 mn. The impact from the sale on the CET1 ratio at 30 June 2018 is an increase of c.10 bps relating to recycling of a related foreign currency gain of €17 mn into CET1, previously recorded in the foreign currency translation reserve which was not recognised in regulatory capital. On completion, the CET1 ratio is expected to be further positively affected by c.70 bps (based on 30 June 2018 results) resulting mainly from the release of risk weighted assets. The decision to sell the UK bank is in line with the Group's strategy of delivering value for shareholders and focusing principally on supporting the growing Cypriot economy. Further to this transaction, the Group and BOC UK will sign a cooperation agreement, which will see both organisations cooperating in a number of key areas going forward, including continuity of servicing for existing customers. Following completion, BOC UK is expected to be rebranded to "Cynergy Bank", a name chosen to reflect the bank's Cypriot heritage, combined with a modern and energetic focus.

The strategic focus of the Group is to reshape its business model to grow in the core Cypriot market through prudent new lending. The Bank's capital position is adequate and the Group expects to continue to be able to support the recovery of the Cyprus economy through the provision of new lending. Growth in new lending in Cyprus is focused on selected industries that are more in line with the Bank's target risk profile, such as tourism, trade, professional services, information/communication technologies, energy, education and green projects.

D. Business Overview (continued)

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

Management is also placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Group's income streams. The insurance income net of insurance claims for 1H2018 amounted to €25 mn, up by 3% yoy, contributing to 14% of non-interest income.

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

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

E. Strategy and Outlook

The Group is making meaningful progress on its strategic objectives of creating **a stronger, safer and a more Cypriot-focused institution to support the recovery of the Cypriot economy,** while delivering appropriate shareholder returns in the medium term.

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

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

KEY PILLARS	PLAN OF ACTION
1. Materially reduce the level of delinquent loans	• Sustain momentum in restructuring and NPE reduction • Focus on terminated portfolios (in Recovery Unit) – "accelerated consensual foreclosures" • Real estate management via REMU • Continue to explore alternative measures for accelerating NPE reduction, such as NPE sales, securitisations etc.
2. Further optimise the funding structure	• Focus on shape and cost of deposit franchise • Increase loan pool for the Additional Credit Claim framework of ECB • Further diversify funding sources
3. Maintain an adequate capital position	• Internally generate capital • Currently in the process of finalising the terms with, and seeking binding commitments from investors in respect of a privately placed AT1 transaction, of an anticipated size of c.€200 mn, subject to market conditions
4. Focus on core Cyprus market	• Targeted lending in Cyprus into growing sectors to fund recovery • New loan origination, while maintaining lending yields • Revenue diversification via fee income from international business, wealth, and insurance
5. Achieve a lean operating model	• Implementation of digital transformation program underway, aimed at enhancing productivity through alternative distribution channels and reducing operating costs over time
6. Deliver value	• Deliver appropriate medium-term risk-adjusted returns

E. Strategy and Outlook (continued)

The operating performance of the Group has remained resilient. Helix and the disposal of BOC UK will meaningfully change the shape of the Group going forward. The timing of completion is largely dependent on regulatory approvals and therefore remains uncertain. These actions collectively are expected to result in a stronger, safer, more focused Bank.

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

Updated 2019 and Medium Term Guidance will be communicated with full year 2018 results. Refer to the investors' presentation for the pro-forma for Helix and UK sale full year 2018 guidance.

F. Definitions & Explanations

Accelerated phase-in period	Following the Regulation (EU) 2016/445 of the ECB of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), the DTA phase-in period was reduced from 10 to 5 years, with effect as from the reporting of 31 December 2016. The applicable rate of the DTA phase-in is 60% for 2017, 80% for 2018 and 100% for 2019 (fully phased-in).
Accumulated provisions	Comprise (i) provisions for impairment of customer loans and advances, (ii) the fair value adjustment on initial recognition of loans acquired from Laiki Bank and on loans classified at FVPL, and (iii) provisions for off-balance sheet exposures disclosed on the balance sheet within other liabilities.
Advisory and other restructuring costs	Comprise mainly: fees of external advisors in relation to: (i) disposal of operations and non-core assets, (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on the London Stock Exchange
AT1	AT1 (Additional Tier 1) is defined in accordance with Articles 51 and 52 of the Capital Requirements Regulation (EU) No 575/2013.
CET1 capital ratio (transitional basis)	CET1 capital ratio (transitional basis) is defined in accordance with the Basel II requirements.
CET1 fully loaded (FL)	The CET1 fully loaded (FL) ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013.
Contribution to SRF	Relates to the contribution made to the Single Resolution Fund.
Cost to Income ratio	Cost-to-income ratio comprises total expenses (as defined) divided by total income (as defined).
Data from the Statistical Service of the Republic of Cyprus	The latest data was published on 17 August 2018.
Deferred Tax Asset adjustments	The DTA adjustments relate to Deferred Tax Assets totalling €381 mn and recognised on tax losses totalling €3.05 bn and can be set off against future profits of the Bank until 2028 at a tax rate of 12.5%. There are tax losses of c.€7.1 bn for which no deferred tax asset has been recognised. The recognition of deferred tax assets is supported by the Bank's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.
ECB	European Central Bank
ELA	Emergency Liquidity Assistance
Gross loans	Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €514 mn at 30 June 2018 (compared to €566 mn at 31 March 2018 and to €668 mn at 31 December 2017). Additionally, gross loans are reported before loans and advances to customers measured at fair value through profit and loss of €404 mn and after the reclassification between gross loans and expected credit losses on loans and advances to customers classified as held for sale of €107 mn.
Group	The Group consists of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or "the Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and the Bank's subsidiaries.

F. Definitions & Explanations (continued)

Leverage ratio	The leverage ratio is the ratio of tangible total equity to total assets for the relevant period.
Market Shares	Both deposit and loan market shares are based on data from the Central Bank of Cyprus. The Bank is the single largest credit provider in Cyprus with a market share of 38.6% at 30 June 2018, compared to 37.4% at 31 March 2018. The market share on loans was affected as at 30 June 2018 following a decrease in total loans in the banking sector of €2,1bn, as reported by CBC, (due to loan reclassifications, revaluations, exchange rate or other adjustments).
Net fee and commission income over total income	Net fee and commission income over total income is the net fee and commission income divided by the total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (annualised) divided by the average interest earning assets. Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net customer loans and advances, plus investments (excluding equities and mutual funds) and derivatives.
Net loans and advances	Loans and advances net of accumulated provisions (as defined).
Net loan to deposit ratio	Net loan to deposits ratio is calculated as the net loans and advances to customers divided by customer deposits, including net loans and deposits held for sale, where applicable.
Net Stable Funding Ratio (NSFR)	The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF), on the basis of Basel III standards. Its calculation is a SREP requirement. EBA is working on finalising the NSFR and enforcing it as a regulatory ratio.
Non-interest income	Non-interest income comprises Net fee and commission income, Net foreign exchange gains and net gains on other financial instruments and disposal/dissolution of subsidiaries and associates, Insurance income net of claims and commissions, Net gains from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.
Non-performing exposures (NPEs)	According to the EBA reporting standards on forbearance and non-performing exposures (NPEs), published in 2014 and ECB's Guidance to Banks on Non-Performing Loans published in March 2017, a loan is considered an NPE if: (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period. The NPEs are reported before the deduction of accumulated provisions (as defined).
NPE ratio	NPEs ratio is calculated as the NPEs as per EBA (as defined) divided by gross loans (as defined).
Operating profit	Comprises profit before total provisions and impairments (as defined), share of profit from associates and joint ventures, tax, loss/(profit) attributable to non-controlling interests, advisory and other restructuring costs-excluding the NPE sale (Helix), restructuring costs and loss relating to NPE sale(Helix) (where applicable).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the average of total assets for the relevant period.

F. Definitions & Explanations (continued)

Phased-in Capital Conservation Buffer (CCB)	In accordance with the legislation in Cyprus which has been set for all credit institutions, the applicable rate of the CCB is 1.25% for 2017, 1.875% for 2018 and 2.5% for 2019 (fully phased-in).
Profit/(loss) after tax and before restructuring costs and before the NPE trade (Helix)	Excludes advisory and other restructuring costs. It also excludes any restructuring costs or loss relating to the NPE sale (Helix).
Provision charge	The provision charge comprises provisions for impairments of customer loans and provisions for off-balance sheet exposures, net of gain/(loss) on derecognition of loans and advances to customers and changes in expected cash flows.
Provisioning charge (cost of risk)	Provisioning charge (cost of risk) (year to date) is calculated as the provision charge (as defined) divided by average gross loans (the average balance calculated as the average of the opening balance and the closing balance). An amount of c.€500 mn reflecting the one-off effect of the change in the provisioning assumptions was included in the cost of risk for 1H2017, but was not annualised.
Provisioning coverage ratio for NPEs	Provisioning coverage ratio for NPEs is calculated as accumulated provisions (as defined) over NPEs (as defined).
Quarterly average interest earning assets	Average of interest earning assets as at the beginning and end of the relevant quarter. Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net customer loans and advances, plus investments (excluding equities and mutual funds) and derivatives.
qoq	Quarter on quarter change
Special levy	Relates to the special levy on deposits of credit institutions in Cyprus.
Total Capital ratio	Total capital ratio is defined in accordance with the Capital Requirements Regulation (EU) No 575/2013.
Total expenses	Total expenses comprise staff costs, other operating expenses and the special levy and contribution to the Single Resolution Fund. It does not include “advisory and other restructuring costs-excluding the NPE sale (Helix)” or any restructuring costs or loss relating to NPE sale (Helix). “Advisory and other restructuring costs-excluding the NPE sale (Helix)” amount to €7 mn for 2Q2018, €8 mn for 1Q2018 and €29 mn for the year ended 31 December 2017. Restructuring costs relating to NPE sale (Helix) amount to €6 mn for 2Q2018, €6 mn for 1Q2018 and €Nil for the year ended 31 December 2017. Loss relating to NPE sale (Helix) amounts to €135 mn for 2Q2018, €Nil for 1Q2018 and €Nil for the year ended 31 December 2017.
Total income	Total income comprises net interest income and non-interest income (as defined).
Total provisions and impairments	Total provisions and impairments comprise provision charge (as defined), plus (reversal)/provisions for litigation and regulatory matters plus impairments of other financial and non-financial assets.
Underlying basis	Statutory basis adjusted for certain items as detailed in the Basis of Presentation.
Write offs	Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs, including non-contractual write-offs, may occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers and are part of the terms of the agreement and subject to satisfactory performance.
yoy	Year on year change

Basis of Presentation

This announcement covers the results of Bank of Cyprus Holdings Public Limited Company, "BOC Holdings" or "the Company", its subsidiary Bank of Cyprus Public Company Limited, the "Bank" and together with the Bank's subsidiaries, the "Group", for the six months ended 30 June 2018.

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

Financial information presented in this announcement is being published for the purposes of providing an overview of Group financial results for the six months ended 30 June 2018. The financial information in this announcement does not constitute statutory financial statements of BOC Holdings within the meaning of section 340 of the Companies Act 2014. The Group statutory financial statements for the year ended 31 December 2017, upon which the auditors have given an unqualified report, were published on 27 March 2018 and are expected to be delivered to the Registrar of Companies of Ireland within 28 days of 30 September 2018. The Board of Directors approved the Group statutory financial statements for the six months ended 30 June 2018 on 27 August 2018.

Statutory basis: Statutory information is set out on pages 4-5. However, a number of factors have had a significant effect on the comparability of the Group's financial position and results. Accordingly, the results are also presented on an underlying basis.

Underlying basis: The statutory results are adjusted for certain items (as described on page 8) to allow a comparison of the Group's underlying performance, as set out on pages 6-7.

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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018 have not been audited by the Group's external auditors. The Group's external auditors have conducted a review of the Interim Condensed Consolidated Financial Statements in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

The **Mid-Year Financial Report** for the six months ended 30 June 2018 is available at the Bank of Cyprus Holdings Public Limited Company Office (51, Stassinos Street, Ayia Paraskevi, P.O. Box 24884, 1398, Nicosia, Cyprus) and on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

This announcement and the presentation for the Group Financial Results for the six months ended 30 June 2018 have been posted on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

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

The Group Financial Results for the six months ended 30 June 2018 are presented in Euro (€) and all amounts are rounded as indicated. A comma is used to separate thousands and a dot is used to separate decimals.

Comparative information

The Group has not restated comparative information for 2017 for financial instruments within the scope of IFRS 9. Additionally, the recognition and measurement of expected credit losses under IFRS 9 differs from under IAS 39. Therefore, the comparative information for 2017 which is reported under IAS 39 and is not comparable to the information presented for 2018 which is reported under IFRS 9. New or amended disclosures are presented for the current period according to IFRS 9, where applicable, whereas comparative period disclosures are consistent with those made in other periods. Adjustments arising from the adoption of IFRS 9 have been recognised directly in accumulated losses as at 1 January 2018, as disclosed in Note 7 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Forward Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as "expect", "should be", "will be" and similar expressions or variations thereof. These forward-looking statements include, but are not limited to, statements relating to the Group's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, provisions, impairments, strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other EU Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as from the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.

Contacts

For further information please contact:
Investor Relations
+ 357 22 122239
investors@bankofcyprus.com

The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Bank of Cyprus Group operates through a total of 122 branches, of which 120 operate in Cyprus, 1 in Romania and 1 in the United Kingdom. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4,402 staff worldwide. At 30 June 2018, the Group's Total Assets amounted to €23.7 bn and Total Equity was €2.2 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.