Annual Financial Report 2021

Bank of Cyprus Holdings

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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 Bank of Cyprus Holdings Group's (the Group) near 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 and 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 already caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects to 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.

Non-IFRS performance measures

Bank of Cyprus Holdings Public Limited Company's (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Annual Financial Report as they enable the readers to identify a more consistent basis for comparing the Group's performance between financial periods and provide more detail concerning the elements of performance which management are directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which the operating targets are defined and performance is monitored by the Group's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as the key measures of the 31 December position. Refer to 'Definitions and explanations on Alternative Performance Measures Disclosures' on pages 356 to 370 of the Annual Financial Report for the year ended 31 December 2021 for further information, reconciliations with Consolidated Financial Statements and calculations of non-IFRS performance measures included throughout this document and the most directly comparable IFRS measures.

The Annual Financial Report for the year ended 31 December 2021 is available on the Group's website www.bankofcyprus.com (Group/Investor Relations) (the Group's website).

The Annual Financial Report 2021 of the Group is originally issued in English. The Greek translation of the Annual Financial Report 2021 will be available on the Group's website from 30 March 2022. In case of a difference or inconsistency between the English document and the Greek document, the English document prevails.

The Board of Directors submits to the shareholders of Bank of Cyprus Holdings Public Limited Company (the Company) their Directors' Report together with the audited Consolidated Financial Statements (Consolidated Financial Statements) and Financial Statements of the Company for the year ended 31 December 2021.

The Annual Financial Report relates to the Company and together with its subsidiaries the Group, which was listed on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE) as at 31 December 2021.

Activities

The Company is the holding company of the Group and the sole shareholder of Bank of Cyprus Public Company Ltd (BOC PCL). The principal activities of BOC PCL and its subsidiary companies involve the provision of banking, financial services, insurance services and management and disposal of property predominately acquired in exchange of debt.

All Group companies and branches are set out in Note 51 to the Consolidated Financial Statements. The Group has established branches in Greece. Acquisitions and disposals made during the year 2021 are detailed in Note 51 to the Consolidated Financial Statements.

Group financial results on the underlying basis

Commentary on underlying basis
The financial information presented below provides an overview of the Group financial results for the year ended 31 December 2021 on the 'underlying basis' which management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and one-off items. Reconciliations between the statutory basis and the underlying basis are included in section 'Unaudited reconciliation of the Consolidated Income Statement for the year ended 31 December 2021 between statutory and underlying basis' below and in 'Definitions and explanations on Alternative Performance Measures Disclosures' of this Annual Financial Report for the year ended 31 December 2021 to facilitate the comparability of the underlying basis to the statutory information.

References to pro forma figures and ratios as at 31 December 2021 refer to Projects Helix 3 and Sinope (as explained in the paragraphs further below). All relevant figures are based on 31 December 2021 results, unless otherwise stated. Numbers on a pro forma basis are based on 31 December 2021 underlying basis figures and are adjusted for Projects Helix 3 and Sinope, and assume their completion, which remains subject to customary regulatory and other approvals. As at 31 December 2021, the portfolios of loans, as well as the real estate properties included in Project Helix 3 and Project Sinope, were classified as disposal groups held for sale. References to pro forma figures and ratios as at 31 December 2020 refer to Project Helix 2 (as explained in the paragraphs further below). As at 31 December 2020, the portfolios of loans included in Project Helix 2 were classified as a disposal group held for sale.

Where numbers are provided on a pro forma basis, this is stated and referred to as 'Pro forma for held for sale' or 'Pro forma for HFS'.

The below definitions are used in the commentary that follows the presentation of the underlying basis financial information:

NPE sales: NPE sales refer to sales of NPE portfolios completed, as well as contemplated sale transactions, irrespective of whether or not they meet the held for sale classification criteria at the reporting dates.

Project Helix 3: Project Helix 3 refers to the agreement the Group reached in November 2021 with funds affiliated with Pacific Investment Management Company LLC ('PIMCO'), for the sale of a portfolio of loans with gross book value of €568 million, as well as real estate properties with book value of approximately €120 million as at 30 September 2021, the reference date.

Project Sinope: Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of loans with gross book value of €12 million, as well as properties in Romania with carrying value €0.6 million, as at 31 December 2021.

Project Helix 2: Project Helix 2 refers to the agreement the Group reached in August 2020 with funds affiliated with PIMCO, for the sale of a portfolio of loans with gross book value of €0.9 billion (Helix 2 Portfolio A), as well as to the agreement the Group reached with PIMCO in January 2021 for the sale of an additional portfolio of loans with gross book value of €0.5 billion (Helix 2 Portfolio B). Project Helix 2 sale was completed in June 2021.

Group financial results on the underlying basis (continued)

Further details of the transactions are provided in 'Loan portfolio quality' under the 'Balance Sheet Analysis' section below.

The main financial highlights for the year ended 31 December 2021 are set out below:

Unaudited Consolidated Income Statement on the underlying basis

€ million	**2021**[1]	2020[1,2]
Net interest income	**296**	330
Net fee and commission income	**172**	144
Net foreign exchange gains and net gains on financial instruments transactions and disposal/dissolution of subsidiaries and associates	**24**	15
Insurance income net of claims and commissions	**61**	56
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**13**	7
Other income	**15**	15
Total income	**581**	567
Staff costs	**(202)**	(195)
Other operating expenses	**(145)**	(145)
Special levy on deposits and other levies/contributions	**(36)**	(33)
Total expenses	**(383)**	(373)
Operating profit	**198**	194
Loan credit losses	**(66)**	(149)
Impairments of other financial and non-financial assets	**(36)**	(42)
Net reversal/(provisions) for litigation, claims, regulatory and other matters	**2**	(7)
Total loan credit losses, impairments and provisions	**(100)**	(198)
Profit/(loss) before tax and non-recurring items	**98**	(4)
Tax	**(5)**	(8)
(Profit)/loss attributable to non-controlling interests	**(2)**	3
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	**91**	(9)
Advisory and other restructuring costs-organic	**(22)**	(10)
Profit/(loss) after tax - organic (attributable to the owners of the Company)	**69**	(19)
Provisions/net loss relating to NPE sales[3]	**(7)**	(120)
Restructuring and other costs relating to NPE sales[3]	**(16)**	(26)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**(16)**	(6)
Profit/(loss) after tax (attributable to the owners of the Company)	**30**	(171)

Key Performance Ratios[4]		
Net interest margin	**1.45%**	1.84%
Cost to income ratio	**66%**	66%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**60%**	60%
Operating profit return on average assets	**0.8%**	0.9%
Basic earnings/(losses) per share attributable to the owners of the Company (€ cent)	**6.66**	(38.45)
Basic earnings/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)[5]	**20.50**	(2.12)
Return on tangible equity (ROTE) after tax and before non-recurring items[6]	**5.5%**	(0.5)%

[1]The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.

[2]Represented for the DTC levy of €3 million in financial year 2020 which is now included in 'Special levy on deposits and other levies/contributions' in line with current year presentation.

Group financial results on the underlying basis (continued)

Unaudited Consolidated Income Statement on the underlying basis (continued)

[3]'Provisions/net loss relating to NPE sales' refer to the net loss on transactions completed during the year and the net loan credit losses on transactions under consideration, whilst 'Restructuring and other costs relating to NPE Sales' refer mainly to the costs relating to these trades.

[4]Including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'.

[5]As of 30 June 2021, management monitors 'Basic earnings/(losses) per share attributable to the owners of the Company' calculated using 'Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)', rather than 'Profit/(loss) after tax – organic (attributable to the owners of the Company)' which was previously the case, as management believes it is a more appropriate measure of monitoring recurring performance, as it excludes 'Advisory and other restructuring costs – organic' which do not relate to the underlying or recurring business of the Group as a banking and financial services institution, but mainly to the cost of the Tier 2 Capital Notes tender offer of approximately €12.5 million, as well as certain costs relating to restructuring activities BOC PCL has associated with the organic reduction of NPEs, which have been decreasing as the level of NPEs is being reduced.

[6]'Return on tangible equity (ROTE) after tax and before non-recurring items (annualised)' is calculated as the profit after tax and before non-recurring items (annualised) divided by the shareholders' equity minus intangible assets.

Unaudited Consolidated Balance Sheet on the underlying basis

€ million	**2021[1]**	2020[1]
Cash and balances with central banks	**9,231**	5,653
Loans and advances to banks	**292**	403
Debt securities, treasury bills and equity investments	**2,139**	1,913
Net loans and advances to customers	**9,836**	9,886
Stock of property	**1,112**	1,350
Investment properties	**118**	128
Other assets	**1,876**	1,550
Non-current assets and disposal groups held for sale	**359**	631
Total assets	**24,963**	21,514
Deposits by banks	**457**	392
Funding from central banks	**2,970**	995
Customer deposits	**17,531**	16,533
Loan stock	**643**	272
Other liabilities	**1,281**	1,247
Total liabilities	**22,882**	19,439
Shareholders' equity	**1,839**	1,831
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,059**	2,051
Non-controlling interests	**22**	24
Total equity	**2,081**	2,075
Total liabilities and equity	**24,963**	21,514

Group financial results on the underlying basis (continued)

Unaudited Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios[2]	**2021 (proforma)**	**2021**	2020
Gross loans (€ million)	**10,282**	**10,856**	12,261
Allowance for expected credit losses (€ million)	**467**	**792**	1,902
Customer deposits (€ million)	**17,531**	**17,531**	16,533
Loans to deposits ratio (net)	**56%**	**57%**	63%
NPE ratio	**7.5%**	**12.4%**	25.2%
NPE coverage ratio	**61%**	**59%**	62%
Leverage ratio	**7.6%**	**7.6%**	8.8%
Capital ratios and risk weighted assets[2]			
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)[3]	**15.76%**	**15.14%**	14.80%
Total capital ratio	**20.78%**	**20.01%**	18.35%
Risk weighted assets (€ million)	**10,344**	**10,694**	11,636

[1]The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.

[2]Including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale', where relevant.

[3]The CET1 fully-loaded ratio as at 31 December 2021 amounts to 13.75% and 14.32% pro forma for HFS compared to 12.94% as reported and 13.26% pro forma for Helix 2 (Portfolios A and B) as at 31 December 2020.

Unaudited reconciliation of the Consolidated Income Statement for the year ended 31 December 2021 between the statutory and underlying basis

€ million	**Underlying basis**	**NPE sales**	**Other**	**Statutory basis**
Net interest income	296	-	-	296
Net fee and commission income	172	-	-	172
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates	24	-	(30)	(6)
Insurance income net of claims and commissions	61	-	-	61
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	13	(1)	-	12
Other income	15	-	-	15
Total income	**581**	(1)	(30)	**550**
Total expenses	**(383)**	(16)	(23)	**(422)**
Operating profit	**198**	(17)	(53)	**128**
Loan credit losses	(66)	13	17	(36)
Impairments of other financial and non-financial assets	(36)	(19)	-	(55)
Net reversals of provisions for litigation, claims, regulatory and other matters	2	-	(2)	-
Profit/(loss) before tax and non-recurring items	**98**	(23)	(38)	**37**
Tax	(5)	-	-	(5)
Profit attributable to non-controlling interests	(2)	-	-	(2)
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	**91**	(23)	(38)	**30**
Advisory and other restructuring costs-organic	(22)	-	22	-
Profit/(loss) after tax - organic* (attributable to the owners of the Company)	**69**	(23)	(16)	**30**
Provisions/net loss relating to NPE sales	(7)	7	-	-
Restructuring and other costs relating to NPE sales	(16)	16	-	-
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(16)	-	16	-
Profit after tax (attributable to the owners of the Company)	**30**	-	-	**30**

Group financial results on the underlying basis (continued)

Unaudited reconciliation of the Consolidated Income Statement for the year ended 31 December 2021 between the statutory and underlying basis (continued)

*This is the profit after tax (attributable to the owners of the Company), before provisions/net loss relating to NPE sales, related restructuring and other costs, and restructuring costs related to the Voluntary Staff Exit Plan (VEP).

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

NPE sales
- Total expenses include restructuring costs of €14 million and other expenses of €2 million relating to the agreements for the sale of portfolios of NPEs and are presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis.
- Loan credit losses under the statutory basis include the loan credit losses relating to Project Helix 2 of approximately €1.5 million, reversal of loan credit losses relating to Project Helix 3 of €28 million and an amount of €14 million which represents the effect of discounting the deferred consideration receivable from Project Helix 2, and are disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis.
- 'Net gains from revaluation and disposal of investment properties and on disposal of stock of properties' include a revaluation loss of €1 million relating to investment properties of Project Helix 3 and are presented within 'Provisions/net loss relating to NPE sales' under the underlying basis.
- 'Impairments of other financial and non-financial assets' under the statutory basis include an impairment loss of €19 million relating to stock of properties of Project Helix 3 and are presented within 'Provisions/net loss relating to NPE sales' under the underlying basis.

Other reclassifications
- Net losses on loans and advances to customers at FVPL of approximately €17.5 million included in 'Loan credit losses' under the underlying basis are included in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis. Their classification under the underlying basis is done in order to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.
- Net loss on the early redemption of subordinated loan stock of approximately €12.5 million included in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis is included in 'Advisory and other restructuring costs organic' under the underlying basis, since it represents a one-off item.
- Advisory and other restructuring costs of approximately €9 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 customer loan restructuring activities.
- Reversals net of provisions for litigation, claims, regulatory and other matters amounting to approximately €2 million included in 'Other operating expenses' under the statutory basis, are separately presented under the underlying basis, as provisions for litigation, claims, regulatory and other matters (and reversals thereon) are presented together with impairment of financial and non-financial assets, below operating profit.
- Total expenses under the statutory basis include restructuring costs relating to the voluntary staff exit plan (VEP) of approximately €16 million and are separately presented under the underlying basis, since they represent one-off items.

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,059 million at 31 December 2021, compared to €2,051 million at 31 December 2020. Shareholders' equity totalled €1,839 million at 31 December 2021, compared to €1,831 million at 31 December 2020.

The Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 15.14% as at 31 December 2021 and 15.76% pro forma for held for sale portfolios (referred to as 'pro forma for HFS'), compared to 14.80% as at 31 December 2020 (and 15.16% pro forma for HFS).

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

During the year ended 31 December 2021, the CET1 ratio was positively affected mainly by the pre-provision income, and the decrease in risk-weighted assets (RWA), and negatively affected mainly by provisions and impairments, the phasing-in of IFRS 9 transitional arrangements on 1 January 2021, the prudential charge relating to the Group's foreclosed assets, the cost relating to the tender process for the existing Tier 2 Capital Notes and the cost relating to the Voluntary Staff Exit Plan. Throughout the Annual Financial Report, the capital ratios (and pro forma capital ratios) as at 31 December 2021 include profits for financial year 2021, unless otherwise stated.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually. The amount added back to CET1 each year decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed at the end of the five years. The impact on the capital position for year 2018 was 5% of the impact on the impairment amount from the initial application of IFRS 9, increased to 15% (cumulative) for year 2019, 30% (cumulative) for year 2020, 50% (cumulative) for year 2021 and 75% (cumulative) for year 2022. This will be fully phased in (100%) by 1 January 2023. The phasing-in of the impairment amount from the initial application of IFRS 9 had a negative impact of approximately 62 bps on the CET1 ratio on 1 January 2022.

The CET1 ratio on a fully loaded basis amounted to 13.75% as at 31 December 2021 and 14.32% pro forma for HFS, compared to 12.94% as at 31 December 2020 (and 13.26% pro forma for HFS). On a transitional basis and on a fully phased-in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

The Total Capital ratio stood at 20.01% as at 31 December 2021 and 20.78% pro forma for HFS, compared to 18.35% as at 31 December 2020 (and 18.74% pro forma for HFS).

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

The Group's minimum phased-in Common Equity Tier 1 (CET1) capital requirement as at 31 December 2021 stood at 9.69% (comprising a 4.50% Pillar I requirement, a 1.69% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the Other Systemically Important Institution Buffer of 1.00%).

The SREP Total Capital Requirement as at 31 December 2021 stood at 14.50%, 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 3.00% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the Other Systemically Important Institution Buffer of 1.00%. The European Central Bank (ECB) has also provided non-public guidance for an additional Pillar II CET1 buffer. Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time.

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, the Central Bank of Cyprus (CBC) is the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the O-SII buffer was initially set by the CBC at 2.00%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% every year thereafter, until being fully implemented (2.00%). In April 2020, the CBC decided to delay the phasing-in (0.50%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022 as originally set. In November 2021, the BOC PCL received notification from the CBC that the total O-SII buffer is reduced by 50 bps to 1.50%, therefore the phasing-in of the O-SII buffer on 1 January 2022 and 1 January 2023 has been revised to 0.25% for each period.

In the context of the annual SREP conducted by the ECB in 2021, and based on the final 2021 SREP Decision received in February 2022, the Pillar II requirement has been set at 3.26%, compared to the previous level of 3.00%. The additional Pillar II requirement add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the Pillar II requirement add-on takes into consideration Project Helix 3. The add-on is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

As a result, the Group's minimum phased-in CET1 capital ratio has been set at 10.08% compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's Total Capital requirement was set at 15.01% compared to the previous level of 14.50% (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 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are applicable as from 1 March 2022. The Group's CET1 and Total Capital ratio remain above the new requirements.

Own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

Based on the SREP decision of prior years, the Company and BOC PCL are under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2021 or 2020. Following the final 2021 SREP Decision received in February 2022, the Company and BOC PCL still remain under equity dividend distribution prohibition for 2022. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital. No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company or BOC PCL. Following the final 2021 SREP Decision, the previous restriction on variable pay was lifted.

The ECB, as part of its supervisory role, has completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on the progress BOC PCL makes in disposing the properties in scope. The amount was directly deducted from own funds as at 30 June 2021 resulting in a decrease in the Group's CET1 ratio by approximately 44 bps as at 30 June 2021 and reduced to 32 bps as at 31 December 2021, mainly following impairments taken.

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

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 million as at 30 September 2021, as well as real estate properties with book value of approximately €120 million as at 30 September 2021, known as Project Helix 3. Further details are provided in Section 'Loan portfolio quality' below.

The capital impact of Project Helix 3 on the Group's CET1 ratio was an increase of 8 bps as at 30 September 2021. Overall, by completion (currently expected to occur in the first half of 2022), and including the positive impact already recorded in the income statement during the third quarter of 2021, the transaction is expected to have a total positive impact of approximately 70 bps on the Group's CET1 ratio on the basis of 31 December 2021 figures.

Project Helix 2

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

The capital impact of Project Helix 2 on the Group's CET1 ratio during the second quarter of 2021 was an increase of approximately 20 bps, of which approximately 10 bps arose on completion. Post completion, the transaction was expected to have an additional positive capital impact of approximately 64 bps on the Group's CET1 ratio on the basis of 30 June 2021 figures, upon the full payment of the deferred consideration and without taking into consideration any positive impact from the earnout, thus making the transaction overall capital accretive.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Tier 2 Capital Notes

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

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

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

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

At a meeting held on 30 November 2021, the Board of Directors resolved to exercise BOC PCL's option to redeem the remaining approximately €43 million nominal amount outstanding of the Old T2 Notes. The outstanding Old T2 Notes were redeemed on 19 January 2022.

Following the highly successful Tier 2 refinancing in 2021, the Group continues to monitor opportunities for the optimisation of its capital position, including Additional Tier 1 capital.

Legislative amendments for the conversion of DTA to DTC

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

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

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10 million per year. The Group estimates that such increased fees could range up to approximately €5 million per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. In this respect, an amount of approximately €5 million was recorded in the fourth quarter of 2021 to bring the maximum expected increased amount for years 2018-2021 to €21 million. In 2020, an amount of €3 million was recorded in the fourth quarter 2020 to bring the maximum expected increased amount for years 2018-2020 to €16 million.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives

Revised rules on capital and liquidity (CRR II and CRD V)

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

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

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

In October 2021, the European Commission adopted legislative proposals for further amendments to 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. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

Bank Recovery and Resolution Directive (BRRD)

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.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

As per the decision, the final MREL requirement was set at 23.74% 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, an interim requirement to be met by 1 January 2022 was set at 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

In June 2021, BOC PCL executed its inaugural MREL transaction issuing €300 million 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 BOC PCL 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 MREL requirements of BOC PCL.

The MREL ratio of BOC PCL as at 31 December 2021, calculated according to the SRB's eligibility criteria currently in effect and based on BOC PCL's internal estimate, stood at 19.31% of risk weighted assets (RWA) and at 9.87% of LRE. Pro forma for HFS, the MREL ratio of BOC PCL as at 31 December 2021, calculated on the same basis, stood at 20.18% of risk weighted assets. As at 1 January 2022, the MREL ratio stood at 18.44% of RWAs and 9.56% of LRE, calculated on the same basis. Pro forma for HFS, the MREL ratio as at 1 January 2022 stood at 19.30% of RWAs. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stood at 3.5% until 31 December 2021, increased to 3.75% on 1 January 2022 and is expected to increase to 4.0% on 1 January 2023. The MREL ratios disclosed throughout include profits for the financial year 2021, unless otherwise stated.

The successful Tier 2 capital refinancing in April 2021 and the inaugural issuance of MREL-compliant senior notes in June 2021 mark the foundation for BOC PCL's plan to meet applicable MREL requirements. The interim MREL requirement as at 1 January 2022 has been satisfied, and BOC PCL will continue to evaluate opportunities to advance the build-up of its MREL liabilities.

Funding and Liquidity

Funding

Funding from Central Banks

At 31 December 2021, BOC PCL's funding from central banks amounted to €2,970 million, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €995 million as at 31 December 2020.

In June 2021, BOC PCL borrowed an amount of €300 million under the eighth TLTRO III operation, increasing the borrowing under TLTRO III to €3,000 million, as BOC PCL had already borrowed an amount of €1,700 million under the seventh TLTRO III operation in March 2021 and an amount of €1,000 million under the fourth TLTRO III operation in June 2020, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements.

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

Based on internal estimations (subject to confirmation from the CBC), BOC PCL has also exceeded the benchmark net lending threshold in the period 1 October 2020 - 31 December 2021 and is therefore expected to qualify for a beneficial rate for the period from June 2021 to June 2022. BOC PCL estimates the NII benefit from its TLTRO III borrowing for the period from June 2021 to June 2022 at approximately €15 million, recognised over the respective period in the income statement.

It is expected that the favourable borrowing terms will not be extended post June 2022.

Deposits

Customer deposits totalled €17,531 million at 31 December 2021 (compared to €16,533 million at 31 December 2020) and increased by 6% during the year.

BOC PCL's deposit market share in Cyprus reached 34.8% as at 31 December 2021, compared to 35.0% at 31 December 2020. Customer deposits accounted for 70% of total assets and 77% of total liabilities at 31 December 2021 (compared to 77% of total assets and 85% of total liabilities at 31 December 2020).

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and liquidity (continued)

The net Loans to Deposits (L/D) ratio stood at 57% as at 31 December 2021 (compared to 63% as at 31 December 2020 on the same basis). The decrease of 6 p.p. in the year ended 31 December 2021 is mainly due to the completion of Project Helix 2 in June 2021 and the increase in deposits in 2021. Pro forma for HFS, the L/D ratio as at 31 December 2021 stood at 56%.

Loan Stock

At 31 December 2021, the Group's loan stock (including accrued interest) amounted to €643 million (compared to €272 million at 31 December 2020) and relates to unsecured subordinated Tier 2 Capital Notes and senior preferred notes.

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

Liquidity

At 31 December 2021, the Group Liquidity Coverage Ratio (LCR) stood at 298% (compared to 254% at 31 December 2020), above the minimum regulatory requirement of 100%. The liquidity surplus in LCR at 31 December 2021 amounted to €6.3 billion (compared to €4.2 billion at 31 December 2020). The increase in 2021 is mainly driven by the increase in TLTRO and customer deposits.

At 31 December 2021, the Group Net Stable Funding Ratio (NSFR) stood at 147% (compared to 139% at 31 December 2020), above the minimum regulatory requirement of 100%, enforced in June 2021 as per CRR II.

Loans

Group gross loans (inclusive of those classified as held for sale) totalled €10,856 million at 31 December 2021, compared to €12,261 million at 31 December 2020, reduced by 11% during the year mainly due to the completion of Project Helix 2.

New lending granted in Cyprus reached €1,792 million for 2021 (up by 33% yoy and approaching 2019 pre-pandemic levels). New lending in 2021 comprised €798 million of corporate loans, €655 million of retail loans (of which €475 million were housing loans), €189 million of SME loans and €150 million of shipping and international loans. New corporate loans in 2021 have increased by approximately 34% on the prior year, as the economic activity has continued to improve. At the same time, demand for retail housing loans remained strong, supported by the Government interest rate scheme (expired on 31 December 2021).

At 31 December 2021, the Group net loans and advances to customers (excluding those classified as held for sale) totalled €9,836 million (compared to €9,886 million at 31 December 2020).

In addition, at 31 December 2021 net loans and advances to customers of €250 million were classified as held for sale in line with IFRS 5 of which €243 million related to Project Helix 3 and €7 million to Project Sinope (see below), compared to €493 million as at 31 December 2020, of which €485 million related to Project Helix 2 and €8 million to Helix Tail.

BOC PCL is the single largest credit provider in Cyprus with a market share of 38.8% at 31 December 2021, compared to 41.9% at 31 December 2020. The decrease in the year is mainly due to the completion of Project Helix 2.

Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and normalising the cost of risk and other impairments, whilst managing the post-pandemic NPE inflows.

The loan credit losses for 2021 totalled €66 million (excluding 'Provisions/net (loss)/profit relating to NPE sales'), compared to €149 million in 2020. Further details regarding loan credit losses are provided in Section 'Profit/(loss) before tax and non-recurring items' below.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable under COVID-19 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. In addition, in early 2022 the Group has enhanced its monitoring to sectors, such as tourism, that are impacted from the consequences of the Ukrainian crisis (as further discussed in the 'Operating Environment' and 'Business Overview' Sections below).

The Group will continue to monitor the situation, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 disease due to virus mutations, and the persistent positive effect of fiscal and monetary policy, are timely captured.

Loan moratorium

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

Performing loans as at 31 December 2021 under expired payment deferrals amounted to €4.60 billion (compared to €5.3 billion as at 31 December 2020), of which €4.58 billion had an instalment due by 15 March 2022 with a strong performance; 96% presented no arrears (of which €0.73 billion have been restructured until 15 March 2022) and only 4% (€196 million) are in arrears (of which €192 million are less than 30 days-past-due). 65% of restructurings took place in the first six months of 2021.

Performing loans to private individuals as at 31 December 2021 under expired payment deferrals amounted to €1.7 billion, of which almost all had an instalment due by 15 March 2022. Of those, 91% presented no arrears (of which approximately €34 million have been restructured until 15 March 2022) and only 9% (€151 million) are in arrears (of which €148 million are less than 30 days-past-due).

Similarly, performing loans to businesses as at 31 December 2021 under expired payment deferrals amounted to €2.9 billion, of which 99% had an instalment due by 15 March 2022. Of those, 98% presented no arrears (of which approximately €0.69 billion have been restructured until 15 March 2022, mostly in the tourism sector) and only 2% (€45 million) are in arrears.

In 2021, net reclassifications of €43 million of loans under expired payment deferrals were made from Stage 2 to Stage 1, mainly due to improved macroeconomic assumptions and updated financial information. In addition, net reclassifications of approximately €37 million of loans under expired payment deferrals were made mainly from Stage 2 to Stage 3. References made to 'loans under expired payment deferrals' in this paragraph include current account and overdrafts.

The provision coverage of Stage 3 loans under expired payment deferrals of approximately 32% as at 31 December 2021 is considered to be adequate, as it is higher than the coverage of re-performing NPEs (NPEs in the pipeline to exit, subject to meeting all exit criteria) of 28%.

Loan credit losses in 2021 amounted to €66 million, reflecting an annualised cost of risk of 0.57% and include a net reversal of loan impairments relating to COVID-19 (including related impact on macroeconomic assumptions) of approximately €5 million (4 bps). Following continuing signs of recovery, the majority of COVID-19 related management overlays applied in 2020 and the first half of 2021 were removed in the third quarter of 2021 as a result of stronger than expected economic performance. In 2020, the impact of IFRS 9 Forward Looking Information (FLI) driven by the update of the macroeconomic assumptions resulted in a €54 million charge (43 bps) included in loan credit losses of €149 million (cost of risk of 1.18%). Further details on the cost of risk are provided in Section 'Profit/(loss) before tax and non-recurring items'.

Close monitoring of the credit quality of these loans continues and customers with early arrears are offered solutions. BOC PCL has a strong track record in dealing with restructurings. Targeted restructuring solutions are offered to alleviate pandemic-related short-term cash flow burden, following rigorous assessment of repayment ability. To date, most restructurings relate to the tourism sector.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

As at 31 December 2021, the Group's non-legacy loan book exposure to tourism was limited to €1.15 billion (out of a total non-legacy loan book of €9.5 billion), of which approximately €0.87 billion of performing loans as at 31 December 2021 were under expired payment deferrals. 99% of those had an instalment due by 15 March 2022 and of those almost all presented no arrears (of which €350 million have been restructured until 15 March 2022 and 80% of these restructurings took place in the first half of 2021).

Tourism performance in 2021 was better than initially anticipated. There was a steady monthly recovery of tourist arrivals, as the tourism season extended until October. Tourist arrivals in October 2021 reached 90% of corresponding levels in 2019, whilst tourist arrivals in the second half of 2021 reached approximately 70% of corresponding levels in 2019. It is important to note, that the majority of 'accommodation' customers entered the crisis with significant liquidity, following strong performance in recent years and that 98% of the tourism sector portfolio is secured by property.

The crisis in Ukraine may have an adverse impact on the Cypriot economy, partly due to a negative impact on tourism. This impact will depend on the duration and severity of the crisis which remain uncertain at this stage. In response, the Government is working to replace tourist arrivals from Russia and Ukraine (which amounted to approximately 20% of 2019 levels) through the promotion of domestic tourism and arrivals from other markets, such as Germany, Israel, Poland, Austria, Switzerland, Italy, France, Sweden and Hungary. Close monitoring of exposures to the tourism sector is enhanced and the Group remains in close contact with customers to offer solutions as necessary. For further details on the Ukrainian crisis, please refer to section 'Business Overview' further below.

Respectively, as at 31 December 2021 the Group's non-legacy loan book exposure to trade was €0.94 billion, of which €0.29 billion of performing loans as at 31 December 2021 were under expired payment deferrals. Almost all had an instalment due by 15 March 2022 and of those, 98% presented no arrears (of which €18 million have been restructured) and only 2% presented arrears.

The table below presents the loans under expired payment deferrals, by IFRS 9 staging.

IFRS 9 staging for loans under expired payment deferrals (€ billion)	**2021**	2020
Stage 1	**3.51**	3.96
Stage 2	**1.37**	1.58
Stage 3	**0.22**	0.33
Total (includes overdrafts and current accounts)	**5.10**	5.87

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

Non-performing exposure reduction

During 2021 non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €1,743 million, comprising NPE sales of €1,305 million, net NPE reductions of €438 million (of which approximately €400 million organic and €38 million relating to Project Helix 3 loans) to €1,343 million at 31 December 2021 (compared to €3,086 million at 31 December 2020). Pro forma for HFS, NPEs are reduced by a further €572 million to €771 million on the basis of 31 December 2021 figures. Overall in 2021, NPEs were reduced by 75% on pro forma basis.

The NPEs account for 12.4% of gross loans as at 31 December 2021, compared to 25.2% as at 31 December 2020, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. The reduction in NPE ratio by approximately 13 p.p. in the year is driven by the completion of Project Helix 2. Pro forma for HFS, the NPE ratio is reduced to 7.5% on the basis of 31 December 2021 figures.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

The NPE coverage ratio stands at 59% at 31 December 2021, compared to 62% at 31 December 2020 on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. Pro forma for HFS, NPE coverage ratio is 61% on the basis of 31 December 2021 figures.

As of 1 January 2021, the new regulation on Definition of Default has been implemented, affecting NPE exposures and the calculation of Days-Past-Due (please refer to Note 2.19.2 of the Consolidated Financial Statements for the changes in the definition).

	2021 Pro forma for HFS		**2021**		2020 Pro forma for HFS		2020	
	€ million	**% gross loans**	**€ million**	**% gross loans**	€ million	% gross loans	€ million	% gross loans
NPEs as per EBA definition	**771**	**7.5%**	**1,343**	**12.4%**	1,760	16.1%	3,086	25.2%
Of which, in pipeline to exit: - NPEs with forbearance measures, no arrears*	**142**	**1.4%**	**152**	**1.4%**	245	2.2%	303	2.5%

*The analysis is performed on a customer basis.

Project Helix 3

In November 2021, the Group reached agreement for the sale of a portfolio of NPEs with gross book value of €568 million as at 30 September 2021, as well as real estate properties with book value of approximately €120 million as at 30 September 2021, to funds affiliated with Pacific Investment Management Company LLC (PIMCO), known as Project Helix 3. This portfolio of loans had a contractual balance of €993 million as at the reference date of 31 May 2021 and comprises approximately 20,000 loans, mainly to retail clients. As at 31 December 2021, this portfolio of loans, as well as the real estate properties included in Helix 3, were classified as a disposal group held for sale. At completion, currently expected to occur in the first half of 2022, BOC PCL will receive gross cash consideration of approximately €385 million.

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

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

Project Helix 3 represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. Pro forma for HFS, the Group's NPE ratio is in single digit. Helix 3 reduced the stock of NPEs by approximately 42% to €771 million pro forma on the basis of 31 December 2021 figures, and the Group's NPE ratio by approximately 5 percentage points, to 7.5% pro forma on the basis of 31 December 2021 figures. Overall, since the peak in 2014 and pro forma for HFS, the stock of NPEs has been reduced by €14.2 billion or 95% to €0.8 billion and the NPE ratio by 55 percentage points, from 63% to less than 8%.

The Group has early achieved its previous 2022 target for a single digit NPE ratio and is on track to achieve an NPE ratio of approximately 5% by the end of 2022 and less than 3% by the end of 2025.

Project Helix 2

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

The consideration for the sale amounts to approximately €560 million, of which approximately €165 million were received in cash by completion. The remaining amount is payable in four instalments up to December 2025 without any conditions attached, of which approximately €85 million were received in December 2021. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios.

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

Project Sinope

In December 2021, BOC PCL entered into an agreement for the sale of a portfolio of NPEs, with a contractual balance of €146 million and a gross book value of €12 million as at 31 December 2021, as well as properties in Romania with carrying value €0.6 million as at 31 December 2021 (known as 'Project Sinope'). The sale is subject to the necessary approvals and is expected to be completed within the first half of 2022. The portfolio has been classified as held for sale as at 31 December 2021.

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 €1.37 billion and exceed properties on-boarded for the same period of €1.32 billion.

The Group completed disposals of €140 million during the year ended 31 December 2021, including disposals of approximately €6 million relating to completed NPE sales (compared to €80 million during the year ended 31 December 2020), resulting in a profit on disposal of €14 million for the year ended 31 December 2021 (compared to a profit on disposal of €9 million for the year ended 31 December 2020), following the relaxation of restrictive measures. Asset disposals are across all property classes, with approximately half of sales by value in 2021 relating to land.

During 2021, assets held by REMU with carrying value of €102 million were transferred to "non-current assets and disposal groups held for sale" as they were included in Project Helix 3 and Project Sinope. As at 31 December 2021, the carrying value of these assets stood at €98 million (comprising stock of property of €93 million and investment properties of €5 million). Pro forma for non-current assets and disposal groups held for sale, assets held by REMU were reduced by 17% in 2021.

During 2021, the Group executed sale-purchase agreements (SPAs) for disposals of 703 properties (with contract value of €149 million), compared to SPAs for disposals of 492 properties (with contract value of €91 million) for 2020. Pro forma for non-current assets and disposal groups held for sale, the Group executed SPAs of 1,130 properties with contract value of approximately €250 million during 2021, representing an increase (by contact value) of over 170% compared to 2020.

In addition, the Group had a strong pipeline of €109 million by contract value as at 31 December 2021, of which €47 million related to SPAs signed (compared to a pipeline of €81 million as at 31 December 2020, of which €53 million related to SPAs signed).

REMU on-boarded €34 million of assets in 2021 (compared to additions of €146 million in 2020, including €22 million transferred from own use properties), via the execution of debt for asset swaps and repossessed properties.

Details with respect to the prudential charge relating to the onsite inspection findings are provided above in the 'Capital Base' section.

Assets held by REMU
As at 31 December 2021, assets held by REMU (excluding assets classified as held for sale) had a carrying value of €1,215 million (comprising properties of €1,112 million classified as 'Stock of property' and €103 million as 'Investment properties'), compared to €1,473 million as at 31 December 2020 (comprising properties of €1,350 million classified as 'Stock of property' and €123 million as 'Investment properties').

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Real Estate Management Unit (REMU) (continued)

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €15 million as at 31 December 2021, compared to €5 million as at 31 December 2020 are not managed by REMU. These relate mainly to legacy properties held by the Group before the set-up of REMU in January 2016 and to assets classified as 'Investment properties' following a change in use.

Income Statement Analysis

Total income
Net interest income (NII) for 2021 amounted to €296 million, compared to €330 million in 2020, down by 10% compared to previous year, mainly due to the continuing pressure from the low interest rate environment and the completion of Helix 2, partially offset by the increase in TLTRO III in 2021 and the reduction in the cost of deposits.

The NII for 2021 includes an amount of approximately €15 million which relates to the NII of the loans included in Project Helix 2 (Portfolios A and B) recognised up to 30 June 2021, before completion in June 2021. The reduction in NII as a result of the completion of Project Helix 2 has been partially offset by an amount of €5 million in the second half of 2021 relating to the unwinding of the net present value and interest income of the deferred consideration, which is expected to continue until 2023, on the basis of repayments and assuming no early repayment in 2023.

Average interest earning assets (AIEA) for 2021 amounted to €20,436 million, up by 14% compared to a year earlier, driven by the increase in liquid assets following the increase in the borrowing under TLTRO III by €2.0 billion, as well as the increase in deposits by €1 billion, compared to 2020.

Net interest margin (NIM) for 2021 amounted to 1.45%, compared to 1.84% for 2020, negatively impacted by the decrease in NII and the increase in AIEA.

Non-interest income for 2021 amounted to €285 million, compared to €237 million for 2020, up by 20% on the prior year, comprising net fee and commission income of €172 million, net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €24 million, net insurance income of €61 million, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €13 million and other income of €15 million. The increase compared to the prior year is driven by higher net fee and commission income, higher net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates, higher net insurance income, as well as higher REMU disposal gains and lower revaluation losses on investment properties.

Net fee and commission income for 2021 amounted to €172 million, compared to €144 million for 2020, up by 19% on the prior year, and above pre-pandemic levels, reflecting higher volume of transactions, as well as the extension of liquidity fees to a broader group of corporate clients and the introduction of a revised price list for charges and fees, both implemented as of 1 February 2021. Net fee and commission income for 2021 includes an amount of approximately €7 million relating to an NPE sales-related servicing fee, for a transitional period that ended at the end of the third quarter of 2021.

Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €24 million for 2021 (comprising net foreign exchange gains of €16 million and net gains on financial instrument transactions of €8 million), compared to €15 million for 2020, increased by 65% on the prior year driven mainly by higher net gains on financial instruments.

Net insurance income of €61 million for 2021, compared to €56 million for 2020, up by 9% compared to the previous year, mainly due to higher gross written premiums, partly offset by the net impact from the changes in the discount rate in the life insurance business and by higher costs and claims in the general insurance business (as claims in 2020 had been positively impacted by lockdowns).

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 2021 amounted to €13 million (comprising net gains on disposal of stock of properties of €13 million, net gains on disposal of investment properties of €1 million and net losses from revaluation of investment properties of €1 million), compared to €7 million in 2020 which had been impacted by the lockdown measures.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total income (continued)

Total income for 2021 amounted to €581 million, compared to €567 million for 2020, up 2% compared to the prior year.

Total expenses

Total expenses for 2021 were €383 million, compared to €373 million for 2020, up by 2% compared to the prior year, 53% of which related to staff costs (€202 million), 38% to other operating expenses (€145 million) and 9% (€36 million) to special levy on deposits and other levies/contributions. The yearly increase of 2% is driven by the 4% yearly increase in staff costs. Further details are provided below.

Total operating expenses for 2021 were €347 million, compared to €340 million for 2020, up by 2% compared to the prior year.

Staff costs for 2021 were €202 million, compared to €195 million for 2020, increased by 4% compared to the prior year, in line with the renewal of the collective agreement for 2021.

In July 2021, BOC PCL reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement related to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of BOC PCL and are in line with market best-practice. The expected impact of the renewal was an increase in staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years.

The Group employed 3,438 persons as at 31 December 2021, compared to 3,573 as at 31 December 2020. During the second half of the year 2021, 96 persons relating to Project Helix 2 were transferred to the buyer upon full migration. In December 2021, the Group completed a small-scale targeted voluntary staff exit plan (VEP), through which approximately 100 of the Group’s full-time employees were approved to leave at a total cost of €16 million, recorded in the consolidated income statement in the fourth quarter of 2021 as a non-recurring item in the underlying basis (compared to a total cost of €6 million for a targeted voluntary staff exit plan completed in December 2020). Following the completion of the VEP in December 2021, the gross annual savings are estimated at approximately 3% of staff costs.

Other operating expenses for 2021 were €145 million, down 1% compared to previous year.

Special levy on deposits and other levies/contributions for 2021 amounted to €36 million, compared to €33 million for 2020, up by 8% compared to the prior year. Special levy on deposits and other levies/contributions for 2021 include a levy in the form of an annual guarantee fee relating to the expected revised income tax legislation (DTC levy) of approximately €5 million recorded in the fourth quarter of 2021 (see ‘Capital Base’ section above). The special levy on deposits and other levies/contributions for 2020 were represented to include the DTC levy of approximately €3 million.

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

The cost to income ratio excluding special levy on deposits and other levies/contributions for 2021 was 60%, flat compared to the previous year.

Profit/(loss) before tax and non-recurring items

Operating profit for 2021 was €198 million, compared to €194 million for 2020, up by 2% compared to the prior year.

Loan credit losses for 2021 totalled €66 million, compared to €149 million for 2020, down by 55% compared to the prior year.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Profit/(loss) before tax and non-recurring items (continued)

The annualised loan credit losses charge (cost of risk) for 2021 accounted for 0.57% of gross loans and includes a net reversal of loan impairments relating to COVID-19 (including related impact on macroeconomic assumption) of 4 bps (compared to an annualised loan credit losses charge of 1.18% for 2020, of which 43 bps reflect loan impairments relating to COVID-19). Further details are provided in Section 'Loan portfolio quality' above.

At 31 December 2021, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures totalled €792 million (compared to €1,902 million at 31 December 2020) and accounted for 7.3% of gross loans, including portfolios held for sale (compared to 15.5% of gross loans, including portfolios held for sale and at 31 December 2020 respectively).

Impairments of other financial and non-financial assets for 2021 amounted to €36 million, compared to €42 million for 2020, down by 15% compared to the prior year, driven by lower revaluation losses on properties.

Reversals net of provisions for litigation, claims, regulatory and other matters for 2021 amounted to €2 million, compared to provisions of €7 million for 2020.

Profit before tax and non-recurring items for 2021 totalled €98 million, compared to a loss of €4 million for 2020.

Profit/(loss) after tax (attributable to the owners of the Company)
The tax charge for 2021 is €5 million, compared to €8 million for 2020.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 2021 was €91 million, compared to a loss of €9 million for 2020. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 5.5% for 2021, compared to a negative return of -0.5% for 2020.

Advisory and other restructuring costs - organic for 2021 amounted to €22 million (compared to €10 million for 2020), mainly driven by an amount of approximately €12.5 million which related to the cost of the tender offer for the 'Old T2 Notes', thereby forfeiting the relevant obligation for future coupon payments.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 2021 amounted to €69 million, compared to a loss of €19 million for 2020.

Provisions/net loss relating to NPE sales for 2021 were €7 million, compared to €120 million for 2020.

Restructuring and other costs relating to NPE sales for 2021 was €16 million, compared to €26 million for 2020.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €16 million for 2021 (compared to €6 million for 2020). For further details please refer to 'Total expenses' section.

Profit after tax attributable to the owners of the Company for 2021 was €30 million (compared to a loss of €171 million for 2020).

Operating environment

Economic activity recovered strongly in 2021, driven by domestic demand in the first half of 2021 and by external demand in the second half of 2021 reflecting a strong recovery in tourist activity in the period. Government support to businesses and households remained substantial in the year but the budget deficit narrowed substantially driven by increased revenues. Inflation accelerated in the second half of 2021 and unemployment remained largely unchanged from the previous year. Over the medium term, prospects remain positive aided also by the Recovery and Resilience Fund of Next Generation EU, but the crisis over Ukraine has increased downside risks.

Operating environment (continued)

The Russian invasion of Ukraine and the sanctioning of Russia are expected to have profound impact on the Russian economy, and serious macroeconomic implications for the European Union and the global economy. The invasion and sanctions constitute a major shock both in supply chains and in energy prices. Supply chains have been disrupted causing shortages in agricultural commodities and metals. Energy prices have risen and are expected to remain elevated for longer. Inflationary pressures that were building before the outbreak of the Ukrainian crisis, have escalated and central banks have started their tightening cycles. The Bank of England raised its policy rates three times in the first quarter to 0.75% and inflation increased to 5.5% in February 2022. In the USA, the Federal Reserve raised interest rates by 25 bps in mid-March 2022 and indicated another six hikes in 2022 and three more in 2023 before pausing. In March 2022, the ECB maintained its main refinance rate unchanged at zero, but indicated that quantitative easing will likely end sooner rather than later, and that interest rates may start to rise earlier than anticipated. Raising interest rates to contain inflation would be adding to uncertainty and negatively impacting the growth outlook.

The crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. The impact on the Cypriot economy remains uncertain and will depend on the duration and severity of the crisis.

The European Union is expected to absorb the cost from the influx of refugees who are expected to be in the millions and undertake short-term measures to lessen the impact of higher inflation on the most vulnerable segments of the population. In the short-term fiscal expansion is expected to be debt financed but longer-term structural changes will be needed.

The Next Generation EU is a significant initiative and countries may need to utilise additional resources still available in the form of loans, given the uncertainties associated with the crisis in Ukraine. The purpose of Next Generation EU is ultimately about the future, to help fund the key investments that will be needed for the green and digital transitions, and so enhance the potential and economic resilience of member states. Structural reform is an integral part of this process, and ultimately a critical factor that will determine the effectiveness of the investments.

Cyprus received €157 million in EU recovery fund pre-financing in September 2021 (13% of the total allocated amount), following the approval of its national recovery plan in July 2021. The bulk of the funds are expected to be released in 2022-2024 depending on the strict implementation of reform priorities agreed with the EU. These include, increasing the efficiency of public and local administrations; improving the government of state-owned enterprises; reducing further the levels of non-performing loans in the banking sector; improving the efficiency of the judicial system; and accelerating anti-corruption reforms.

The COVID-19 pandemic had a significant impact on the economy with real GDP dropping by 5.0% in 2020 compared with an average drop of 6.4% in the Eurozone. The recovery in 2021 was relatively strong with real GDP rising by 5.5% according to the Cyprus Statistical Service, fully recovering the lost output from the previous year. Tourist arrivals recovered strongly in the year, particularly in the second half. On average for 2021, tourist arrivals were approximately 50% of 2019 levels, but reached approximately 70% of 2019 levels in the second half of the year. The crisis in Ukraine may have an adverse impact on the Cypriot economy, partly due to a negative impact on tourism. This impact will depend on the duration and severity of the crisis which remain uncertain at this stage. In response, the Government is working to replace tourist arrivals from Russia and Ukraine (which amounted to approximately 20% of 2019 levels) through the promotion of domestic tourism and arrivals from other markets, such as Germany, Israel, Poland, Austria, Switzerland, Italy, France, Sweden and Hungary. Close monitoring of exposures to the tourism sector is enhanced and the Group remains in close contact with customers to offer solutions as necessary.

The unemployment rate has been declining since its peak in 2014, to 7.7% in 2020 and to 7.8% in the first three quarters of 2021. The labour market is gradually tightening because employment volumes are rising faster than increases in the labour force. On the supply side of the labour market, the labour force is constrained by slowing population growth, skill mismatches especially after the pandemic crisis, and low participation rates in segments of the population.

Consumer prices accelerated from the second quarter onwards, and more steeply in the second half of the year. In total for 2021, consumer prices increased by 2.4% and by 4.4% in the second half alone. Cyprus's consumer price inflation has followed a similar trend to that in the euro area. The acceleration largely reflects higher global prices for energy and transport goods, which were driven by recovering aggregate demand against supply-chain bottlenecks. There were also structural factors at play. The end of the temporary VAT reduction in January 2021 resulted in stronger price growth in a year-on-year comparison from July 2021.

Operating environment (continued)

The current account deficit deteriorated in 2020-2021 due to the loss of revenues from export services, mainly tourism. The current account deficit was 10.1% of GDP in 2020 and it is estimated at 9.1% of GDP in 2021 (European Commission). The size of Cyprus' current account deficit reflects special-purpose vehicles domiciled in Cyprus through which foreign enterprises register ships in Cyprus which adds to fixed investment and imports.

Cyprus is an exports oriented, services-based economy, driven by tourism, shipping and professional and financial services. Total services account for more than 80% of total gross value added. The primary and secondary sectors are relatively small. This means that Cyprus is also a large importer of goods, relative to the size of the economy and tends to have large trade deficits which are offset by large services surpluses in the current account.

In the banking sector there has been significant progress since the 2013 financial crisis. Banks have reduced their foreign exposure; the regulatory framework and prudential oversight have been strengthened; a new legal framework for foreclosures and insolvencies has been implemented. Non-performing exposures have been reduced from €28.4 billion in 2014 to €4.3 billion as at the end of October 2021. The ratio of non-performing exposures to gross loans dropped from 47.8% to 15.2% in the same period and the coverage ratio of provisions to non-performing exposures increased slightly to 50.6%. The ratio of non-performing exposures still remains elevated when compared with an EU average of just over 2%. Total loans to the private sector also declined steeply in the same period. Loans to residents excluding the government, dropped to €23.3 billion at the end of December 2021, including the non-performing loans, which is approximately 100% of GDP in 2021.

Cyprus public finances deteriorated sharply in 2020 as a result of the recession and the fiscal measures that were implemented to support the economy against COVID-19. The budget deteriorated from a surplus of 1.3% of GDP in 2019 to a deficit of 5.6% of GDP in 2020. Public finances strengthened in 2021 despite substantial government support measures and the budget deficit dropped to 1.8% of GDP. This was driven primarily by sharp increases in tax revenues and social security contributions in the second and third quarters. Expenditures rose at a much slower pace in the period following sharp increases the year before. General government debt remained almost unchanged in 2021 and the debt-to-GDP ratio declined from 115% at end-2020 to 103.9% at end-2021.

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 2022, Fitch Ratings affirmed Cyprus' Long-Term Issuer Default rating at investment grade at BBB- since November 2018 and a stable outlook. The stable outlook reflects the view that despite Cyprus' exposure to Russia through its tourism and investment linkages, near-term risks are mitigated by a strengthened government fiscal position, and continued normalisation of spending after the pandemic shock. Meanwhile, medium-term growth prospects remain positive on the back of the government's Recovery and Resilience Plan (RRP).

Also in March 2022, S&P Global Ratings affirmed Cyprus' investment grade rating of BBB- and positive outlook. The positive outlook reflects the view that Cyprus' sovereign rating could be upgraded within the next 24 months if the country's economic and budgetary performance continues to strengthen, supported by the Government's implementation of structural reforms. In March 2022, S&P Global Ratings affirmed rating of BBB- and positive outlook stressing that despite the Ukrainian crisis and economic sanctions against Russia, the medium-term outlook for the Cyprus economy remains strong.

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

Operating environment (continued)

In October 2021, DBRS Morningstar confirmed Cyprus' Long-Term Foreign and Local Currency Issuer Ratings at BBB (low) and upgraded its outlook from stable to positive trend. This reflects the expectation that Cyprus's public debt ratio will most likely return to its pre-pandemic downward path starting from 2021, supported by a solid economic growth and fiscal repair. In a March 2022 commentary DBRS Morningstar noted that Russia's invasion of Ukraine increases downside risks to otherwise strong medium-term economic prospects.

Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In February 2022, Standard and Poor's affirmed their long-term issuer credit rating on BOC PCL of B+, maintaining the positive outlook. In December 2021, Moody's Investors Service upgraded the BOC PCL's long-term deposit rating to Ba3 from B1, maintaining the positive outlook. The upgrade reflects significant ongoing improvement in the BOC PCL's asset quality following the agreement reached in Project Helix 3 in November 2021. In December 2021, Fitch Ratings affirmed BOC PCL's long-term issuer default rating of B- and revised the outlook to positive from negative. The revision of the outlook reflects significant improvement in asset quality following the agreement reached on Project Helix 3, as well as in organically reducing problem assets since the end of 2019, despite an adverse operating environment in Cyprus, together with an expectation that this trend will continue in the near future.

Strategic priorities for the medium-term

The Group is a diversified, leading, financial and technology hub in Cyprus. It has delivered significant progress against its strategy announced in November 2020 and this has allowed the Group to update its medium term strategic targets with an increased focus on creating shareholder value. In February 2022, the Group increased its medium term return on tangible equity (ROTE) target to over 10%, providing the foundations for a return of dividend distributions, subject to performance and relevant approvals.

The medium-term strategic priorities of the Group are clear, with a renewed focus on growing revenues in a more capital efficient way, whilst striving for a leaner operating model. In addition, the Group continues to focus on further strengthening its asset quality, whilst maintaining a good capital position, in order to continue to play a vital role in supporting the recovery of the Cypriot economy. Moreover, the Group has set the foundations to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda and continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities. Delivery on the medium term strategic priorities of the Group is enabled by the Group's transformation plan.

Despite the uncertainties associated with the Ukrainian crisis (further details are provided below), the Group intends to continue executing its strategy in a disciplined manner in 2022 and beyond, focusing on improving sustainable profitability by growing revenues, while remaining disciplined on costs and capital.

Growing revenues in a more capital efficient way

The Group has a renewed focus on growing revenues in a more capital efficient way. It aims 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 accelerated de-risking of the balance sheet and the expected non-extension of the favourable terms of the TLTRO borrowing post June 2022 are expected to increase pressure on net interest income (NII) in the near term. This is expected to gradually recover from 2023 onwards as loan expansion and margin stabilisation more than offset the foregone NII.

Separately, the Group aims to increase 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.

Gradual recovery of NII

Over the medium-term, the Group aims to improve its NII through the growth of its net performing book by approximately 6% per annum and margin stabilisation, with an expected contribution to return on tangible equity (ROTE) in 2025 of an increase of approximately 1%.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

The Group has continued to provide high quality new loans via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries more in line with the target risk profile of BOC PCL. During 2021, new lending amounted to €1.8 billion, increased by 33% on the prior year and recovering towards pre-pandemic levels (at approximately 90% of 2019 levels). Demand for new loans is picking up, driven mainly by corporate (up by 34% compared to the prior year), as economic activity continues to improve. At the same time, the demand for retail housing loans remained strong, supported by the Government interest rate subsidy scheme (expired on 31 December 2021). New housing loans of approximately €355 million were approved by BOC PCL under the scheme. Aiming at supporting investments by SMEs and Mid-Caps, BOC PCL continues its collaboration with the European Investment Bank (EIB), the European Investment Fund (EIF) and the Cyprus Government.

Over the medium-term, high quality new lending is expected to reach approximately €9 billion, as economic growth is expected to continue in 2022-2025. Significant deleveraging of the Cyprus economy of the past seven years is coming to an end. The Group aims to benefit from its strong market position; to help deploy the Cyprus Recovery and Resilience Fund; to grow shipping and international corporate lending with prudency; and to explore market opportunities in trades of performing loans in Cyprus. At the same time, it aims to support its customers in the transition to a sustainable future through, for example, the provision of environmentally friendly products.

The growth of net interest income over the medium-term is expected to be further supported by margin stabilisation. The Group uses conservative interest rate assumptions in its business plan and is well positioned for rising rates given high levels of liquidity. It also applies conservative assumptions for fixed income investments. It has factored in the increased funding cost resulting from further MREL issuances and the expectation that the favourable TLTRO borrowing terms will not be extended post June 2022.

Non-NII: growth in a more capital efficient way

Over the medium-term, the Group aims to increase revenues other than net interest income, 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, with an expected contribution to return on tangible equity (ROTE) in 2025 of an increase of approximately 1.5%-2.0%.

In 2021, net fee and commission income amounted to €172 million, increased by 19% on the prior year and exceeded pre-pandemic levels in 2019. The increase reflects higher volume of transactions, as well as the extension of liquidity fees to a broader group of corporate clients and the introduction of a revised price list for charges and fees, both implemented as of 1 February 2021.

Over the medium-term, net fee and commission income from banking activities is expected to increase at a rate of 4% per annum, supported by price adjustments and increased activity as the economy recovers. Liquidity fees are expected to be applied to an amended universe of deposits, whilst BOC PCL will pursue to convert deposits to products with a higher return for customers mainly through its Wealth services.

In addition, the Group aims to increase the average product holding per retail customer over the medium term through further cross-selling of cards, digital loans, wealth and insurance products, to the under-penetrated customer base via re-designing the operational model, client segmentation and catering to different customer niches.

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, further diversifying the Group's income streams. The insurance income net of claims and commissions for 2021 contributed to 21% of non-interest income and amounted to €61 million, up 9% compared to the prior year, mainly due to higher gross written premiums, partly offset by the net impact from the changes in the discount rate in the life insurance business and by higher costs and claims in the general insurance business (as claims in 2020 had been positively impacted by lockdowns). Specifically, Eurolife increased its total regular income by 8% on a yearly basis, whilst GIC increased its gross written premiums by 8% on a yearly basis.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

There are initiatives underway to enhance revenues from the insurance business in the medium term. The Group currently has sustainable healthy profitability from its insurance business and it is aiming for further growth leveraging on the strong market share of BOC PCL. The impact of IFRS 17 as of 1 January 2023 remains uncertain, but it is not expected to significantly impact the return on tangible equity in the medium term.

In the life insurance business, further growth is expected to be driven through the pursuit of new market segments with higher margin potential (such as business insurance, or income protection), exploring opportunities in the occupational pensions market and the launch of new products and investment funds. At the same time, Eurolife Ltd is expected to widen its target market leveraging on its revamped bancassurance model. Internally, Eurolife Ltd aims to strengthen its agency force organically and improve productivity through digitisation and campaigns. Leveraging on the Group's digital capabilities, the customer experience is expected to be upgraded via enhanced self-service capabilities, such as the myeurolife portal.

In the non-life insurance business, further growth is expected through widening the target market leveraging on the revamped bancassurance model, exploiting synergies with the life insurance agency force and focusing on profitable business segments (such as fire and liability). GIC also aims to strengthen its penetration in the profitable segments of the market's motor sector. Centralisation and automation of the claims handling process, as well as further digital growth will be enabled by further digitisation.

Finally, the Group aims to introduce the Digital Economy Platform to generate new revenue sources over the medium term, leveraging on BOC PCL's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together to drive opportunities in lifestyle banking and beyond.

This platform is expected to allow BOC PCL to enhance the engagement of its customer base, attract new customers, optimise the cost of its own processes, and position BOC PCL next to the customer at the point and time of need.

Lean operating model

Striving for a lean operating model is a key strategic pillar for the Group in order to deliver shareholder value in the medium term. Management also expects that restructuring costs will be effectively eliminated as balance sheet de-risking is largely complete. These actions are expected to contribute an increase of approximately 2.5%-3.0% to return on tangible equity (ROTE) in 2025. The Group focuses on continuing to deliver on the cost agenda, as well as improving operating efficiency, whilst funding its digital transformation and investing in the business.

The digital transformation of the Group that started in 2017 has begun to deliver an improved customer experience, whilst the branch footprint rationalisation to date, has further improved BOC PCL's operating model. The branch network is now less than half the size it was in 2013.

Management remains focused on further improvement in efficiency over the medium term, through for example further branch footprint optimisation and further exit solutions to release full time employees.

It is expected that total operating expenses will remain below €350 million in 2025, despite inflationary pressures, whilst continuing to fund digitisation and further investing in the business. The cost to income ratio is expected to rise in 2022 as revenues remain under pressure and operating expenses increase due to higher IT/digitisation investment costs, before improving to 50%-55% by 2025.

Transformation plan

The Group continues to work towards becoming a more customer centric organisation. A transformation plan is in progress to enable modern banking by digitally transforming customer service, as well as internal operations. The transformation plan will enable delivery on the Group's strategic pillars, with key shifts focusing on a leaner and more efficient operating model, profitability and optimisation of the client service and distribution models with an emphasis on the customer. For further details on examples of the transformation that is expected to be achieved please refer to slide 35 of the presentation for the Group Financial Results for the year ended 31 December 2021.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

Digital transformation

BOC PCL's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

In 2021, BOC PCL continued to invest in its digital products, further strengthening its competitive advantage. Among new digital capabilities, a new service was added in BOC PCL's digital portfolio, that allows online identity verification for legal entity-related individuals to assist the process of onboarding those entities in BOC PCL. The whole activity can be now completed by the customers and the IBS (International Banking Services) staff in a faster, more efficient way. Furthermore, BOC PCL invested in the enhancement of the usage and transaction security through the introduction of a new user verification and transaction monitoring mechanisms in its mobile app and web channels.

The adoption of digital products and services continued to grow and gained momentum in 2021 and in January 2022. As at the end of January 2022, 89.4% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by approximately 23.0 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 78.8% of individual customers were digitally engaged (up by 18.6 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of January 2022, active mobile banking users and active QuickPay users have grown by 20% and 43% respectively in the last 12 months. The highest number of QuickPay users to date was recorded in January 2022 with 131 thousand active users. Likewise, the highest number of QuickPay payments was recorded in December 2021 with 395 thousand transactions. The transition to the new renewed Internet Banking platform, was launched in March 2022 offering to the customers a fresh banking experience. New tools, such as defining and managing budgets, as well as the ability to have an overall view of finances, and the opening of new lending products entirely through the Group's digital channels, will soon be available to customers.

Moreover, significant changes are being implemented to enable a more modern and efficient workplace. New technologies and tools have been introduced that will significantly improve employee collaboration and knowledge sharing across the organisation.

Strengthening asset quality

Ensuring BOC PCL's loan portfolio quality remains healthy is a priority for the Group. Whilst maintaining high quality new lending, BOC PCL aims to complete legacy de-risking, normalise cost of risk and reduce (other) impairments, whilst managing post-pandemic NPE inflows. Collectively these de-risking actions are expected to contribute an increase of approximately 2.5%-3.0% to return on tangible equity (ROTE) in 2025.

During 2021, the Group completed Project Helix 2 and reached agreement on Project Helix 3. Overall in 2021, and including organic NPE reductions of approximately €400 million, the Group reduced its NPEs by 75% and its NPE ratio to 7.5%, on a pro forma basis. For further information please refer to Section 'Loan portfolio quality' above.

The Group has early achieved its previous 2022 target for a single digit NPE ratio and has updated its strategic target of achieving an NPE ratio of approximately 5% by the end of 2022 and of less than 3% by the end of 2025. At the same time, the Group will continue to closely monitor the performance of loans under expired payment deferrals and a year after deferral expiry, the performance is better than initially expected.

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

Moving to a sustainable economy is the challenge of our time. As part of its vision to be the leading financial hub in Cyprus, BOC PCL is determined to lead the transition of Cyprus to a sustainable future.

The Group has set the foundations to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda and continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

In 2022, the Company received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. In 2020, BOC PCL received a rating of A in the MSCI ESG Ratings assessment.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

In 2021, the first ESG strategy of the Group was formulated, whereby, in addition to maintaining its leading role in the social and governance pillars, there will be a shift of focus on increasing BOC PCL's positive impact on the environment by transforming not only its own operations, but also of its client chain.

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

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- A representation of at least 30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the extended EXCO) by 2030.

Environment

An ESG roadmap has been established to seize new opportunities, reduce risk and comply with regulatory requirements and market expectations.

To ensure delivery on its ambition, BOC PCL is in the process of formulating a long-term working plan that covers areas such as decarbonisation of BOC PCL's own operations and portfolio, risk identification and impact assessment, and streamlining of BOC PCL's policies with the ESG strategy. More specifically, the decarbonisation initiative has commenced in 2022. As a first step, BOC PCL will calculate its own carbon footprint and formulate a decarbonisation plan to become carbon neutral by 2030. A road map with specific carbon reduction targets and KPIs will be established that will enable the BOC PCL to achieve its decarbonisation goals.

Work is already underway on data requirements and policy updates. BOC PCL is in the process of identifying its ESG data needs and their availability based on upcoming regulatory requirements, as well as its ESG strategic goals, with the objective to address these needs in due time. Work has also been initiated and will continue into 2022, to determine the climate related and environmental risks BOC PCL is exposed to, so that these can be integrated into the existing risk taxonomy and risk registry of BOC PCL and inform its various business processes. Finally, several policies have been updated, and this effort will continue in the coming years, as it will be conducive in streamlining operations and culture with BOC PCL's ESG ambition.

At the same time, BOC PCL will intensify its support to its clients and communities in becoming increasingly sustainable and will respond to the heightened importance the Company's investors and shareholders attach to ESG matters. BOC PCL has the commitment, the scale and the reach to deliver the desired change across Cyprus in the coming years. Environmentally friendly products have been launched, and BOC PCL will continue to enrich its products and services in line with its ESG Strategy and the Recovery and Resilience Plan for Cyprus.

Social Pillar

At the centre of the leading social role of BOC PCL lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of approximately €70 million since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the work of SupportCY. Network developed in 2020 and expanded further in 2021, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the education of over 30 entrepreneurs and financial support of €60.000 provided via the IDEA Innovation Centre in 2021. Staff has continued to engage in voluntary initiatives to support charities, foundations and people in need.

BOC PCL's staff members remain a key factor in achieving its objectives. In order to maintain its high-performance culture, BOC PCL has continued to upgrade its staff's skill set by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2021, BOC PCL continued to place special emphasis on staff wellness offering seminars on Healthy Eating, Mental Health in the workplace and Financial Planning to 630 employees, through its 'Well at Work program'.

The Group's commitment in safeguarding gender equality in the workplace has been translated into policies and practices over the years. In 2021, the Group received a Certificate by the Ministry of Labour, Welfare and Social Insurance for applying good practices for gender equality in the working environment.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

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 by 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. BOC PCL's regulatory compliance continues to be an undisputed priority.

The Board composition of the Company and BOC PCL is diverse, with one third of the Board members being female as at 31 December 2021. The Board displays a strong skill set stemming from broad international experience. Moreover, BOC PCL 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 December 2021, there is a 24% representation of women in Group's management bodies and 38% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager A).

COVID-19 impact

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

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

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

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

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

Business Overview (continued)

Ukrainian crisis

In light of the recent developments in respect of the Russian invasion of Ukraine that started at the end of February 2022, the Group is closely monitoring the developments and utilizing dedicated governance structures including Crisis Management as required. Beginning in February 2022, in response to the crisis in Ukraine, the EU, UK and the U.S., in a coordinated effort joined by several other countries, imposed a variety of new sanctions with respect to Russia, Belarus and certain regions of Ukraine, as well as various related entities and individuals. The Group's policy is to comply with all applicable laws, including sanctions and export controls. At present, numerous complex regimes are developing rapidly in response to the military conflict and the Group is working carefully and assiduously to comply with all relevant requirements and to address their potential consequences.

Although the Group's direct exposure to Russia, Ukraine or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in International Banking Services.

Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage. The Group will continue 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.

Strategy and Outlook

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

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

- 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, whilst managing post pandemic NPE inflows
- 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

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN 2021 AND TO DATE	PLAN OF ACTION
Growing revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital Economy)	• Liquidity fees to a broader group of corporate clients was introduced as of 1 February 2021 • New price list for charges and fees was implemented as of 1 February 2021 • *For further information, please refer to Section 'Business Overview'*	• Grow net performing book by approximately 6% p.a. and extend new lending by approximately €9 billion over the medium term. • Enhance fee and commission income, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of Digital Economy Platform • Profitable insurance business with further opportunities to grow, e.g. focus on high margin products, leverage on BOC PCL's strong franchise and customer base for more targeted cross selling enabled by digital transformation
Improving operating efficiency; by achieving leaner operations through digitisation and automation	• Completion of a small-scale targeted voluntary staff exit plan (VEP) in December 2021, through which approximately 100 of the Group's full-time employees were approved to leave at a total cost of €16 million; gross annual savings estimated at approximately 3% of staff costs • Renewal of collective agreement for 2021-2022 with an expected increase in staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years. • Further developments in the Transformation Plan and the digitisation of BOC PCL • *For further information, please refer to Section 'Business Overview'*	• Offer exit solutions to release full time employees • Achieve further branch footprint rationalisation • Effectively eliminate restructuring costs as de-risking is largely complete • Enhance procurement control • Contain total operating expenses to less than €350 million in 2025, despite inflationary pressures, whilst funding digitisation and further investment in the business

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN 2021 AND TO DATE	PLAN OF ACTION
Strengthening asset quality	• Completion of Project Helix 2 (sale of NPE portfolios with gross book value of €1.3 billion) in June 2021 • Agreement for the sale of NPE portfolio with gross book value of €0.6 billion in Project Helix 3. • On a pro forma basis, in 2021 the NPE stock reduced by €2.3 billion to €0.8 billion, and the NPE ratio to 7.5%, including Helix 3, Helix 2 and organic reductions. • Single digit NPE ratio (pro forma for HFS) achieved earlier than initially anticipated • *For further information, please refer to Section 'Loan portfolio quality' and Section 'Business Overview'*	• The Group is on track to achieve an updated strategic target of NPE ratio of approximately 5% by the end of 2022 and of less than 3% by the end of 2025
Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda	• BOC PCL reached agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement in respect of 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance-related pay component as part of the annual salary increase, both of which have been long-standing objectives of BOC PCL and are in line with market best-practice. • First ESG strategy approved at Board level • *For further information, please refer to Section 'Business Overview'* • *Please refer to slide 28 of the Group Financial Results Presentation for the year ended 31 December 2021*	• Implement ESG strategy with a shift of focus on environment • Embed ESG sustainability in the BOC PCL's culture • Continuous enhancement of structure and corporate governance • Invest in people and promote talent

The Group has delivered significant progress against its strategy communicated in November 2020, setting the path to normalising the balance sheet and achieving adequate sustainable returns. The single digit NPE ratio has been reached a year ahead of plan, whilst strengthening capital well above regulatory requirements. The post-moratoria performance has exceeded expectations, allowing for a swifter normalisation in cost of risk.

This delivery, has allowed the Group to update its business plan and upgrade its medium term strategic targets with an increased focus on creating shareholder value. The macro assumptions applied in updating the business plan exclude unexpected materially adverse developments such as the Ukrainian crisis, a situation the Group is monitoring closely.

The Group has a renewed focus on growing revenues in a more capital efficient way. It aims 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.

Strategy and Outlook (continued)

The Group focuses on continuing to deliver on the cost agenda, as well as improving operating efficiency, despite inflationary pressures, whilst funding its digital transformation and further investing in the business. The cost to income ratio is expected to rise in 2022 as revenues remain under pressure and operating expenses increase due to higher IT/digitisation investment costs, before improving to 50%-55% by 2025.

As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and normalising the cost of risk and other impairments, whilst managing the post-pandemic NPE inflows.

Sustainability will continue to be embedded in the Group's culture, as BOC PCL aims to lead the transition to a sustainable future. BOC PCL has the commitment, the scale and the reach to deliver the desired change across Cyprus in the coming years.

The Group has a clear strategy in place, leveraging on its strong customer base, its renewed customer trust, its market leadership position, and further developing digital knowledge and infrastructure, with a clear focus on creating shareholder value. The Group now increases its medium term return on tangible equity (ROTE) target to over 10%, providing the foundations for a return of dividend distributions, subject to performance and relevant approvals.

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

Key Metrics		**2021**	**2023**	**Updated Medium Term Strategic Targets 2025**
Profitability	Return on Tangible Equity (ROTE)	1.8%	Mid-single digit on trajectory to consider dividend distribution[2]	>10%
	Cost to income ratio[1]	60%		50%-55%
Asset Quality	NPE ratio	7.5%[3]	<5%	<3%
	Cost of risk	57 bps		40-50 bps
Capital	CET1 ratio	15.8%[3](fully loaded 14.3%[3])	Supported by CET1 ratio of 13.5%-14.5%	

1. Excluding special levy on deposits and other contributions.
2. Subject to performance and relevant approvals.
3. Pro-forma for HFS.

Maintaining a strong capital base has been a key priority for management over the past few years and this remains equally important for the Group going forward. The Group currently maintains a robust capital position; as at 31 December 2021, the Group's pro forma capital ratios were 15.8% for the CET1 ratio on a transitional basis and 14.3% on a fully loaded basis. The Group considers that a CET1 ratio of 13.5%-14.5% would be appropriate for a normalised Bank of Cyprus Group. The Group's organic capital generation is to be supported by the improving Return on Tangible Equity (ROTE). Going forward, capital will be deployed for organic growth of the loan book, investment in the business, against regulatory impacts and one-off cost optimisation charges.

Despite the remaining challenges associated with the COVID-19 pandemic and the uncertainties associated with the Ukrainian crisis the Group intends to continue executing its strategy in a disciplined manner in 2022 and beyond, focusing on improving sustainable profitability by growing revenues, while remaining disciplined on costs and capital. The Group continues to work towards its 2025 financial targets, supported by its ongoing strategy execution.

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of the Consolidated Financial Statements.

The Directors have concluded that there are no material uncertainties which would cast significant doubt over the ability of the Group, the Company and BOC PCL to continue to operate as a going concern for a period of 12 months from the date of approval of the Consolidated Financial Statements.

Going concern (continued)

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, taking also into consideration, the Group's Financial Plan approved by the Board in February 2022 (the 'Plan') and the operating environment (as set out in Section 'Operating Environment' in the Directors' Report). The Group has sensitised its projection to cater for downside scenarios and has used conservative economic inputs to develop its medium term strategy. The Group is working towards materialising its Plan.

Capital
The Directors and Management have considered the Group's forecasted capital position, including the potential impact of a deterioration in economic conditions. The Group's capital position as at 31 December 2021 is higher than 31 December 2020, both on an as reported basis and on a pro-forma basis, placing the Group in an improved position to withstand adverse scenarios. The Group has developed capital projections under base and adverse scenario and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 31 December 2021 considerably higher than 31 December 2020 that can be easily and readily monetised in a period of stress.

Viability statement

In accordance with the requirements of Provision 31 of the UK Corporate Governance Code 2018 (UK Code), the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the main risks that the Group is facing.

Time horizon
The Directors have selected a three-year period for this assessment in arriving at the viability statement. This period is chosen as it is within the period covered by the formal Financial Plan approved by the Board which contains projections of profitability, capital and liquidity requirements and capital resources as well as within the period covered by the Group's stress testing programmes. This period is representative of the time horizon to consider the impact of ongoing regulatory changes in the financial services industry. The Group's updated Financial Plan covers the period 2022–2025.

Planning process and assessment
The Directors have assessed the prospects of the Group through a number of sources, including the latest Financial Plan of the Group, the NPE Strategy Plan, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Assessment Process (ILAAP) reports.

The Group's financial plan takes account of the Group's strategy, risk appetite and objectives in the context of its operating environment including actual and reasonably expected changes in the Cyprus macroeconomic environment, competitive landscape, margin pressures and capital requirements. The Board-approved risk appetite framework is a key consideration of the Group's Financial Plan. Risks to the achievement of the Financial Plan are identified and assessed through a Risk Assessment of the financial plan. Performance against the risk appetite for each of the risk indicators is reported to the Board on a regular basis.

The Group has prepared a detailed NPE Strategy Plan for the 3-year period 2021-2023 as requested by the Single Supervisory Mechanism (SSM). The NPE Strategy Plan was approved by the Board of Directors of the Company and submitted to the SSM in March 2021. The annual update of the strategy for years 2022-2024 is planned to be submitted to the ECB on 31 March 2022. The NPE Strategy Plan is broadly consistent with the actions incorporated in the Financial Plan.

The ICAAP is an annual process whose main role is to assess the Group's capital adequacy in relation to the level of underlying risks it is, or might be, exposed to (i.e. risks that may arise from pursuing the Group's strategy or from changes in its operating environment). More specifically, the ICAAP process analyses, assesses and quantifies the Group's risks, establishes the current and future capital needs for the risks identified and tests the Group's absorption capacity under both the baseline scenario and stress testing conditions, aiming to demonstrate that the Group has sufficient capital, under both the base and stress case scenarios, to support its business and achieve its strategic objectives having regard to its Board-approved Risk Appetite and Strategy.

Viability statement (continued)

The Group's ILAAP analysis demonstrates that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both the business as usual and severe stress scenarios and to meet regulatory requirements including the LCR and NSFR.

The Group also undertakes two quarterly reviews of its ICAAP results considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies and processes are reviewed and any changes since the annual ICAAP exercise are taken into consideration. The Group has prepared a review of its ICAAP with reference dates of 30 June 2021 and 30 September 2021, which indicated that the Group has sufficient capital and available mitigants to support its risk profile, its business and to enable it to meet its regulatory requirements, both in the base and adverse scenarios.

The current year's ICAAP and ILAAP packages are in advanced stages of completion and will be submitted for approval to the Board of Directors through the Assets and Liabilities Committee (ALCO) and to the SSM by the end of April 2022. The base case of the ICAAP report is the latest financial plan of the Group approved by the Board in February 2022.

Risk management
The Group identifies, assesses, manages and monitors its risk profile based on the disciplines outlined within its Risk Management Framework. The Group is exposed to a number of risks, the most significant of which are credit risk, liquidity and funding risk, market risk (arising from adverse movements in exchange rates, interest rates and adverse movements in property prices), operational risk (mainly legal risk, information technology and data risks), capital risk and strategic risk. These risks are monitored, managed and mitigated through various control mechanisms and processes set out in the 'Principal risks and uncertainties-Risk management and mitigation' section below.

Further, stress testing is an integral risk management principle used to assess the financial and operational resilience of the Group. Stresses are performed to assess capital adequacy, liquidity and funding mix. Internal scenarios used for the ICAAP are designed to be extreme but plausible and take account of potential risk management actions. Reverse stress testing is also used to assess scenarios and circumstances that could make the Group's business model unviable. These exercises begin with a definition of business model failure – e.g. capital adequacy thresholds – and then analyse the events that could cause that failure. The results are reported to the Board Risk Committee and the Board.

The Group has identified a suite of management actions which can be implemented to manage and mitigate the impact of stress scenarios. Management actions impact on capital, liquidity and recovery planning under stress conditions is assessed. This enables the Group to understand, monitor and control the risks identified.

Management believes that the stress testing process considers a range of severe but plausible scenarios. However, stress tests should not be assumed to be an exhaustive assessment of all possible hypothetical extreme or remote scenarios.

In making their viability assessment the Directors have considered a wide range of detailed information relating to present and potential conditions, including projections for profitability, cash flows, capital requirements and capital resources.

The effects of COVID-19 and associated government responses remained an important consideration particularly in relation to the impacts on customers – including the cessation of government support schemes and the likely trajectory of the overall recovery. The impact of the pandemic, including the emergence of the Omicron variant and potential aftershocks are subject to continuous monitoring.

The Group has sensitised its projections to cater for downside scenarios and has used conservative economic inputs. The Financial Plan adverse scenario considers the capital forecast for the Group, and its ability to withstand adverse scenarios such as the deterioration of the economic environment in Cyprus.

In addition to the information outlined above, the Directors have also considered a wide range of information and number of factors including but not limited to:
- Details of the Group's business and operating models, and strategy.
- Details of the Group's approach to managing risk and allocating capital.
- The Group's financial position considering performance, its ability to maintain minimum levels of regulatory capital, liquidity and funding and the minimum requirements for own funds and eligible liabilities over the period of the assessment. Notable are the risks that the Directors believe could affect the Group's results and operations thus adversely impacting any of the above.

Viability statement (continued)

- The Group's capital position - CET1 and TCR as at 31 December 2021 stands at 15.14% and 20.01% respectively.
- The Group's strong liquidity position - LCR as at 31 December 2021 at 298%.

The Directors confirm that based on their assessment of the principal risks and the assessment of the Group's current position and prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Capital base

Equity totalled €2,059 million at 31 December 2021, compared to €2,051 million at 31 December 2020. The CET1 ratio (transitional) stood at 15.14% at 31 December 2021 and at 14.80% at 31 December 2020. During the year ended 31 December 2021, the CET1 ratio was positively affected mainly by pre-provision income and the decrease in risk-weighted assets (RWA), and negatively affected mainly by provisions and impairments, the phasing-in of IFRS 9 transitional arrangements on 1 January 2021, the prudential charge relating to the Group's foreclosed assets, the cost relating to the tender process for the existing Tier 2 Capital Notes and the cost of the Voluntary Staff Exit Plan. The Total Capital ratio (transitional) at 31 December 2021 stood at 20.01% (2020: 18.35%).

Additional information on the regulatory capital is disclosed in the 'Additional Risk and Capital Management Disclosures' which form part of this Annual Report and in the Pillar III Disclosures Report, which is published on the Group's website.

Share capital

As at 31 December 2021, there were 446,199,933 issued ordinary shares with a nominal value of €0.10 each. Information about the authorised and issued share capital during 2021 and 2020 is disclosed in Note 35 to the Consolidated Financial Statements.

Share-based payments - share options

Following the incorporation of the Company and its introduction as the new holding company of the Group in January 2017, the Long-Term Incentive Plan was replaced by the Share Option Plan which operates at the level of the Company. The Share Option Plan is identical to the Long-Term Incentive Plan except that the number of shares in the Company to be issued pursuant to an exercise of options under the Share Option Plan should not exceed 8,922,945 ordinary shares of a nominal value of €0.10 each and the exercise price was set at €5.00 per share. The term of the options was also extended to between 4-10 years after the grant date.

No share options were granted since the date of replacement of the Long-Term Incentive Plan by the Share Option Plan at the level of the Company and the Share Option Plan remains frozen. Any shares related to the Share Option Plan carry rights with regards to control of the Company that are only exercisable directly by the employee.

Treasury shares of the Company

The consideration paid, including any directly attributable incremental costs (net of income taxes), for shares of the Company held by entities controlled by the Group is deducted from equity attributable to the owners of the Company as treasury shares, until these shares are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares.

The life insurance subsidiary of the Group, as at 31 December 2021, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2020: 142 thousand ordinary shares of the Company of a nominal value of €0.10 each), as part of its financial assets which are invested for the benefit of insurance policyholders (Note 24 to the Consolidated Financial Statements). The cost of acquisition of these shares was €21,463 thousand (2020: €21,463 thousand).

Change of control

There are no significant agreements to which the Company is a party and which take effect following a change of control of the Company, but the Company is party to a number of agreements that may allow the counterparties to alter or terminate the agreements following a change of control. These agreements are not deemed to be significant in terms of their potential effect on the Group as a whole.

The Group also has agreements which provide for termination if, upon a change of control of the Company, the Company's creditworthiness is materially worsened.

Other information

During 2021 and 2020 there were no restrictions on the transfer of the Company's ordinary shares or securities and no restrictions on voting rights other than the provisions of the Banking Law of Cyprus which requires regulatory approval prior to acquiring shares of the Company in excess of certain thresholds, and the generally applicable provisions including of the Market Abuse Regulation and applicable takeover legislation. From time to time, specific shareholders may have their rights in shares restricted in accordance with sanctions, anti-corruption, anti-money laundering and/or anti-terrorism compliance, including sanctions relating to events in Ukraine as applicable. The Group's policy is to comply with all applicable laws, including sanctions and other restrictive measures that apply at all times, and the Group may from time to time request individual shareholders to refrain from exercising certain rights to facilitate compliance with such measures or related compliance issues.

Shares of the Company held by the life insurance subsidiary of the Group as part of its financial assets which are invested for the benefit of insurance policyholders carry no voting rights, pursuant to the insurance law. The Company does not have any shares in issue which carry special control rights.

There are no agreements between shareholders, known to the Company, which may result in restrictions on the transfer of securities or voting rights.

Rights and obligations of ordinary shares

In accordance with the Company's Constitution, the rights and restrictions attaching to the ordinary shares are as follows:

- subject to the right of the Company to set the record dates for the purposes of determining the identity of members entitled to notice of and/or to vote at a general meeting, the right to attend and speak at any general meeting of the Company and to exercise one vote per ordinary share at any general meeting of the Company;
- the right to participate pro rata in all dividends declared by the Company; and
- the right, in the event of the Company's winding up, to participate pro rata in the distribution of the total assets of the Company.

Major holders of shares and financial instruments

As at 31 December 2021 and 15 March 2022, the Company has been advised of the following notifiable interests in the share capital of the Company:

	31 December 2021			
	Number of ordinary shares or Depositary Interests representing Company ordinary shares	**% held**	**Financial instruments with similar economic effect (Regulation 17(1)(b) of the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland as amended)**	**% held**
Lamesa Investments Ltd	41,383,699	9.27	-	-
CarVal Investors	38,789,810	8.69	-	-
Caius Capital LLP	9,595,550	2.15	25,941,471	5.81
Senvest Management LLC	25,137,132	5.63	-	-
European Bank for Reconstruction and Development (EBRD)	22,401,744	5.02	-	-
Cyprus Popular Bank Public Co Ltd	21,467,719	4.81	-	-
Eaton Vance Management	16,463,879	3.69	-	-

	15 March 2022			
	Number of ordinary shares or Depositary Interests representing Company ordinary shares	**% held**	**Financial instruments with similar economic effect (Regulation 17(1)(b) of the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland as amended)**	**% held**
Lamesa Investments Ltd	41,383,699	9.27	-	-
CarVal Investors	39,055,322	8.75	-	-
Caius Capital LLP	9,498,602	2.13	25,941,471	5.81
Senvest Management LLC	28,373,268	6.36	-	-
European Bank for Reconstruction and Development (EBRD)	22,401,744	5.02	-	-
Cyprus Popular Bank Public Co Ltd	21,467,719	4.81	-	-
Eaton Vance Management	16,956,257	3.80	-	-

Dividends

Based on the SREP decisions of prior years, the Company and BOC PCL were under a regulatory prohibition for equity dividend distribution and therefore no dividends were declared or paid during years 2021 and 2020.

Following the 2021 SREP decision, the Company and BOC PCL remain under equity dividend distribution prohibition. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company and BOC PCL.

Principal risks and uncertainties - Risk management and mitigation

As part of its business activities, the Group faces a variety of risks. The Group monitors, manages and mitigates these risks through various control mechanisms. Credit risk, liquidity and funding risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices and property prices) and insurance and re-insurance risk, are of the key significant risks the Group faces. In addition, key risks facing the Group also include operational risk which includes also compliance, legal and reputational risk, regulatory risk, information security and cyber risk, digital transformation and technology risk as well as business model and strategic risk.

Principal risks and uncertainties - Risk management and mitigation (continued)

Information relating to the principal risks the Group faces and risk management is set out in Notes 45 to 48 of the Consolidated Financial Statements and in the 'Additional Risk and Capital Management Disclosures', both of which form part of the Annual Financial Report for the year ended 31 December 2021 and in the Pillar III Disclosures for the year ended 31 December 2021. In addition, in relation to legal risk arising from litigations, investigations, claims and other matters, further information is disclosed in Note 39 of the Consolidated Financial Statements.

Additionally, the Group is exposed to the risk on changes in the value of property which is held either for own use or as stock of property or as investment property. Stock of property is predominately acquired in exchange for debt and is intended to be disposed of in line with the Group's strategy. Further information is disclosed in Note 27 to the Consolidated Financial Statements.

The Group activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment, as described in the 'Operating environment' section of this Directors' Report and changes in the macroeconomic conditions and geopolitical developments as described in the 'Additional Risk and Capital Management Disclosures' which form part of the Annual Financial Report for the year ended 31 December 2021.

In addition, details of the significant and other judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 5 to the Consolidated Financial Statements.

Details of the financial instruments and hedging activities of the Group are set out in Note 21 of the Consolidated Financial Statements.

The pandemic and its longer term impacts on the economy and the Group's financial performance remain uncertain. The effects of COVID-19 are described in the 'Business Overview' section of this Directors' Report. Implications from the Russian and Ukraine military conflict also remain uncertain and difficult to predict. The Group's direct exposure is limited however any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage. Further disclosures are provided in 'Business Overview' section and 'Operating Environment' section and 'Events after the reporting date' section of this Directors' Report.

The risk factors discussed above and in the reports identified above should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant, but which may become significant. As a result of the challenging conditions due to COVID-19, the uncertainty created by the Ukrainian crisis, the growing threat of cyber-attack and unknown risks, the precise nature of all risks and uncertainties that the Group faces cannot be predicted as many of these risks are outside of the Group's control.

Events after the reporting date

Ukrainian crisis

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets and the global economy, as well as coordinated implementation of sanctions the EU, UK and the U.S., in a coordinated effort joined by several other countries, imposed against Russia, Belarus and certain regions of Ukraine and certain Russian entities and nationals. The Group's policy is to comply with all applicable laws, including sanctions and export controls. At present, numerous complex regimes are developing rapidly in response to the military conflict and the Group is working carefully and assiduously to comply with all relevant requirements and to address their potential consequences.

The Group's direct gross lending risk exposure (including loans and advances to customers classified as held for sale) to Russia, Ukraine and Belarus was approximately €119 million (net book value of such exposure at €110 million) across its business divisions as at 31 December 2021, of which €95 million were classified as performing (the basis of the exposure is expanded compared to the country risk exposure as included in Note 45.2 of the Consolidated Financial Statements which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries). Customer deposits related to Russian/Ukrainian customers are disclosed in Note 31 of the Consolidated Financial Statements.

Events after the reporting date (continued)

Further, the Group had Rubble denominated loans and advances to banks of approximately €1 million as at 31 December 2021, and amounting to approximately €9 million as at 21 March 2022. Group's investments at amortised cost included Euro denominated debt securities of a carrying amount of €21.7 million relating to debt securities of a European Union country issuer with significant exposure in Russia and Ukraine, which was reduced by €10 million in March 2022. With respect to derivatives, it is noted that the Group reduced its exposure in Rubble denominated derivatives to nil in March 2022. There were no other investments relating to issuers with significant exposure to Russia and/or Ukraine. The Group's balance sheet as at 31 December 2021 also included net assets of approximately €10 million held in the Group's Russian subsidiary; forming part of the Group's overseas legacy operations which are being run down.

Although the Group's direct exposure to the region is limited, the invasion of Russia to Ukraine could result in prolonged/elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with flow-on global inflationary impacts, and a potential negative impact in the domestic, regional and global economy. The potential impacts from the Russian invasion of Ukraine remain uncertain, including but not limited to, on economic conditions, asset valuations, interest rate expectations and exchange rates. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in International Banking Services.

The Group will continue to closely monitor related effects on its financial position, including estimated direct and indirect impacts on expected credit loss calculations and on fair value measurement of assets, liabilities and off-balance sheet exposures as well as impact on operating profit.

Voluntary exit plan by JCC Payment Systems Ltd

In January 2022, the Group's subsidiary company JCC Payment Systems Ltd proceeded with a voluntary exit plan for its employees, with a cost amounting to €2,901 thousand. In total, 14 employees accepted the voluntary exit plan and are expected to leave the Group by the end of the first half of 2022.

Subordinated Tier 2 Capital Note - January 2017

On 19 January 2022, BOC PCL proceeded with the redemption of the remaining outstanding amount of Subordinated Tier 2 Capital Note - January 2017, of a total nominal value of €43 million, as disclosed in Note 33.

Books and significant records

The measures that the Directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 of Ireland (Companies Act 2014), with regards to the keeping of accounting records, include the provision of appropriate resources to maintain adequate accounting records throughout the Company and the Group, including the appointment of personnel with appropriate qualifications, experience and expertise.

The accounting records are maintained at the Company's registered office at 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland and at 51 Stasinou Street, 2002 Strovolos, Nicosia, Cyprus.

Research and development

In the ordinary course of business, the Group develops new products and services that enhance the customer experience. Additional information is disclosed in the 'Business Overview' section of this Directors' Report.

Relevant audit information

In the case of persons who are Directors at the time this report is approved in accordance with section 330 of the Companies Act 2014:

- the Directors hereby individually and collectively acknowledge, that so far as each Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- that he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Preparation of periodic reporting

The Board is responsible for ensuring that the management maintains an appropriate system of internal controls which provides assurance of effective operations, internal financial controls and compliance with rules and regulations. It has the overall responsibility for the Group and approves and oversees the implementation of the Group's strategic objectives, risk strategy and internal governance.

The Group has appropriate internal control mechanisms, including sound administrative and accounting procedures, Information Technology (IT) systems and controls. The governance framework is subject to review at least once a year.

Policies and procedures have been designed in accordance with the nature, scale and complexity of the Group's operations in order to provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

The Board, through the Audit Committee and the Risk Committee, conducts reviews on a frequent basis, regarding the effectiveness of the Group's internal controls and information systems, as well as in relation to the procedures used to ensure the accuracy, completeness and validity of the information provided to investors. The reviews cover all systems of internal controls, including financial, operational and compliance controls, as well as risk management systems. The role of the Audit Committee is inter alia to ensure the financial integrity and accuracy of the Company's financial reporting.

The Group's financial reporting process is controlled using documented accounting policies and procedures supported by instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period. The submission of financial information from each reporting entity is subject to sign off by the responsible financial officer.

Further analytical review procedures are performed at Group level. The internal control system also ensures that the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with legal and regulatory requirements and relevant standards, is adequate.

Where from time to time areas of improvement are identified these become the focus of management's attention in order to resolve them and thus strengthen the procedures that are in place. Areas of improvement may include the formalisation of existing controls and the introduction of new information technology controls, as dependency on information technology is ever increasing.

The Annual Financial Report in advance of its submission to the Board is reviewed and approved by the Executive Committee. The Board, through the Audit Committee scrutinises and approves the financial statements, results announcements and the Annual Report and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to challenge the Group's financial statements and other significant disclosures before their publication.

Corporate Governance Statement

In January 2019 the CSE issued the 5th Edition (Updated) of the Corporate Governance Code (the CSE Code). Listed companies have an obligation to include in their Annual Financial Report, a Report by the Board of Directors on Corporate Governance. In the first part of the Report, companies should report whether they comply with the CSE Code and the extent to which they implement its principles. In the second part of the Report, companies should confirm that they have complied with the CSE Code provisions and in the event that they have not, they should give adequate explanation.

The Company has also chosen to comply with the UK Corporate Governance Code 2018 published by the Financial Reporting Council in the UK (the UK Code) following the Listing on the London Stock Exchange. The Directors further consider that the Company has complied with the provisions of the UK code, other than as set out in the Introduction Part B of the Corporate Governance Report.

Regarding the first part of the Report, as a company listed on the CSE, the Company has adopted the CSE Code and implements its principles.

Regarding the second part of the Report, the Company complies with the provisions of the CSE Code. Throughout the Corporate Governance Report for 2021 a narrative statement is provided on how the principles of the CSE Code have been applied.

The narrative also covers principles of the UK Code and how these have been applied throughout the year.

Corporate Governance Statement (continued)

The rules governing the composition of the Board of Directors and the appointment and replacement of its members are set out in Section 1 of the Corporate Governance Report for 2021. The powers of the Board of Directors and committees of the Board with administrative, management and supervisory functions, including any powers of the Directors in relation to the issuing or buying back by the Company of its shares, are also set out in the Corporate Governance Report.

Any amendment or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a shareholders' meeting.

A description of the operation of the shareholders' meeting, the key powers of the shareholders' meeting, shareholders' rights and the exercise of such right are contained in Section 7 of the Corporate Governance Report for 2021.

Details of restrictions in voting rights and special control rights in relation to the shares of the Company are set out in the section 'Other information' above. Other information required to be disclosed for the purposes of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 is included on page 33-37.

In accordance with section 167 of the Companies Act 2014, the Directors confirm that a Board Audit Committee is established. Details of the Board Audit Committee's membership and activities are included in the Corporate Governance Report for 2021.

The Corporate Governance Report for 2021 is included within this Annual Financial Report on pages 271 to 329 and contains the information required for the purposes of section 1373 of the Companies Act 2014.

The statements and information referred to in this Corporate Governance Statement are deemed to be incorporated herein.

Directors' Compliance Statement

As required by section 225 of the Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The Directors further confirm that a compliance policy statement has been drawn up setting out the Company's policies and that appropriate arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

Service agreements termination

The service contract of one of the Executive Directors in office as at 31 December 2021 includes a clause for termination, by service of six months' notice to that effect by either the Executive Director or BOC PCL, without cause and BOC PCL also maintains the right to pay the Executive Director, six months' salary in lieu of notice for immediate termination. There is an initial locked-in period of three years i.e. until 31 August 2022, during which no such notice may be served either by BOC PCL or the Executive Director, unless there is a change of control of BOC PCL as this is defined in the service agreement, whereupon the Executive Director may serve the notice and is further entitled to compensation as this is determined in the service contract. The terms of employment of the other Executive Director are mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by BOC PCL based on years of service and for a four month prior written notice by the Executive Director, in the event of a voluntary resignation.

Board of Directors

The members of the Board of Directors of the Company as at the date of this Directors' Report are listed on page 1. All Directors were members of the Board throughout the year and up to the date of this Directors' Report except as disclosed below.

On 26 February 2021 and on 29 November 2021 the ECB approved the appointment of Mr Nicos Sofianos and Mr Constantine Iordanou as Members of the Board of Directors respectively. On 6 October 2021 the ECB approved the appointment of Mrs Eliza Livadiotou as an Executive Member of the Board of Directors.

In accordance with the Articles of Association at each annual general meeting of the Company every Director who has been in office at the completion of the most recent annual general meeting since they were last appointed or reappointed, shall retire from office and offer themselves for re-election if they wish.

Board of Directors (continued)

The remuneration of the Board of Directors is disclosed in Note 50 to the Consolidated Financial Statements.

Directors' and Secretary's interests

The interest in the share capital of the Company held by each member of the Board of Directors and the Company Secretary, including interests of their close family members at 31 December 2021, is presented in the table below:

	Ordinary shares or Depositary Interests representing Company ordinary shares of €0.10 each at 31 December 2021	**Ordinary shares or Depositary Interests representing Company ordinary shares of €0.10 each at 1 January 2021 or at the date of appointment**
Non-executive directors		
Efstratios-Georgios Arapoglou	46,500	46,500
Maksim Goldman	7,192	7,192
Arne Berggren	25,000	25,000
Ioannis Zographakis	3,014	3,014
Paula Hadjisotiriou	7	7
Constantine Iordanou (appointed on 29/11/2021)	246,773	246,773
Maria Philippou	1	1
Executive directors		
Panicos Nicolaou	5,027	5,027
Eliza Livadiotou (appointed on 06/10/2021)	35	35
Company Secretary		
Katia Santis	5	6
	333,554	**333,555**

Apart from the interests set out above, the Board of Directors and the Company Secretary had no other interests in the shares of the Company or its subsidiaries at 31 December 2021.

Auditors

The Auditors were re-appointed as Auditors at the last Annual General Meeting held on 25 May 2021 in accordance with section 383(2) of the Companies Act 2014.

Non-financial information statement

EU regulations on non-financial information, which were transposed into Irish law (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups Regulations 2017 (as amended), require reporting on specific topics such as the environment, social and employee matters, respect for human rights, bribery and corruption.

Reportable information includes policies, due diligence in implementing these policies and the outcomes of these actions, the principal risks and management of these risks and key performance indicators (KPIs). The Group follows a 'Regulation plus' policy, aiming to perform consistently above the minimum requirements of the said Regulations.

The Group plays a key role in driving economic growth of Cyprus with a long presence and a dominant market position. Sustainable development, social progress, and a viable economy are all among the Group's key goals for 2021 and beyond.

The Group publishes its Annual Non-Financial Results based on the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) guidelines and standards, which identify and include all the above information. The Corporate Sustainability Report 2021 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

Non-financial information statement (continued)

Commitment to Sustainability

The Group's strategic approach to Sustainability is that its role continues to extend 'Beyond Banking'. This approach is based on the foundations of Sound Governance and Ethics, focusing on four key pillars:
- Responsible Services,
- People,
- Society and
- Environment,

as detailed in the Corporate Sustainability Report. The Group takes into consideration local, global and sectoral Sustainability Standards, frameworks, legislation and initiatives, including the 17 Sustainable Development Goals and ESG (Environmental, Social, Governance) criteria. The Group acts with transparency and accountability, in line with its code of ethics, and aspires to lead in an era characterized by exponential change, disruption and digitalization through its innovative approach. The Group remains consistent and committed towards all its stakeholders; investors, customers, shareholders, employees and Cypriot society at large.

In 2021, the first ESG strategy of the Group was formulated. Through the ESG Strategy, the Group efficiently communicates its new vision to its employees, external partners, clients, shareholders and the society.

Employees
The Group recognises the significance of investing in employee empowerment and development.

Employee Engagement
As of 31 December 2021, the Group employed 3,438 employees (including 49 persons that have accepted the voluntary exit plan (VEP) and left the Group in early 2022). Analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2021 is disclosed in Note 14 of the Consolidated Financial Statements. BOC PCL has developed policies to safeguard gender equality, diversity and inclusion. Policies, procedures, training and a series of tools are available to ensure the Group fosters a culture of meritocracy and fairness. Following the agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement a performance based pay structure is introduced across the Group to drive greater alignment with Group's strategy and ambition.

The Group's commitment in safeguarding gender equality in the workplace has been translated into policies and practices over the years. In 2021, the Group has been certified by the Ministry of Labour, Welfare and Social Insurance for the application of good practices for gender equality in the working environment.

A Staff Opinion Survey runs on an annual basis and aims at assessing the levels of commitment and dedication of employees as well as identifying areas to focus on and areas for future improvement.

Learning and Development
Under the Group's Learning and Development Policy, in 2021 the training programmes delivered were based on the following training pillars:

- Systems,
- Professional Effectiveness (Regulatory, Compliance, Credit related), and
- Personal Development (Management Skills, Customer Service).

Due to the pandemic restrictions, the shift to digital learning (e-learnings and live-online courses), that started in 2020, continued and expanded throughout 2021. In 2021, 100% of employees received training, with a total of 50,012 training hours.

Health and Safety
The Group approaches Health and Safety of its employees as a primary concern. In 2021, in addition to all COVID-19 precautions and measurements, the Group organised and offered free weekly rapid tests for its employees at owned locations. Overall, the Group spent more than €40 thousand on COVID-19 tests for its employees. The Group spent more than €114 thousand on disinfections, personal protective equipment, thermometers, plexiglass barriers, protective shields and floor signage, in order to protect its employees, customers and associates and to prevent the spread of the virus at its premises. In 2021, BOC PCL continued to place special emphasis on staff wellness offering seminars on Healthy Eating, Mental Health in the workplace and Financial Planning to 630 employees, through its 'Well at Work program'.

Non-financial information statement (continued)

The Group's employees maintain a long history of volunteerism in the community and they are encouraged to actively participate and engage with the Group's various actions and initiatives. During 2021, due to the pandemic, no major charity events were organised by the Group and therefore the engagement of staff volunteers was limited to smaller volunteering actions.

Society
The Group's Donations, Sponsorships and Partnerships policy covers the Group's engagement with key partners, customers and other stakeholders which aim to create sustainable social impact and material difference to the community. Based on the Group's CSR Strategy, all initiatives are compatible with its core business and key enhancers of the Group's overall strategy and vision. The Strategy clearly indicates the move from issuing a cheque and requesting logo placement, to examining, contributing, engaging and finally, committing to the cause of support. Further, in alignment with the Group's ESG Strategy, the initiatives support the selected United Nations Sustainability Development Goals (SDGs) underpinning the Group's ESG strategy.

The Group's Social Programme responds when:
- A compelling societal need exists.
- The said need is not fully served by the public sector.
- The proposed actions/strategies best serve all BOC PCL stakeholders (investors, customers, employees, shareholders, regulators etc.).

During 2021, the Group successfully continued and expanded the operation of the award winning SupportCY network of companies and Non-Governmental Organisations (NGOs). Although SupportCY was created in March 2020, in order to support Public Services performing frontline duties during the Pandemic, its actions led by BOC PCL expanded in supporting various societal needs. At the same time, it continued to generate Social Capital which is both sustainable and more effective, by bringing businesses and organisations together to share what each does best, in responding to specific needs. By 31 December 2021, the SupportCY network had more than 130 members, while the SupportCY Crises and Disasters Respond Center, the SupportCY Volunteers Corps and SupportCY House, were created in order to satisfy and cover even more needs of the Cyprus society, and beyond. In 2021, the SupportCY initiative contributed in funds, services and products worth more than €780 thousand to the society, with BOC PCL contributing most of the monetary support.

Furthermore, in 2021 the Group continued to undertake sustainable support actions and showed particular concern for vulnerable social groups. Accordingly, it enhanced support related to health, education and social welfare, based on its relevant policy and strategy. Additionally, the Group developed initiatives that aimed to preserve local culture and history and to enhance innovation.

To support these actions, BOC PCL contributed approximately €458 thousand for the support and enhancement of more than 85 NGOs, associations, charity organizations, municipalities, schools, sports federations, and sports academies, while offering refurbished computers and other office equipment to schools, associations and NGOs from BOC PCL's stock.

The main sustainable support actions within the two pillars of Health and Education, are indicated below.

Health pillar main actions:
- More than 45,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by BOC PCL and the Cyprus Government in 1998, while the Group continued offering extensive support, financial and otherwise, towards the Centre. The cumulative contribution of the Group to the Bank of Cyprus Oncology Centre is approximately €70 million.
- The Group coordinated for one more year the 'Fight against Cancer' campaign with the Cyprus Anticancer Society, customized to meet pandemic related social distancing and other rules. The campaign resulted in fund raising of €328 thousand, recording an increase of around 14.7% relating to the past year.
- In 2021, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners work with, and support several Patient Associations.

Non-financial information statement (continued)

Education pillar main actions:

- The Bank of Cyprus Cultural Foundation is a non-profit organization established in 1984, protecting cultural heritage and supporting youth, curating two museums and five rare collections. It has more than 250 Cyprological editions, has organised and participated in more than 60 exhibitions in Cyprus and abroad, 100 conferences and more than 10,000 children have participated in its educational programmes since establishment. Five research programmes are running and €3.5 million funding secured by EU.
- The European Commission award-winning IDEA Innovation Center has supported 74 new start-ups and created more than 90 job positions from the 620 applications it has received to its Programme, with 40 of these businesses still being active, since its establishment in 2016. Today it is the leading organisation in Cyprus within its sector. In 2021, BOC PCL continued its support in respect of 12 start-ups that were admitted to the IDEA Incubator-Accelerator Programme, 13 entrepreneurs who successfully completed the Programme and 5 new companies were created. €60 thousand in financial support was offered, as well as €576 thousand in pro-bono services through its vast network of partners and collaborators.
- In 2021, IDEA has also achieved two significant recognitions in Cyprus; one of its start-ups has been accepted to Y Combinator and has already secured significant investment from a US fund, while another raised €600 thousand through a crowdfunding platform, the greatest success to-date for a Cypriot start-up. At the same time, several other of its start-ups have attracted investment capital and business partnerships from Cyprus and abroad, established their own offices and employed their own staff.
- In 2021, the Group repeated the partnerships with various organizations in a bid to help boost education, innovation and ingenuity. Additionally, the Group awards excellence, creativity and civic mindedness among pupils, but also recognises those pupils who stand out in international and local competitions, through awards and prizes. These are offered through the partnerships with teachers and other professional associations. The Group also awarded talented youth in sports, through sport associations and academies.
- Road Safety is one more sub-pillar in Education that the Group is actively involved, through the organization and support of campaigns such as friendly tire and mechanical inspections on vehicles, and programmes in schools on road safety education, in partnership with expert NGOs, the Police and the Ministry of Transportation.

Political donations
Political donations are required to be disclosed under the Electoral Act 1997 of Ireland (as amended). Based on the Donations, Sponsorships and Partnerships Policy of the Group, the Group does not sponsor political parties, or any associations/organizations related directly, or indirectly, to one. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2021.

Environment
As the leading financial services provider in Cyprus, the Group plays a very important role in addressing the climate crisis. Beyond the initiatives focusing on introducing financing of sustainable products and services and designing and embedding environmental procedures in the lending processes, BOC PCL monitors closely internal resource utilization, in order to address issues on materials' use and energy consumption wherever possible and therefore reduce waste and $CO2$ emissions. The Group is committed to leading by example by minimising its environmental footprint and to promote green economy. In particular, BOC PCL is in the process of calculating its environmental footprint including material Scope 3 non-financed emissions, so as to establish an actionable roadmap for its carbon reduction targets and KPIs, to enable it to achieve its decarbonisation goals.

BOC PCL has committed to the following primary ESG targets, which reflect the pivotal role of ESG in BOC PCL's strategy. Specifically, the Group committed to the following strategic environmental targets:

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio

An ESG roadmap has been established to seize new opportunities, reduce risk and comply with regulatory requirements and market expectations.

Further information on actions undertaken and planned by the Group as to deliver on its ambition are disclosed within 'Strategic priorities for the medium-term' within Section 'Business Overview' of this Directors' Report.

Non-financial information statement (continued)

The Group focuses its attention on training its Board, Management and employees to manage the Group's impact on the environment focusing on topics that are material for managing BOC PCL's footprint and supporting its customers in managing the transition to a green economy. A number of training courses were organised to increase knowledge and awareness about environmental topics.

The Group is conscious of the effect that climate change has on the Group and view it as manifesting itself in two ways, firstly, through the operations of its business and secondly the financial risk it brings to the economy in the longer term. BOC PCL is committed to applying certain environmental and social policies and procedures to its lending and insurance activities based on specific criteria. To this end the Group has an Environmental and Social Policy in place which enables it to identify and manage potential negative impacts to the environment and to social issues, as well as the associated risks affecting both the customers and the Group. In 2021, the Group has developed a Climate-related and environmental Risks (C&E) Implementation Plan, and updated this in early 2022, covering each of the priorities of ECB's guidance on how banks should manage C&E risks, including actions to address gaps highlighted in the self-assessment, across a multi-year timeline. This plan was developed following engagement with key stakeholders from across the Group. A number of actions have been lined up for implementation in 2022 as part of the Group's implementation plan. Climate Change presents both risks and opportunities to meet new customer needs for the Group and we are preparing for both with a dedicated programme of work in place for 2022.

The Group actively promotes environmental sustainability through the ongoing identification, management and improved efficiency of those significant environmental impacts associated with the Group's business activities, including: energy management; carbon impact and the transition to a low carbon economy; use of natural resources (paper, water and oil); and, recycling and waste management.

Human Rights and Equal Opportunities
The Group's Code of Ethics sets out clearly the ethical moral principles and values upheld by the Group and provides a framework for expected behaviour and guides the Group's workforce in doing the right thing. The Group acknowledges its responsibility to respect human rights as set out in the International Bill of Human Rights and follows internationally acclaimed directives, principles and initiatives to protect human rights, such as the Core Labour Conventions of the International Labour Organization (ILO) and the Universal Declaration of Human Rights (UDHR).

The Group has policies to ensure gender equality, diversity and inclusion and operates based on objective criteria related to ability, ethics and experience, regardless of colour, race, national/ethnic origin, disability, age, gender, religion, sexual orientation or political opinion. Policies and procedures, as well as training and a range of tools are available to ensure that the Group promotes a culture of equity. The zero-tolerance policy on discrimination, harassment and bullying is designed to effectively manage and ultimately eliminate any form of harassment, discrimination or unfair treatment.

In order to mitigate against human rights risk, or violations that may occur, BOC PCL has comprehensive due diligence procedures in place, which include: the implementation of the Code of Conduct which defines specific behaviours, practices, responsibilities and rules for staff of the Group to follow and uphold as staff members of the Bank of Cyprus Group and a suite of reporting mechanisms to support the timely reporting of issues.

Combating bribery and issues related to corruption
The Group's fundamental values and principles governing its business activities emphasize the importance of ensuring ethical conduct at all times. Protecting the integrity of the financial system from financial crime risks including money laundering, terrorist financing and bribery and corruption is of intrinsic importance to the Group.

The Group abides by a zero-tolerance policy on money laundering, tax evasion, funding of terrorist activity, bribery, corruption fraud and market abuse. A strong anti-bribery policy, a gift registry, a conflict-of-interest registry and frequent reminders contribute to achieving high-level compliance. Protecting money, privacy and data of the Group's customers is the key to its Anti-Bribery and Corruption Policy. Key Codes and policies in managing such matters are the Group's Code of Ethics, the Group's Code of Conduct, the Group's Anti-Bribery and Corruption Policy, the Conflicts of Interest Group Policy, the Group Whistleblowing Policy and the Group Policy Relating to the Prevention of Money Laundering and Terrorism Financing.

Training programs on anti-money laundering and anti-corruption policies and procedures are carried out by the employees on an annual basis.

Non-financial information statement (continued)

The Group maintains an Anti-Financial Crime Framework. An enhanced risk-based approach with regard to the risk scoring of the customers is followed and this is reflected in BOC PCL's Customer Acceptance Policy. Customers are risk-scored for AML purposes, according to a set of parameters that take into account geographical factors, products purchased, distribution channels, transactional behaviour and other risk indicating factors. Customers go through the Group's due diligence process at the on-boarding stage and on an ongoing basis, which is driven by the risk assessment of the customer. Some customers and beneficial owners present higher risk (e.g. politically exposed persons (PEPs) and/or customers established/residing in a 'high-risk' third country). For these customers enhanced due diligence is applied. Further the Group commits itself to safeguarding the personal data of its customers, suppliers and partners. Customers retain control of their personal data and exercise their rights as per the EU GDPR with regard to the way their personal data is collected, processed and secured. The Group applies Data Protection Impact Assessment (DPIAs), to promptly identify and mitigate any privacy risks.

All employees and Directors are made aware of the Regulatory Compliance Policies and standards.

Diversity Report

The Group's diversity report is contained in the 'Diversity' section of the Corporate Governance Report.

Business Model

The business model of the Group is described in the 'Business Overview' and 'Strategy and Outlook' sections of this Directors' Report.

Risk Management

A description of the principal risks, their impact on business activity, and the way they are managed is disclosed in Section 'Principal risks and uncertainties - Risk management and mitigation' of this Directors' Report.

The Group is continuing with its Digital Transformation Programme as described in section 'Digital Transformation' of this Directors' Report which focuses on three strategic pillars: developing digital services and products that enhance the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

The risks related to the Group's corporate responsibility actions and the actions undertaken by the Group in order to address them are covered within each pillar of responsibility.

Key Performance Indicators

An analysis of KPIs relevant to the Group is disclosed in the 'Financial Results' section of this Directors' Report.

EU Taxonomy - Disclosures in accordance with Article 8 of the Taxonomy Regulation

Sustainability forms a key pillar of the Group's strategy. To support this goal, the Group is working to develop a Green Lending Framework where it expects to use the EU Taxonomy as one of the considerations to inform criteria for green or transition loans. This framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands.

BOC PCL has approved a high-level Green Lending Policy based on the Green Loan Principles ('GLPs'), and its purpose is to provide the framework for the procedures and the requirements that BOC PCL will implement for the creation of 'green' loan products and ultimately the development of a green loan portfolio. The Green Lending Policy provides instructions regarding the information that BOC PCL should require from borrowers so to ascertain whether an application for a green loan product can be considered for approval and adopts an indicative list of eligible categories for green project financing.

BOC PCL, under its existing Environmental and Social Policy prohibits finance to certain sectors which are included in its 'Exclusion and Referral Sectors' list with negative environmental impact.

Non-financial information statement (continued)

EU Taxonomy - Disclosures in accordance with Article 8 of the Taxonomy Regulation (continued)

BOC PCL offers a range of environmentally friendly products that help its customers become more sustainable. For example, a number of loan products are offered under the Fil-eco Product Scheme. BOC PCL offers Environmentally friendly Car Hire Purchase, addressed to anyone who wants to buy a new hybrid or electric car, providing its customers the opportunity to buy a new electric vehicle and to move away from transport options reliant on fossil fuels. Moreover, an environmentally friendly loan for home renovation is offered to customers who want to renovate and upgrade the energy efficiency of their privately owned primary residence or holiday home and achieve a higher energy efficiency rating. Further, the customers may benefit from an Energy Loan for the installation of energy saving systems for home use. This product is addressed to customers who seek financing for the installation of photovoltaic systems for home use and other home energy-saving systems.

Looking forward, in 2022 the Group will continue to build out its green product offering further. The Group expects to discuss ESG matters with its clients at the point of loan origination. Additionally the Group expects to start the collection of data from its customers to enable loan classification as green or transition.

Contextual information including the scope of assets and activities covered by the KPIs, information on data sources and limitations

In accordance with Article 8 of the Taxonomy Regulation and the related Climate Disclosures Delegated Act, starting from year-end 2021, financial undertakings have to disclose the proportion of exposures to Taxonomy-eligible and Taxonomy non-eligible economic activities in their total assets as well as a number of key performance indicators related to the proportion of selected exposures in their total assets. The primary indicator of alignment is the green asset ratio (GAR), which companies must publish from 2024.

Eligibility-related disclosures of financial undertakings with regard to financial or non-financial undertakings in scope of Article 8 of the Taxonomy Regulation shall be based on actual information provided by them. Given that this information is due to be disclosed in course of 2022 for the first time, the assessment of Taxonomy eligible economic activities of corporate undertakings based on the Climate Disclosures Delegated Act is currently not fully possible.

Accordingly, the Group is reporting only household related exposures as Taxonomy eligible exposures for the year-end 2021. In the denominator, the Group includes local government financing, financial corporations (FCs), non-financial corporations (NFCs), derivatives, on demand interbank loans, cash and cash-related assets and other assets. The scope of activities covered includes the eligible activities under climate change mitigation (CCM)[1] and climate change adaptation (CCA)[2]. Total exposure for other assets not covered in either denominator or numerator has been provided for central governments, central banks and supranational issuers, and the trading portfolio.

The following table outlines the breakdown of Taxonomy-eligible assets on the balance sheet with reference to disclosure requirements for 2021. The Group will continue to develop its disclosures over the coming years as requirements and data availability increase. This table is prepared on the prudential scope of consolidation per FINREP. The below metrics are unaudited and have been prepared in line with available guidance to the best of the Group’s ability.

[1]CCM: The process of holding the increase in the global average temperature to well below 2 C and pursuing efforts to limit it to 1.5 C above pre-industrial levels, as laid down in the Paris Agreement.

[2]CCA: The process of adjustment to actual and expected climate change and its impacts.

Non-financial information statement (continued)

EU Taxonomy - Disclosures in accordance with Article 8 of the Taxonomy Regulation (continued)

31 December 2021		€000	% of total assets
Assets covered in both numerator and denominator			
Households		3,752	16%
Taxonomy eligible economic activities		**3,752**	**16%**
Assets excluded from the numerator (covered only in the denominator)			
Exposures & investments to NFCs not subject to NFRD		4,904	20%
Exposures & investments to FCs not subject to NFRD		261	1%
On-demand inter-bank loans		177	1%
Derivatives-non trading book		2	0%
Properties (stock of properties and investment properties)		1,165	5%
Exposures & investments to FCs subject to NFRD		676	3%
Exposures & investments to NFCs subject to NFRD		180	1%
Exposures to retail sector not included in the numerator		850	3%
Other assets (assets held for sale/own-use property etc.)		1,620	7%
Taxonomy non-eligible activities		**9,835**	**41%**
Total covered assets		**13,587**	**57%**
Other assets not covered in either denominator or numerator			
Exposures to Central Governments		1,089	4%
Exposures to Central Banks		9,088	38%
Supranational Exposures		209	1%
Trading book exposures		5	0%
Total assets not covered in either denominator or numerator		**10,391**	**43%**
Total assets		**23,978**	**100%**

Taxonomy eligible economic activities as a percentage of total assets amount to 16%, whereas non-eligible economic activities amount to 41% of total assets.

Total derivative exposures as a % of total assets amount to less than 1%.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Financial Report and the financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRSs, the EU (Credit Institutions: Financial Statements) Regulations 2015 and, in respect of the consolidated financial statements, Article 4 of the International Accounting Standards (IAS) Regulation. Company law requires the Directors to prepare Group and Company financial statements for each financial year.

Under Irish law the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Group's and Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group and the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs adopted by the EU and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the assets, liabilities and financial position of the Company and enable them to ensure that the financial statements comply with the provisions of the Companies Act 2014 and Article 4 of IAS Regulation. The Directors, through the use of appropriate procedures and systems, have also ensured that measures are in place to secure compliance with the Company's and the Group's obligations to keep adequate accounting records. These accounting records are kept at the Company's registered office at 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland and at 51 Stassinos Street, 2002, Strovolos, Nicosia, Cyprus.

In compliance with section 283 of the Companies Act 2014, the information and returns relating to the business dealt with in the accounting records for 2021 has been sent to the registered office of the Company. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the London Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007, as amended Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority to include a Directors' report containing a fair review of the development and performance of the business and the position of the Group and a description of the principal risks and uncertainties facing the Group.

Statement of Directors' Responsibilities (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and the Company and of the profit or loss of the Group and the Company;
- the Directors' report contained in Annual Financial Report 2021 includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Financial Report 2021 and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

29 March 2022

Consolidated Financial Statements 2021

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Consolidated Income Statement
for the year ended 31 December 2021

	Notes	**2021 €000**	2020 €000
Turnover	*6*	**755,220**	765,095
Interest income	*7*	**360,928**	389,179
Income similar to interest income	*7*	**27,621**	47,530
Interest expense	*8*	**(67,057)**	(61,991)
Expense similar to interest expense	*8*	**(25,192)**	(44,720)
Net interest income		**296,300**	329,998
Fee and commission income	*9*	**180,212**	151,091
Fee and commission expense	*9*	**(8,416)**	(6,417)
Net foreign exchange gains	*10*	**16,503**	16,535
Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	*11*	**(22,047)**	1,721
Insurance income net of claims and commissions	*12*	**61,044**	56,063
Net losses from revaluation and disposal of investment properties		**(1,828)**	(1,499)
Net gains on disposal of stock of property	*27*	**13,296**	8,189
Other income	*13*	**14,831**	14,957
		549,895	570,638
Staff costs	*14*	**(218,633)**	(201,052)
Special levy on deposits and other levies/contributions	*15*	**(36,350)**	(33,656)
Other operating expenses	*15*	**(167,188)**	(188,560)
		127,724	147,370
Net gains on derecognition of financial assets measured at amortised cost		**3,859**	2,949
Credit losses to cover credit risk on loans and advances to customers	*16*	**(40,341)**	(275,080)
Credit losses of other financial instruments	*16*	**(5,803)**	(4,585)
Impairment net of reversals of non-financial assets	*16*	**(49,456)**	(37,586)
Profit/(loss) before share of profit from associates		**35,983**	(166,932)
Share of profit from associates	*52*	**137**	69
Profit/(loss) before tax		**36,120**	(166,863)
Income tax	*17*	**(4,243)**	(7,920)
Profit/(loss) after tax for the year		**31,877**	(174,783)
Attributable to:			
Owners of the Company		**29,709**	(171,532)
Non-controlling interests		**2,168**	(3,251)
Profit/(loss) for the year		**31,877**	(174,783)
Basic and diluted profit/(loss) per share attributable to the owners of the Company (€ cent)	*18*	**6.7**	(38.5)

	Notes	2021 €000	2020 €000
Profit/(loss) for the year		**31,877**	(174,783)
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)		**(398)**	(6,984)
Transfer to the consolidated income statement on disposal		**-**	(3,653)
		(398)	(10,637)
Foreign currency translation reserve			
(Loss)/profit on translation of net investments in foreign branches and subsidiaries		**(7,881)**	24,551
Profit/(loss) on hedging of net investments in foreign branches and subsidiaries	*21*	**7,797**	(23,756)
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries		**(68)**	84
		(152)	879
Total OCI that may be reclassified in the consolidated income statement in subsequent periods		**(550)**	(9,758)
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net gains/(losses) on investments in equity instruments designated at FVOCI		**789**	(367)
		789	(367)
Property revaluation reserve			
Fair value gain before tax	*25*	**408**	1,550
Deferred tax	*17*	**127**	1,787
		535	3,337
Actuarial gains/(losses) on defined benefit plans			
Remeasurement gains/(losses) on defined benefit plans	*14*	**5,151**	(3,415)
Total OCI not to be reclassified in the consolidated income statement in subsequent periods		**6,475**	(445)
Other comprehensive income/(loss) for the year net of taxation		**5,925**	(10,203)
Total comprehensive income/(loss) for the year		**37,802**	(184,986)
Attributable to:			
Owners of the Company		**35,649**	(181,824)
Non-controlling interests		**2,153**	(3,162)
Total comprehensive income/(loss) for the year		**37,802**	(184,986)

Consolidated Balance Sheet
as at 31 December 2021

	Notes	2021 €000	2020 €000
Assets			
Cash and balances with central banks	19	**9,230,883**	5,653,315
Loans and advances to banks	19	**291,632**	402,784
Derivative financial assets	21	**6,653**	24,627
Investments	20	**879,005**	1,876,009
Investments pledged as collateral	20	**1,260,158**	37,105
Loans and advances to customers	23	**9,836,405**	9,886,047
Life insurance business assets attributable to policyholders	24	**551,797**	474,187
Prepayments, accrued income and other assets	28	**616,219**	249,877
Stock of property	27	**1,111,604**	1,349,609
Deferred tax assets	17	**265,481**	341,360
Investment properties	22	**117,745**	128,088
Property and equipment	25	**252,130**	272,474
Intangible assets	26	**184,034**	185,256
Investments in associates and joint venture	52	**-**	2,462
Non-current assets and disposal groups held for sale	29	**358,951**	630,931
Total assets		**24,962,697**	21,514,131
Liabilities			
Deposits by banks		**457,039**	391,949
Funding from central banks	30	**2,969,600**	994,694
Derivative financial liabilities	21	**32,452**	45,978
Customer deposits	31	**17,530,883**	16,533,212
Insurance liabilities	32	**736,201**	671,603
Accruals, deferred income, other liabilities and other provisions	34	**361,977**	359,892
Pending litigation, claims, regulatory and other matters	39	**104,108**	123,615
Loan stock	33	**642,775**	272,152
Deferred tax liabilities	17	**46,435**	45,982
Total liabilities		**22,881,470**	19,439,077
Equity			
Share capital	35	**44,620**	44,620
Share premium	35	**594,358**	594,358
Revaluation and other reserves		**213,192**	209,153
Retained earnings	37	**986,623**	982,513
Equity attributable to the owners of the Company		**1,838,793**	1,830,644
Other equity instruments	35	**220,000**	220,000
Total equity excluding non-controlling interests		**2,058,793**	2,050,644
Non-controlling interests		**22,434**	24,410
Total equity		**2,081,227**	2,075,054
Total liabilities and equity		**24,962,697**	21,514,131

Mr. E.G. Arapoglou Chairman

Mr. P. Nicolaou Chief Executive Officer

Mr. N. Sofianos Director

Mrs. E. Livadiotou Executive Director Finance & Legacy

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Attributable to the owners of the Company											
	Share capital (Note 35)	Share premium (Note 35)	Treasury shares (Note 35)	Retained earnings (Note 37)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 35)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2021	44,620	594,358	(21,463)	982,513	79,515	22,894	110,401	17,806	**1,830,644**	220,000	24,410	**2,075,054**
Profit for the year	-	-	-	29,709	-	-	-	-	**29,709**	-	2,168	**31,877**
Other comprehensive income/(loss) after tax for the year	-	-	-	5,151	545	391	-	(147)	**5,940**	-	(15)	**5,925**
Total comprehensive income/(loss) after tax for the year	-	-	-	34,860	545	391	-	(147)	**35,649**	-	2,153	**37,802**
Increase in value of in-force life insurance business	-	-	-	(3,714)	-	-	3,714	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	464	-	-	(464)	-	**-**	-	-	**-**
Payment of coupon to AT1 holders (Note 35)	-	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	**-**	-	(2,110)	**(2,110)**
Impact on NCI due to disposal of subsidiary (Note 51)	-	-	-	-	-	-	-	-	**-**	-	(2,019)	**(2,019)**
31 December 2021	**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**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Attributable to the owners of the Company											
	Share capital (Note 35)	Share premium (Note 35)	Treasury shares (Note 35)	Retained earnings (Note 37)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 35)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2020	44,620	1,294,358	(21,463)	490,286	79,286	33,900	102,051	16,927	**2,039,965**	220,000	28,662	**2,288,627**
Loss for the year	-	-	-	(171,532)	-	-	-	-	**(171,532)**	-	(3,251)	**(174,783)**
Other comprehensive (loss)/income after tax for the year	-	-	-	(3,415)	3,250	(11,006)	-	879	**(10,292)**	-	89	**(10,203)**
Total comprehensive (loss)/income after tax for the year	-	-	-	(174,947)	3,250	(11,006)	-	879	**(181,824)**	-	(3,162)	**(184,986)**
Increase in value of in-force life insurance business	-	-	-	(9,543)	-	-	9,543	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	1,193	-	-	(1,193)	-	**-**	-	-	**-**
Transfer of realised profits on disposal of properties	-	-	-	3,021	(3,021)	-	-	-	**-**	-	-	**-**
Reduction of share premium (Note 35)	-	(700,000)	-	700,000	-	-	-	-	**-**	-	-	**-**
Change in the holding of Undertakings for Collective Investments in Transferable Securities (UCITS) Fund	-	-	-	3	-	-	-	-	**3**	-	-	**3**
Payment of coupon to AT1 holders (Note 35)	-	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	**-**	-	(1,090)	**(1,090)**
31 December 2020	**44,620**	**594,358**	**(21,463)**	**982,513**	**79,515**	**22,894**	**110,401**	**17,806**	**1,830,644**	**220,000**	**24,410**	**2,075,054**

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Notes	**2021 €000**	2020 €000
Net cash flow from/(used in) operating activities	*41*	**1,170,505**	(273,503)
Cash flows from investing activities			
Purchases of debt securities and equity securities		**(619,379)**	(575,638)
Proceeds on disposal/redemption of investments in debt and equity securities		**382,888**	557,303
Interest received from debt securities		**27,324**	33,514
Dividend income from equity securities		**1,774**	294
Proceeds on disposal of subsidiaries and associates		**9,535**	53,354
Proceeds on disposal of held for sale portfolios	*29*	**145,030**	13,409
Deposits on held for sale portfolios	*29*	**19,225**	21,100
Purchases of property and equipment	*25*	**(6,287)**	(10,121)
Purchases of intangible assets	*26*	**(16,055)**	(15,129)
Proceeds on disposals of property and equipment and intangible assets		**158**	360
Proceeds on disposals of investment properties and investment properties held for sale		**11,126**	7,230
Net cash (used in)/from investing activities		**(44,661)**	85,676
Cash flow from financing activities			
Payment of AT1 coupon	*35*	**(27,500)**	(27,500)
Net proceeds from funding from central banks	*30*	**2,000,000**	1,000,000
Proceeds from the issue of loan stock (net of costs)		**596,056**	-
Repayments of subordinated loan stock		**(231,596)**	-
Principle elements of lease payments	43	**(7,637)**	(8,626)
Interest on subordinated loan stock		**(33,570)**	(23,329)
Interest on balances with central banks	*8*	**(31,919)**	(18,782)
Dividend paid by subsidiaries to non-controlling interests		**(2,110)**	(1,090)
Net cash from financing activities		**2,261,724**	920,673
Net increase in cash and cash equivalents		**3,387,568**	732,846
Cash and cash equivalents			
1 January		**5,890,135**	5,130,863
Foreign exchange adjustments		**(22,493)**	26,426
Net increase in cash and cash equivalents		**3,387,568**	732,846
31 December	*42*	**9,255,210**	5,890,135

Details on the non-cash transactions are presented in Note 41.

1. Corporate information

Bank of Cyprus Holdings Public Limited Company (the 'Company') was incorporated in Ireland on 11 July 2016, as a public limited company under company number 585903 in accordance with the provisions of the Companies Act 2014 of Ireland (Companies Act 2014). Its registered office is 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. The Company is domiciled in Ireland and is tax resident in Cyprus.

Bank of Cyprus Holdings Public Limited Company is the holding company of Bank of Cyprus Public Company Limited ('BOC PCL') with principal place of business in Cyprus. The Bank of Cyprus Holdings Group (the 'Group') comprises the Company, its subsidiary BOC PCL and the subsidiaries of BOC PCL, with Bank of Cyprus Holdings Public Limited Company being the ultimate parent company of the Group.

The principal activities of BOC PCL and its subsidiary companies (the 'BOC Group') involve the provision of banking services, financial services, insurance services and the management and disposal of property predominately acquired in exchange of debt.

BOC PCL is a significant credit institution for the purposes of the SSM Regulation and has been designated by the CBC as an 'Other Systemically Important Institution' (O-SII). The Group is subject to joint supervision by the ECB and the CBC for the purposes of its prudential requirements.

The shares of the Company are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE).

Consolidated Financial Statements
The Consolidated Financial Statements of the Company for the year ended 31 December 2021 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 29 March 2022.

The statutory financial statements prepared in accordance with ESEF are published on the Group's website www.bankofcyprus.com (Group/Investor Relations/Financial Results).

2. Summary of significant accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, investments at fair value through other comprehensive income (FVOCI), financial assets (including loans and advances to customers and investments) at fair value through profit or loss (FVPL) and derivative financial assets and derivative financial liabilities that have been measured at fair value, non-current assets held for sale measured at fair value less costs to sell and stock of property measured at net realisable value where this is lower than cost. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Presentation of the Consolidated Financial Statements
The Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated. A comma is used to separate thousands and a dot is used to separate decimals.

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 44.

Statement of compliance
The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRSs.

2.2 Accounting policies and changes in accounting policies and disclosures

The Consolidated Financial Statements contain a summary of the accounting policies adopted in the preparation of the Consolidated Financial Statements.

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new and amended standards and interpretations as explained in Note 2.2.1.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures (continued)

2.2.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Amendments relating to Interest Rate Benchmark Reform (Phase 2 amendments)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were amended in August 2020, which are effective for periods beginning on or after 1 January 2021 with earlier adoption permitted. The Interest Rate Benchmark Reform—Phase 2 amendments deal with issues affecting financial reporting during the implementation of the benchmark rate reform. The objective of the amendments is to provide certain reliefs to companies when changes are made to the contractual cash flows or hedging relationships resulting from interest rate benchmark reform. The amendments also provide additional temporary exceptions from applying specific hedge accounting requirements of IAS 39 and IFRS 9 to hedge accounting relationships, which will generally allow hedging accounting relationships directly affected by the BMR reform to continue.

Changes in the basis for determining contractual cash flows
Changes in the basis for determining the contractual cash flows of a financial instrument that are required by the reform are accounted for by updating the effective interest rate, without the recognition of an immediate gain or loss. This practical expedient is only applied where the change to the contractual cash flows is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

For additional changes made to the basis for determining the contractual cash flows of a financial instrument to those required by the reform, the practical expedient is applied first, after which the normal IFRS 9 requirements for modifications of financial instruments is applied.

Hedge accounting
The IAS 39 requirements in respect of hedge accounting have been amended in two phases. The Phase 1 amendments, which were adopted by the Group in 2019, provide relief to the hedge accounting requirements prior to changing a hedge relationship due to the interest rate benchmark reform. The Phase 2 amendments provide relief when changes are made to hedge relationships as a result of the interest rate benchmark reform. The Group may apply the following reliefs where changes are made to hedge relationships as a result of the BMR reform:

- Under a temporary exception, changes to the hedge designation and hedge documentation due to the interest rate benchmark reform would not constitute the discontinuation of the hedge relationship nor the designation of a new hedging relationship.
- In respect of the retrospective hedge effectiveness assessment, the Group may elect on a hedge-by-hedge basis to reset the cumulative fair value changes to zero when the exception to the retrospective assessment ends (Phase 1 relief). Any hedge ineffectiveness will continue to be measured and recognised in full in profit or loss.
- Amounts accumulated in the cash flow hedge reserve would be deemed to be based on the alternative benchmark rate (on which the hedge future cash flows are determined) when there is a change in basis for determining the contractual cash flows.
- For hedges of groups of items (such as those forming part of a macro cash flow hedging strategy), the amendments provide relief for items within a designated group of items that are amended for changes directly required by the reform.

- In respect of whether a risk component of a hedged item is separately identifiable, the amendments provide temporary relief to entities to meet this requirement when an alternative risk free rate (RFR) financial instrument is designated as a risk component. These amendments allow entities upon designation of the hedge to assume that the separately identifiable requirement is met if the entity reasonably expects the RFR risk will become separately identifiable within the next 24 months. This relief applies to each RFR on a rate-by-rate basis and starts when the entity first designates the RFR as a non-contractually specified risk component.

These amendments did not have a material impact on the results and financial position of the Group during the year ended 31 December 2021. Please refer to Note 46 for further information.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures (continued)

2.2.1 New and amended standards and interpretations (continued)

IFRS 4: Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 (amendments)
The IASB published the amendments to IFRS 4 'Extension of the Temporary Exemption from Applying IFRS 9' to defer the fixed expiry date of the amendment to annual periods beginning on or after 1 January 2023. The amendments did not have a material impact on the results and financial position of the Group.

IFRS 16: Leases COVID-19 Related rent concessions (amendment)
The IASB published 'amendments to IFRS 16 covering COVID-19-Related Rent Concessions'. These provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment was effective for annual reporting periods beginning on or after 1 June 2020. The amendments did not have a material impact on the results and financial position of the Group.

2.3 Standards and Interpretations that are issued but not yet effective

2.3.1 Standards and Interpretations issued by the IASB and adopted by the EU

IFRS 17: Insurance Contracts (including Amendments to IFRS 17 issued on 25 June 2020)
The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. IFRS 17 replaces IFRS 4 and it establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. IFRS 17 divides insurance contracts into groups and it will recognise and measure at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). It also recognises profit from a group of insurance contracts over the period the entity provides insurance coverage and as the entity is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, an entity recognises the loss immediately. The standard contains a core measurement approach, the 'general model', as well as an adaptation of the general model, the 'variable fee approach' that should be applied to certain types of contracts with direct participation features. If certain criteria are met, an entity may apply a simplified measurement approach, the 'premium allocation approach', which allows an entity to measure the amount of remaining coverage by allocating the premium over the coverage period (mainly applicable for non-life contracts with up to one-year coverage).

The Group is in the process of implementing IFRS 17 and is assessing the impact of the standard on its results and financial position. Industry practice and interpretation of the standard are still developing and therefore, the likely financial impact of its implementation remains uncertain. However, the Group has the following expectations as to the impact of the standard compared with the current accounting policy for insurance contracts:

- Under IFRS 17, there will be no present value of in-force life insurance business ('PVIF') asset recognised. Instead the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM'), representing unearned profit, and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under IFRS 17. The PVIF asset will be eliminated to equity on transition, together with other adjustments to assets and liabilities to reflect IFRS 17 measurement requirements and any consequential amendments to financial assets in the scope of IFRS 9.
- IFRS 17 requires increased use of current market values in the measurement of insurance liabilities. Changes in market conditions for certain products measured under the general measurement approach are immediately recognised in profit or loss, while changes in market conditions for other products measured under the variable fee approach are included in the measurement of CSM.

2. Summary of significant accounting policies (continued)

2.3 Standards and Interpretations that are issued but not yet effective (continued)

2.3.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and recognised in the results of insurance services as a reduction in reported revenue, as profit is recognised over the duration of insurance contracts. Costs that are not directly attributable will remain in operating expenses. This will result in a reduction in reported operating expenses compared with the current accounting policy.
- For non-life insurance business, where risks under such policies usually cover a period of 12 months, the Group is expected to apply mainly the simplified measurement model, i.e. the 'premium allocation approach', which allows an entity to measure the amount of remaining coverage by allocating the premium over the coverage period.

IFRS 16: Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (amendment)
The amendment increases the scope of COVID-19-related rent concessions (amendment to IFRS 16 issued in May 2020), which provides lessees with an exemption from assessing whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The amendment increases the eligibility period for the application of the exemption by 12 months from 30 June 2021 to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The Group does not expect this amendment to have a material impact on its results and financial position.

IFRS 3: Business Combinations (amendments)
The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing the accounting requirements for business combinations. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (amendments)
The amendments to the standard prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. They are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. An entity will apply the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (amendments)
The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

Annual Improvements to IFRS Standards 2018–2020 Cycle
Annual Improvements to IFRS Standards 2018–2020 Cycle makes amendments to the following standards:
- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment permits a subsidiary that applies IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

2. Summary of significant accounting policies (continued)

2.3 Standards and Interpretations that are issued but not yet effective (continued)

2.3.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

- IFRS 9 Financial Instruments: the amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 Leases: the amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture: the amendment removes the requirement of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique, which ensures consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9 and IAS 41 are all effective for annual periods beginning on or after 1 January 2022, with earlier application permitted, whereas the amendment to IFRS 16 only regards an illustrative example. The Group does not expect these amendments to have a material impact on its results and financial position.

2.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IAS 1 Presentation of Financial Statements: classification of Liabilities as Current or Non-current (amendments)
The IASB issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (a) what is meant by a right to defer settlement, (b) that a right to defer must exist at the end of the reporting period and (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument. The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (amendments)
The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect these amendments to have an impact on its results and financial position.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendments)
The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect these amendments to have a material impact on its financial results and financial position.

IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)
The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

2. Summary of significant accounting policies (continued)

2.3 Standards and Interpretations that are issued but not yet effective (continued)

2.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - comparative information (amendments)
The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023. The Group is analysing the potential impact as part of its IFRS 17 implementation project.

2.4 Basis of consolidation

The Consolidated Financial Statements comprise the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2021. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Specifically, the Group controls an investee only if the Group has:
- power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including any contractual arrangements with the other vote holders, rights arising from other contractual arrangements, and the Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts indicate that there are changes to any of the three elements of control.

Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Financial Statements from the date of acquisition or up to the date of disposal, respectively. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, directly or indirectly. The non-controlling interests are presented separately in the consolidated income statement and within equity from the Company owners' equity.

All intra-group balances and transactions are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises nor any gain/loss is recognised in the consolidated income statement from such transactions. The foreign exchange differences which relate to the share of non-controlling interests being sold/acquired are reclassified between the foreign currency reserve and non-controlling interests.

2. Summary of significant accounting policies (continued)

2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired is recognised as goodwill on the consolidated balance sheet. Where the Group's share of the fair values of the identifiable net assets is greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition. Acquisition related costs are expensed as incurred and included in other operating expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any resulting gain or loss is recognised in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policy decisions.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

In the Consolidated Financial Statements, the Group's investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture. The Group's share of the results of the associate or joint venture is included in the consolidated income statement. Losses of the associate or joint venture in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the consolidated income statement and represents profit or loss before tax. The associated tax charge is disclosed in income tax.

The Group recognises its share of any changes in the equity of the associate or the joint venture through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the Group's interest in the associate or the joint venture.

The Group applies equity accounting only up to the date an investment in associates or joint ventures meets the criteria for classification as held for sale. From then onwards, the investment in associates or joint ventures is measured at the lower of its carrying amount and fair value less costs to sell.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

2. Summary of significant accounting policies (continued)

2.7 Foreign currency translation

The Consolidated Financial Statements are presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus. Each overseas branch or subsidiary of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2.7.1 Transactions and balances

Transactions in foreign currencies are recorded using the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Net foreign exchange gains' in the consolidated income statement, with the exception of differences on foreign currency assets/liabilities that provide a hedge against the net investments in subsidiaries and overseas branches. These differences are recognised in other comprehensive income in the 'Foreign currency translation reserve' until the disposal or liquidation of the net investment, at which time the cumulative amount is reclassified to the consolidated income statement.

Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value is determined.

2.7.2 Subsidiary companies and branches

At the reporting date, the assets and liabilities of subsidiaries (including special purpose entities that the Group consolidates) and branches whose functional currency is other than the Group's presentation currency are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date, and their income statements are translated using the average exchange rates for the year.

Foreign exchange differences arising on translation are recognised in other comprehensive income in the 'Foreign currency translation reserve'. On disposal or liquidation of a subsidiary or branch, the cumulative amount of the foreign exchange differences relating to that particular overseas operation, is reclassified to the consolidated income statement as part of the profit/loss on disposal/dissolution of subsidiaries.

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group of persons that allocate resources to and assess the performance of the operating segments.

The chief operating decision-maker is the Group Executive Committee.

2.9 Turnover

Group turnover as presented in the Consolidated Income Statement is analysed in Note 6.

2.10 Revenue from contracts with customers

The Group recognises revenue when control of the promised goods or services is transferred to customers in return of an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The revenue recognition model applies the following five steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

The performance obligation notion in effect represents a promise in a contract with a customer to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Contract balances
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Receivables are recorded where the Group provides services to clients, consideration is due immediately upon satisfaction of a point in time service or at the end of a prespecified period for an over the time service. It is the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The initial recognition and subsequent measurement of such receivables is disclosed in Notes 2.15 to 2.19.

Contract liabilities relate to payments received from customers where the Group is yet to satisfy its performance obligation. Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract assets and receivables are recorded within 'Prepayments, accrued income and other assets' and contract liabilities within 'Accruals, deferred income, other liabilities and other provisions' in the consolidated balance sheet.

2.10.1 Fee and commission income

The Group earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two broad categories:

- fees earned from services that are provided over a certain period of time, such as asset or portfolio management, custody services and certain advisory services; and
- fees earned from point in time services such as executing transactions and brokerage fees (e.g. securities and derivative execution and clearing).

Over time services
For fees earned from services that are provided over a certain period of time revenue is recognised pro-rata over the service period, provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the control of the Group. Costs to fulfil over time services are recorded in the consolidated income statement immediately, because such services are considered to be a series of services that are substantially the same from day to day and have the same pattern of transfer.

Point in time services
For fees earned from providing transaction-type services, revenue is recognised when the service has been completed, provided such fees are not subject to refund or another contingency beyond the control of the Group. Incremental costs to fulfil services provided at a point in time are typically incurred and recorded at the same time as the performance obligation is satisfied and revenue is earned, and are therefore not recognised as an asset, e.g. brokerage commissions.

Fee and commission income is measured based on consideration specified in a legally enforceable contract with a customer, excluding amounts such as taxes collected on behalf of third parties. Consideration can include both fixed and variable amounts. Variable consideration includes refunds, discounts and other amounts that are contingent on the occurrence or non-occurrence of a future event. Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

2.10.2 Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established i.e. upon approval by the general meeting of the shareholders.

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

2.10.3 Rental income

Rental income from investment properties and stock of property is accounted for on a straight-line basis over the period of the lease and is recognised in the consolidated income statement in 'Other income'.

2.10.4 Gains on disposal of investment property

Gains on disposal of investment property are recognised in the consolidated income statement in 'Net gains/(losses) from revaluation and disposal of investment properties' when the buyer accepts delivery and the control of the property is transferred to the buyer.

2.10.5 Gains on disposal of stock of property

Gains on disposal of stock of property are recognised in the consolidated income statement when the buyer accepts delivery and the control of the property is transferred to the buyer.

2.11 Recognition of interest income/expense and income/expense similar to interest

The Group calculates interest income/expense by applying the effective interest rate (EIR) to the gross carrying amount of financial assets, unless the asset is credit-impaired. For financial assets and financial liabilities measured at FVPL which accrue interest, the Group follows the principles of the effective interest method with the only difference being the treatment of fees that are integral to the financial asset/financial liabilities. That is, for financial assets and financial liabilities classified at FVPL the fees are recognised as revenue or expense when the instrument is initially recognised and not as part of the EIR calculation.

When a financial asset becomes credit-impaired and is therefore classified as Stage 3, interest income is calculated by applying the EIR to the amortised cost of the financial asset, being the gross carrying amount of the financial asset less any loss allowance. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on the gross carrying amount. In such cases, the Group unwinds the discount on the expected credit losses (ECL) through the 'Credit losses to cover credit risk on loans and advances to customers' line in the consolidated income statement.

Interest income on purchased or originated credit-impaired (POCI) financial assets is recognised using the credit adjusted effective interest rate (CAEIR) calculated at initial recognition. The CAEIR is applied on the amortised cost of the financial asset, being the gross carrying amount of the financial asset less any loss allowance.

Interest income from financial assets at amortised cost and financial assets at FVOCI are presented within the caption 'Interest income', while interest income on financial instruments at FVPL is presented within the caption 'Income similar to interest income' in the consolidated income statement. Interest expense on financial liabilities at amortised cost is presented within the caption 'Interest expense', with interest expense on financial instruments at FVPL presented within the caption 'Expense similar to interest expense' in the consolidated income statement. All form part of the 'Net interest income'.

The Group has funding from central banks with negative interest rates. The Group classifies the interest on these liabilities within interest income. Negative interest on financial liabilities is disclosed in Note 7.

The Group holds loans and advances to banks and central banks with negative interest rates. The Group classifies the interest on these assets within interest expense. Negative interest on financial assets is disclosed in Note 8.

The effective interest rate method

Interest income and expense are recognised in the consolidated income statement by applying the effective interest rate (EIR) for all financial instruments measured at amortised cost and debt instruments at FVOCI.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

2. Summary of significant accounting policies (continued)

2.11 Recognition of interest income/expense and income/expense similar to interest (continued)

The EIR, and therefore the amortised cost of the asset, is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Fees and incremental costs that are directly attributable to loans and advances to customers are also deferred and amortised as part of interest income using the effective interest rate method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the EIR, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The carrying amount of a financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in 'Net gains/(losses) on financial instrument transactions' for debt securities, or in 'Changes in expected cash flows' component of the 'Credit losses to cover credit risk on loans and advances to customers' for loans and advances to customers.

2.12 Retirement benefits

The Group operates both defined contribution and defined benefit retirement plans.

Defined contribution plans
The Group recognises obligations in respect of the accounting period in the consolidated income statement. Any unpaid contributions at the reporting date are included as a liability.

Defined benefit plans
The cost of providing benefits for defined benefit plans is estimated separately for each plan using the Projected Unit Credit Method of actuarial valuation.

The defined benefit asset or liability comprises the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), reduced by the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a funded plan or qualifying insurance policies. Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

The net charge to the consolidated income statement mainly comprises the service costs and the net interest on the net defined benefit asset or liability, and is presented in staff costs. Service costs comprise current service costs, past-service costs, gains and losses or curtailments and non-routine settlements. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest), and the return on plan assets (excluding net interest), are recognised immediately on the consolidated balance sheet with a corresponding debit or credit in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

2.13 Tax

Current income tax and deferred tax
Tax on income is provided in accordance with the fiscal regulations and rates which apply in the countries where the Group operates and is recognised as an expense in the period in which the income arises. Deferred tax is provided using the liability method. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. Current income tax and deferred tax relating to items recognised directly in equity is recognised directly in equity.

2. Summary of significant accounting policies (continued)

2.13 Tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date, which will give rise to taxable amounts in future periods. Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associate companies and branches, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities, after taking into account the tax rates and legislation that have been enacted or substantially enacted by the reporting date.

The deferred tax assets arising from specific tax losses and which are subject to the Income Tax Law Amendment 28 (I) of 2019, are accounted for on the same basis as other deferred tax assets and can be converted into tax credits. These tax losses are converted into 11 equal annual instalments and each instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Any amount of the annual instalment not utilised is converted into a tax credit and can be utilised in the tax year following the tax year to which this tax credit relates to. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government. Further details are disclosed in Note 17.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

Indirect Tax Value Added Tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case, the VAT suffered is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of VAT charged. The amount of VAT recoverable from, or payable to the tax authorities, is included as part of receivables or payables in the consolidated balance sheet.

2.14 Financial instruments - initial recognition

2.14.1 Date of recognition

'Balances with central banks', 'Loans and advances to banks', 'Loans and advances to customers', 'Deposits by banks', 'Funding from central banks' and 'Customer deposits' are recognised when cash is received by the Group or advanced to the borrowers. All other financial assets and financial liabilities are initially recognised on the trade date. Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are also recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are also recognised on a trade date basis.

2.14.2 Initial recognition and measurement of financial instruments

The classification of financial assets on initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.15.

All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at FVPL, any directly attributable incremental costs of acquisition or issue.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments - initial recognition (continued)

2.14.2 Initial recognition and measurement of financial instruments (continued)

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in Note 2.14.3 below.

2.14.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in 'Net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates' caption. In the cases, where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.14.4 Measurement categories of financial assets and financial liabilities

Financial assets are measured either at amortised cost, FVOCI or FVTPL.

The Group classifies and measures its derivatives and trading portfolios at FVPL. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost or at FVPL when they are held for trading or relate to derivative instruments.

2.15 Classification and measurement of financial assets and financial liabilities

The classification and measurement of financial assets depends on how these are managed as part of the business models the Group operates under and their contractual cash flow characteristics (whether the cash flows represent solely payments of principle and interest (SPPI)).

Business model assessment
The Group assesses the business model at a portfolio level. The portfolio level is determined at the aggregation level that reflects how the Group manages its financial assets and the business model is based on observable factors which include:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flows characteristics test (SPPI assessment)
The Group assesses whether the individual financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding at origination (SPPI test).

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and financial liabilities (continued)

In assessing whether contractual cash flows are SPPI, the Group applies judgement and considers the terms that could change the contractual cash flows so that they would not meet the condition for SPPI, and be inconsistent to a basic lending arrangement, including: (i) contingent and leverage features, (ii) interest rates which are beyond the control of the Group or variable interest rate consideration, (iii) features that could modify the time value of money, (iv) prepayment and extension options, (v) non-recourse arrangements, and (vi) convertibility features.

Where the contractual terms of a financial asset introduce a more than de-minimis exposure to risks or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVPL.

2.15.1 Derivative financial instruments

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value. Revaluations of trading derivatives are included in the consolidated income statement in 'Net foreign exchange gains' in the case of currency derivatives and in 'Net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the case of all other derivatives. Interest income and expense are included in the 'Income similar to interest income' and 'Expense similar to interest expense' captions respectively in the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

For hybrid contracts where the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are based on the business model and SPPI assessment as described in the classification of financial assets section of Note 2.15 and applied to the entire hybrid instrument.

Derivatives embedded in financial liabilities and non-financial host contracts, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself measured at fair value with revaluation recognised in the consolidated income statement. The embedded derivatives separated from the host are carried at fair value, with revaluations recognised in 'Net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement. The host contract is accounted for in accordance with the relevant standards.

2.15.2 Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they meet both of the following conditions:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This classification relates to cash and balances with central banks, loans and advances to banks, loans and advances to customers that pass the SPPI test, debt securities held under the 'Hold to collect' business model and other financial assets.

After their initial recognition, financial instruments measured at amortised cost are measured at amortised cost using the effective interest rate method, less allowances for expected credit losses (ECL). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in 'Credit losses to cover credit risk on loans and advances to customers' in the case of loans and advances to customers and in 'Credit losses of other financial instruments' for all other financial instruments.

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and financial liabilities (continued)

2.15.3 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they meet both of the following conditions:
- The financial asset is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This classification relates to debt securities held under the 'Hold to collect and sell' business model that pass the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses due to changes in fair value recognised directly in other comprehensive income in the 'Net gains/(losses) on investments in debt instruments measured at FVOCI' caption. Upon derecognition of these instruments, any accumulated balances in other comprehensive income are reclassified to the consolidated income statement and reported within 'Net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates' caption. The interest income, foreign exchange differences and ECL are recognised in the consolidated income statement in the respective lines in the same manner as for financial assets at amortised cost.

2.15.4 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading represent assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term and are recognised in the consolidated balance sheet at fair value. Changes in the fair value are recognised in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement. Interest income and expense are included in the captions 'Income similar to interest income' and 'Expense similar to interest expense' respectively in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

This classification relates to debt and equity instruments that have been acquired principally for the purposes of sale or repurchase in the near term.

2.15.5 Financial assets or financial liabilities at FVPL

Financial assets and financial liabilities, other than those held for trading, classified in this category are those that are designated by management on initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL at initial recognition when one of the following criteria are met:

(a) the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the assets or liabilities or the recognition of gains or losses on them on a different basis, or

(b) the liabilities are part of a group of financial liabilities or financial assets and financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

(c) the liabilities contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of the instrument or it is clear, with little or no analysis, that the embedded derivative could not be separated.

Such designation is determined on an instrument-by-instrument basis.

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and financial liabilities (continued)

2.15.5 Financial assets or financial liabilities at FVPL (continued)

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in the fair value are recognised in 'Net gains/(losses) on financial instrument transactions and loss on disposal/dissolution of subsidiaries and associates' in the consolidated income statement. Interest income and expense are included in the captions 'Income similar to interest income' and 'Expense similar to interest expense' respectively in the consolidated income statement. Dividend income is recognised in 'Other income' in the consolidated income statement when the right to receive payment has been established.

In addition assets held under unit-linked insurance contracts and certain non-linked insurance contracts issued by insurance subsidiaries are designated at FVPL.

Financial assets mandatorily classified at FVPL include certain loans and advances to customers, certain investment fund holdings and other securities for which the contractual cash flows do not meet the SPPI test, or the financial assets are part of a portfolio held within a business model under which they are managed and their performance is evaluated on a fair value basis.

2.15.6 Equity instruments measured at FVOCI

At initial recognition, the Group can make an irrevocable election to classify an investment in an equity instrument at FVOCI, when that meets the definition of Equity under IAS 32 Financial Instruments: 'Presentation', and is not held for trading. Such classification is determined on an instrument-by-instrument basis.

Fair value gains and losses on these equity instruments are recognised in OCI and are not recycled to profit or loss upon derecognition, but are transferred directly to retained earnings. Dividends on equity investments are recognised in the consolidated income statement and reported within 'Other Income' when the right to receive payment has been established. Equity instruments measured at FVOCI are not subject to an impairment assessment.

2.15.7 Loan stock

Loan stock is initially measured at the fair value of the consideration received, net of any issue costs. It is subsequently measured at amortised cost using the effective interest rate method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Group has the right to redeem the loan stock.

Interest on loan stock is included in 'Interest expense' in the consolidated income statement.

2.15.8 Other financial liabilities

Other financial liabilities include 'Customer deposits', 'Deposits by banks', 'Funding from central banks' and other financial liabilities.

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of deposits by customers, funding from central banks and deposits by banks is at amortised cost, using the effective interest method.

2.16 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition apart from exceptional circumstances in which the Group changes its business model for managing financial assets and acquires, disposes of, or terminates a business line. Reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

Financial liabilities are never reclassified.

2. Summary of significant accounting policies (continued)

2.17 Derecognition of financial assets and financial liabilities

2.17.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, either:

- The Group transfers its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but assumes an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

A transfer only qualifies for derecognition if either:

- The Group transfers substantially all the risks and rewards of the asset; or
- The Group neither transfers nor retains substantially all the risks and rewards of the asset, but it transfers control of the asset.

2.17.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Modifications to, and exchanges of, financial liabilities are treated as extinguishments and derecognised, when the revised terms are substantially different to the original term. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in profit or loss.

2.18 Forborne and modified loans

The contractual terms of a financial asset may be modified due to various reasons, either due to commercial renegotiations or due to distressed restructurings with a view to maximise recovery.

In the event that the terms and conditions of a financial asset are renegotiated or otherwise modified, the Group considers whether the modification results in derecognition of the existing financial asset and the recognition of a new financial asset. A derecognition of a financial asset (or part of a financial asset) and a recognition of a new financial asset would occur where there has been a substantial modification on the revised terms to the original cash flows.

Judgement is required to assess whether a change in the contractual terms is substantial enough to lead to derecognition. The Group considers a series of factors of both qualitative and quantitative nature when making such judgements on a modification in the contractual cash flows, including change in the currency, change in counterparty, introduction of substantially different terms such as addition of equity conversion features, changes in the legal framework and other.

Where the modification does not result in derecognition, the Group recognises a modification gain or loss, based on the difference between the modified cash flows discounted at the original EIR and the existing gross carrying value of the financial asset. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired, as defined in Note 2.19.2, are no longer present. A modified financial asset will transfer out of Stage 2 when it no longer meets the criteria for significant increase in credit risk such as it satisfies relative thresholds, which are based on changes in its lifetime probability of default (PD), days past due are not considered to be forborne, and other considerations. The financial asset continues to be monitored for significant increases in credit risk and credit impairment.

Where the modification results in derecognition, the new financial asset is classified at amortised cost or FVOCI and an assessment is performed on whether it should be classified as Stage 1 or POCI for ECL measurement. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets

2.19.1 Overview of ECL principle

The Group uses a forward looking ECL model, requiring judgement, estimates and assumptions in determining the level of ECLs. ECLs are recorded for all financial assets measured at amortised cost and FVOCI, lease receivables, loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI. In the event of a significant increase in credit risk since initial recognition, impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 2.19.3.

The Group categorises its financial assets into Stage 1, Stage 2, Stage 3 and POCI for ECL measurement as described below:

Stage 1: Financial assets which have not had a significant increase in credit risk since initial recognition are considered to be Stage 1 and 12-month ECL is recognised.

Stage 2: Financial assets that are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2 and lifetime ECLs are recognised.

Stage 3: Financial assets which are considered to be credit-impaired (refer to following section of the note on how the Group defines credit-impaired and default) and lifetime ECLs are recognised.

POCI: These are purchased or originated financial assets that are credit-impaired on initial recognition. POCI assets include loans purchased or originated at a deep discount that reflects incurred credit losses. Changes in lifetime ECLs since initial recognition are recognised.

ECL is recognised in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the balance sheet. For financial assets measured at FVOCI the carrying value is not reduced, but the accumulated amount of impairment allowance is recognised in OCI. For off-balance sheet instruments, accumulated provisions for ECL are reported in 'Accruals, deferred income, other liabilities and other provisions', except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure, as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL for the period is recognised within the consolidated income statement in 'Credit losses to cover credit risk on loans and advances to customers' for loans and advances to customers and loan commitments and financial guarantees and in 'Credit losses of other financial instruments' for all other financial instruments.

2.19.2 Credit impaired and definition of default

Loans and advances to customers, loan commitments and financial guarantees
The Group considers loans and advances to customers that meet the non-performing exposure (NPE) definition as per the European Banking Authority (EBA) standards to be in default and hence Stage 3 (credit-impaired). Therefore such loans have ECL calculated on a lifetime basis and are considered to be in default for credit risk management purposes.

As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), 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 Central Bank of Cyprus (CBC), which are more than 90 days past due.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

(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.

Material arrears/excesses are defined as follows:

- Retail exposures: Total arrears/excess amount greater than €100
- Exposures other than retail: Total arrears/excess amount greater than €500
- and the amount in arrears/excess is at least 1% of the customer's total exposure.

The definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

When a financial asset has been identified as credit-impaired, ECLs are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

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

Non-performing forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:

i. The extension of forbearance measures does not lead to the recognition of impairment or default.
ii. A period of one year has passed since the latest of the following events:
   a. The restructuring date
   b. The date the exposure was classified as non-performing
   c. The end of the grace period included in the restructuring arrangements.
iii. Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
iv. No Unlikely-to-Pay criteria exist for the debtor.
v. The debtor has made post-forbearance payments of a non-insignificant amount of capital (different capital thresholds exist according to the facility type).

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

i. At least three months have passed since the date that the conditions for which the exposure was classified as non-performing cease to be met, and within these three months there are no default triggers, and
ii. During the three month period, the behaviour of the obligor should be taken into account, i.e. there are no arrears/excesses and instalments are being repaid normally, and

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

iii. During the three month period, the financial situation of the obligor should be taken into account, i.e. the financial situation of the obligor has improved, and
iv. During the three month period an Unlikely-to-Pay criteria assessment is carried out and it is assessed that the obligor can fulfil their obligations without resorting to the liquidation of collateral and there are no other Unlikely-to-Pay criteria.

When an account exits Stage 3, it is transferred to Stage 2 for a probationary period of 6 months. At the end of this period, the significant increase in credit risk (SICR) trigger is activated as described in Note 2.19.3 and the loan is either transferred to Stage 1 or remains in Stage 2. The reversal of previous unrecognised interest on loans and advances to customers that no longer meet Stage 3 criteria is presented in 'Credit losses to cover credit risk on loans and advances to customers'.

Debt securities, loans and advances to banks and balances with central banks
Debt securities, loans and advances to banks and balances with central banks are considered defaulted and transferred to Stage 3 if the issuers have failed to pay either interest or principal. Moody's ratings indicate these exposures with a grade C which is the lowest Moody's rating category. In addition, a number of other criteria are considered such as adverse changes in business, financial and economic conditions as well as external market indicators (credit spreads, credit default swap (CDS) prices) in determining whether there has been a significant deterioration in the financial position that could lead to unlikeliness to pay.

2.19.3 Significant increase in credit risk (SICR)

IFRS 9 requires that in the event of a significant increase in credit risk since initial recognition, the calculation basis of the loss allowance would change from 12 month ECLs to lifetime ECLs.

The assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting date, by considering the change in the risk of default occurring over the remaining life of the financial instrument since initial recognition.

Significant credit risk increase for loans and advances to customers
Primarily, the Group uses the lifetime probability of default (PDs) as the quantitative metric in order to assess transition from Stage 1 to Stage 2 for all portfolios. The Group considers an exposure to have experienced significant increase in credit risk (SICR) by comparing the PD at the reporting date with the PD at initial recognition to compute the relative increase in regards to the corresponding threshold. The threshold has been determined by using statistical analysis on historical information of credit migration exposures on the basis of days past due, for the different segments. The Group applies the thresholds presented in the table below to each portfolio/segment, based on the following characteristics: customer type, product type and rating at origination. The threshold is then assigned to each facility according to the facility's portfolio/segment.

The SICR trigger is activated based on the comparison of the ratio of current lifetime PD to the remaining Lifetime PD at origination (PD@O) to the pre-established threshold. If the resulting ratio is higher than the pre-established threshold then deterioration is assumed to have occurred and the exposure is transferred to Stage 2. The thresholds calibration is driven by changes in the PD models which are assessed semi-annually as disclosed in Note 45.5.

The table below summarises the quantitative measure of the SICR trigger which varies depending on the credit quality at origination as follows, applied on 31 December 2021 and 2020:

Segment	Rating at origination	PD Deterioration thresholds applied at 31 December 2021	PD Deterioration thresholds applied at 31 December 2020
Retail	1-3	2 X PD@O	1-7 X PD@O
	4-5	2 X PD@O	1-4 X PD@O
	6-7	2 X PD@O	1-4 X PD@O
SME	1-3	2 X PD@O	3 X PD@O
	4-5	2 X PD@O	3 X PD@O
	6-7	2 X PD@O	3 X PD@O
Corporate	1-7	1-3 X PD@O	1-2 X PD@O

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.3 Significant increase in credit risk (SICR) (continued)

For exposures which are subject to individual impairment assessment, the following qualitative factors in addition to the ones incorporated in the PD calculation, are considered:

- significant change in collateral value or guarantee or financial support provided by shareholders/directors,
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates.

From the second quarter of 2021, another qualitative factor that triggers SICR has been introduced, that is the granting of forbearance measures to performing borrowers. Stage 1 exposures that are classified as 'performing forborne' are automatically transferred to Stage 2. The impact of this new criterion was €224 million of loans and advances to customers to be transferred from Stage 1 to Stage 2 and the respective impact on the ECL for the year ended 31 December 2021 was an increase in ECL of €973 thousand.

The Group also considers, as a backstop criterion, that a significant increase in the credit risk occurs when contractual payments are more than 30 days past due (past due materiality is applied). Loans that meet this condition are classified in Stage 2. The transfer to Stage 2 does not take place in cases where certain exposures are past due for more than 30 days but certain materiality limits are not met (such as arrears up to €100 and funded balances up to 1% in the case of retail exposures and arrears up to €500 and funded balances up to 1% on all exposures other than retail). The materiality levels are set in accordance with the ECB Regulation (EU) 2018/1845.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has been transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Significant credit risk increase for financial instruments other than loans and advances to customers
Low credit risk simplification is adopted for debt securities, loans and advances to banks and balances with central banks with external credit ratings that are rated as investment grade. The assessment of low credit risk is based on both the external credit rating and the internal scoring (which considers latest available information on the instrument and issuer). The combination of the two provides an adjusted credit rating. An adjusted credit rating which remains investment grade is considered as having low credit risk.

For debt securities, loans and advances to banks and balances with central banks which are below investment grade, the low credit risk exemption does not apply and therefore an assessment of significant credit deterioration takes place, by comparing their credit rating at origination with the credit rating on the reporting date. Significant deterioration in credit risk is considered to have occurred when the adjusted rating of the exposures drops to such an extent that the new rating relates to a riskier category (i.e. from a non-investments grade to speculative and then to highly speculative) or when the PD of the exposure at the origination date compared to the PD at the reporting date has increased by a level greater than the pre-set threshold.

2.19.4 Measurement of ECLs

IFRS 9 ECL reflects an unbiased, probability-weighted estimate based on either loss expectations resulting from default events over a maximum 12-month period from the reporting date or over the remaining life of a financial instrument. The Group calculates lifetime ECLs and 12-month ECLs either on an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group calculates ECLs based on three-weighted scenarios to measure the expected cash flow shortfalls, discounted at an approximation to the EIR as calculated at initial recognition. A cash flow shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows expected to be received.

The Group calculates ECL using the following three components:

- exposure at default (EAD),
- probability of default (PD), and
- loss given default (LGD).

2. **Summary of significant accounting policies** (continued)

2.19 **Impairment of financial assets** (continued)

2.19.4 **Measurement of ECLs** (continued)

Exposure at default (EAD)
EAD represents the expected exposure in the event of a default during the life of a financial instrument, considering expected repayments, interest payments and accruals. EAD definition is differentiated for the following categories: revolving and non-revolving exposures.

For non-revolving exposures the term is based on the contractual term of the exposure and both on-balance sheet and off-balance sheet exposures are amortised in accordance with the principal contractual payment schedule of each exposure. In case of revolving exposures, the projected EAD is the carrying value plus the credit conversion factor applied on the undrawn amount. The credit conversion factor model is derived based on empirical data from 2014 onwards.

In regards to the credit-impaired exposures, the EAD is equal to the on balance sheet amount as at the reporting date.

Probability of default (PD)
PD represents the probability an exposure defaults and is calculated based on statistical rating models, calculated per segment and taking into consideration each individual's exposure rating as well as forward looking information based on macroeconomic inputs.

For each exposure, lifetime PD represents the probability of default within the lifetime horizon and is based on the underlying models of marginal probability of default through the cycle (MPD TTC), MPD individual, MPD point in time, Marginal Probability of Paid-off (MPP) and the NPE overlay. In particular, the first element, MPD TTC is constructed per segment, illustrating the probability of default status depending on number of months since the origination date. The PD for each month since the origination date is calculated under the condition that exposures survived until the prior month. The MPD individual is allocated to linked individual exposures through a scaling factor constructed based on the current individual risk assessment, which is represented by the Group's PD per rating grade. MPD is adjusted to reflect the current and forward looking information based on the macroeconomic inputs. The MPP Component is the curve that shows the probability of full payment of a particular exposure based on specific period in months since the open date of the exposure. MPP is estimated for each particular segment and depends on the contractual terms of the exposure. Finally, the NPE overlay is an add-on factor that adjusts the definition of default of the underlying models, such that it is aligned with the NPE definition. For revolving facilities where there is no contractual survival maturity, one curve per segment is developed. The combination of these models gives rise to a PD value for each month for the lifetime of the exposure.

BOC PCL's internal rating process is summarised in Note 45.

Loss given default (LGD)
LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. Two distinct paths are taken into consideration for the LGD parameter. The first one is that of a cured facility where there is a full recovery thus no losses occur. In the second scenario, the facility remains non-performing resulting into BOC PCL proceeding with collateral liquidation actions. To this end, the LGD model considers parameters such as historical loss and/or recovery rates as well as the collateral value which is discounted to the present value determining the amount of the expected shortfall. LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segments of each asset class.

The structure of the LGD model considers the following:
- Curing where the probability of cure model was derived based on historical observations.
- Non-curing including cash recovery or realisation of collaterals either voluntarily i.e. debt for asset swap or through forced sale, auctions and foreclosure and receivership.

A model monitoring process is followed for PD, EAD and LGD models, where model outputs are back-tested against recent data points.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

Individually assessed loans
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by Credit Risk Management. A risk based approach is used on the selection criteria of the individually assessed population such as NPE or forborne exposures above a certain amount, decrease of a certain percentage on the yearly credit turnover and decrease of a certain percentage on assigned collaterals. In 2020, in response to the COVID-19 pandemic, the selection criteria included significant stage 1 exposures within highly impacted sectors by COVID-19 to assess potential increase in credit risk and significant exposures transitioned to Stage 2 from Stage 1 to assess potential indications for unlikeness to pay.

The ECL is calculated on an individually assessed basis and all relevant considerations of the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process).

Collectively assessed loans
All customer exposures that are not individually assessed are assessed on a collective basis. For the purposes of calculating ECL, exposures are grouped into granular portfolios/segments with shared risk characteristics. The granularity is based on different levels of segmentation which, among other factors include customer type, exposure class and portfolio type. The granularity for the IFRS 9 segments is aligned with the Internal Rating Based (IRB) segmentation of the CRR.

2.19.5 Scenarios and scenario weights

The Group uses reasonable and supportable information, including forward-looking information, in the calculation of ECLs. ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECLs are calculated for three macroeconomic scenarios, baseline, adverse and favourable and the output is the weighted average ECL based on the assigned probability of each scenario (Note 45).

Macroeconomic scenarios impact both the probability of default (PD) and the loss given default (LGD). Specifically, forward looking information is embedded in the PDs based on regression equations derived on the basis of historical data. Using statistical analysis, the most significant macro-variables have been selected in order to predict accurately the expected default rates. In regards to the LGD, the forward looking information is incorporated via the property indices for the relevant categories of properties (housing, commercial, industrial). In particular, for each collateral a forward looking projection of the realisable value is calculated before discounting back to reporting date to quantify the expected cash shortfall.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for a five year period, subsequently reverting to projections of long-run growth averages based on estimates of potential growth.

Regarding the scenario weights, these are determined using probability theory and severity analysis. Historical data for GDP growth (1980-2021) is analysed and a frequency distribution is produced. From that distribution probabilities are derived for all possible outcomes assuming a normal distribution pattern for the data. Cyprus' historical growth data exhibit high volatility and the resulting distribution is positively skewed. However, the distribution tends to normal as outliers are excluded. Deviations of actual outcomes from the mean are calculated in terms of standard deviation ratios, and severity is higher at higher deviation ratios. Probabilities are calculated using confidence intervals. The baseline scenario is defined over the range of values that correspond to 50% probability of equidistant deviations around the mean of the historical distribution. The adverse scenario is defined over the range of values to the left of the distribution that correspond to 25% probability. And the favourable scenario is defined over the range of values to the right of the distribution that correspond to the remaining 25% probability. These benchmark probability points (50%, 25% and 25%), are decided using severity analysis which incorporates the average and standard deviation of the distribution.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.5 Scenarios and scenario weights (continued)

The macroeconomic forecasts for the baseline, favourable and adverse scenarios as well as the corresponding weights, are determined by the Economic Research Department of Bank of Cyprus. This process utilises a variety of external actual and forecast information (International Monetary Fund (IMF), European Commission and other). The resulting scenarios and weights are reviewed and proposed by the CRO and are submitted to the Provisions Committee for its endorsement.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market at the reporting date. Overlays performed are set out in Note 5.2.

2.19.6 ECL measurement period

The period for which expected credit losses are determined (either for 12-month or lifetime ECL) is based on the stage classification of the facility and its contractual life. For non-revolving exposures the expected lifetime is the period from the reporting date to the termination date of the facility. For irrevocable loan commitments and financial guarantee contracts, the measurement period is determined similar to the period of the revolving facilities.

For revolving facilities, credit cards and corporate and retail overdrafts BOC PCL has the right to cancel and/or reduce the facilities with two months' notice. BOC PCL does not limit its exposure to credit losses to the contractual notice period, but instead a behavioural maturity model is utilised where each revolving facility is assigned an expected time period to termination.

2.19.7 Purchased or originated credit impaired financial assets (POCI)

POCI financial assets are recorded at fair value on initial recognition. ECLs are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses. For POCI financial assets, the Group only recognises the cumulative changes in lifetime ECL since initial recognition in the loss allowance. POCI remain a separate category until derecognition.

2.20 Write-offs

The Group reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering it. In such case, financial assets are written off either partially or in full. Write off refers to both contractual and non-contractual write offs. A non-contractual write-off is defined as the accounting reduction of a debt, without waiving the legal claim against the debtor. BOC PCL continues to seek recovery of the debt (e.g. restructuring arrangements, debt for assets swaps, full settlement, etc.) and the amount written off for financial assets that are still subject to enforcement activity.

Indicative conditions for writing off part or the full amount of the exposure include, but are not limited to, the following list of criteria. The criteria are applicable to both contractual and non-contractual write offs and are not by default applicable to all cases, as individual assessment and judgement is required in order to evaluate each case on its own merits.

- Cases which are close to realisation of a security or collateral may be deemed necessary to be considered for write-off. With regards to such financial assets on which the security or collateral has not yet been realised (but may be close to agreement or other arrangement for realising), BOC PCL forms a reasonable expectation of future cash flows which would also take into account the collateral's realisable value.
- When BOC PCL ceases all collection and debt enforcement actions, such remaining debt can be assessed for write-off. However, debt can be written-off even while collection and enforcement activities are proceeding.
- Debtor status is another indicator for assessment for write-off, for example, the debtor's insolvency status, or whether the debtor is deceased or cannot be traced. While such loans may already be impaired, BOC PCL might be unable to form a reasonable expectation of future cash flows. Nevertheless, BOC PCL takes all the legally available steps to recover the debt, where appropriate.
- Customers with exposures with significant number of days past due, provided that all other efforts for restructuring are exhausted and the exposure or part of the exposure is deemed as unrecoverable / uncollectable, are also assessed for write-off.

2. Summary of significant accounting policies (continued)

2.20 Write-offs (continued)

Write-offs are subject to the Groups internal governance process for review and approval.

Write-offs and partial write-offs represent derecognition/partial derecognition events. If the amount of write-off is greater than the amount of accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Recoveries in part or in full, of amounts previously written-off are credited to the consolidated income statement in 'Credit losses to cover credit risk on loans and advances to customers'.

2.21 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees to its customers, consisting of letters of credit, letters of guarantee and acceptances. Financial guarantees are initially recognised at fair value being the premium received, and presented on the consolidated balance sheet within 'Accruals, deferred income, other liabilities and other provisions'. Subsequently, the Group's liability under each guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the consolidated income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the amount of ECL provision.

ECL resulting from financial guarantees is recorded in 'Credit losses to cover credit risk on loans and advances to customers'. The balance of the liability for financial guarantees that remains is recognised in 'Fee and commission income' in the consolidated income statement when the guarantee is fulfilled, cancelled or expired.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment the Group is required to provide a loan with pre-specified terms to the customer. Corresponding ECLs are presented within 'Accruals, deferred income, other liabilities and other provisions' on the Group's balance sheet except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL relating to loan commitments and letters of credit is recorded in 'Credit losses to cover credit risk on loans and advances to customers' in the consolidated income statement.

When a customer draws on a commitment, the resulting loan is presented within (i) financial assets at fair value held for trading, consistent with the associated derivative loan commitment, (ii) financial assets at fair value not held for trading, following loan commitments designated at FVPL or (iii) loans and advances to customers, when the associated loan commitment is not fair valued through profit or loss.

2.22 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of either party.

2.23 Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. The Group implements the amended IFRS 7 hedge disclosure requirements.

The Group uses derivative financial instruments to hedge exposures to interest rate and foreign exchange risks and in the case of the hedge of net investments, the Group uses also non-derivative financial liabilities. The Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk and the objective and strategy for undertaking the hedge. The method that will be used to assess the effectiveness, both at the inception and at ongoing basis, of the hedging relationship also forms part of the Group's documentation.

2. Summary of significant accounting policies (continued)

2.23 Hedge accounting (continued)

At inception of the hedging relationship and at each hedge effectiveness assessment date, a formal assessment is undertaken to ensure that the hedging relationship is highly effective regarding the offsetting of the changes in fair value or the cash flows attributable to the hedged risk. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk of the hedging instrument and the hedged item during the period for which the hedge is designated, are expected to offset in a range of 80% to 125%. In the case of cash flow hedges where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

Disclosures required under the Interest Rate Benchmark Reform are provided in Note 21.

2.23.1 Fair value hedges

In the case of fair value hedges that meet the criteria for hedge accounting, the change in the fair value of a hedging instrument is recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the consolidated income statement, over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

2.23.2 Cash flow hedges

In the case of cash flow hedges that meet the criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement.

When the hedged cash flows affect the consolidated income statement, the gain or loss previously recognised in the 'Cash flow hedge reserve' is transferred to the consolidated income statement.

2.23.3 Hedges of net investments in foreign operations

Hedges of net investments in overseas branches or subsidiaries are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while gains or losses relating to the ineffective portion are recognised in 'Net foreign exchange gains' in the consolidated income statement.

On disposal or liquidation of an overseas branch or subsidiary, the cumulative gains or losses recognised in other comprehensive income are transferred in the consolidated income statement within the 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'.

2.24 Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash, non-obligatory balances with central banks, loans and advances to banks and other securities that are readily convertible into known amounts of cash and are repayable within three months of the date of their acquisition.

2. Summary of significant accounting policies (continued)

2.25 Insurance business

The Group undertakes both life insurance and non-life insurance business and issues insurance and investment contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract until expiry or until all the rights and obligations under the contract have been fulfilled, even if the insurance risk has been significantly reduced during its term.

Investment contracts are those contracts that transfer financial risk. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.25.1 Life insurance business

Premium income from unit-linked insurance contracts is recognised when received and when the units have been allocated to policyholders. Premium income from non-linked insurance contracts is recognised when due, in accordance with the terms of the relevant insurance contracts.

Fees and other expenses chargeable to the long-term assurance funds in accordance with the terms of the relevant insurance contracts, as well as the cost of death cover, are recognised in a manner consistent with the recognition of the relevant insurance premiums.

Claims are recorded as an expense when they are incurred. Life insurance contract liabilities are determined on the basis of an actuarial valuation and for unit-linked insurance contracts they include the fair value of units allocated to policyholders on a contract by contract basis.

2.25.2 Life insurance in-force business

The Group recognises as an intangible asset the value of in-force business in respect of life insurance contracts. The asset represents the present value of the shareholders' interest in the profits expected to emerge from those contracts written at the reporting date, using appropriate economic and actuarial assumptions, similar to the calculation of the respective life insurance contract liabilities. The change in the present value is determined on a post-tax basis. For presentation purposes, the change in value is grossed up at the underlying rate of tax.

2.25.3 Non-life insurance business

Premiums are recognised in the consolidated income statement in the period in which insurance cover is provided. Unearned premiums relating to the period of risk after the reporting date are deferred to be earned in subsequent reporting periods.

An increase in liabilities arising from claims is made for the estimated cost of claims notified but not settled and claims incurred but not notified at the reporting date. The increase in liabilities for the cost of claims notified but not settled is made on a case by case basis after taking into consideration all known facts, the cost of claims that have recently been settled and assumptions regarding the future development of outstanding cases. Similar statistical techniques are used to determine the increase in liabilities for claims incurred but not notified at the reporting date.

2.25.4 Investment contracts

Income from investment contracts is recognised when received and when the units have been allocated to policyholders.

2.25.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing these tests, current best estimates of discounted future contractual cash flows and claims, expenses and investment returns are used. Any deficiency is charged to the consolidated income statement.

2. Summary of significant accounting policies (continued)

2.26 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repos) at a specific future date are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated balance sheet as 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. The investments pledged as security for the repurchase agreements can be sold or repledged by the counterparty. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated balance sheet to 'Investments pledged as collateral'.

Securities purchased under agreements to resell (reverse repos) at a specific future date, are recorded as reverse repo transactions. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

2.27 Leases - The Group as lessee

The Group recognises right of use assets (RoU assets) and lease liabilities for contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has the right to direct the use of an identified asset throughout the period of use when it has the right to direct how and for what purpose the asset is used and has the right to change the purpose, throughout the period of use (i.e. the decision-making rights that most significantly affect the economic benefits that can be derived from the use of the underlying asset). Essentially, this right permits the Group to change its decisions throughout the contract term without approval from the lessor.

The lease liabilities are initially measured at the present value of the future lease payments, discounted at the lessee's incremental borrowing rate (IBR) given that the interest rate implicit in the lease cannot be readily determined. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. Interest is computed by unwinding the present value of the lease liability and charged to the consolidated income statement within 'Interest expense'.

RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the RoU asset comprises the amount of the initial measurement of the lease liability, initial direct costs and the provision for restoration costs, adjusted for any related prepaid or accrued lease payments previously recognised. Depreciation is computed on a straight line basis up to the end of the lease term, and recognised in the consolidated income statement within 'Other operating expenses'. RoU assets are subject to impairment under IAS 36.

The Group elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low value assets'). Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the consolidated income statement.

Leases are monitored for significant changes that could trigger a change in the lease term and at the end of each reporting period the impact on the lease liability and the RoU asset is reassessed. Lease liability is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured, a corresponding adjustment is made to the RoU asset and/or profit or loss, as appropriate.

The lease term is calculated as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (if reasonably certain to be exercised), or any periods covered by an option to terminate the lease (if reasonably certain not to be exercised). The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised. Judgement is used in calculating the lease term, as further disclosed in Note 5.13.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index).

2. Summary of significant accounting policies (continued)

2.27 Leases - The Group as lessee (continued)

Variable lease payments that are determined by reference to an index or a rate are taken into account in the lease liability only when there is a change in the cash flows resulting from a change in the reference index or rate. In cases where the lease contract includes a term relating to increase in the lease payment based on variable lease payments, this increase is applied on the lease when it becomes effective (when the actual cash outflow occurs). The assessment is performed at each reporting date. In cases where the lease contract includes a term with fixed increments in the lease payments, the increase is accounted for in the initial recognition of lease liability.

When a lease contains an extension or termination option that the Group considers reasonably certain to be exercised, the expected lease payments or costs of termination are included within the lease payments in determining the lease liability.

2.28 Property and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. Investment property is property held by the Group to earn rentals and/or for capital appreciation, as further disclosed in Note 2.29. If a property of the Group includes a portion that is owner-occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

Owner-occupied property is initially measured at cost and subsequently measured at fair value less accumulated depreciation and impairment. Valuations are carried out periodically between 3 to 5 years, (but more frequent revaluations may be performed where there are significant and volatile movement in values), by independent, qualified valuers or by the internal qualified valuers of the Group applying a valuation model recommended by the internationally accepted valuation standards. Depreciation is calculated on the revalued amount less the estimated residual value of each building on a straight line basis over its estimated useful life. Gain or losses from revaluations are recognised in other comprehensive income in ‘Property revaluation reserve'.

The ‘Property revaluation reserve’ includes revaluation of property initially used by the Group for its operations which was subsequently transferred to ‘Investment properties’ and/or 'Stock of property'. Useful life is in the range of 30 to 67 years. Freehold land is not depreciated. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to ‘Retained earnings’.

The cost of adapting/improving leasehold property is amortised over 5 years.

Equipment is measured at cost less accumulated depreciation. Depreciation of equipment is calculated on a straight line basis over its estimated useful life of 5 to 10 years.

RoU assets recognised as property are measured at cost less accumulated depreciation and adjusted for certain re-measurements of lease liabilities. Depreciation of the recognised RoU assets is calculated on a straight line basis over the lease term, as further disclosed in Note 2.27.

At the reporting date, when events or changes in circumstances indicate that the carrying value may not be recovered, property and equipment is assessed for impairment. Where the recoverable amount is less than the carrying amount, property and equipment is written down to its recoverable amount.

2. Summary of significant accounting policies (continued)

2.29 Investment properties

Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or for capital appreciation. Additionally, leased properties which are acquired in exchange for debt and are leased out under operating leases are also usually classified as 'Investment properties'.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in 'Net gains/(losses) from revaluation and disposal of investment properties' in the consolidated income statement. Valuations are carried out by independent, qualified valuers or by the Group's internal qualified valuers.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, the Group accounts for such property in accordance with the policy described in Note 2.28 'Property and equipment' up to the date of change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

2.30 Stock of property

The Group in its normal course of business acquires properties in exchange of debt, which are held either directly by BOC PCL or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Consolidated Financial Statements as 'Stock of property', reflecting the substance of these transactions.

Stock of property is initially measured at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale.

If net realisable value is below the cost of the stock of property, impairment is recognised in 'Impairment of non-financial assets' in the consolidated income statement.

2.31 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

The condition for such classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Such non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current assets held for sale and discontinued operations' such as deferred taxes, financial instruments, investment properties measured at fair value, insurance contracts and assets and liabilities arising from employee benefits. These are measured in accordance with the Group's relevant accounting policies described elsewhere in this note.

Immediately before the initial classification as held for sale, the carrying amount of the asset (or assets and liabilities in the disposal group) is measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities noted above that are not within the scope of the measurement requirements of IFRS 5 are remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

2. Summary of significant accounting policies (continued)

2.31 Non-current assets held for sale and discontinued operations (continued)

If fair value less costs to sell of the disposal group is below the aggregate carrying amount of all of the assets and liabilities included in the disposal group, the disposal group is written down. The impairment loss is recognised in the consolidated income statement for the year. Where an impairment loss is recognised (or reversed) for a disposal group, it is allocated between the scoped-in non–current assets using the order of allocation set out in IAS 36 and no element of the adjustment is allocated to the other assets and liabilities of the disposal group. In case that the carrying amount of scoped-in non-current assets is less than the amount by which a disposal group's carrying amount exceeds its fair value less costs to sell, the excess is not recognised.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

A disposal group qualifies as a discontinued operation if an entity or a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or c) is a subsidiary acquired exclusively with a view to resale. Net profit/loss from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax and gain or loss on measurement to fair value less cost to sell of a disposal group constituting a discontinued operation) and discontinued operations tax expense.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount, as profit or loss after tax from discontinued operations in the consolidated income statement.

2.32 Intangible assets

Intangible assets include among others computer software (including internally developed software) and acquired insurance portfolio customer lists. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. The Group recognises an intangible asset that arises from development or the development phase of an internal project if, and only if, it can demonstrate all of the following:

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
2) Its intention to complete the intangible asset and use or sell it;
3) Its ability to use or sell the intangible asset;
4) How the intangible asset will generate probable future economic benefits;
5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6) Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

The expenditures arising on research or the research phase of an internal project are expensed as incurred. Research expenditure cannot be subsequently capitalised.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life of the assets which is 3 to 8 years for computer software, including computer software development costs. For the accounting policy of in-force life insurance business, refer to Note 2.25.2.

Intangible assets are reviewed for impairment when events relating to changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

2.33 Share capital

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (continued)

2.33 Share capital (continued)

Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity.

2.34 Other equity instruments

An instrument is an equity instrument if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Other equity instruments are recorded at their residual amount and are not subject to any re-measurement after initial recognition. The cost incurred attributable to the issue of other equity instruments is deducted from retained earnings. Any subsequent write-down or write-up results to a credit or debit in retained earnings respectively. Coupon payments are recorded directly in retained earnings.

2.35 Treasury shares

Own equity instruments which are acquired by the Company or by any of its subsidiaries are presented as treasury shares at their acquisition cost. Treasury shares are deducted from equity until they are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity shares.

2.36 Provisions for pending litigation, claims, regulatory and other matters

Provisions for pending litigation, claims, regulatory and other matters against the Group are made when: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

2.37 Comparative information

Comparative information was restated in relation to the presentation of Credit risk concentration of loans and advances to customers as detailed in Notes 45.2, 45.3, 45.4, 45.7 and 45.11. In addition, comparative information was restated in relation to the presentation of segmental analysis as detailed in Note 6.

3. Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these Consolidated Financial Statements.

The Directors have concluded that there are no material uncertainties which would cast significant doubt over the ability of the Group, the Company and BOC PCL to continue to operate as a going concern for a period of 12 months from the date of approval of these Consolidated Financial Statements.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, taking also into consideration, the Group's Financial Plan approved by the Board in February 2022 (the 'Plan') and the operating environment (as set out in Section 'Operating Environment' in the Directors' Report). The Group has sensitised its projection to cater for downside scenarios and has used conservative economic inputs to develop its medium term strategy. The Group is working towards materialising its Plan.

Capital
The Directors and Management have considered the Group's forecasted capital position, including the potential impact of a deterioration in economic conditions. The Group has developed capital projections under base and adverse scenario and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

3. Going concern (continued)

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 31 December 2021 that can be easily and readily monetised in a period of stress.

4. Economic and geopolitical environment

As a result of the pandemic, the market environment within which the Group operates has continued to evolve in 2021. Throughout 2021, measures adopted to contain the COVID-19 virus, included certain business closures, social restrictions and social distancing, which have had an impact on the current financial and operational performance of the Group. However, the economic performance and outlook has continued to improve with the lifting of economic restrictions in 2021. The low interest rate environment continues to impact the profitability of the overall financial sector in which the Group operates having a resultant impact on the Group's net interest income. The Group assessed the financial impacts of the economic environment through the Group's planning process and believes it is reasonably well positioned to withstand any volatility from a resurgence of the virus or other economic events, particularly given the Group's continued management of its financial position through NPE reduction and capital management.

The potential impacts from the Russian invasion of Ukraine remain uncertain, including but not limited to, on economic conditions, asset valuations, interest rate expectations and exchange rates. The extent of these impacts on the Group is unclear at this stage. Although the Group's direct exposure to the region is limited, the invasion of Russia to Ukraine could result in prolonged/elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with flow-on global inflationary impacts, and a potential adverse impact on markets and a downturn in the global economy. Beginning in February 2022, the EU, UK and the U.S., in a coordinated effort joined by several other countries, imposed a variety of new sanctions with respect to certain regions of Ukraine, Russia and various Russia-related parties as a result of these escalating tensions and Russia's invasion of Ukraine, which may have an impact on the Group's business and operations as well as impact the regional and global economic environment. Secondary effects of these developments, for example the cost and sufficiency of energy supplies in Europe and the economic impact of various scenarios, are hard to predict and could be significant.

5. Significant and other judgements, estimates and assumptions

The preparation of the Consolidated Financial Statements requires the Company's Board of Directors and management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the Consolidated Financial Statements and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affecting future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions for pending litigation, claims, regulatory and other matters, which are presented in Notes 5.1 to 5.4 below. Other judgements, estimates and assumptions are disclosed further below in Notes 5.5 to 5.13.

5. Significant and other judgements, estimates and assumptions (continued)

5.1 Classification of financial assets

The Group exercises judgement upon determining the classification of its financial assets, which relate to business models and future cash flows.

Judgement is also required to determine the appropriate level at which the assessment of business models needs to be performed. In general, the assessment for the classification of financial assets into the business models is performed at the level of each business line. Further, the Group exercises judgement in determining the effect of sales of financial instruments on its business model assessment.

The Group also applies judgement upon considering whether contractual features including interest rate could significantly affect future cash flows. Furthermore, judgement is required when assessing whether compensation paid or received on early termination of lending arrangements results in cash flows that are not SPPI.

5.2 Calculation of expected credit losses

The calculation of ECL requires management to apply significant judgement and make estimates and assumptions, involving significant uncertainty at the time these are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised. The Group's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies.

It has been the Group's policy to regularly renew its models in the context of actual loss experience and adjust when necessary.

Elements of ECL models that are considered accounting judgements and estimates include:

Assessment of significant increase in credit risk (SICR)
IFRS 9 does not include a definition of significant increase in credit risk. The Group assesses whether significant increase in credit risk has occurred since initial recognition using predominantly quantitative and in certain cases qualitative information. The determination of the relevant thresholds to determine whether a significant increase in credit risk has occurred, is based on statistical metrics and could be subject to management judgement. The relevant thresholds are set, monitored and updated on a yearly basis by the Risk Management Division and endorsed by the Group Provisions Committee.

Determining the probability of default (PD) at initial recognition requires management estimates in particular cases. Specifically in the case of exposures existing prior to the adoption of IFRS 9, a retrospective calculation of the PD is made in order to quantify the risk of each exposure at the time of the initial recognition. In certain cases estimates about the date of initial recognition might be required.

For the retail portfolio, the Group uses a PD at origination incorporating behavioural information (score cards) whereas, for the corporate portfolio, the Group uses the internal credit rating information. For revolving facilities, management estimates are required with respect to the life-time and hence a behavioural maturity model is utilised assigning an expected maturity based on product and customer behaviour.

Scenarios and macroeconomic factors
The Group determines the ECL, which is a probability weighted amount, by evaluating a range of possible outcomes. Management uses forward looking scenarios and assesses the suitability of weights used. These are based on management's assumptions taking into account macroeconomic, market and other factors. Changes in these assumptions and in other external factors could significantly impact ECL. Macroeconomic inputs and weights per scenario are monitored by the Economic Research Department and are based on internal model analysis after considering external market data supplemented by expert judgement.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

Economic activity recovered strongly in 2021, driven by domestic demand in the first half of 2021 and by external demand in the second half of 2021 reflecting a strong recovery in tourist activity in the period. Government support to businesses and households remained substantial in the year and inflation accelerated in the second half of 2021. The unemployment rate remained largely unchanged from the previous year. Over the medium term, prospects remain positive aided also by the Recovery and Resilience Fund of Next Generation EU. The Next Generation EU is a significant initiative. Its purpose is ultimately about the future, to help fund the key investments that will be needed for the green and digital transitions, and so enhance the potential and economic resilience of member states. Structural reform is an integral part of this process, and ultimately a critical factor that will determine the effectiveness of the investments. The bulk of the funds will be released in 2022-2024 depending on the strict implementation of reform priorities agreed with the EU. These include increasing the efficiency of public and local administrations, improving the government of state-owned enterprises, reducing further the levels of non-performing loans in the banking sector, improving the efficiency of the judicial system and accelerating anti-corruption reforms.

There have been distinct improvements in Cyprus' risk profile, but substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, including external developments with substantial potential impact on the domestic economy. The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. In the banking sector, despite significant progress since the financial crisis of 2012-2014, risks remain elevated and non-performing loans were 15.2% of gross loans at the end of October 2021 compared to a Euro area average of just over 2%. Cyprus has a large and relatively undiversified export base. While the current account deficit will be narrowing as exports services recover in the medium term, it will remain sizable. Tourism will continue to be impacted by COVID-19 in the EU. Parliament is fragmented and majorities for passing legislation including reforms may be difficult to form. The monetary policy of the European Central Bank can change abruptly if inflation pressures persist. The extent of the crisis in Ukraine can lead in elevated tensions for a considerable period of time. Given that the banking sector has linkages with business and professional services with Russia and that Russia has become a major market for Cypriot tourism, adverse events and developments in the Russian economy may potentially have an impact on the Cyprus economy.

For the ECL, the Group updated its forward looking scenarios, factoring in updated macroeconomic assumptions and other monetary and fiscal developments at the national and the EU level based on developments and events as at the reporting date, i.e. 31 December 2021.

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Group as at 31 December 2021 and 2020 respectively. The Group uses three different economic scenarios in the calculation of default probabilities and provisions. The Group has used the 30-50-20 probability structure for the adverse, base and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.19.5. This reflects the management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Despite the more positive outlook for 2022 and the continued recovery, given the added uncertainties and downside risks in the global economy as well as the local economy, especially in view of inflation uncertainties and added geopolitical risks, management decided to maintain an elevated weight on the adverse scenario.

The economy continues to face financial and macroeconomic risks, including a high public debt ratio and a relatively high level of NPEs that together maintain elevated vulnerabilities and limit the policy reaction space thus sustaining conditions, which can lead to a deeper recession in response to shocks than under normal times.

In the banking sector, non-performing loans dropped sharply from about 48% of gross loans at the end of 2014 to 15.2% of gross loans at the end of October 2021 but compare unfavourably to a Euro area average of just over 2%. However, adverse developments such as real estate sector shocks that can emanate for instance from a prolonged COVID-19 pandemic, or post COVID-19 permanent shifts in travel and hospitality preferences, can lead to a rapid increase in the creation of non-performing loans and weaken bank balance sheets.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

These factors and the overall risk profile discussed in the previous section, including economic structure risk given a very large external sector and high concentration to geographical areas render the economy more susceptible to external shocks and weaken its resilience. This may, in management's view, not be fully captured in the weights as calculated using the method described in Note 2.19.5. Hence management has decided to keep the weight of the adverse scenario to 30%, and correspondingly keep a reduced weight of the favourable scenario to 20%.

31 December 2021

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2022	Adverse	30.0	-0.4	7.6	0.5	-3.7
	Baseline	50.0	4.3	6.5	2.2	2.6
	Favourable	20.0	4.5	5.8	3.0	3.1
2023	Adverse	30.0	0.1	7.7	1.6	-1.0
	Baseline	50.0	3.3	6.4	1.6	3.3
	Favourable	20.0	3.3	5.8	1.6	4.0
2024	Adverse	30.0	1.8	7.6	1.8	3.0
	Baseline	50.0	3.0	6.2	1.8	3.1
	Favourable	20.0	3.2	5.7	1.8	3.2
2025	Adverse	30.0	2.4	7.2	1.9	3.3
	Baseline	50.0	2.9	5.8	1.9	3.0
	Favourable	20.0	3.0	5.5	1.9	2.9
2026	Adverse	30.0	3.0	6.7	1.8	3.2
	Baseline	50.0	2.7	5.3	1.8	2.7
	Favourable	20.0	2.6	5.1	1.8	3.1

31 December 2020

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2021	Adverse	30.0	-0.6	9.6	-2.2	-4.0
	Baseline	50.0	4.0	7.4	-0.8	-2.3
	Favourable	20.0	4.8	6.4	-0.1	-0.8
2022	Adverse	30.0	4.3	8.7	-1.1	-2.3
	Baseline	50.0	3.9	6.2	0.8	0.3
	Favourable	20.0	4.4	5.8	1.4	2.4
2023	Adverse	30.0	4.0	7.4	0.3	2.5
	Baseline	50.0	3.4	5.7	1.4	4.1
	Favourable	20.0	3.5	5.6	1.4	5.2
2024	Adverse	30.0	3.5	6.7	0.8	5.3
	Baseline	50.0	3.0	5.7	1.6	5.3
	Favourable	20.0	3.0	5.6	1.6	5.9
2025	Adverse	30.0	2.7	6.6	1.5	5.8
	Baseline	50.0	2.7	5.7	1.9	5.5
	Favourable	20.0	2.7	5.5	2.0	6.1

The adverse scenarios may outpace the base and favourable scenarios after the initial shock has been adjusted to and the economy starts to expand from a lower base. Thus, in the adverse scenario GDP will follow a growth trajectory that will ultimately equal and surpass the baseline before converging. Property prices are determined by multiple factors with GDP growth featuring prominently. However, the relationship between GDP growth and property prices entails a lag. Thus, property prices will initially adjust less steeply than GDP, and will start to accelerate after the recovery in GDP has been entrenched. After this point, property prices will accelerate and will match and surpass the pace in the baseline scenario, before finally converging.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

The baseline scenario was updated for 31 December 2021 reporting, considering available information and relevant developments until then, and is described next. Economic activity recovered strongly in 2021 aided by continuing fiscal stimulus supporting jobs and businesses, and by aggressive monetary expansion from the ECB. Real GDP increased by 5.5% in 2021 and is projected to rise by 4.1% in 2022 according to the winter forecasts of the European Commission. Consumer price inflation averaged 2.4% in 2021 but accelerated sharply in the second half of the year. Inflation is expected to remain elevated in the first half of 2022 and start to ease from the second half of 2022. The unemployment rate will continue to drop steadily in the medium term. Property prices will continue to rise modestly in 2022 as domestic demand for housing picks up.

The adverse scenario is consistent with assumptions for the COVID-19 related disruptions under the baseline scenario but to a higher degree of severity, and with negative influences from new sanctions against Russia over developments in the Ukraine crisis as estimated at the time of the projections for 31 December 2021. The Cypriot economy relies on services, particularly on tourism. This makes the economy more exposed than other countries to travel restrictions and quarantine measures that have been adopted in Cyprus and abroad due to COVID-19. Developments with Russia over the Ukrainian crisis and subsequent sanctions, lead to negative implications for tourism travel, investment flows and energy prices. The hit to the Cyprus economy from falling external demand for travel and tourism services and the knock-on effects to related sectors will be significantly more severe than under the baseline scenario. Real GDP is expected to contract mildly in 2022, under the adverse scenario, by 0.4%. Economic recovery will remain weak in the medium term. In the labour market the unemployment rate will remain stuck near the 2021 levels and even rise modestly in the medium term before dropping again. Property prices will be affected more steeply and drop by about 3.7% in 2022 and by 1% in 2023 before recovering from 2024 onwards.

Since 1 January 2018, the Group has reassessed the key economic variables used in the ECL models consistent with the implementation of IFRS 9. The Group uses actual values for the input variables. These values are sourced from the Cyprus Statistical Service, the Eurostat, the Central Bank of Cyprus for the residential property price index, and the European Central Bank for interest rates. Interest rates are also sourced from Bloomberg. In the case of property prices the Group additionally uses data from the Royal Institute of Chartered Surveyors. For the forward reference period, the Group uses the forecast values for the same variables, as prepared by the Bank's Economic Research Department. The results of the internal forecast exercises are consistent with publicly available forecasts from official sources including the European Commission, the International Monetary Fund, the European Central Bank and the Ministry of Finance of the Republic of Cyprus.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division and endorsed by the Group Provisions Committee. Qualitative adjustments or overlays were applied to the positive future property value growth to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

The RICS indices, which are considered for the purposes of determining the real estate collateral value on realisation date have 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 and are capped to 0% in case of any future projected increase, whereas any future projected decrease is taken into account.

For Stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios: base, adverse and favourable. The base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional either more favourable or more adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario, whereas under the favourable scenario applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

For collectively assessed customers the calculation is also the weighted average of three scenarios: base, adverse and favourable.

Assessment of loss given default (LGD)
A factor for the estimation of loss given default (LGD) is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

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

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

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 including cases where no specific model has been developed.

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 a variance between assumptions made and actual results could result in significant changes in the amount of required credit losses of loans and advances to customers.

Expected lifetime of revolving facilities
The expected lifetime of revolving facilities is based on a behavioural maturity model for revolving facilities based on BOC PCL's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned.

The credit conversion factor model for revolving products was calibrated in the fourth quarter of 2021, to include additional data points covering the period up to moratorium and in order to be aligned with the behavioural maturity model for revolving facilities. The impact on the ECL for the year ended 31 December 2021 was a release of ECL of €1,790 thousand.

Modelling adjustments
Forward looking models have been developed for ECL parameters PD, EAD, LGD for all portfolios and segments sharing similar characteristics. Model validation (initial and periodic) is performed by the independent validation unit within the Risk Management Division and involves assessment of a model under both quantitative (i.e. stability and performance) and qualitative terms. The frequency and level of rigour of model validation is commensurate to the overall use, complexity and materiality of the models, (i.e. risk tiering). In certain cases, judgement is exercised in the form of management overlay by applying adjustments on the modelled parameters. Governance of these models lies with the Risk Management Division, where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

ECL allowances also include off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows. For the collectively assessed off-balance sheet credit exposures, the allowance for provisions is calculated using the Credit Conversion Factor (CCF) model.

During the third quarter of 2021, cure model recalibration was performed mainly to address the low default/cure environment observed in the recent period prior to moratorium and investigate the considered model development period such that is retains the through the cycle nature of the model. The calibration was performed on the most recent changes in definition of default introduced in January 2021 and had an ECL impact of €28 million for the year ended 31 December 2021.

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

SICR adjustment
Following an assessment performed for SICR for customers that had taken up the moratorium in 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to skewed outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (adjusted for the days past due and arrears elements that did not apply during the moratorium period so as to assess if any customers exhibit severe deterioration/improvement). Additionally, stricter customers' credit ratings thresholds have been applied for customers in the hotels and catering industry sector. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2. At 31 December 2021, this overlay continued to apply only for the customers in the hotel and catering industry. The impact of this overlay resulted in a transfer of loans of €42 million from Stage 1 to Stage 2 and maintaining the classification of €28 million loans in Stage 2 had an impact on the ECL of €91 thousand and €383 thousand respectively for the year ended 31 December 2021. The removal of this overlay from the remaining exposures resulted in a transfer of €109 million exposures from Stage 2 to Stage 1 and an ECL reversal of €0.4 million for the year ended 31 December 2021.

Given the data available since the expiry of the moratorium, any exposures that were assessed as having experienced a SICR in 2020 and were classified to Stage 2 following overlays performed (other than the overlay described in the previous paragraph), were allowed to return to Stage 1, if no SICR was identified by the models. The removal of this overlay led to a transfer back to Stage 1 of €424 million exposures, resulting in the release of ECL of €2 million for the year ended 31 December 2021.

Additionally, exposures that did not participate in the 2020 moratorium but were identified as having experienced a SICR during 2020 and therefore transferred to Stage 2 were allowed to migrate back to Stage 1 if they did not exhibit a SICR as at 30 June 2021. This overlay has been removed and led to a transfer back to Stage 1 of €186 million exposures, resulting in an ECL release of €1 million for the year ended 31 December 2021.

Probability of default and behavioural ratings adjustment
A PD overlay maintained from 2020 in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model-projected and observed 2021 defaults was removed during the third quarter of 2021. This overlay had an isolated ECL impact of €11 million in 2020 and a corresponding ECL release upon its removal during the year ended 31 December 2021.

5. Significant and other judgements, estimates and assumptions (continued)

5.2 Calculation of expected credit losses (continued)

The PD overlay applied in 2020 relating to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium-biased rating to reflect an improved asset quality, was removed in 2021. This overlay did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating and resulted in an ECL increase of €5 million during 2020. The overlay was removed during the first quarter of 2021 and resulted in an ECL release of €5 million for the year ended 31 December 2021.

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. During 2020, in response to the COVID-19 pandemic, the selection criteria were expanded to include significant Stage 1 exposures within highly impacted sectors to assess potential increase in credit risk and significant exposures which transitioned from Stage 1 to Stage 2 to assess potential indications for unlikeliness to pay. These expanded selection criteria were also applied in the year ended 31 December 2021.

Further details on impairment allowances and related credit information are set out in Note 45.

5.3 Stock of property - estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, which take into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 27.

5.4 Provisions for pending litigation, claims, regulatory and other matters

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 2.36. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigation, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Group will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Group determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the possible loss for such matters can be estimated. Actual results may prove to be significantly higher or lower than the estimated possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 39.

5.5 Tax

The Group, other than in Cyprus, is subject to tax in the countries that it has run-down operations mainly in Greece, Russia and Romania. Estimates are required in determining the provision for taxes at the reporting date. The Group recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

5. Significant and other judgements, estimates and assumptions (continued)

5.5 Tax (continued)

Deferred tax assets
In the absence of a specific accounting standard dedicated to the accounting of the asset that arose pursuant to amendments in the Income Tax Law effected in March 2019 which provides for the recoverability of tax assets arising from transfer of tax losses following resolution of a credit institution, within the framework of 'The Resolution of Credit and Other Institutions', to be guaranteed (Note 17), BOC PCL had exercised judgement in applying the guidance of IAS 12 in accounting for this asset item as the most relevant available standard. On the basis of this guidance, BOC PCL had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

For further details on such deferred tax assets refer to Note 17.

5.6 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high.

However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Group only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 22.

5.7 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Group's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Group's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 14.

5. Significant and other judgements, estimates and assumptions (continued)

5.8 Non-life insurance business

The Group is engaged in the provision of non-life insurance services. Risks under these policies usually cover a period of 12 months.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are calculated based on case estimates using facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on experience and market trends taking into consideration claims handling costs. Other external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation, are also taken into account.

Provision is also made for claims incurred but not reported (IBNR) by the reporting date. Past experience as to the number and amount of claims reported after the reporting date is taken into consideration in estimating the IBNR provision.

Insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of certain court cases, are very difficult to quantify. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty existing at the reporting date.

Further information on non-life insurance business is disclosed in Note 12.

5.9 Life insurance business

The Group is engaged in the provision of life insurance services. Whole life insurance plans (life plans) are unit-linked contracts associated with assets where the amount payable in the case of death is the greater of the sum insured and the value of investment units. Simple insurance or temporary term plans (term plans) relate to fixed term duration plans for protection against death. In case of death within the coverage period, the insured sum will be paid. Endowment insurance (investment plans/mortgage plans/horizon plans) refer to specific duration plans linked to investments, to create capital through systematic investment in association with death insurance coverage whereby the higher of the sum insured and the value of investment units is payable on death within the contract term.

Further information on life insurance business is disclosed in Note 12.

5.9.1 Value of in-force business

The value of the in-force business asset represents the present value of future profits expected to arise from the portfolio of in-force life insurance. The valuation of this asset requires assumptions to be made about future economic and operating conditions which are inherently uncertain and changes could significantly affect the value attributed to these assets.

The methodology used and the key assumptions that have been made in determining the carrying value of the in-force business asset at 31 December 2021, are set out in Note 26.

5.9.2 Insurance liabilities

The calculation of liabilities and the choice of assumptions regarding insurance contracts require the management of the Group to make significant estimates.

The assumptions underlying the estimates for each claim are based on past experience, internal factors and conditions, as well as external factors which reflect current market prices and other published information. The assumptions and judgements are determined at the date of valuation of liabilities and are assessed systematically so that the reliability and realistic position can be ensured.

Estimates for insurance contracts are made in two stages. Initially, at the start of the contract, the Group determines the assumptions regarding future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is performed which assesses whether liabilities are adequate according to the most recent estimates.

5. Significant and other judgements, estimates and assumptions (continued)

5.9 Life insurance business (continued)

5.9.2 Insurance liabilities (continued)

The assumptions with the greatest influence on the valuation of insurance liabilities are presented below:

Mortality and morbidity rates
Assumptions are based on standard international tables of mortality and morbidity, according to the type of contract. In addition, a study is performed based on the actual experience (actual deaths) of the insurance company for comparison purposes and if sufficient evidence exists which is statistically reliable, the results are incorporated in these tables. An increase in mortality rates will lead to a larger expected number of claims (or claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for shareholders.

Investment return and discount rate
The weighted average rate of return is derived based on assets that are assumed to back liabilities, consistent with the long-term investment strategy of the Group. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment returns would lead to an increase in profits for shareholders.

Management expenses
Assumptions are made for management fees and contract maintenance as well as for general expenses, and are based on the actual costs of the Group. An assumption is also made for the rate of increase in expenses in relation to the annual inflation rate. An increase in the level of expenses would reduce profits for shareholders.

Lapses
Every two years an analysis of contract termination rates is performed, using actual data from the insurance company incorporation until the immediate preceding year. Rates vary according to the type and duration of the plan. According to the insurance legislation of Cyprus, no assumption is made for policy termination rates in the actuarial valuation.

Further details on insurance liabilities are disclosed in Note 32.

5.10 Exercise of significant influence

The Group determines whether it exercises significant influence on companies in which it has shareholdings of less than 20% if other factors exist that demonstrate significant influence. In performing this assessment it considers its representation in the Board of Directors which gives rise to voting rights of more than 20% and participation in policy-making processes, including participation in decisions about dividends and other distributions.

5.11 Classification of properties

The Group determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally they comprise leased properties which are acquired in exchange of debt and are leased out under operating leases.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 (except from those that are leased out and are classified as investment properties).

5. Significant and other judgements, estimates and assumptions (continued)

5.12 Fair value of properties held for own use and investment properties

The Group's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the fair value is established at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the internationally accepted valuation standards.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparable information, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Further information on inputs used is disclosed in Note 22.

5.13 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.27, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Group's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by BOC PCL showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

- For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate, based on the horizon used in the Group's financial plan. The current medium term financial plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
- For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.
- For leases with an option for renewal, the Group's past practice regarding the period over which it has typically used properties (whether leased or owned), and its economic reasons for doing so, provide information that is helpful in assessing whether the lessee is reasonably certain to exercise, or not to exercise, an option.

Low value assets
The Group has exercised judgement in determining the threshold of low value assets which was set at €5,000.

Further details on the leases are disclosed in Note 43.

6. Segmental analysis

The Group's activities are mainly concentrated in Cyprus. Cyprus operations are organised into operating segments based on the line of business. As from 2021, the results of the overseas activities of the Group, namely Greece, Romania and Russia, which were previously grouped together and presented into segment 'Overseas', are now presented within segment 'Other', given the size of these operations which are in a run-down mode in the last years. Further, the results of certain small subsidiaries of the Group have been re-allocated from segment 'Other' to different segments based on their key activities as to better align with current management information. The impact of this alignment was not material to the presentation of the individual segments results. Comparative information in analysis by business line, analysis of total revenue and analysis of assets and liabilities were restated to account for these changes.

6. **Segmental analysis** (continued)

The operating segments are analysed below:

- The Corporate, Small and medium-sized enterprises and Retail business lines are managing loans and advances to customers. Categorisation of loans per customer group is detailed below.
- Global corporate is managing loans and advances to customers within the large corporate section, the Shipping centre, the International Corporate Lending, the International Syndicate and Project Finance.
- Restructuring and recoveries is the specialised unit which was set up to tackle the Group's loan portfolio quality and manages exposures to borrowers in distress situation through innovative solutions.
- International banking services specialises in the offering of banking services to the international corporate and non-resident individuals, particularly international business companies whose ownership and business activities lie outside Cyprus.
- Wealth management oversees the provision of private banking and wealth management, Market execution and Custody along with Asset Management and Investment Banking. The business line Wealth also includes subsidiary companies of the Group, whose activities relate to investment banking and brokerage, investment holding and management, administration and safekeeping of UCITS units.
- The Real Estate Management Unit manages properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, and executes exit strategies in order to monetise these assets. The business line REMU also includes other subsidiary property companies of the Group.
- Treasury is responsible for liquidity management and for overseeing operations to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity availability.
- The Insurance business line is involved in both life and non-life insurance business.
- The business line 'Other' includes central functions of BOC PCL such as finance, risk management, compliance, legal, corporate affairs and human resources. These functions provide services to the operating segments. 'Other' includes also other subsidiary companies in Cyprus (excluding the insurance subsidiaries, property companies under REMU and subsidiary companies under Wealth) as well as the overseas activities of the Group.

BOC PCL broadly categorises its loans per customer group, using the following customer sectors:

- Retail – all physical person customers, regardless of the facility amount, and legal entities with facilities from BOC PCL of up to €260 thousand, excluding business property loans.
- SME – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with facilities from BOC PCL in the range of €260 thousand to €6 million and a maximum annual credit turnover of €10 million.

- Corporate – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with available credit lines with BOC PCL in excess of an aggregate principal amount of €6 million or having a minimum annual credit turnover of €10 million. These companies are either local-larger corporations or international companies or companies in the shipping sector (lending also includes direct lending or through syndications).

Management monitors the operating results of each business segment separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit after tax and non-controlling interests. Inter-segment transactions and balances are eliminated on consolidation and are made on an arm's length basis.

Operating segment disclosures are provided as presented to the Group Executive Committee.

Income and expenses associated with each business line are included for determining its performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm's length basis. Income and expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect income and expenses are re-allocated from the central functions to the business lines. For the purposes of the Cyprus analysis by business line, notional tax at the 12.5% Cyprus tax rate is charged/credited to profit or loss before tax of each business line.

The loans and advances to customers, the customer deposits and the related income and expense are generally included in the segment where the business is managed, instead of the segment where the transaction is recorded.

6. **Segmental analysis** (continued)

Analysis by business line

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	50,576	55,589	29,175	77,110	48,138	7,823	747	(3,445)	(52)	22,273	8,366	**296,300**
Net fee and commission income/(expense)	14,634	9,048	9,465	45,537	13,041	54,782	5,592	(179)	(7,616)	1,632	25,860	**171,796**
Net foreign exchange gains/(losses)	534	278	511	1,872	77	5,868	2,814	-	-	4,035	514	**16,503**
Net (losses)/gains on financial instrument transactions and on disposal/dissolution of subsidiaries and associates	-	(113)	-	-	(17,179)	-	(338)	6	(541)	(6,797)	2,915	**(22,047)**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	60,871	-	173	**61,044**
Net losses from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(2,674)	245	-	601	**(1,828)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	12,422	-	-	874	**13,296**
Other income	5	5	12	502	52	3	347	5,874	63	-	7,968	**14,831**
	65,749	64,807	39,163	125,021	44,129	68,476	9,162	12,004	52,970	21,143	47,271	**549,895**
Staff costs	(5,284)	(3,009)	(6,074)	(60,775)	(14,975)	(12,731)	(4,080)	(3,972)	(11,303)	(1,526)	(78,758)	**(202,487)**
Staff costs–voluntary exit plan and other termination benefits	(842)	(363)	(1,470)	(8,464)	(1,911)	(1,724)	(79)	(483)	(1,113)	(178)	481	**(16,146)**
Special levy on deposits and other levies/contributions	(2,294)	(1,165)	(1,802)	(23,197)	(110)	(7,095)	(687)	-	-	-	-	**(36,350)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(18,225)	(18,021)	(16,838)	(73,283)	(23,874)	(9,886)	(3,921)	(17,054)	(9,077)	(9,724)	55,839	**(144,064)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(21,612)	-	-	(1,201)	-	-	(311)	**(23,124)**
	39,104	42,249	12,979	(40,698)	(18,353)	37,040	395	(10,706)	31,477	9,715	24,522	**127,724**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	4,363	2,108	1,058	304	(3,872)	(104)	2	-	-	-	-	**3,859**
Credit (losses)/gains to cover credit risk on loans and advances to customers	1,382	(6,655)	1,967	12,880	(42,098)	804	(307)	-	-	-	(8,314)	**(40,341)**
Credit gains/(losses) of other financial instruments	-	-	-	-	-	-	7	(2,118)	(8)	129	(3,813)	**(5,803)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(47,062)	-	-	(2,394)	**(49,456)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	137	**137**
Profit/(loss) before tax	44,849	37,702	16,004	(27,514)	(64,323)	37,740	97	(59,886)	31,469	9,844	10,138	**36,120**
Income tax	(5,606)	(4,713)	(2,000)	3,439	8,040	(4,717)	(158)	7,255	(4,733)	(1,230)	180	**(4,243)**
Profit/(loss) after tax	39,243	32,989	14,004	(24,075)	(56,283)	33,023	(61)	(52,631)	26,736	8,614	10,318	**31,877**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	(2,168)	**(2,168)**
Profit/(loss) after tax attributable to the owners of the Company	**39,243**	**32,989**	**14,004**	**(24,075)**	**(56,283)**	**33,023**	**(61)**	**(52,631)**	**26,736**	**8,614**	**8,150**	**29,709**

6. Segmental analysis (continued)

Analysis by business line (continued)

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2020 (restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	65,524	66,953	36,579	125,818	26,162	17,410	2,271	(15,075)	(12)	(183)	4,551	**329,998**
Net fee and commission income/(expense)	11,484	7,364	8,570	37,370	8,229	50,222	4,822	(174)	(6,896)	1,735	21,948	**144,674**
Net foreign exchange gains/(losses)	622	220	540	1,856	105	5,686	2,919	-	-	5,545	(958)	**16,535**
Net gains/(losses) on financial instrument transactions and on disposal/dissolution of subsidiaries and associates	-	3,966	-	-	(360)	-	669	2	250	808	(3,614)	**1,721**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	54,744	-	1,319	**56,063**
Net (losses)/gains from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(1,038)	292	-	(753)	**(1,499)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	7,958	-	-	231	**8,189**
Other income	3	3	12	133	118	2	361	8,716	175	-	5,434	**14,957**
	77,633	78,506	45,701	165,177	34,254	73,320	11,042	389	48,553	7,905	28,158	**570,638**
Staff costs	(5,070)	(2,719)	(5,766)	(60,267)	(15,929)	(11,993)	(4,237)	(4,322)	(9,939)	(1,517)	(73,468)	**(195,227)**
Staff costs–voluntary exit plan and other termination benefits	(149)	(79)	(400)	(3,521)	(1,021)	(252)	(30)	(50)	-	(217)	(106)	**(5,825)**
Special levy on deposits and other levies/contributions	(1,952)	(1,241)	(1,451)	(18,769)	(138)	(6,111)	(548)	-	-	-	(3,446)	**(33,656)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(11,695)	(8,214)	(14,646)	(77,840)	(27,784)	(13,332)	(3,364)	(8,913)	(8,808)	(12,211)	13,736	**(173,071)**
Other operating (expenses)/income - advisory and other restructuring costs	-	-	(117)	-	(14,437)	-	-	(1,106)	-	-	171	**(15,489)**
	58,767	66,253	23,321	4,780	(25,055)	41,632	2,863	(14,002)	29,806	(6,040)	(34,955)	**147,370**
Net (losses)/gains on derecognition of financial assets measured at amortised cost	(460)	2,137	692	(916)	1,103	41	147	-	-	-	205	**2,949**
Credit (losses)/gains to cover credit risk on loans and advances to customers	(8,669)	(17,523)	(1,096)	(4,378)	(228,980)	(779)	496	-	-	-	(14,151)	**(275,080)**
Credit losses of other financial instruments	-	-	-	-	-	-	(48)	(412)	(87)	(3,625)	(413)	**(4,585)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(34,328)	-	-	(3,258)	**(37,586)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	69	**69**
Profit/(loss) before tax	49,638	50,867	22,917	(514)	(252,932)	40,894	3,458	(48,742)	29,719	(9,665)	(52,503)	**(166,863)**
Income tax	(6,205)	(6,358)	(2,865)	64	31,616	(5,112)	(678)	5,285	(4,379)	1,208	(20,496)	**(7,920)**
Profit/(loss) after tax	43,433	44,509	20,052	(450)	(221,316)	35,782	2,780	(43,457)	25,340	(8,457)	(72,999)	**(174,783)**
Non-controlling interests-losses	-	-	-	-	-	-	-	-	-	-	3,251	**3,251**
Profit/(loss) after tax attributable to the owners of the Company	**43,433**	**44,509**	**20,052**	**(450)**	**(221,316)**	**35,782**	**2,780**	**(43,457)**	**25,340**	**(8,457)**	**(69,748)**	**(171,532)**

6. Segmental analysis (continued)

Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, net foreign exchange gains, net gains/(losses) on financial instrument transactions, insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties, net gains/(losses) on disposal of stock of property and other income. There was no revenue deriving from transactions with a single external customer that amounted to 10% or more of Group revenue.

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	75,871	75,421	42,834	137,180	48,153	64,739	9,927	15,132	59,770	(25,756)	46,624	**549,895**
Inter-segment (expense)/revenue	(10,122)	(10,614)	(3,671)	(12,159)	(4,024)	3,737	(765)	(3,128)	(6,800)	46,899	647	**-**
Total revenue	**65,749**	**64,807**	**39,163**	**125,021**	**44,129**	**68,476**	**9,162**	**12,004**	**52,970**	**21,143**	**47,271**	**549,895**
2020 (restated)												
Revenue from third parties	79,822	84,858	44,666	130,841	83,940	58,921	9,625	14,792	48,078	(15,393)	30,488	**570,638**
Inter-segment (expense)/revenue	(2,189)	(6,352)	1,035	34,336	(49,686)	14,399	1,417	(14,403)	475	23,298	(2,330)	**-**
Total revenue	**77,633**	**78,506**	**45,701**	**165,177**	**34,254**	**73,320**	**11,042**	**389**	**48,553**	**7,905**	**28,158**	**570,638**

Analysis of assets and liabilities

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	2,012,908	2,139,025	1,036,958	4,011,930	703,926	134,596	73,512	1,282,342	1,023,678	11,412,964	1,583,202	**25,415,041**
Inter-segment assets	-	-	-	-	-	-	(12,036)	(16,240)	(20,367)	-	(15,227)	**(63,870)**
	2,012,908	**2,139,025**	**1,036,958**	**4,011,930**	**703,926**	**134,596**	**61,476**	**1,266,102**	**1,003,311**	**11,412,964**	**1,567,975**	**25,351,171**
Assets between Cyprus and overseas operations												**(388,474)**
Total assets												**24,962,697**

6. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2020 (restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	1,918,726	2,043,938	1,079,633	3,798,897	1,354,964	132,900	62,716	1,552,685	935,705	7,736,802	1,364,567	**21,981,533**
Inter-segment assets	-	-	-	-	-	-	(13,154)	(16,751)	(18,334)	-	(17,751)	**(65,990)**
	1,918,726	**2,043,938**	**1,079,633**	**3,798,897**	**1,354,964**	**132,900**	**49,562**	**1,535,934**	**917,371**	**7,736,802**	**1,346,816**	**21,915,543**
Assets between Cyprus and overseas operations												**(401,412)**
Total assets												**21,514,131**

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Liabilities												
Liabilities	1,117,148	631,002	866,860	11,051,397	45,994	3,500,183	335,587	13,359	826,816	4,161,124	785,469	**23,334,939**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(63,870)	-	**(63,870)**
	1,117,148	**631,002**	**866,860**	**11,051,397**	**45,994**	**3,500,183**	**335,587**	**13,359**	**826,816**	**4,097,254**	**785,469**	**23,271,069**
Liabilities between Cyprus and overseas operations												**(389,599)**
Total liabilities												**22,881,470**
2020 (restated)												
Liabilities												
Liabilities	1,037,430	607,467	832,576	10,525,819	58,389	3,180,061	309,518	6,394	747,410	1,721,601	880,939	**19,907,604**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(65,990)	-	**(65,990)**
	1,037,430	**607,467**	**832,576**	**10,525,819**	**58,389**	**3,180,061**	**309,518**	**6,394**	**747,410**	**1,655,611**	**880,939**	**19,841,614**
Liabilities between Cyprus and overseas operations												**(402,537)**
Total liabilities												**19,439,077**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 31 and 45.2 and 45.4 respectively.

6. Segmental analysis (continued)

Analysis of turnover

	2021	2020
	€000	€000
Interest income and income similar to interest income	**388,549**	436,709
Fees and commission income	**180,212**	151,091
Net foreign exchange gains	**16,503**	16,535
Gross insurance premiums (Note 12)	**190,432**	176,706
Losses of investment properties and stock of properties	**(35,307)**	(30,903)
Other income	**14,831**	14,957
	755,220	765,095

The analysis of 'Losses of investment properties and stock of properties' is provided in the table below:

	2021	2020
	€000	€000
Net losses from revaluation and disposal of investment properties	**(1,828)**	(1,499)
Net gains on disposal of stock of property (Note 27)	**13,296**	8,189
Impairment of stock of property (Note 16)	**(46,775)**	(37,593)
	(35,307)	(30,903)

7. Interest income and income similar to interest income

Interest income

	2021	2020
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**309,280**	355,377
- Loans and advances to banks and central banks	**1,117**	1,467
- Debt securities	**7,574**	10,710
- Other financial assets (Note 28)	**5,335**	-
Debt securities at FVOCI	**12,528**	16,319
Negative interest on funding from central banks	**25,094**	5,306
	360,928	389,179

Income similar to interest income

	2021	2020
	€000	€000
Loans and advances to customers at FVPL	**12,382**	13,216
Derivative financial instruments	**15,239**	34,314
	27,621	47,530

8. Interest expense and expense similar to interest expense

Interest expense

	2021	2020
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**5,707**	14,034
- Funding from central banks and deposits by banks	**1,623**	1,573
- Loan stock	**27,687**	23,329
- Repurchase agreements	**-**	3,784
Negative interest on loans and advances to banks and balances with central banks	**31,919**	18,782
Interest expense on lease liabilities (Note 43)	**121**	489
	67,057	61,991

Expense similar to interest expense

	2021	2020
	€000	€000
Derivative financial instruments	**25,192**	44,720

9. Fee and commission income and expense

Fee and commission income

	2021	2020
	€000	€000
Credit-related fees and commissions	**46,445**	40,782
Other banking commissions	**96,325**	81,105
Fees on servicing loans disposed of under Project Helix 2/Helix	**7,009**	2,170
Mutual funds and asset management fees	**3,896**	3,381
Brokerage commissions	**1,029**	966
Other commissions	**25,508**	22,687
	180,212	151,091

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit-related fees and commissions include commissions from credit card arrangements amounting to €24,810 thousand (2020: €19,806 thousand). Other banking commissions include commissions from payment orders amounting to €27,462 thousand (2020: €26,659 thousand) and account maintenance fees of €23,388 thousand (2020: €20,089 thousand). Liquidity fee is also included within other banking commissions.

Fee and commission expense

	2021	2020
	€000	€000
Banking commissions	**8,013**	5,848
Mutual funds and asset management fees	**278**	274
Brokerage commissions	**125**	295
	8,416	6,417

10. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

11. Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates

	2021	2020
	€000	€000
Trading portfolio:		
- derivative financial instruments	**132**	(747)
Other investments at FVPL:		
- debt securities	**5,534**	(3,779)
- mutual funds	**(829)**	680
- equity securities	**3,139**	794
Net gains on disposal of FVOCI debt securities	**-**	2,865
Net loss on early redemption of subordinated loan stock (Note 33)	**(12,558)**	-
Net (losses)/gains on loans and advances to customers at FVPL (Note 22)	**(17,292)**	3,606
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 21)	**19,878**	(5,205)
- hedged items (Note 21)	**(19,327)**	5,760
Net losses on financial liabilities at FVPL	**-**	(34)
Loss on disposal/dissolution of subsidiaries and associates	**(724)**	(2,219)
	(22,047)	1,721

In April 2021, BOC PCL invited the holders of its €250 million unsecured and subordinated Tier 2 Capital Note (issued in January 2017) to tender it for purchase by BOC PCL at a price of 105.5% plus accrued interest. BOC PCL received valid tenders for approximately €207 million in aggregate nominal amount, all of which were accepted and subsequently repurchased a further €7 million in the open market. As a result, BOC PCL incurred a loss of €12,558 thousand, while at the same time forfeiting the relevant obligation for future coupon payments. Further information is provided in Note 33.

The loss on disposal/dissolution of subsidiaries for 2021 relates mainly to the loss on the disposal of the subsidiary Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC and to the loss on the disposal of the subsidiary CLR Investment Fund Public Ltd (Note 51) and to the loss on the disposal of the associate Apollo Global Equity Fund of Funds Variable Capital Investment Company PLC (Note 52). The loss on disposal/dissolution of subsidiaries for 2020 mainly arises on the agreement signed between the Group's life insurance subsidiary and NN Hellenic Life Insurance Company S.A. for the disposal of the portfolio of the life insurance subsidiary's branch in Greece and the dissolution of the subsidiary Bank of Cyprus (Channel Islands) Ltd.

12. Insurance income net of claims and commissions

	2021			2020		
	Income	**Claims and commissions**	**Insurance income net of claims and commissions**	Income	Claims and commissions	Insurance income net of claims and commissions
	€000	**€000**	**€000**	€000	€000	€000
Life insurance business	**153,351**	**(124,354)**	**28,997**	114,805	(87,544)	27,261
Non-life insurance business	**52,510**	**(20,463)**	**32,047**	51,605	(22,803)	28,802
	205,861	**(144,817)**	**61,044**	166,410	(110,347)	56,063

12. Insurance income net of claims and commissions (continued)

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
Income	**€000**	**€000**	€000	€000
Gross premiums	**113,171**	**77,261**	101,740	74,966
Reinsurance premiums	**(17,084)**	**(35,311)**	(16,143)	(33,749)
Net premiums	**96,087**	**41,950**	85,597	41,217
Change in provision for unearned premiums	**-**	**(649)**	-	-
Total net earned premiums	**96,087**	**41,301**	85,597	41,217
Investment income and other income	**45,766**	**-**	12,594	-
Commissions from reinsurers and other income	**7,784**	**11,209**	7,071	10,388
	149,637	**52,510**	105,262	51,605
Change in value of in-force business before tax (Note 26)	**3,714**	**-**	9,543	-
	153,351	**52,510**	114,805	51,605

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
Claims and commissions	**€000**	**€000**	€000	€000
Gross payments to policyholders	**(51,101)**	**(22,766)**	(49,464)	(26,277)
Reinsurers' share of payments to policyholders	**4,970**	**8,858**	4,455	10,857
Gross change in insurance contract liabilities	**(64,375)**	**1,171**	(29,463)	(2,605)
Reinsurers' share of gross change in insurance contract liabilities	**2,939**	**(1,833)**	1,150	2,198
Commissions paid to agents and other direct selling costs	**(16,787)**	**(5,893)**	(14,222)	(6,976)
	(124,354)	**(20,463)**	(87,544)	(22,803)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the consolidated income statement:

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
	€000	**€000**	€000	€000
Net (expense)/income from non-linked insurance business assets	**(85)**	**205**	(129)	(34)
Net gains/(losses) on financial instrument transactions and other non-linked insurance business income	**1,114**	**(535)**	(1,077)	836
Staff costs	**(6,357)**	**(6,249)**	(5,312)	(4,813)
Other operating expenses	**(6,851)**	**(2,832)**	(6,934)	(2,591)

13. Other income

	2021	2020
	€000	€000
Dividend income	**1,774**	294
Profit/(loss) on sale and write-off of property and equipment and intangible assets	**7**	(90)
Rental income from investment properties	**4,630**	5,720
Rental income from stock of property	**357**	835
Income from hotel, golf and leisure activities	**2,539**	2,121
Other income	**5,524**	6,077
	14,831	14,957

The income from hotel, golf and leisure activities primarily relates to activities of subsidiaries acquired in debt satisfaction as part of loan restructuring activity.

14. Staff costs

Staff costs

	2021	2020
	€000	€000
Salaries	**160,605**	156,263
Employer's contributions to state social insurance	**28,186**	26,582
Retirement benefit plan costs	**13,696**	12,382
	202,487	195,227
Restructuring costs - voluntary exit plans and other termination benefits	**16,146**	5,825
	218,633	201,052

The number of persons employed by the Group as at 31 December 2021 was 3,438 and includes 49 persons that have accepted the voluntary exit plan (VEP) and left the Group in early 2022 (2020: 3,573).

In December 2021, the Group completed a VEP, through which 102 of the Group's full-time employees were approved to leave at a total cost of €16,146 thousand. In December 2020, the Group proceeded with a targeted voluntary exit plan for its employees in Cyprus, with a cost amounting to €5,825 thousand. In total 27 employees accepted the targeted voluntary exit plan and left the Group in early 2021.

In July 2021, BOC PCL reached an agreement with the Cyprus Union of Bank employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance related pay component as part of the annual salary increase, both of which have been long-standing objectives of BOC PCL and are in line with market best-practice.

During the year ended 31 December 2021 an amount of €1,235 thousand (2020: €nil) relating to staff costs has been capitalised as internally developed computer software (Note 26).

14. Staff costs (continued)

The following table shows the analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2021 and 2020.

	2021	2020
Corporate	**92**	91
Global Corporate	**69**	67
Small and medium-sized enterprises	**107**	107
Retail	**1,091**	1,127
Restructuring and recoveries	**247**	304
International banking services	**243**	248
Wealth management	**37**	39
Treasury	**23**	23
REMU	**55**	56
Insurance	**203**	189
Other (primarily head office functions)	**1,348**	1,322
Total Cyprus	**3,515**	3,573
United Kingdom	**-**	1
Other countries	**15**	19
	3,530	3,593

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance, the Group operates plans for the provision of additional retirement benefits as described below:

	2021	2020
	€000	€000
Defined benefit plans	**586**	592
Defined contribution plans	**13,110**	11,790
	13,696	12,382

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (88% of total Group employees) is a defined contribution plan. This plan provided for employer contributions of 9% for the period 1 January 2021 to 31 August 2021, revised to 8% from 1 September 2021 (2020: 8%) and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by an Administrative Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded with assets backing the obligations held in separate legal vehicles.

Greece
Following IFRIC's decision in May 2021 about the periods of service to which an entity attributes benefit for a particular defined benefit plan, the Group as at 31 December 2021 does not have any retirement benefits obligation for its employees in Greece, and as a result the accumulated actuarial gains/losses attributable to these plans were derecognised as at 31 December 2021. As at 31 December 2021 and 2020 the remaining retirement benefit obligation in Greece related to Group subsidiaries.

United Kingdom
The Group has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

14. **Staff costs** (continued)

Other countries
The Group does not operate any retirement benefit plans in Romania and Russia.

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the consolidated balance sheet	**2021 €000**	2020 €000
Liabilities (Note 34)	**1,673**	9,568

Two of the plans have a total funded status surplus of €5,462 thousand (2020: one plan with surplus €2,759 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

14. **Staff costs** (continued)

The amounts recognised in the consolidated balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2021 and 2020 are presented below:

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2021	93,012	(86,203)	6,809	2,759	**9,568**
Current service cost	533	-	533	-	**533**
Net interest expense/(income)	1,178	(1,125)	53	-	**53**
Total amount recognised in the consolidated income statement	1,711	(1,125)	586	-	**586**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(5,563)	(5,563)	-	**(5,563)**
Actuarial loss from changes in financial assumptions	(2,530)	-	(2,530)	-	**(2,530)**
Demographic assumptions	(170)	-	(170)	-	**(170)**
Experience adjustments	409	-	409	-	**409**
Change in asset ceiling	-	-	-	2,703	**2,703**
Total amount recognised in the consolidated OCI	(2,291)	(5,563)	(7,854)	2,703	**(5,151)**
Exchange differences	5,291	(4,993)	298	-	**298**
Contributions:					
Employer	-	(3,585)	(3,585)	-	**(3,585)**
Plan participants	185	(185)	-	-	**-**
Benefits paid from the plans	(2,827)	2,827	-	-	**-**
Benefits paid directly by the employer	(43)	-	(43)	-	**(43)**
31 December 2021	**95,038**	**(98,827)**	**(3,789)**	**5,462**	**1,673**

14. **Staff costs** (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2020	89,726	(83,441)	6,285	2,927	**9,212**
Current service cost	501	-	501	-	**501**
Net interest expense/(income)	1,560	(1,469)	91	-	**91**
Total amount recognised in the consolidated income statement	2,061	(1,469)	592	-	**592**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(6,105)	(6,105)	-	**(6,105)**
Actuarial loss from changes in financial assumptions	9,692	-	9,692	-	**9,692**
Demographic assumptions	(133)	-	(133)	-	**(133)**
Experience adjustments	129	-	129	-	**129**
Change in asset ceiling	-	-	-	(168)	**(168)**
Total amount recognised in the consolidated OCI	9,688	(6,105)	3,583	(168)	**3,415**
Exchange differences	(3,961)	3,587	(374)	-	**(374)**
Contributions:					
Employer	-	(3,277)	(3,277)	-	**(3,277)**
Plan participants	180	(180)	-	-	**-**
Benefits paid from the plans	(4,682)	4,682	-	-	**-**
31 December 2020	**93,012**	**(86,203)**	**6,809**	**2,759**	**9,568**

14. **Staff costs** (continued)

The actual return on plan assets for year 2021 was a gain of €6,688 thousand (2020: gain of €7,574 thousand).

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used to better match the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2021	2020
Equity securities	**20%**	28%
Debt securities	**48%**	40%
Loans and advances to banks	**15%**	12%
Funds	**17%**	20%
	100%	100%

The assets held by the funded plans include equity securities issued by the Company, the fair value of which as at 31 December 2021 is €57 thousand (2020: €41 thousand).

The Group expects to make additional contributions to defined benefit plans of €3,847 thousand during 2022.

At the end of the reporting period, the average duration of the defined benefit obligation was 18.0 years (2020: 18.5 years).

14. Staff costs (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Group during 2021 and 2020 are set out below:

2021	**Cyprus**	**Greece**	**UK**
Discount rate	**0.88%**	**n/a**	**1.80%**
Inflation rate	**1.50%**	**n/a**	**3.25%**
Future salary increases	**2.00%**	**n/a**	**n/a**
Rate of pension increase	**2.00%**	**n/a**	**3.10%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**n/a**	**22.9 years M 24.3 years F**
2020			
Discount rate	0.33%	0.70%	1.45%
Inflation rate	1.50%	1.50%	2.85%
Future salary increases	2.00%	1.75%	n/a
Rate of pension increase	2.00%	n/a	2.75%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a	n/a
Life expectancy for pensioners at age 65	n/a	n/a	22.5 years M 24.9 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone (Cyprus and Greece) which comprise 16% of the defined benefit obligations, the Group adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 84% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2021 and 2020 is presented below:

Variable	**2021**		2020	
	Change +0.5%	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-8.7%**	**9.4%**	-9.0%	9.7%
Inflation growth rate	**5.5%**	**-5.4%**	6.1%	-5.7%
Salary growth rate	**1.0%**	**-0.9%**	1.1%	-1.1%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**2.9%**	**-2.9%**	2.8%	-2.8%

14. Staff costs (continued)

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

15. Other operating expenses

	2021	2020
	€000	€000
Repairs and maintenance expenses	**33,083**	31,701
Other property-related costs	**12,448**	12,907
Consultancy and other professional services fees	**14,400**	13,040
Insurance	**7,965**	7,284
Advertising and marketing	**9,836**	8,036
Depreciation of property and equipment (Note 25)	**16,313**	19,224
Amortisation of intangible assets (Note 26)	**18,615**	18,263
Communication expenses	**7,254**	6,852
Provisions for pending litigations, claims, regulatory and other matters (Note 39.4)	**(523)**	30,897
Printing and stationery	**1,851**	1,953
Cash transfer expenses	**2,664**	2,526
Other operating expenses	**20,158**	20,388
	144,064	173,071
Advisory and other restructuring costs	**23,124**	15,489
	167,188	188,560

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2021, the Group recognised €255 thousand relating to rent expense for short term leases, included within 'Other property-related costs' (2020: €355 thousand) and €7,520 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2020: €8,855 thousand) (Note 43).

Within total other operating expenses an amount of €734 thousand (2020: €1,037 thousand) relates to investment property that generated rental income.

15. Other operating expenses (continued)

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	2021	2020
	€000	€000
Special levy on deposits of credit institutions in Cyprus and contribution to Single Resolution Fund	**25,145**	24,727
Guarantee fee on annual deferred tax credit (Note 17)	**5,300**	3,445
Contribution to Deposit Guarantee Fund	**5,905**	5,484
	36,350	33,656

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the charge of the Special Levy up to the level of the total annual Special Levy charge.

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

Consultancy and other professional services fees and advisory and other restructuring costs include fees (including taxes) to the independent auditors of the Group, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2021	2020
	€000	€000
Audit of the individual and the Group financial statements	**1,870**	1,845
Other assurance services	**659**	368
Tax compliance and advisory services	**298**	211
Other non-audit services	**78**	385
	2,905	2,809

Audit fees above include fees to the statutory auditor (PwC Ireland) of €30 thousand (excluding VAT) for the audit of the Company financial statements (2020: €30 thousand excluding VAT) and €100 thousand (excluding VAT) for the audit of the Company consolidated financial statements (2020: €100 thousand excluding VAT). Other assurance services include fees relating to the interim review.

16. Credit losses of financial instruments and impairment of non-financial assets

	2021	2020
	€000	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers (Note 45.7)	**33,956**	284,969
Recoveries of loans and advances to customers previously written off	**(11,907)**	(20,621)
Changes in expected cash flows	**15,951**	12,866
Financial guarantees and commitments (Notes 45.6.1 and 45.6.2)	**2,341**	(2,134)
	40,341	275,080

Credit losses of other financial instruments		
Amortised cost debt securities (Note 20)	**(32)**	54
FVOCI debt securities (Note 20)	**(91)**	78
Loans and advances to banks (Note 19)	**(5)**	6
Other financial assets (Note 28)	**5,931**	4,447
	5,803	4,585

Impairment net of reversals of non-financial assets		
Stock of property (Note 27)	**46,775**	37,593
Other non-financial assets	**2,681**	(7)
	49,456	37,586

17. Income tax

	2021	2020
	€000	€000
Current tax:		
- Cyprus	**5,202**	3,934
- Overseas	**-**	93
Cyprus special defence contribution	**163**	136
Deferred tax charge	**641**	1,611
Prior years' tax adjustments	**(1,882)**	838
Other tax charges	**119**	1,308
	4,243	7,920

17. Income tax (continued)

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2021	2020
	€000	€000
Profit/(loss) before tax	**36,120**	(166,863)
Income tax at the normal tax rates in Cyprus	**4,515**	(20,721)
Income tax effect of:		
- expenses not deductible for income tax purposes	**29,194**	23,914
- income not subject to income tax	**(16,739)**	(11,504)
- differences between overseas income tax rates and Cyprus income tax rates	**2,041**	2,593
- deferred tax charge	**641**	45
- losses on which deferred tax was not recognised	**-**	11,447
- utilisation of prior years' tax losses	**(13,809)**	-
	5,843	5,774
Cyprus special defence contribution	**163**	-
Prior years' tax adjustments	**(1,882)**	838
Other tax charges	**119**	1,308
	4,243	7,920

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2020: 12.5%).

For life insurance business there is a minimum income tax charge of 1.5% on gross premiums. Special defence contribution is payable on rental income at a rate of 3% (2020: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2020: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2021 were: Greece 22% (2020: 24%), Romania 16% (2020: 16%), Russia 20% (2020: 20%) and UK 19% (2020: 19%).

The Group is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Group's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open income tax returns with various income tax authorities and liabilities relating to these open and judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax

The net deferred tax assets arise from:

	2021	2020
	€000	€000
Difference between capital allowances and depreciation	**(10,990)**	(10,820)
Property revaluation	**(13,582)**	(14,188)
Investment revaluation and stock of property	**(2,847)**	(2,847)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**265,364**	341,182
Value of in-force life insurance business	**(16,236)**	(15,772)
Other temporary differences	**(2,663)**	(2,177)
Net deferred tax assets	**219,046**	295,378

17. Income tax (continued)

The net deferred tax assets comprise:

	2021	2020
	€000	€000
Deferred tax assets	**265,481**	341,360
Deferred tax liabilities	**(46,435)**	(45,982)
Net deferred tax assets	**219,046**	295,378

The deferred tax assets relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	2021	2020
	€000	€000
1 January	**295,378**	333,111
Deferred tax recognised in the consolidated income statement	**(641)**	(1,611)
Deferred tax recognised in the consolidated statement of comprehensive income	**127**	1,787
Transfer to current tax receivables following conversion into tax credit	**(75,818)**	(37,909)
31 December	**219,046**	295,378

The Group offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

The analysis of the net deferred tax charge/(credit) recognised in the consolidated income statement is set out below:

	2021	2020
	€000	€000
Difference between capital allowances and depreciation	**170**	449
Value of in-force life insurance business	**464**	1,193
Other temporary differences	**7**	(31)
	641	1,611

The analysis of the net deferred tax recognised in other comprehensive income in the consolidated statement of comprehensive income is set out below:

	2021	2020
	€000	€000
Timing differences on property revaluation-income	**127**	1,787

During the year ended 31 December 2021 an amount of €479 thousand (2020: nil) that relates to the balance of deferred tax arising from property revaluation, has been transferred from the deferred tax liability - property revaluation to the deferred tax liability - other temporary differences following the respective transfer of the related property from the category 'Property and equipment' (Note 25) to 'Investment properties (Note 22).

Income Tax Law Amendment 28 (I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

The main provisions of the legislation are set out below:
- The amendments allow for the conversion of specific tax losses into tax credits.
- The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.

17. **Income tax** (continued)

- The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition. Tax losses in excess of the capped amount could only be utilised in cases involving transfers of tax losses in relation to tax reorganisations, completed before 1 October 2019. Post 1 October 2019, any excess tax losses expired.
- Acquired tax losses are converted into 15 equal annual instalments for credit institutions that will enter into resolution in the future or into 11 equal annual instalments for credit institutions which were in resolution pre 31 December 2017.
- Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
- Any amount of annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
- In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
- In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
- A guarantee fee of 1.5% on annual tax credit is payable annually by the credit institution to the Government.

BOC PCL has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 (the 'Law'), which allow for the conversion of specific tax losses into tax credits and subsequently any such unutilised tax credits into a receivable from the Government, relating to income tax losses transferred to BOC PCL as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which BOC PCL paid a consideration as part of the respective acquisition. Under the Law, BOC PCL could convert up to an amount of €3.3 billion tax losses to tax credits (which led to the creation of DTA amounting to €417 million), with the conversion being based on the tax rate applicable at the time of conversion. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e. by end of 2028.

As a result of the above Law, the Group has deferred tax assets amounting to €265,364 thousand as at 31 December 2021 (2020: €341,182 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is converted to annual tax credit and is reclassified from the DTA to current tax receivables.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13.

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

17. Income tax (continued)

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year. The Group estimates that such increased fees could range up to €5,300 thousand 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. To this respect, an amount of €5,300 thousand (2020: €3,445 thousand) (Note 15) has been recorded during the year ended 31 December 2021, to bring the total amount provided for years 2018-2021 to €21,200 thousand, being the maximum expected increased amount for these years.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

2021	**Total income tax losses**	**Income tax losses for which a deferred tax asset was recognised**	**Income tax losses for which no deferred tax asset was recognised**
	€000	**€000**	**€000**
Expiring within 5 years	**251,448**	**-**	**251,448**
Utilisation in annual instalments up to 2028	**2,122,909**	**2,122,909**	**-**
	2,374,357	**2,122,909**	**251,448**
2020			
Expiring within 5 years	648,401	-	648,401
Utilisation in annual instalments up to 2028	2,729,454	2,729,454	-
	3,377,855	2,729,454	648,401

In relation to the tax losses that were transferred to BOC PCL in 2013, the income tax authorities in Cyprus issued their tax assessments in March and April 2019. On the basis of these assessments the quantum of Laiki Bank tax losses was approximately €5 billion and lower than the initial amount of €7.4 billion estimated in 2013.

The tax losses in excess of the €3.3 billion transferred from Laiki Bank to BOC PCL in March 2013 cannot be utilised by BOC PCL, in line with the March 2019 Law amendments, except in cases where there are transfers arising due to reorganisations made prior to 1 October 2019.

18. Earnings per share

Basic and diluted profit/(loss) per share attributable to the owners of the Company	**2021**	2020
Profit/(loss) for the year attributable to the owners of the Company (€ thousand)	**29,709**	(171,532)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**446,058**	446,058
Basic and diluted profit/(loss) per share (€ cent)	**6.7**	(38.5)

19. Cash, balances with central banks and loans and advances to banks

	2021	2020
	€000	€000
Cash	142,915	139,686
Balances with central banks	9,087,968	5,513,629
	9,230,883	5,653,315

	2021	2020
	€000	€000
Loans and advances to banks	291,705	402,862
Allowance for expected credit losses	(73)	(78)
	291,632	402,784

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2021	2020
Gross carrying amount	€000	€000
1 January	5,513,629	4,908,487
Net increase	3,574,339	673,567
Transfer to disposal groups held for sale (Note 29)	-	(68,425)
31 December	9,087,968	5,513,629

Balances with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2021 and 2020.

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2021		2020	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	€000	€000	€000	€000
1 January	402,862	(78)	320,953	(72)
Net (decrease)/increase	(109,485)	-	83,380	-
Disposal/dissolution of subsidiaries	-	-	(398)	-
Changes to models and inputs used for ECL calculation (Note 16)	-	5	-	(6)
Foreign exchange adjustments	(1,672)	-	(1,073)	-
31 December	291,705	(73)	402,862	(78)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes as at 31 December 2021 which amount to €166,987 thousand (2020: €158,031 thousand) (Note 42).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 45.12.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

Investments	2021 €000	2020 €000
Investments mandatorily measured at FVPL	**199,194**	207,943
Investments at FVOCI	**259,889**	658,232
Investments at amortised cost	**419,922**	1,009,834
	879,005	1,876,009

The amounts pledged as collateral are shown below:

Investments pledged as collateral	2021 €000	2020 €000
Investments at FVOCI	**488,806**	14,069
Investments at amortised cost	**771,352**	23,036
	1,260,158	37,105

Investments pledged as collateral as at 31 December 2021 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) in March 2021 and June 2021 of a total nominal amount of €2 billion, as further described in Note 30. Encumbered assets are disclosed in Note 47.

The maximum exposure to credit risk for debt securities is disclosed in Note 45.1 and the debt securities price risk sensitivity analysis is disclosed in Note 46.

There were no reclassifications of investments during the years 2021 and 2020.

The credit rating analysis of investments is disclosed in Note 45.12.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2021 €000	2020 €000
Debt and other non-equity securities	**6,034**	19,118
Equity securities	**9,053**	3,277
Mutual funds	**184,107**	185,548
	199,194	207,943
Debt and other non-equity securities		
Banks and other corporations	**6,034**	19,118
Unlisted	**6,034**	19,118
Equity securities		
Listed on the Cyprus Stock Exchange	**-**	2,155
Listed on other stock exchanges	**9,053**	626
Unlisted	**-**	496
	9,053	3,277
Mutual funds		
Listed on other stock exchanges	**88,963**	131,771
Unlisted	**95,144**	53,777
	184,107	185,548

The debt securities which are measured at FVPL are mandatorily classified, because they failed to meet the SPPI criteria.

20. Investments (continued)

The majority of the unlisted mutual funds relate to investments whose underlying assets are listed on stock exchanges and are therefore presented in Level 2 hierarchy in Note 22.

Investments at FVOCI

	2021 €000	2020 €000
Debt securities	**733,080**	656,856
Equity securities (including preference shares)	**15,615**	14,835
Mutual funds	**-**	610
	748,695	672,301

Debt securities	2021 €000	2020 €000
Cyprus government	**408,708**	382,742
Other governments	**87,295**	41,235
Banks and other corporations	**237,077**	232,879
	733,080	656,856
Listed on the Cyprus Stock Exchange	**-**	2,983
Listed on other stock exchanges	**733,080**	653,873
	733,080	656,856
Geographic dispersion by country of issuer		
Cyprus	**408,708**	382,742
France	**66,116**	51,784
Other European Union countries	**143,538**	90,226
Supranational organisations	**-**	10,364
Other countries	**114,718**	121,740
	733,080	656,856

Equity securities		
Listed on the Cyprus Stock Exchange	**1,752**	1,483
Listed on other stock exchanges	**76**	81
Unlisted	**13,787**	13,271
	15,615	14,835

An analysis of the movement of debt instruments before ECL and the changes on the ECL are presented in the table below:

20. **Investments** (continued)

	2021		2020	
	Gross debt securities	**ECL**	Gross debt securities	ECL
	€000	**€000**	€000	€000
1 January	**657,633**	**(777)**	886,509	(699)
New assets acquired in the year	**116,290**	**-**	61,983	-
Assets derecognised and redeemed in the year (Note 16)	**(34,083)**	**6**	(263,335)	7
Interest accrued and amortisation	**(2,448)**	**-**	(4,170)	-
Foreign exchange adjustments	**14,852**	**-**	(17,410)	-
Changes to models and input used for ECL calculations (Note 16)	**-**	**85**	-	(85)
Changes in fair value	**(18,478)**	**-**	(5,944)	-
31 December	**733,766**	**(686)**	657,633	(777)

All debt securities measured at FVOCI are classified as Stage 1.

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €15,615 thousand at 31 December 2021 and is equal to their fair value (2020: €14,835 thousand).

Equity investments at FVOCI comprise mainly investments in private Cyprus registered companies, acquired through loan restructuring activity and specifically through debt for equity swaps.

Dividend income amounting to €1,774 thousand has been received and recognised for 2021 in other income (2020: €223 thousand).

During the years ended 31 December 2021 and 31 December 2020 no material equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the year.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €11,066 thousand at 31 December 2021 (2020: €12,134 thousand). The fair value loss that would have been recognised in the consolidated income statement during the year ended 31 December 2021 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €97 thousand (2020: gain of €28 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2020: 1.6%-5.0%) per annum and the respective interest income during the year ended 31 December 2021 amounts to €98 thousand (2020: €304 thousand).

20. Investments (continued)

Investments at amortised cost

	2021	2020
	€000	€000
Debt securities	**1,191,274**	1,032,870
Cyprus government	**326,953**	440,983
Other governments	**223,813**	132,267
Banks and other corporations	**431,282**	292,918
European Financial Stability Facility and European Investment Fund	**209,226**	166,702
	1,191,274	1,032,870
Listed on the Cyprus Stock Exchange	**48,463**	318,141
Listed on other stock exchanges	**1,142,811**	714,729
	1,191,274	1,032,870
Geographic dispersion by country of issuer		
Cyprus	**326,953**	440,983
Germany	**67,747**	49,870
UK	**25,043**	33,671
France	**100,388**	25,646
Other European Union countries	**239,781**	184,804
Other countries	**222,136**	135,302
Supranational organisations	**209,226**	162,594
	1,191,274	1,032,870

An analysis of changes in the gross carrying amount (before ECL) is presented in the table below:

	2021			2020		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**984,739**	**48,981**	**1,033,720**	779,770	49,130	828,900
New assets acquired in the year	**503,089**	**-**	**503,089**	513,655	-	513,655
Assets derecognised and redeemed in the year	**(348,151)**	**-**	**(348,151)**	(294,756)	-	(294,756)
Fair value due to hedging relationship	**(2,156)**	**(392)**	**(2,548)**	644	(123)	521
Interest accrued and amortisation	**(4,744)**	**(30)**	**(4,774)**	(2,289)	(26)	(2,315)
Foreign exchange adjustments	**10,756**	**-**	**10,756**	(12,285)	-	(12,285)
31 December	**1,143,533**	**48,559**	**1,192,092**	984,739	48,981	1,033,720

An analysis of changes on the ECL is presented in the table below:

	2021			2020		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(545)**	**(305)**	**(850)**	(320)	(476)	(796)
Assets derecognised or redeemed (Note 16)	**155**	**-**	**155**	12	-	12
Change to models and inputs used for ECL calculation (Note 16)	**(332)**	**209**	**(123)**	(237)	171	(66)
31 December	**(722)**	**(96)**	**(818)**	(545)	(305)	(850)

21. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2021			2020		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**11,344**	**81**	**55**	37,912	834	346
Currency swaps	**991,117**	**4,388**	**1,342**	970,645	4,458	2,832
Interest rate swaps	**21,690**	**86**	**61**	92,305	271	597
Currency options	**83**	**62**	**21**	2,628	72	302
Interest rate caps/floors	**518,950**	**223**	**218**	527,883	83	25
	1,543,184	**4,840**	**1,697**	1,631,373	5,718	4,102
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**700,835**	**1,813**	**30,025**	877,783	18,907	39,720
Net investments - forward exchange rate contracts and currency swaps	**107,193**	**-**	**730**	84,588	2	2,156
	808,028	**1,813**	**30,755**	962,371	18,909	41,876
Total	**2,351,212**	**6,653**	**32,452**	2,593,744	24,627	45,978

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates and exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Group sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 46. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Group converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Group converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 46. In order to eliminate the risk, the Group hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

21. Derivative financial instruments (continued)

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign exchange rates in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. The Group implements the amended IFRS 7 hedge disclosure requirements.

The Group applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI.

Hedges of net investments
The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and forward exchange rate contracts.

As at 31 December 2021, deposits and forward and swap exchange rate contracts amounting to €nil and €107,193 thousand respectively (2020: €9,988 thousand and €84,588 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €7,797 thousand (2020: loss of €23,756 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and other foreign operations.

	Gains/(losses) attributable to hedged risk		**Hedged in-effectiveness**
2021	**Hedged items**	**Hedging instrument**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	(19,327)	19,878	(551)
Net investments			
-forward exchange rate contracts	(8,422)	8,422	-
Total	**(27,749)**	**28,300**	**(551)**

21. Derivative financial instruments (continued)

	Gains/(losses) attributable to hedged risk		Hedged in-effectiveness
2020	**Hedged items**	**Hedging instrument**	
	€000	**€000**	**€000**
Derivatives qualifying for hedge accounting			
Fair value hedges			
-interest rate swaps	5,760	(5,205)	(555)
Net investments			
-forward exchange rate contracts	25,236	(25,236)	-
Total	**30,996**	**(30,441)**	**(555)**

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
2021	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	746,432	-	729	-
Net investments - forward and swap exchange rate contracts				
Net assets	-	107,193	-	(730)
Total	**746,432**	**107,193**	**729**	**(730)**

2020				
Derivatives qualifying for hedge accounting				
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	712,925	-	21,084	-
-subordinated loan stock	-	272,152	-	(1,374)
Net investments - forward and swap exchange rate contracts				
Net assets	434	84,154	-	(2,158)
Total	**713,359**	**356,306**	**21,084**	**(3,532)**

For assets hedged using fair value hedges the fixed rate is 2.38% and the floating rate is 0.94% as at 31 December 2021 (2020: 2.35% and 1.03% respectively). For liabilities hedged using fair value hedges, the fixed rate was 9.25% and the floating rate was 8.93% respectively as at 31 December 2020. There were no liabilities hedged using fair value hedges as at 31 December 2021.

21. Derivative financial instruments (continued)

The maturity of the Group's contract amount of the derivatives is presented in the table below:

2021	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	4,923	4,493	1,928	-	-	**11,344**
Currency swaps	875,897	114,852	368	-	-	**991,117**
Interest rate swaps	-	-	6,219	15,471	-	**21,690**
Currency options	83	-	-	-	-	**83**
Interest rate caps/floors	-	-	500,000	-	18,950	**518,950**
	880,903	**119,345**	**508,515**	**15,471**	**18,950**	**1,543,184**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	44,182	41,530	101,465	247,158	266,500	**700,835**
Net investments - forward exchange rate contracts and currency swaps	107,193	-	-	-	-	**107,193**
	151,375	**41,530**	**101,465**	**247,158**	**266,500**	**808,028**
Total	**1,032,278**	**160,875**	**609,980**	**262,629**	**285,450**	**2,351,212**

21. Derivative financial instruments (continued)

2020	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	17,125	15,510	5,277	-	-	**37,912**
Currency swaps	791,644	178,227	774	-	-	**970,645**
Interest rate swaps	44,069	23,970	14,169	10,097	-	**92,305**
Currency options	2,628	-	-	-	-	**2,628**
Interest rate caps/floors	-	-	-	527,883	-	**527,883**
	855,466	**217,707**	**20,220**	**537,980**	**-**	**1,631,373**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	30,358	653,925	193,500	**877,783**
Net investments - forward exchange rate contracts and currency swaps	66,849	17,739	-	-	-	**84,588**
	66,849	**17,739**	**30,358**	**653,925**	**193,500**	**962,371**
Total	**922,315**	**235,446**	**50,578**	**1,191,905**	**193,500**	**2,593,744**

Interest rate benchmark reform
As at 31 December 2021 and 2020 the interest rate benchmarks to which BOC PCL's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) in relation to the cash flows of the hedging instruments. The Group has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing Interbank Offered Rate (IBOR) are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships that are subject to the IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure BOC PCL manages through hedging relationships.

Interest Rate Swaps	2021 €000	2020 €000
Euribor (3-month)	**529,831**	699,831
Libor USD (3-month)	**171,004**	177,952
Total	**700,835**	877,783

As at 31 December 2021, the Group's assessment regarding the on-going transition to the new risk-free rates (RFRs) indicates that the impact on the hedging relationships and in value terms is not significant. Further details in relation to interest rate benchmark reform are disclosed in Note 46.

22. Fair value measurement

The following table presents the carrying value and fair value of the Group's financial assets and liabilities.

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,230,883**	**9,230,883**	5,653,315	5,653,315
Loans and advances to banks	**291,632**	**289,519**	402,784	402,979
Investments mandatorily measured at FVPL	**199,194**	**199,194**	207,943	207,943
Investments at FVOCI	**748,695**	**748,695**	672,301	672,301
Investments at amortised cost	**1,191,274**	**1,196,753**	1,032,870	1,050,271
Derivative financial assets	**6,653**	**6,653**	24,627	24,627
Loans and advances to customers	**9,836,405**	**9,642,212**	9,886,047	9,687,663
Life insurance business assets attributable to policyholders	**540,827**	**540,827**	462,977	462,977
Financial assets classified as held for sale	**250,370**	**250,370**	561,462	561,462
Other financial assets	**393,464**	**393,464**	102,211	102,211
	22,689,397	**22,498,570**	19,006,537	18,825,749
Financial liabilities				
Funding from central banks and deposits by banks	**3,426,639**	**3,328,987**	1,386,643	1,325,538
Derivative financial liabilities	**32,452**	**32,452**	45,978	45,978
Customer deposits	**17,530,883**	**17,532,995**	16,533,212	16,535,842
Loan stock	**642,775**	**647,774**	272,152	274,414
Other financial liabilities and lease liabilities	**275,519**	**275,519**	282,517	282,517
	21,908,268	**21,817,727**	18,520,502	18,464,289

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Group uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on market observable data.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Group’s estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

22. Fair value measurement (continued)

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA)
The CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and BOC PCL's own credit quality respectively.

The Group calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Group and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard LGD assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Group does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments at FVPL, investments at FVOCI and investments at amortised cost
Investments which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data. The rest of the investments are valued using quoted prices in active markets.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk-free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan. The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2021 ranges from 2.34% to 8.50% (2020:1.95%-8.50%).

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of BOC PCL. The fair value of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Deposits by banks and funding from central banks
Deposits by banks and funding from central banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Loan stock
Loan stock issuances are traded in an active market with quoted prices.

Investment properties
The fair value of investment properties is determined using valuations performed by external accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

Owned property
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

22. Fair value measurement (continued)

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

The following table presents the fair value measurement hierarchy of the Group's financial and non-financial assets and liabilities recorded at fair value and financial assets and financial liabilities for which fair value is disclosed, by level of the fair value hierarchy:

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	11,937	**11,937**
Offices and other commercial properties	-	-	55,805	**55,805**
Manufacturing and industrial properties	-	-	28,610	**28,610**
Hotels	-	-	536	**536**
Land (fields and plots)	-	-	20,857	**20,857**
	-	-	117,745	**117,745**
Investment properties held for sale				
Residential	-	-	1,790	**1,790**
Offices and other commercial properties	-	-	2,635	**2,635**
Manufacturing and industrial properties	-	-	896	**896**
	-	-	5,321	**5,321**
Freehold property				
Offices and other commercial properties	-	-	195,666	**195,666**
Freehold property held for sale				
Offices and other commercial properties	-	-	10,408	**10,408**
Loans and advances to customers measured at FVPL	-	-	281,868	**281,868**
Trading derivatives				
Forward exchange rate contracts	-	81	-	**81**
Currency swaps	-	4,388	-	**4,388**
Interest rate swaps	-	86	-	**86**
Currency options	-	62	-	**62**
Interest rate caps/floors	-	223	-	**223**
	-	4,840	-	**4,840**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	1,813	-	**1,813**
	-	1,813	-	**1,813**
Investments mandatorily measured at FVPL	98,016	95,144	6,034	**199,194**
Investments at FVOCI	734,832	-	13,863	**748,695**
	832,848	**101,797**	**630,905**	**1,565,550**
Other financial assets not measured at fair value				
Loans and advances to banks	-	289,519	-	**289,519**
Investments at amortised cost	1,074,144	98,238	24,371	**1,196,753**
Loans and advances to customers	-	-	9,360,344	**9,360,344**
	1,074,144	**387,757**	**9,384,715**	**10,846,616**

22. Fair value measurement (continued)

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,647 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €784 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €5,534 thousand as at 31 December 2021, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €553 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 46.

The fair value measurement hierarchy for life insurance business assets attributable to policy holders is disclosed in Note 24.

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	55	-	**55**
Currency swaps	-	1,342	-	**1,342**
Interest rate swaps	-	61	-	**61**
Currency options	-	21	-	**21**
Interest rate caps/floors	-	218	-	**218**
	-	1,697	-	**1,697**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	30,025	-	**30,025**
Net investments-forward exchange rate contracts and currency swaps	-	730	-	**730**
	-	30,755	-	**30,755**
	-	**32,452**	**-**	**32,452**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,950,646	-	**2,950,646**
Deposits by banks	-	378,341	-	**378,341**
Customer deposits	-	-	17,532,995	**17,532,995**
Loan stock	647,774	-	-	**647,774**
	647,774	**3,328,987**	**17,532,995**	**21,509,756**

22. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	16,735	**16,735**
Offices and other commercial properties	-	-	57,041	**57,041**
Manufacturing and industrial properties	-	-	35,326	**35,326**
Hotels	-	-	626	**626**
Land (fields and plots)	-	-	18,360	**18,360**
	-	-	128,088	**128,088**
Investment properties held for sale				
Manufacturing and industrial properties	-	-	1,248	**1,248**
Freehold property				
Offices and other commercial properties	-	-	202,146	**202,146**
Freehold property held for sale				
Offices and other commercial properties	-	-	10,408	**10,408**
Loans and advances to customers measured at FVPL	-	-	289,861	**289,861**
Trading derivatives				
Forward exchange rate contracts	-	834	-	**834**
Currency swaps	-	4,458	-	**4,458**
Interest rate swaps	-	271	-	**271**
Currency options	-	72	-	**72**
Interest rate caps/floors	-	83	-	**83**
	-	5,718	-	**5,718**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	18,907	-	**18,907**
Net investments-forward exchange rate contracts and currency swaps	-	2	-	**2**
	-	18,909	-	**18,909**
Investments mandatorily measured at FVPL	134,918	53,347	19,678	**207,943**
Investments at FVOCI	655,813	2,984	13,504	**672,301**
	790,731	**80,958**	**664,933**	**1,536,622**
Other financial assets not measured at fair value				
Loans and advances to banks	-	402,979	-	**402,979**
Investments at amortised cost	695,666	321,612	32,993	**1,050,271**
Loans and advances to customers	-	-	9,397,802	**9,397,802**
	695,666	**724,591**	**9,430,795**	**10,851,052**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,027 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,681 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 20) with a carrying amount of €18,618 thousand as at 31 December 2020, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €1,862 thousand.

22. **Fair value measurement** (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	346	-	**346**
Currency swaps	-	2,832	-	**2,832**
Interest rate swaps	-	597	-	**597**
Currency options	-	302	-	**302**
Interest rate caps/floors	-	25	-	**25**
	-	4,102	-	**4,102**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39,720	-	**39,720**
Net investments-forward exchange rate contracts and currency swaps	-	2,156	-	**2,156**
	-	41,876	-	**41,876**
	-	**45,978**	**-**	**45,978**
Other financial liabilities not measured at fair value				
Funding from central banks	-	992,494	-	**992,494**
Deposits by banks	-	333,044	-	**333,044**
Customer deposits	-	-	16,535,842	**16,535,842**
Loan stock	274,414	-	-	**274,414**
	274,414	**1,325,538**	**16,535,842**	**18,135,794**

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets and other financial liabilities and assets classified as held for sale is a close approximation of their fair value and they are categorised as Level 3.

During the year ended 31 December 2021 and 2020 there were no significant transfers between Level 1 and Level 2.

22. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Group requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 assets which are measured at fair value is presented below:

	2021						2020					
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Own use properties held for sale**	**Loans and advances to customers**	**Financial instruments**	Investment properties	Investment properties held for sale	Own use properties	Own use properties held for sale	Loans and advances to customers	Financial instruments
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000	€000
1 January	**128,088**	**1,248**	**202,146**	**10,408**	**289,861**	**33,182**	136,197	-	235,277	-	369,293	38,507
Additions	**2,774**	**-**	**857**	**-**	**-**	**396**	2,649	-	303	-	-	-
Disposals	**(10,425)**	**(1,656)**	**-**	**-**	**-**	**(903)**	(6,674)	-	(159)	-	-	-
Transfers from investment properties/own use properties to non-current assets and disposal groups held for sale (Note 29)	**(5,729)**	**5,729**	**-**	**-**	**-**	**-**	(1,248)	1,248	(10,408)	10,408	-	-
Transfers from own use properties to investment properties (Note 25)	**5,616**	**-**	**(5,616)**	**-**	**-**	**-**	-	-	-	-	-	-
Transfers from/(to) stock of property (Note 27)	**-**	**-**	**-**	**-**	**-**	**-**	74	-	(21,805)	-	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	**-**	**-**	**(18,618)**	-	-	-	-	-	-
Depreciation charge for the year	**-**	**-**	**(2,129)**	**-**	**-**	**-**	-	-	(2,612)	-	-	-
Fair value (losses)/gains	**(2,783)**	**-**	**408**	**-**	**-**	**5,840**	(2,055)	-	1,550	-	-	(4,109)
Net (losses)/gains on loans and advances to customers measured at FVPL (Note 11)	**-**	**-**	**-**	**-**	**(17,292)**	**-**	-	-	-	-	3,606	-
Derecognition of loans	**-**	**-**	**-**	**-**	**(3,083)**	**-**	-	-	-	-	(96,254)	-
Interest on loans (Note 7)	**-**	**-**	**-**	**-**	**12,382**	**-**	-	-	-	-	13,216	-
Foreign exchange adjustments	**204**	**-**	**-**	**-**	**-**	**-**	(855)	-	-	-	-	(1,216)
31 December	**117,745**	**5,321**	**195,666**	**10,408**	**281,868**	**19,897**	128,088	1,248	202,146	10,408	289,861	33,182

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties, investment properties held for sale and own use properties
The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties, investment properties held for sale and own use properties are presented in the tables below:

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2021	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	9,577	€35-€100	€134-€1,370	4.5%-5%	€380-€2,297	€110-€800	89-1,203	19-559	7-48
Greece	4,150	€3-€115	€131-€2,296	0.7%-8.4%	€50-€1,892	€3-€2,437	5,147	51-825	10-49
	13,727								
Offices and other commercial properties									
Cyprus	54,553	€25-€352	€1,172	4%-8%	€498-€6,981	€580-€5,000	152-35,413	16-2,533	9-76
Greece	3,742	€19-€272	€207-€3,615	5.3%-11.3%	€74-€3,615	€258	8,582	6-4,692	17-63
Russia	145	n/a	€107	n/a	€79	€77	1,792-26,046	212-3,288	12-18
	58,440								
Manufacturing and industrial									
Cyprus	21,822	€14-€67	€427	3.5%-7%	€305-€1,646	€550	2,202-15,965	743-7,500	9-37
Greece	7,684	€43	€71-€450	5.2%-10%	€8-€425	€399	57-34,495	349-5,858	12-83
	29,506								
Hotels									
Russia	**536**	n/a	€356	n/a	€356	n/a	n/a	7,436	16
Land (fields and plots)									
Cyprus	17,701	n/a	n/a	n/a	€550	€550-€1,127	2,316-29,398	n/a	n/a
Russia	3,156	n/a	n/a	n/a	€15	€15-€23	58,600-689,000	n/a	n/a
	20,857								
Total	**123,066**								

Analysis of own use properties and own use properties held for sale

Type and country	2021	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	206,074	€24-€277	€580-€1,855	5.8%-6%	€14-€6,164	€70-€2,274	390-598,767	122-11,233	14-78
Total	**206,074**								

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2020	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**						**m²**	**m²**	**Years**
Cyprus	13,013	€29-€86	€134-€1,370	n/a	€380-€2,206	€110-€900	89-1,203	19-1,356	6-130
Greece	3,722	€3-€86	€136-€2,132	2.14%-9.91%	€45-€1,455	€3-€1,176	4-5,147	44-825	12-63
	16,735								
Offices and other commercial properties									
Cyprus	52,021	€26-€250	n/a	4%-8%	€550-€7,103	€550-€1,050	150-35,413	16-9,369	10-75
Greece	4,774	€15-€259	€157-€3,483	5.31%-10.07%	€52-€1,842	€19-€259	5-8,582	6-4,692	16-62
Russia	246	n/a	€19-€448	n/a	€10-€153	€2-€70	1,460-26,046	212-15,898	n/a
	57,041								
Manufacturing and industrial									
Cyprus	26,908	€21-€67	€448	5%-6%	€350-€1,602	n/a	1,593-15,965	421-7,340	8-36
Greece	9,627	€1-€37	€80-€603	1.79%-10.57%	€13-€396	€3-€302	56-34,495	349-5,858	11-82
Russia	39	n/a	€8-€357	n/a	€5-€185	€5-€86	2,162-10,500	304-1,246	n/a
	36,574								
Hotels									
Russia	**626**	n/a	€324	n/a	€324	n/a	n/a	7,436	15
Land (fields and plots)									
Cyprus	18,095	n/a	€1,000-€1,250	n/a	€524-€1,002	€524-€1,002	2,316-29,398	n/a	n/a
Greece	49	€1	n/a	6.43%	€12	€12	3,988	n/a	n/a
Russia	216	n/a	n/a	n/a	€13	€13	58,600	n/a	n/a
	18,360								
Total	**129,336**								

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties and own use properties held for sale

Type and country	2020	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	212,554	€23-€277	€750-€1,855	5%-6%	€14-€6,163	€70-€3,171	390-598,767	122-11,233	13-78
Total	**212,554**								

Sensitivity analysis
Most of the Group’s property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2021 €000	2020 €000
Gross loans and advances to customers at amortised cost	**9,840,535**	10,400,603
Allowance for ECL for impairment of loans and advances to customers (Note 45.7)	**(285,998)**	(804,417)
	9,554,537	9,596,186
Loans and advances to customers measured at FVPL	**281,868**	289,861
	9,836,405	9,886,047

Loans and advances to customers pledged as collateral are disclosed in Note 47.

Additional analysis and information regarding credit risk and analysis of the allowance for ECL of loans and advances to customers are set out in Note 45.

24. Life insurance business assets attributable to policyholders

	2021 €000	2020 €000
Equity securities	**1,098**	898
Debt securities	**36,400**	43,064
Mutual funds	**441,410**	378,511
Bank deposits and other receivables	**61,919**	40,504
	540,827	462,977
Property	**10,970**	11,210
	551,797	474,187

Financial assets of life insurance business attributable to policyholders are classified as investments at FVPL.

Bank deposits and other receivables include other financial receivables of €3,079 thousand (2020: €3,074 thousand).

In addition to the above assets, the life insurance subsidiary of the Group holds shares of the Company, as part of the assets attributable to policyholders with a carrying value as at 31 December 2021 of €143 thousand (2020: €101 thousand). Such shares are presented in the Consolidated Financial Statements as treasury shares (Note 35).

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level is presented below:

2021	**Level 1 €000**	**Level 2 €000**	**Level 3 €000**	**Total €000**
Equity securities	**1,098**	**-**	**-**	**1,098**
Debt securities	**17,287**	**-**	**19,113**	**36,400**
Mutual funds	**438,258**	**-**	**3,152**	**441,410**
	456,643	**-**	**22,265**	**478,908**
2020				
Equity securities	898	-	-	898
Debt securities	16,778	5,991	20,295	43,064
Mutual funds	374,673	698	3,140	378,511
	392,349	6,689	23,435	422,473

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

24. Life insurance business assets attributable to policyholders (continued)

The movement of financial assets classified as Level 3 is presented below:

	2021	2020
	€000	€000
1 January	**23,435**	25,646
Unrealised losses recognised in the consolidated income statement	**(1,170)**	(2,211)
31 December	**22,265**	23,435

During years 2021 and 2020 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

2021	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	251,023	21,451	**272,474**
Additions	1,546	4,741	**6,287**
Revaluation	408	-	**408**
Transfers to investment properties (Note 22)	(5,616)	-	**(5,616)**
Disposals and write-offs	(7)	(134)	**(141)**
Depreciation charge for the year (Note 15)	(10,489)	(5,824)	**(16,313)**
New leases (Note 43)	1,148	-	**1,148**
Derecognition of RoU assets (Note 43)	(6,117)	-	**(6,117)**
Net book value at 31 December	**231,896**	**20,234**	**252,130**
1 January 2021			
Cost or valuation	305,645	139,495	**445,140**
Accumulated depreciation	(54,622)	(118,044)	**(172,666)**
Net book value	**251,023**	**21,451**	**272,474**
31 December 2021			
Cost or valuation	296,406	141,220	**437,626**
Accumulated depreciation	(64,510)	(120,986)	**(185,496)**
Net book value	**231,896**	**20,234**	**252,130**

25. Property and equipment (continued)

2020			
Net book value at 1 January	267,684	20,370	**288,054**
Additions	1,896	8,225	**10,121**
Revaluation	1,550	-	**1,550**
Transfers to stock of property (Note 27)	(21,805)	-	**(21,805)**
Transfer to non-current assets and disposal groups held for sale (Note 29)	(10,408)	-	**(10,408)**
Re-assessment of RoU Asset (Note 43)	26,936	-	**26,936**
Derecognition of RoU Asset (Note 43)	(2,399)	-	**(2,399)**
Disposals and write-offs	(191)	(160)	**(351)**
Depreciation charge for the year (Note 15)	(12,240)	(6,984)	**(19,224)**
Net book value at 31 December	**251,023**	**21,451**	**272,474**

1 January 2020			
Cost or valuation	317,994	140,681	**458,675**
Accumulated depreciation	(50,310)	(120,311)	**(170,621)**
Net book value	**267,684**	**20,370**	**288,054**

31 December 2020			
Cost or valuation	305,645	139,495	**445,140**
Accumulated depreciation	(54,622)	(118,044)	**(172,666)**
Net book value	**251,023**	**21,451**	**272,474**

The net book value of the Group's property comprises:

	2021	2020
	€000	€000
Freehold property	**195,666**	202,146
Improvements on leasehold property	**2,649**	2,807
RoU asset (Note 43)	**33,581**	46,070
Total	**231,896**	251,023

Freehold property includes land amounting to €78,591 thousand (2020: €81,221 thousand) for which no depreciation is charged.

The Group's policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Group performed revaluations as at 31 December 2020. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

There were no charges against the freehold property of the Group as at 31 December 2021 (2020: the freehold property against which charges existed was transferred to stock of property as at 31 December 2020).

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2021 would have amounted to €134,000 thousand (2020: €135,657 thousand).

26. Intangible assets

2021	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	59,080	126,176	**185,256**
Additions	16,053	-	**16,053**
Increase in value of in-force life insurance business (Note 12)	-	3,714	**3,714**
Disposals and write-offs	(2,374)	-	**(2,374)**
Amortisation charge for the year (Note 15)	(18,615)	-	**(18,615)**
Net book value at 31 December	**54,144**	**129,890**	**184,034**
1 January 2021			
Cost	224,722	126,176	**350,898**
Accumulated amortisation and impairment	(165,642)	-	**(165,642)**
Net book value	**59,080**	**126,176**	**185,256**
31 December 2021			
Cost	236,526	129,890	**366,416**
Accumulated amortisation and impairment	(182,382)	-	**(182,382)**
Net book value	**54,144**	**129,890**	**184,034**

Computer software includes acquired computer software and internally developed computer software.

2020	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	62,313	116,633	**178,946**
Additions	15,129	-	**15,129**
Increase in value of in-force life insurance business (Note 12)	-	9,543	**9,543**
Disposals and write-offs	(99)	-	**(99)**
Amortisation charge for the year (Note 15)	(18,263)	-	**(18,263)**
Net book value at 31 December	**59,080**	**126,176**	**185,256**
1 January 2020			
Cost	209,692	116,633	**326,325**
Accumulated amortisation and impairment	(147,379)	-	**(147,379)**
Net book value	**62,313**	**116,633**	**178,946**
31 December 2020			
Cost	224,722	126,176	**350,898**
Accumulated amortisation and impairment	(165,642)	-	**(165,642)**
Net book value	**59,080**	**126,176**	**185,256**

26. Intangible assets (continued)

Valuation of in-force life insurance business

The actuarial assumptions made to determine the value of in-force life insurance business relate to future mortality, redemptions, level of administration and selling expenses and investment returns. The main assumptions used in determining the value of the in-force business are:

		2021	2020
Discount rate (after tax)		**10.0%**	10.0%
Return on investments		**5.0%**	5.0%
Expense inflation		**3.5%**	3.5%
Mortality assumption*	Smokers	**M: 68% A67/70**	M: 68% A67/70
	Non-Smokers	**M: 48.25% A67/70**	M: 48.25% A67/70
	Smokers	**F: 68% A67/70 rated down by 4 years**	F: 68% A67/70 rated down by 4 years
	Non-Smokers	**F: 48.25% A67/70 rated down by 4 years**	F: 48.25% A67/70 rated down by 4 years

* The Group uses A67/70 UK standard mortality table in setting the mortality assumption, since the Group's own claim experience is not sufficient to allow the development of its own mortality table. To reflect the Group's specific claims experience more accurately, a percentage is applied on the A67/70 UK standard mortality table.

27. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2021 an impairment loss of €46,775 thousand (2020: €37,593 thousand) was recognised in 'Impairment net of reversals of non-financial assets' in the consolidated income statement. At 31 December 2021, stock of €519,978 thousand (2020: €523,927 thousand) is carried at net realisable value. Additionally, at 31 December 2021 stock of property with a carrying amount of €116,987 thousand (2020: €104,149 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

The carrying amount of the stock of property is analysed in the tables below:

	2021 €000	2020 €000
Net book value at 1 January	**1,349,609**	1,377,453
Additions	**34,347**	121,168
Disposals	**(123,520)**	(75,478)
Transfers to investment properties (Note 22)	**-**	(74)
Transfers from own use properties (Note 25)	**-**	21,805
Transfers to disposal group (Note 29)	**(101,978)**	(57,525)
Impairment (Note 16)	**(46,775)**	(37,593)
Foreign exchange adjustments	**(79)**	(147)
Net book value at 31 December	**1,111,604**	1,349,609

27. Stock of property (continued)

As at 31 December 2021 there are charges against stock of property of the Group with carrying value €21,015 thousand (2020: €21,805 thousand).

The table below shows the result on the disposal of stock of property in the year:

	2021	2020
	€000	€000
Net proceeds	**136,816**	83,667
Carrying value of stock of property disposed of	**(123,520)**	(75,478)
Net gains on disposal of stock of property	**13,296**	8,189

The carrying value of the stock of property transferred to non-current assets and disposal groups held for sale as at the transfer date (Note 29) amounted to €101,978 thousand.

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2021	**€000**	**€000**	**€000**	**€000**
Residential properties	74,248	18,350	32	**92,630**
Offices and other commercial properties	163,789	19,462	-	**183,251**
Manufacturing and industrial properties	33,170	15,972	43	**49,185**
Hotels	24,619	456	-	**25,075**
Land (fields and plots)	755,663	4,986	814	**761,463**
Total	**1,051,489**	**59,226**	**889**	**1,111,604**

2020	**€000**	**€000**	**€000**	**€000**
Residential properties	144,915	20,214	109	**165,238**
Offices and other commercial properties	189,172	21,302	5,135	**215,609**
Manufacturing and industrial properties	47,647	19,839	49	**67,535**
Hotels	24,684	465	-	**25,149**
Land (fields and plots)	868,615	5,694	1,769	**876,078**
Total	**1,275,033**	**67,514**	**7,062**	**1,349,609**

28. Prepayments, accrued income and other assets

	2021	2020
	€000	€000
Financial assets		
Debtors	**36,540**	39,011
Receivable relating to tax	**4,558**	4,706
Deferred purchase payment consideration	**299,766**	-
Other assets	**52,600**	58,494
	393,464	102,211
Non-financial assets		
Reinsurers' share of insurance contract liabilities (Note 32)	**55,323**	53,479
Current tax receivable	**124,267**	48,198
Prepaid expenses	**756**	509
Other assets	**42,409**	45,480
	222,755	147,666
	616,219	249,877

28. Prepayments, accrued income and other assets (continued)

An analysis of changes in the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified method**	**Total**
2021	**€000**	**€000**	**€000**	**€000**	**€000**
1 January	81,508	-	35,031	13,865	**130,404**
Net increase	295,904	-	2,126	406	**298,436**
31 December	**377,412**	**-**	**37,157**	**14,271**	**428,840**

2020					
1 January	102,098	23,779	33,724	14,197	**173,798**
Net (decrease)/increase	(20,590)	(23,779)	1,307	(332)	**(43,394)**
31 December	**81,508**	**-**	**35,031**	**13,865**	**130,404**

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified method**	**Total**
2021	**€000**	**€000**	**€000**	**€000**	**€000**
1 January	-	-	29,372	1,063	**30,435**
Changes to models and inputs used for ECL calculations	2,557	-	2,389	(5)	**4,941**
31 December	**2,557**	**-**	**31,761**	**1,058**	**35,376**

	Stage 1	Stage 2	Stage 3	Simplified method	Total
2020	€000	€000	€000	€000	€000
1 January	-	-	28,464	980	**29,444**
Changes to models and inputs used for ECL calculations	-	-	908	83	**991**
31 December	**-**	**-**	**29,372**	**1,063**	**30,435**

There were no financial assets measured at FVPL as at 31 December 2021 (2020: €2,242 thousand).

On the completion date of the sale of Project Helix 2 (the 'Transaction') as described in Note 29, the Group has recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. The first instalment in the amount of €84,579 thousand was received in December 2021. An amount of €5,335 thousand, which represents the interest income on DPP has been recognised in the Consolidated Income Statement for the year ended 31 December 2021 within 'Interest income-Financial assets at amortised cost-Other financial assets' (Note 7). There are no other conditions attached. An amount of €13,983 thousand which represents the effect of discounting the DPP at the date of derecognition of the loan portfolio was recorded as part of the transaction within 'Credit losses to cover credit risk on loans and advances to customers'. The DPP is classified as Stage 1 as at 31 December 2021.

During 2021, credit losses of €5,931 thousand were recognised in relation to prepayments, accrued income and other financial assets. This includes ECL losses of €4,941 thousand (of which €2,557 thousand relate to 12-months ECL of the DPP), €1,178 thousand write-offs and €188 thousand reversal of impairments. During 2020, credit losses of €991 thousand were recognised in relation to prepayments, accrued income and other financial assets.

29. Non-current assets and disposal groups held for sale

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2021 and 2020:

	2021	2020
	€000	€000
Disposal group 1	**340,622**	-
Disposal group 2	**7,921**	-
Disposal group 3	**-**	387,990
Disposal group 4	**-**	224,476
Disposal group 5	**-**	7,769
Freehold property (Note 25)	**10,408**	10,408
Other exposures held by Serbian subsidiary	**-**	288
	358,951	630,931

	2021		2020		
	Disposal Group 1	**Disposal Group 2**	Disposal Group 3	Disposal Group 4	Disposal Group 5
	€000	**€000**	€000	€000	€000
Gross loans and advances to customers	**543,663**	**12,126**	820,429	488,777	32,049
Allowance for ECL for impairment of loans and advances to customers (Note 45.7)	**(300,608)**	**(4,811)**	(510,310)	(313,628)	(24,280)
	243,055	**7,315**	310,119	175,149	7,769
Stock of property (Note 27)	**92,246**	**606**	32,490	25,035	-
Investment property (Note 22)	**5,321**	**-**	-	1,248	-
Cash (Note 42)	**-**	**-**	45,381	23,044	-
	340,622	**7,921**	387,990	224,476	7,769

Disposal Group 1
Disposal group 1 comprises a portfolio of loans and advances to customers and a property portfolio (comprising stock of property and investment property) known as Project Helix 3 ('Project Helix 3' or the 'Helix 3 Transaction').

In November 2021, the Group reached an agreement for the sale of Project Helix 3 with Pacific Investment Management Company LLC ('PIMCO'). The Group will dispose Project Helix 3 through the transfer of the portfolio to a licensed Cypriot Credit Acquiring Company (the CyCAC) by BOC PCL. The shares of the CyCAC will be subsequently acquired by certain funds affiliated with PIMCO.

The gross consideration for the transaction amounts to approximately €385 million, before transaction and other costs, payable at completion. An amount of €19,225 thousand was received as a deposit shortly after signing of the agreement (Note 34). The gross book value of the loans and advances to customers amounted to €550 million and the carrying value of the property portfolio amounted to €102 million as at 30 September 2021 (the reference date).

The completion of the Helix 3 Transaction is currently estimated to occur in the first half of 2022 and remains subject to a number of conditions, including customary regulatory and other approvals. The disposal group has been classified as held for sale since 30 September 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal Group 2
Disposal group 2 comprises a portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction').

In December 2021, the Group entered into an agreement for the sale of Project Sinope. The gross book value of the loans and advances to customers amounted to €12 million and the carrying value of the stock of properties in Romania amounted to €0,6 million as at 31 December 2021.

29. Non-current assets and disposal groups held for sale (continued)

The completion of the Sinope Transaction is currently estimated to occur in the first half of 2022 and remains subject to the necessary customary approvals. The disposal group has been classified as held for sale as at 31 December 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal groups 3 and 4
Disposal group 3 comprised a portfolio of loans and advances to customers (the 'Portfolio 2A') and other assets (comprising stock of property and cash already received since the reference date of Portfolio 2A being 30 September 2019) known as Project Helix 2A ('Helix 2A'), classified as held for sale on 30 June 2020.

Disposal group 4 comprised a portfolio of loans and advances to customers (the 'Portfolio 2B') and other assets (comprising stock of property, investment property and cash already received since the reference date of Portfolio 2B being 30 September 2019) known as Project Helix 2B ('Helix 2B'), classified as held for sale on 31 December 2020.

In August 2020 and January 2021, the Group reached agreement for the sale of the Portfolio 2A and Portfolio 2B respectively with PIMCO. The Group disposed of Project Helix 2 through the transfer of the portfolios 2A and 2B to a licensed Cypriot Credit Acquiring Company (the CyCAC) by BOC PCL. The shares of the CyCAC were subsequently acquired by certain funds affiliated with PIMCO, the purchaser of Helix 2. The Transaction was completed on 28 June 2021 and as at the date of completion of the sale, the total gross book value of the loans and advances to customers amounted to €1,287 million (net book value €436 million) and the carrying value of the stock of properties amounted to €73 million.

The gross consideration for the transaction amounted to approximately €560 million, of which €165 million had been received in cash by the completion (including deposit received). The remaining amount is payable in four instalments up to December 2025 without any conditions attached of which €85 million were received in December 2021 (Note 28). The consideration reflects adjustments resulting from, inter alia, loan repayments received on the Portfolios since the reference date of 30 September 2019. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios. The net consideration for the transaction after transaction costs and other adjustments upon completion, corresponds to the net book value of the loans and advances to customers and the carrying value of the stock of properties as at the date of completion of the sale.

Disposal group 5
Disposal group 5 comprised loans and advances to customers of Project Helix tail, which related to a portfolio of credit facilities related to Project Helix (a portfolio of loans and advances to customers for which the sale was completed in June 2019) with a carrying value of €7,769 thousand as at 31 December 2020. The disposal group was first classified as held for sale as at 31 December 2019. The Group has reclassified Project Helix tail from 'Non-current assets and disposal groups held for sale' to 'Loans and advances to customers', since 30 June 2021 when the criteria of IFRS 5 were no longer met.

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 45.3.

Freehold property
Freehold property classified as held for sale as at 31 December 2021 and 2020 relates to properties which management is committed to sell and proceeded with an active programme to complete this plan. The disposal is expected to be completed within 12 months from the reporting date. Freehold property classified as held for sale is measured at fair value less cost to sell.

Other exposures held by Serbian subsidiary
The portfolio held by Serbian subsidiary classified as held for sale as at 31 December 2020 related to properties in Serbia. The properties which had a carrying value of €288 thousand, were disposed during the year ended 31 December 2021 for a total consideration of €730 thousand.

30. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2021	2020
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,969,600**	994,694

As at 31 December 2021, ECB funding amounted to €3 billion (2020: €1 billion) borrowed from various TLTRO III operations.

The interest rate that will be applicable to the TLTRO III funding will depend on the eligible net lending during the specified periods laid out in the terms of the ECB operation.

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 will be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently at 0%. For the counterparties whose eligible net lending reaches the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1%. The deposit facility rate is currently minus 0.5%. In calculating the applicable interest BOC PCL follows a discrete approach by applying the estimated interest rate applicable for each period. BOC PCL has exceeded the eligible net lending benchmark applicable for the first period of 24 June 2020 to 23 June 2021 and was entitled to the beneficial rate of minus 1%. Based on internal estimations (subject to confirmation from CBC), BOC PCL has also exceeded the eligible net lending benchmark and therefore expects to be entitled to the beneficial rate of minus 1% for the period June 2021-June 2022.

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to early repay or reduce the amounts borrowed before their final maturity.

Details on encumbered assets related to the above funding facilities are disclosed in Note 47.

31. Customer deposits

	2021	2020
	€000	€000
By type of deposit		
Demand	**9,221,791**	8,149,688
Savings	**2,423,086**	1,970,975
Time or notice	**5,886,006**	6,412,549
	17,530,883	16,533,212
By geographical area		
Cyprus	**11,992,960**	11,391,316
Greece	**1,906,854**	1,890,915
United Kingdom	**713,621**	648,172
Romania	**54,306**	50,160
Russia	**661,820**	592,650
Ukraine	**276,248**	277,631
Belarus	**55,738**	37,074
Other Countries	**1,869,336**	1,645,294
	17,530,883	16,533,212

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

	2021	2020
	€000	€000
By currency		
Euro	**15,736,030**	14,929,662
US Dollar	**1,373,584**	1,199,069
British Pound	**312,918**	288,102
Russian Rouble	**28,539**	28,618
Swiss Franc	**10,865**	9,901
Other currencies	**68,947**	77,860
	17,530,883	16,533,212

	2021	2020
By customer sector	€000	€000
Corporate	**1,117,148**	1,037,430
Global corporate	**631,002**	607,467
SMEs	**866,860**	832,576
Retail	**11,051,397**	10,525,819
Restructuring		
– Corporate	**21,658**	27,889
– SMEs	**13,091**	16,688
– Retail other	**9,862**	10,561
Recoveries		
– Corporate	**1,383**	3,251
International banking services	**3,500,183**	3,180,061
Wealth management	**318,299**	291,470
	17,530,883	16,533,212

32. Insurance liabilities

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**672,973**	**(32,714)**	**640,259**	608,591	(29,775)	578,816
Non-life insurance						
Provision for unearned premiums	**27,565**	**(9,988)**	**17,577**	26,178	(9,250)	16,928
Other liabilities						
Claims outstanding	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302
Unexpired risks reserve	**34**	**-**	**34**	78	-	78
Non-life insurance contract liabilities	**63,228**	**(22,609)**	**40,619**	63,012	(23,704)	39,308
	736,201	**(55,323)**	**680,878**	671,603	(53,479)	618,124

Reinsurers' share of insurance contract liabilities and other reinsurance balances receivable are included in 'Prepayments, accrued income and other assets' (Note 28).

Life insurance contract liabilities

The movement of life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**608,591**	**(29,775)**	**578,816**	579,128	(28,625)	550,503
New business	**28,449**	**(4,297)**	**24,152**	13,811	(3,367)	10,444
Change in existing business	**35,933**	**1,358**	**37,291**	15,652	2,217	17,869
31 December	**672,973**	**(32,714)**	**640,259**	608,591	(29,775)	578,816

Non-life insurance contract liabilities

The movement of non-life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Provisions for unearned premiums	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**26,178**	**(9,250)**	**16,928**	26,656	(9,728)	16,928
Premium income	**77,261**	**(35,311)**	**41,950**	74,966	(33,749)	41,217
Earned premiums	**(75,874)**	**34,573**	**(41,301)**	(75,444)	34,227	(41,217)
31 December	**27,565**	**(9,988)**	**17,577**	26,178	(9,250)	16,928

The provision for unearned insurance and reinsurance premiums represents the portion of premiums that relate to risks that have not yet expired at the reporting date.

32. **Insurance liabilities** (continued)

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Claims outstanding	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**36,756**	**(14,454)**	**22,302**	34,155	(12,256)	21,899
Amount paid for claims settled in the year	**(22,766)**	**8,858**	**(13,908)**	(26,277)	10,857	(15,420)
Increase in liabilities arising from claims	**21,639**	**(7,025)**	**14,614**	28,878	(13,055)	15,823
31 December	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302
Reported claims	**33,809**	**(11,815)**	**21,994**	34,683	(13,510)	21,173
Incurred but not reported	**1,820**	**(806)**	**1,014**	2,073	(944)	1,129
31 December	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302

33. **Loan stock**

			2021		2020	
			€000	**€000**	€000	€000
	Contractual interest rate	**Issuer**	**Nominal value**	**Carrying value**	Nominal value	Carrying value
Subordinated Tier 2 Capital Note - January 2017	9.25% up to 19 January 2022	BOC PCL	**35,605**	**38,561**	250,000	272,152
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	BOCH	**300,000**	**301,659**	-	-
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	BOC PCL	**300,000**	**302,555**	-	-
			635,605	**642,775**	250,000	272,152

BOCH and BOC PCL maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

Subordinated Tier 2 Capital Note - January 2017
In January 2017, BOC PCL issued a €250 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5 year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The note had a maturity date on 19 January 2027. BOC PCL had the option to redeem the note early on 19 January 2022, subject to applicable regulatory consents. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. In April 2021, BOC PCL invited the holders of this note to tender it for purchase by BOC PCL at a price of 105.5% plus accrued interest. BOC PCL received valid tenders of €207 million nominal amount, all of which were accepted. By 31 December 2021, the Group purchased from the open market a further €7 million nominal amount of the notes, which were held by BOC PCL. BOC PCL incurred a cost of €12,558 thousand (Note 11). In December 2021, BOC PCL decided to exercise its option to redeem the remaining €43 million nominal amount outstanding (of which €7 million are held by BOC PCL) of the notes on 19 January 2022 and notified the noteholders accordingly. The full amount was redeemed at par on 19 January 2022.

Subordinated Tier 2 Capital Note - April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 6.625% per annum payable annually in arrears and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The note matures on 23 October 2031. BOCH has the option to redeem the note early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market.

33. Loan stock (continued)

Senior Preferred Notes - June 2021
In June 2021, BOC PCL issued a €300 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 2.50% per annum, payable annually in arrears and resettable on 24 June 2026. The note matures on 24 June 2027. BOC PCL has the option to redeem the note early on 24 June 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards BOC PCL's MREL requirements.

The fair value of the loan stock as at 31 December 2021 is disclosed in Note 22.

34. Accruals, deferred income, other liabilities and other provisions

	2021	2020
	€000	€000
Income tax payable and related provisions	**11,168**	8,982
Special defence contribution payable	**462**	971
Retirement benefit plans liabilities (Note 14)	**1,673**	9,568
Provisions for financial guarantees and commitments (Notes 45.6.1 and 45.6.2)	**21,945**	19,658
Liabilities for investment-linked contracts under administration	**33,809**	18,747
Accrued expenses and other provisions	**79,482**	63,942
Deferred income	**16,441**	13,411
Items in the course of settlement	**64,024**	66,217
Lease liabilities (Note 43)	**33,981**	45,955
Advances received for disposal group held for sale (Note 29)	**19,225**	21,100
Other liabilities	**79,767**	91,341
	361,977	359,892

Other liabilities include an amount of €26,476 thousand (2020: €21,176 thousand) relating to the annual guarantee fee for the conversion of DTA into tax credits (Note 17).

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2021	**2020**
	€000	**€000**
Stage 1	**39**	168
Stage 2	**293**	1,120
Stage 3	**21,613**	18,370
	21,945	19,658

35. Share capital

	2021		2020	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued				
1 January and 31 December	**446,200**	**44,620**	446,200	44,620

Authorised and issued share capital

All issued ordinary shares carry the same rights.

There were no changes to the authorised or issued share capital during the year ended 31 December 2021 and 2020.

35. Share capital (continued)

Share premium reserve

2021
There were no changes to the share premium reserve during the year ended 31 December 2021.

2020
The Company, following relevant resolution of its shareholders at the May 2020 Annual General Meeting and subsequent approval by the ECB in September 2020 and by the Irish High Court (pursuant to section 85(1) of the Companies Act of 2014 of Ireland), implemented a capital reduction process in November 2020, which resulted in the reclassification of €700 million of the Company's share premium balance as distributable reserves (retained earnings).

Treasury shares of the Company

The consideration paid, including any directly attributable incremental costs (net of income taxes), for shares of the Company held by entities controlled by the Group is deducted from equity attributable to the owners of the Company as treasury shares, until these shares are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares.

The life insurance subsidiary of the Group, as at 31 December 2021, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2020: 142 thousand ordinary shares of a nominal value of €0.10 each), as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21,463 thousand (2020: €21,463 thousand).

The treasury shares represent 0.03% of the total issued share capital of the Company (2020: 0.03%).

The Company did not provide financial assistance permitted by Section 82 of the Companies Act 2014 for the purchase of its shares.

Share-based payments - share options

Following the incorporation of the Company and its introduction as the new holding company of the Group in January 2017, the Long-Term Incentive Plan was replaced by the Share Option Plan which operates at the level of the Company. The Share Option Plan is identical to the Long-Term Incentive Plan except that the number of shares in the Company to be issued pursuant to an exercise of options under the Share Option Plan should not exceed 8,922,945 ordinary shares of a nominal value of €0.10 each and the exercise price was set at €5.00 per share. The term of the options was also extended to between 4-10 years after the grant date.

No share options were granted since the date of replacement of the Long-Term Incentive Plan by the Share Option Plan at the level of the Company and the Share Option Plan remains frozen. Any shares related to the Share Option Plan carry rights with regards to control of the Company that are only exercisable directly by the employee.

Other equity instruments

	2021	2020
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

In December 2018 the Company issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (AT1). AT1 constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2021, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2020: €27,500 thousand). The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. AT1 is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary subject to the prior approval of the regulator. The AT1 notes are listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

36. Dividends

Based on the 2019 SREP decision which remained in effect during 2021 following relevant communication by the ECB, the Company and BOC PCL are under a regulatory prohibition for equity dividend distribution, similar to prior years. Following the 2021 SREP decision, the Company and BOC PCL remain under equity dividend distribution prohibition. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital. No dividends were declared or paid during the years 2021 and 2020.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company and BOC PCL.

37. Retained earnings

For the purpose of dividend distribution, retained earnings determined at the Company level, are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution (SDC) at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1.70% contribution to the General Health System (GHS), increased to 2.65% from 1 March 2020, with the exemption of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This SDC and GHS are paid by the Company on account of the shareholders. During 2021, SDC and GHS on deemed dividend distribution of €82 thousand (2020: €1 thousand) was paid by the Company. BOC PCL had no profits after tax for the relevant year as defined by the Special Defence Contribution Law and as such no payment was made during 2021 and 2020.

38. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management and custody at 31 December 2021 amounted to €1,577,173 thousand (2020: €1,266,399 thousand).

39. 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.

39. Pending litigation, claims, regulatory and other matters (continued)

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters as at 31 December 2021 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

39.1 Pending litigation and claims

Investigations and litigation relating to securities issued by BOC PCL
A number of institutional and retail customers have filed various separate actions against BOC PCL alleging that BOC PCL is guilty of misselling in relation to securities issued by BOC PCL between 2007 and 2011. Remedies sought include the return of the money investors paid for these securities. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon BOC PCL in related matters by Cyprus Securities and Exchange Commission (CySEC) and/or Hellenic Capital Market Commission (HCMC).

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and 2011 Convertible Enhanced Capital Securities (CECS).

BOC PCL is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be documented that the relevant BOC PCL's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', BOC PCL may face significant difficulties. To date, a number of cases have been tried in Greece. BOC PCL has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years.

So far three capital securities cases have been adjudicated in favour of BOC PCL and two cases have been adjudicated against BOC PCL at Areios Pagos (Supreme Court of Greece). Those cases which were decided in favour of BOC PCL ruled in effect that BOC PCL can rely on the defence of frustration (i.e. intervening event out of the control of BOC PCL, in this case BOC PCL’s resolution and recapitalisation through the bail-in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail-in were unforeseeable. The cases that BOC PCL has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has been concluded at all levels in favour of BOC PCL. The two cases that BOC PCL has lost will not be retried and are therefore deemed as concluded.

In Cyprus nine judgments have been issued so far with regards to BOC PCL capital securities. Seven of the said judgments have been issued in favour of BOC PCL (dismissing the plaintiffs’ claims) and two of them against BOC PCL. BOC PCL has filed an appeal with regards to one of the cases where the judgment was issued against it. In four of the seven cases that BOC PCL won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, has now expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation
Depositors
A number of BOC PCL's depositors, who allege that they were adversely affected by the bail-in, filed claims against BOC PCL and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against BOC PCL as the alleged successor of Laiki Bank on the grounds that, inter alia, the ‘Resolution Law of 2013’ and the Bail-in Decrees were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. BOC PCL is defending these actions.

39. Pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

BOC PCL has won a case with regards to bail-in related litigation in June 2020. The specifics of the case concerned alleged failure to follow instructions prior to the bail-in. The plaintiffs have filed an appeal with respect to this judgment.

BOC PCL won the first bail-in decree case in January 2022. The court essentially ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the aforementioned circumstances the government could rely on the doctrine of necessity when it imposed the bail-in.

Shareholders
Numerous claims were filed by shareholders in 2013 against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. BOC PCL appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. A number of actions for damages have been filed and are still being filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail-in Decrees, or a misapplication of same by BOC PCL (as regards the way and methodology whereby such Decrees have been implemented), or that BOC PCL failed to follow instructions promptly prior to the bail-in coming into force. BOC PCL intends to contest all of these claims.

Legal position of the Group
All of the above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Provident fund case
In December 2015, the Bank of Cyprus Employees Provident Fund (the Provident Fund) filed an action against BOC PCL claiming €70 million allegedly owed as part of BOC PCL's contribution by virtue of an agreement with the Union dated 31 December 2011. Based on facts currently known, it is not practicable at this time for BOC PCL to predict the resolution of this matter, including the timing or any possible impact on BOC PCL.

Employment litigation
Former senior officers of BOC PCL have instituted one claim for unfair dismissal and one claim for Provident Fund entitlements against BOC PCL and the Trustees of the Provident Fund. In July 2021 the claim for Provident Fund entitlements was settled. The Group does not consider that the pending case in relation to unfair dismissal will have a material impact on its financial position.

Additionally, a number of former employees have filed claims against BOC PCL contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Group does not expect that these actions will have a material impact on its financial position.

Swiss Francs loans litigation in Cyprus and the UK
A number of actions have been instituted against BOC PCL by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). The central allegation in these cases is that BOC PCL misled these borrowers and/or misrepresented matters, in violation of applicable law. BOC PCL is contesting the said proceedings. The Group does not expect that these actions will have a material impact on its financial position.

39. Pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

UK property lending claims
BOC PCL is the defendant in certain proceedings alleging that BOC PCL is legally responsible for allegedly, inter alia, advancing and misselling loans for the purchase by UK nationals of property in Cyprus. The proceedings in the UK are currently stayed in order for the parties to have time to negotiate possible settlements. The Group does not expect that these negotiations will lead to outflows for the Group.

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to BOC PCL's standard policies and procedures allegedly resulting to damages and other losses for the claimants. Further, several other banking claims, where the amounts involved are not as significant, have been assessed by management and appropriate provisions have been taken. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Group. Such matters arise as a result of the Group's activities and management appropriately assesses the facts and the risks of each case accordingly.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. BOC PCL is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the Group is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

Others
An investigation is in process related to potentially overstated and/or fictitious claims paid by the non-life insurance subsidiary of the Group. The information usually required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it is expected to seriously prejudice the outcome of the investigation and/or the possible taking of legal action. Based on the information available at present, management considers that it is unlikely for this matter to have a material adverse impact on the financial position and capital adequacy of the non-life insurance subsidiary and thereby the Group, also taking into account that it is virtually certain that compensations will be received from a relevant insurance coverage, upon the settlement of any obligation that may arise.

39.2 Regulatory matters

The Hellenic Capital Market Commission (HCMC) Investigation
The HCMC is currently in the process of investigating matters concerning the Group's investment in Greek Government Bonds from 2009 to 2011, including, inter alia, related non-disclosure of material information in BOC PCL's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding BOC PCL's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek Government Bonds.

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

Labour Inspection Body of Greece
As for other potential matters involving the exposure of BOC PCL to losses, twelve fines have been imposed by the Labour Inspection Body of Greece in prior years relating to the years prior to 2013, which amount in total to €84 thousand.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
As at 31 December 2021 and 31 December 2020 there were no pending CySEC investigations against BOC PCL.

Central Bank of Cyprus (CBC)
The CBC has carried out certain investigations to assess compliance of BOC PCL under the anti-money laundering (AML) legislation which was in place during years 2008-2015 and 2015-2018.

39. Pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

Following the investigations and the on-site audit findings, the CBC concluded on 27 January 2021 that in the case of AML legislation 2008-2015 BOC PCL was in breach of certain articles of the said legislation and prima facie, failed to act in accordance with certain provisions of the AML/counter terrorism financing (CTF) Law and the CBC AML/CTF Directive. In October 2021 a fine of €277 thousand was imposed upon BOC PCL. BOC PCL paid for a discounted fine and has filed a recourse against this decision and fine.

Following the investigation and the on-site examination, the CBC concluded with regards to the files and transactions related to years 2015-2018, that BOC PCL was in breach of certain articles of the legislation. In December 2021, a fine of €790 thousand was imposed upon BOC PCL. BOC PCL paid for a discounted fine and has filed a recourse against the decision and the fine.

The CBC had conducted an investigation in the past into BOC PCL's issuance of capital securities and concluded that BOC PCL breached certain regulatory requirements concerning the issuance of Convertible Capital Securities (Perpetual) in 2009, but not in relation to the CECS in 2011. The CBC had, in 2013, imposed a fine of €4 thousand upon BOC PCL, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon BOC PCL in a respective judgment dated in 2020. CBC decided to re-examine this matter and to re-open the investigation.

The CBC has decided that between the reporting date of 31 December 2014 and until the reporting date of 31 December 2017 BOC PCL was in breach of the requirements of the Directive on the Computation of Prudential Liability in Euro, of the Directive on the Prudential Liability in foreign currencies and of the CBC Directive on Governance and Management Arrangements in Credit Institutions. BOC PCL was given the opportunity to express its views with regards to the identified failures and the possible imposition of sanctions. BOC PCL has submitted its views and representations and CBC will decide on the matter.

European Central Bank (ECB) Investigation
In July 2021, BOC PCL was notified in writing by the ECB that, based on an investigation carried out by ECB's investigating unit, BOC PCL is allegedly in breach of an ECB decision of September 2016. The alleged breach relates to the requirement imposed on BOC PCL to seek the prior approval of the ECB for any transfer of capital or liquidity to any subsidiary company. BOC PCL made written submissions about the factual results from the findings and objections raised against it. The submissions and supporting evidence of BOC PCL were taken into consideration by the ECB's investigating unit prior to the submission of its final proposal to the Supervisory Board of the ECB with respect to whether the alleged breach has been committed and as to the level of the penalty, if any. The ECB decided that BOC PCL was in breach of the ECB decision of September 2016 and the breach substantiated the imposition of a penalty. The Governing Council of the ECB informed BOC PCL in February 2022 of its decision to impose an administrative penalty of €575 thousand.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, BOC PCL and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by BOC PCL. BOC PCL is expecting the final conclusion of this matter and has provided for it accordingly.

There was also an allegation concerning BOC PCL's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that BOC PCL (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition. In May 2017, the CPC imposed a fine of €18 million upon BOC PCL and BOC PCL filed a recourse against the decision and the fine. The payment of the fine had been stayed pending the final outcome of the recourse. In June 2018, the Administrative Court accepted BOC PCL's position and cancelled the decision as well as the fine imposed upon BOC PCL. During 2018, the Attorney General has filed an appeal before the Supreme court with respect to such decision. Until a judgment is issued by the Supreme Court, the decision of the CPC remains annulled and there is no subsisting fine upon BOC PCL. The said appeal is still pending as at the year end.

In 2019 the CPC initiated an ex officio investigation with respect to unfair contract terms and into the contractual arrangements/facilities offered by BOC PCL for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against BOC PCL in this case. This investigation is currently at a very early stage to predict its outcome and no formal process has been initiated.

39. Pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon BOC PCL after concluding an ex officio investigation regarding some terms in both BOC PCL's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, BOC PCL has filed a recourse before the Administrative Court which has not yet issued its judgement. The recourse is still pending as at the reporting year end.

In March 2020, BOC PCL has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for BOC PCL to cease the use of a number of terms in the contracts of BOC PCL which will be deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering BOC PCL to undertake measures to remedy the situation. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

In April 2021, the Director of the Consumer Protection Service filed an application for the issuance of a court order against BOC PCL, prohibiting the use of a number of contractual terms included in BOC PCL's consumer contracts and the amendment of any such contracts (present and future) so as to remove such unfair terms. This matter is still pending before the court as at the year end.

BOC PCL received a letter in July 2021 from CPS, initiating an ex officio investigation under the Distance Marketing of Financial Services to Consumers Law, with respect to the services and products of BOC PCL for which the contract between BOC PCL and the consumer is entered into online via BOC PCL's website.

BOC PCL received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged commercial practice of BOC PCL of promoting a product.

The investigations are currently at a very early stage to predict their outcome.

Cyprus Consumers' Association (CCA)
In March 2021, BOC PCL was served with an application filed by the CCA for the issuance of a court order prohibiting the use of a number of contractual terms included in BOC PCL's consumer contracts and the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against BOC PCL in 2016 and 2017. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

The new Law on Consumer Protection brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service i.e. power to impose increased fines which are immediately payable. The new Law on Consumer Protection has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters, is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Group. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

39.3 Other matters

Other matters include among others, provisions for various other open examination requests by governmental and other public bodies, legal matters and provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

39. Pending litigation, claims, regulatory and other matters (continued)

39.3 Other matters (continued)

The provisions for pending litigation, claims, regulatory and other matters do not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries as these are included in 'Insurance liabilities'.

39.4 Provisions for pending litigation, claims, regulatory and other matters

	Pending litigation and claims (Note 39.1)	Regulatory matters (Note 39.2)	Other matters (Note 39.3)	**Total**
2021	€000	€000	€000	**€000**
1 January	67,439	12,305	43,871	**123,615**
Net increase in provisions including unwinding of discount (Note 15)	2,295	4,964	29,273	**36,532**
Utilisation of provisions	(6,768)	(907)	(39,368)	**(47,043)**
Release of provisions (Note 15)	(5,122)	-	(3,927)	**(9,049)**
Foreign exchange adjustments	-	53	-	**53**
31 December	**57,844**	**16,415**	**29,849**	**104,108**
Provisions expected to be settled within 12 months post reporting date	**15,782**	**1,845**	**2,662**	**20,289**
2020				
1 January	70,075	13,691	24,328	**108,094**
Net increase in provisions including unwinding of discount (Note 15)	24,908	271	21,417	**46,596**
Utilisation of provisions	(12,706)	(1,555)	(1,013)	**(15,274)**
Release of provisions (Note 15)	(14,838)	-	(861)	**(15,699)**
Foreign exchange adjustments	-	(102)	-	**(102)**
31 December	**67,439**	**12,305**	**43,871**	**123,615**
Provisions expected to be settled within 12 months post reporting date	**15,795**	**548**	-	**16,343**

Provisions for pending litigation, claims, regulatory and other matters recorded in the annual consolidated income statement (Note 15) during the year ended 31 December 2021 amounting to credit of €523 thousand (2020: charge of €30,897 thousand), also include an amount of €841 thousand representing an amount recovered from plaintiffs directly recognised in the consolidated income statement (2020: €nil).

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

The net decrease of provisions for pending litigation and claims for the year ended 31 December 2021 was primarily driven by the utilisation of provisions as a result of the progressed status of the pending investigations and litigations relating to securities issued by BOC PCL in Greece and updated estimates for provisions required as at 31 December 2021. With regards to other matters, provisions for matters in relation to the disposal process of certain of the Group's operations have been updated on the basis of the Group's assessment and as elements of those processes have progressed.

An increase by 5% in the probability of loss rate for pending litigation and claims (2020: 5%) with all other variables held constant, would lead to an increase in the actual provision by €7,097 thousand at 31 December 2021 (2020: increase by €6,956 thousand).

40. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Group (Note 45.6).

40.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2021 amount to €18,678 thousand (2020: €19,420 thousand).

40.2. Contingent liabilities

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

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable (Note 39.3).

41. Net cash flow from operating activities

	2021	2020
	€000	€000
Profit/(loss) before tax	**36,120**	(166,863)
Adjustments for:		
Credit losses to cover credit risk on loans and advances to customers and net gains on derecognition of financial assets measured at amortised cost	**36,482**	272,131
Depreciation of property and equipment	**16,313**	19,224
Amortisation of intangible assets	**18,615**	18,263
Impairment/(reversal of impairment) of other non-financial assets	**2,681**	(7)
Credit losses of other financial instruments	**5,803**	4,585
Amortisation of discounts/premiums and interest on debt securities	**(20,102)**	(27,029)
(Profit)/loss on sale and write-offs of property and equipment and intangible assets	**(7)**	90
Net gains on disposal of investment properties	**(955)**	(556)
Net losses from revaluation of investment properties	**2,783**	2,055
Dividend income	**(1,774)**	(294)
Net losses on financial liabilities at FVPL	**-**	34
Net gains on disposal of investments in debt securities	**-**	(2,865)
Share of profit from associates	**(137)**	(69)
Loss/(profit) from revaluation of debt securities designated as fair value hedges	**16,779**	(5,239)
Loss on disposal/dissolution of subsidiaries and associates	**724**	2,219
Net gains on disposal of stock of property	**(13,296)**	(8,189)
Impairment of stock of property	**46,775**	37,593
Negative interest on loans and advances to banks and central banks	**31,919**	18,782
Negative interest on funding from central banks	**(25,094)**	(5,306)
Interest on loan stock	**27,687**	23,329
Change in value of in-force life insurance business	**(3,714)**	(9,543)
Interest expense on lease liabilities	**121**	489
Loss from buyback of subordinated loan stock	**12,558**	-
	190,281	172,834
Change in:		
Loans and advances to banks	**(23,955)**	13,648
Deposits by banks	**65,090**	(141,455)
Obligatory balances with central banks	**(8,956)**	2,017
Customer deposits	**997,671**	(158,319)
Life insurance assets and liabilities	**(13,012)**	16,255
Loans and advances to customers measured at amortised cost	**(246,151)**	(118,500)
Loans and advances to customers measured at FVPL	**7,993**	79,432
Other assets	**90,014**	(23,571)
Accrued income and prepaid expenses	**(247)**	747
Other liabilities and pending litigation, claims, regulatory and other matters	**(43,888)**	34,777
Accrued expenses and deferred income	**18,570**	(25,878)
Derivative financial instruments	**4,448**	(6,182)
Investments measured at FVPL	**(2,103)**	(31,837)
Repurchase agreements	**-**	(168,129)
Stock of property	**136,816**	81,917
	1,172,571	(272,244)
Tax paid	**(2,066)**	(1,259)
Net cash flow from/(used in) operating activities	**1,170,505**	(273,503)

41. Net cash flow from operating activities (continued)

Non-cash transactions

2021

Repossession of collaterals
During 2021, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €37,121 thousand (2020: €123,817 thousand) (Note 45.8).

Recognition of RoU asset and lease liabilities
During 2021 the Group recognised RoU assets and corresponding lease liabilities of €1,148 thousand (2020: €24,388 thousand).

Disposal of Project Helix 2
Upon the disposal of Project Helix 2, deferred consideration of €381,567 thousand was recognised (Note 28).

Net cash flow from operating activities - interest and dividends

	2021	2020
	€000	€000
Interest paid	**(119,480)**	(119,321)
Interest received	**437,837**	443,589
Dividends received	**1,774**	294
	320,131	324,562

Changes in liabilities arising from financing activities

	Funding from central banks (Note 30)	Loan stock (Note 33)	**Total**
2021	€000	€000	**€000**
1 January	994,694	272,152	**1,266,846**
Cash flows	1,968,081	330,890	**2,298,971**
Other non-cash movements	6,825	39,733	**46,558**
31 December	**2,969,600**	**642,775**	**3,612,375**
2020			
1 January	-	272,170	**272,170**
Cash flows	981,218	(23,329)	**957,889**
Other non-cash movements	13,476	23,311	**36,787**
31 December	**994,694**	**272,152**	**1,266,846**

Further information relating to the change in lease liabilities is disclosed in Note 43.

42. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	2020
	€000	€000
Cash and non-obligatory balances with central banks	**9,063,896**	5,495,284
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**-**	68,425
Loans and advances to banks with original maturity less than three months	**191,314**	326,426
	9,255,210	5,890,135

42. Cash and cash equivalents (continued)

Analysis of cash and balances with central banks and loans and advances to banks

	2021	2020
	€000	€000
Cash and non-obligatory balances with central banks	**9,063,896**	5,495,284
Obligatory balances with central banks (Note 19)	**166,987**	158,031
Total cash and balances with central banks (Note 19)	**9,230,883**	5,653,315

Loans and advances to banks with original maturity less than three months	**191,314**	326,426
Restricted loans and advances to banks	**100,318**	76,358
Total loans and advances to banks (Note 19)	**291,632**	402,784

Restricted loans and advances to banks include collaterals under derivative transactions of €41,068 thousand (2020: €34,032 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

43. Leases

The Group is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are primarily uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Group has the option to extend the tenancy for four further periods of two years each. The Group has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rates of the area and considering the relevant legislation.

Office buildings are leased by the Group for the operation of administrative functions. The basic terms for new lease contracts and the current practice are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2020 the lease liability was remeasured due to changes in future lease payments. During the year ended 31 December 2020 the lease term of existing contracts was re-assessed using the assumptions as detailed in Note 5.13.

The carrying amounts of the Group's RoU assets and lease liabilities and the movement during the year ended 31 December 2021 and the year ended 31 December 2020 is presented in the table below:

2021	**RoU asset (Note 25)**	**Lease Liabilities (Note 34)**
	€000	**€000**
1 January	**46,070**	**(45,955)**
Depreciation charge for the year (Note 15)	**(7,520)**	**-**
New leases (Note 25)	**1,148**	**(1,148)**
Assets derecognised (Note 25)	**(6,117)**	**5,606**
Interest expense (Note 8)	**-**	**(121)**
Cash outflows-payments	**-**	**7,637**
31 December	**33,581**	**(33,981)**

43. Leases (continued)

2020	RoU asset (Note 25)	Lease Liabilities (Note 34)
	€000	€000
1 January	30,388	(29,704)
Assets derecognised (Note 25)	(2,399)	2,399
Depreciation charge for the year (Note 15)	(8,855)	-
Interest expense (Note 8)	-	(489)
Remeasurement of lease liability	26,936	(26,787)
Cash outflows-payments	-	8,626
31 December	**46,070**	**(45,955)**

RoU assets comprised of leases of buildings and are presented within Property, disclosed in Note 25.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 47.

44. Analysis of assets and liabilities by expected maturity

	2021			2020		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,063,896**	**166,987**	**9,230,883**	5,495,284	158,031	5,653,315
Loans and advances to banks	**191,314**	**100,318**	**291,632**	326,426	76,358	402,784
Derivative financial assets	**4,556**	**2,097**	**6,653**	5,556	19,071	24,627
Investments including investments pledged as collateral	**366,420**	**1,772,743**	**2,139,163**	371,953	1,541,161	1,913,114
Loans and advances to customers	**1,018,312**	**8,818,093**	**9,836,405**	1,369,576	8,516,471	9,886,047
Life insurance business assets attributable to policyholders	**14,111**	**537,686**	**551,797**	15,078	459,109	474,187
Prepayments, accrued income and other assets	**139,988**	**476,231**	**616,219**	144,159	105,718	249,877
Stock of property	**267,480**	**844,124**	**1,111,604**	341,698	1,007,911	1,349,609
Deferred tax assets	**37,909**	**227,572**	**265,481**	37,909	303,451	341,360
Property, equipment and intangible assets	**-**	**436,164**	**436,164**	-	457,730	457,730
Investment properties	**32,139**	**85,606**	**117,745**	25,244	102,844	128,088
Investment in associates and joint venture	**-**	**-**	**-**	-	2,462	2,462
Non-current assets and disposal groups held for sale	**358,951**	**-**	**358,951**	630,931	-	630,931
	11,495,076	**13,467,621**	**24,962,697**	8,763,814	12,750,317	21,514,131
Liabilities						
Deposits by banks	**100,530**	**356,509**	**457,039**	82,250	309,699	391,949
Funding from central banks	**2,969,600**	**-**	**2,969,600**	-	994,694	994,694
Derivative financial liabilities	**4,830**	**27,622**	**32,452**	6,805	39,173	45,978
Customer deposits	**6,909,913**	**10,620,970**	**17,530,883**	5,242,058	11,291,154	16,533,212
Insurance liabilities	**91,758**	**644,443**	**736,201**	91,467	580,136	671,603
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**273,940**	**192,145**	**466,085**	258,665	224,842	483,507
Loan stock	**38,561**	**604,214**	**642,775**	172,152	100,000	272,152
Deferred tax liabilities	**937**	**45,498**	**46,435**	-	45,982	45,982
	10,390,069	**12,491,401**	**22,881,470**	5,853,397	13,585,680	19,439,077

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 Loans are classified in the 'Over one year' time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioural analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

45. Risk management - Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group.

The Credit Risk Management department in co-operation with the Credit Risk Control and Monitoring department set the Group's credit disbursement policies and monitor compliance with credit risk policy applicable to each business line and the quality of the Group's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are combined with the methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Group is diversified across the various sectors of the economy. Credit Risk Management determines the prohibitive/high credit risk sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Market Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities. Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

45.1 Maximum exposure to credit risk and collateral and other credit enhancements

Loans and advances to customers
The Credit Risk Management department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Group regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Off-balance sheet exposures
The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee facilities (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

Other financial instruments
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 31 December 2021, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 21. Information about the Group's collaterals under derivative transactions is provided in Note 42.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2021	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**9,087,968**	-	-	-	-	-	-	-	**9,087,968**
Loans and advances to banks (Note 19)	**291,632**	3,490	-	-	-	-	-	3,490	**288,142**
FVPL debt securities (Note 20)	**6,034**	-	-	-	-	-	-	-	**6,034**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,924,354**	-	-	-	-	-	-	-	**1,924,354**
Derivative financial instruments (Note 21)	**6,653**	-	-	-	-	-	-	-	**6,653**
Loans and advances to customers (Note 23)	**9,836,405**	476,390	587,309	140,995	15,150,658	265,660	(7,781,292)	8,839,720	**996,685**
Loans and advances to customers classified as held for sale (Note 29)	**250,370**	85	88	2,954	487,743	36,431	(279,895)	247,406	**2,964**
Debtors (Note 28)	**36,540**	-	-	-	-	-	-	-	**36,540**
Reinsurers' share of insurance contract liabilities (Note 28)	**55,323**	-	-	-	-	-	-	-	**55,323**
Deferred purchase payment consideration (Note 28)	**299,766**	-	-	-	-	-	-	-	**299,766**
Other assets (Note 28)	**57,158**	-	-	-	-	-	-	-	**57,158**
On-balance sheet total	**21,852,203**	**479,965**	**587,397**	**143,949**	**15,638,401**	**302,091**	**(8,061,187)**	**9,090,616**	**12,761,587**
Contingent liabilities									
Acceptances and endorsements	**4,625**	285	-	-	4,334	6	-	4,625	**-**
Guarantees	**609,830**	105,508	4,898	2,555	177,171	391	-	290,523	**319,307**
Commitments									
Documentary credits	**11,264**	729	-	-	5,488	19	-	6,236	**5,028**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,950,665**	28,541	1,006	1,182	420,337	18,976	-	470,042	**1,480,623**
Off-balance sheet total	**2,576,384**	**135,063**	**5,904**	**3,737**	**607,330**	**19,392**	**-**	**771,426**	**1,804,958**
	24,428,587	**615,028**	**593,301**	**147,686**	**16,245,731**	**321,483**	**(8,061,187)**	**9,862,042**	**14,566,545**

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

		Fair value of collateral and credit enhancements held by the Group							
	Maximum exposure to credit risk	Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	**Net exposure to credit risk**
2020	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**5,513,629**	-	-	-	-	-	-	-	**5,513,629**
Loans and advances to banks (Note 19)	**402,784**	1,190	-	-	-	-	-	1,190	**401,594**
FVPL debt securities (Note 20)	**19,118**	-	-	-	-	-	-	-	**19,118**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,689,726**	-	-	-	-	-	-	-	**1,689,726**
Derivative financial instruments (Note 21)	**24,627**	-	-	-	-	-	-	-	**24,627**
Loans and advances to customers (Note 23)	**9,886,047**	440,034	582,867	158,765	14,005,567	1,517,072	(7,765,182)	8,939,123	**946,924**
Loans and advances to customers classified as held for sale (Note 29)	**493,037**	806	271	6,121	1,229,782	50,263	(807,942)	479,301	**13,736**
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**68,425**	-	-	-	-	-	-	-	**68,425**
Debtors (Note 28)	**39,011**	-	-	-	-	-	-	-	**39,011**
Reinsurers' share of insurance contract liabilities (Note 28)	**53,479**	-	-	-	-	-	-	-	**53,479**
Other assets (Note 28)	**63,200**	-	-	-	-	-	-	-	**63,200**
On-balance sheet total	**18,253,083**	**442,030**	**583,138**	**164,886**	**15,235,349**	**1,567,335**	**(8,573,124)**	**9,419,614**	**8,833,469**
Contingent liabilities									
Acceptances and endorsements	**4,655**	277	2	-	3,869	507	-	4,655	**-**
Guarantees	**619,530**	110,304	2,305	1,332	123,283	43,154	-	280,378	**339,152**
Commitments									
Documentary credits	**14,866**	1,854	169	-	4,992	815	-	7,830	**7,036**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,986,291**	26,194	643	1,479	372,670	54,996	-	455,982	**1,530,309**
Off-balance sheet total	**2,625,342**	**138,629**	**3,119**	**2,811**	**504,814**	**99,472**	**-**	**748,845**	**1,876,497**
	20,878,425	**580,659**	**586,257**	**167,697**	**15,740,163**	**1,666,807**	**(8,573,124)**	**10,168,459**	**10,709,966**

The contingent liabilities and commitments include exposures relating to loans and advances to customers classified as held for sale amounting to €1,286 thousand (2020: €2,188 thousand), which relate to the Cyprus geographical area.

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. The Group's risk appetite statement imposes stricter concentration limits which are monitored by the Group.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented 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. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies. Loans and advances to customers are presented separately for countries with high concentration and all other countries with low concentration are presented within 'Other countries' as per Group policy.

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	3,351	146	**981,887**
Manufacturing	303,372	179	-	-	1,212	25,674	**330,437**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	2,108	646	58	**522,853**
Real estate	959,891	125,123	1,950	11,443	-	49,293	**1,147,700**
Private individuals	4,379,843	9,185	121,260	1,057	37,315	73,997	**4,622,657**
Professional and other services	543,424	1,007	5,516	875	16,492	35,142	**602,456**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	15,778	113	**2,044,406**
Global corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	2,047	4,701	2,345	**1,050,334**
Retail							
- housing	3,068,097	3,466	47,742	629	4,513	26,819	**3,151,266**
- consumer, credit cards and other	884,231	1,101	760	126	237	2,232	**888,687**
Restructuring							
- corporate	60,446	-	526	-	32	1,213	**62,217**
- SMEs	69,501	-	338	-	-	340	**70,179**
- retail housing	80,730	152	3,058	-	392	752	**85,084**
- retail other	32,611	14	132	-	3	238	**32,998**
Recoveries							
- corporate	35,010	-	-	589	219	256	**36,074**
- SMEs	30,505	-	2,557	2	3,699	2,554	**39,317**
- retail housing	109,945	382	45,158	167	9,254	18,213	**183,119**
- retail other	54,959	30	4,356	4	1,557	1,304	**62,210**
International banking services	76,314	2,402	15,211	138	18,639	23,214	**135,918**
Wealth management	36,854	1,334	547	-	-	6,395	**45,130**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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

2020 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,922,810	8,949	94	605	18,913	2,760	**1,954,131**
Global corporate	1,344,983	163,153	41,334	35,546	9,308	302,734	**1,897,058**
SMEs	1,081,773	708	2,881	2,393	4,361	2,337	**1,094,453**
Retail							
- housing	2,862,802	3,052	57,627	623	6,051	25,622	**2,955,777**
- consumer, credit cards and other	884,151	1,286	1,507	196	256	2,061	**889,457**
Restructuring							
- corporate	165,162	-	532	-	-	5,323	**171,017**
- SMEs	98,931	-	883	-	97	240	**100,151**
- retail housing	143,540	182	3,600	130	377	1,591	**149,420**
- retail other	79,618	202	118	-	8	18	**79,964**
Recoveries							
- corporate	30,961	-	9	4,949	1	257	**36,177**
- SMEs	57,559	9	3,154	2,643	8,079	3,770	**75,214**
- retail housing	374,056	326	70,621	160	11,947	27,952	**485,062**
- retail other	337,500	34	6,108	4	304	1,890	**345,840**
International banking services	68,923	2,905	18,262	4	21,169	24,075	**135,338**
Wealth management	25,001	764	-	-	-	5,779	**31,544**
	9,477,770	**181,570**	**206,730**	**47,253**	**80,871**	**406,409**	**10,400,603**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2021 of €100,039 thousand (2020: €85,424 thousand).

The loan and advances to customers reported within 'Other countries' as at 31 December 2021 include exposures of €3,6 million in Ukraine (2020: €4,8 million).

45. Risk management - Credit risk (continued)

45.3 Credit risk concentration of loans and advances to customers classified as held for sale

Economic activity, geographical and business line concentrations of Group loans and advances to customers at amortised cost classified as held for sale are presented in the table below.

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,395	-	-	**13,970**
Private individuals	369,182	1,070	55	804	4,087	**375,198**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,441	-	32	**10,473**
SMEs	-	-	231	-	-	**231**
Retail						
- housing	153	-	-	-	-	**153**
- consumer, credit cards and other	2	-	-	-	-	**2**
Restructuring						
- corporate	374	-	-	-	-	**374**
- SMEs	5,301	-	-	-	-	**5,301**
- retail housing	23,769	501	-	-	34	**24,304**
- retail other	12,702	-	-	-	-	**12,702**
Recoveries						
- corporate	8,090	-	1,111	-	-	**9,201**
- SMEs	17,923	1	343	766	381	**19,414**
- retail housing	238,791	566	-	38	3,210	**242,605**
- retail other	230,561	6	-	-	462	**231,029**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	137,088	-	-	-	-	**137,088**
Manufacturing	49,724	84	305	-	560	**50,673**
Hotels and catering	30,266	-	496	-	29	**30,791**
Construction	151,907	-	8	26	76	**152,017**
Real estate	68,685	-	-	-	314	**68,999**
Private individuals	712,742	1,423	16,225	10,004	14,969	**755,363**
Professional and other services	85,933	199	62	1,093	192	**87,479**
Other sectors	58,845	-	-	-	-	**58,845**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

45. Risk management - Credit risk (continued)

45.3 Credit risk concentration of loans and advances to customers classified as held for sale (continued)

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

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers classified as held for sale for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

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

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,354	1,721,231	576,873	159,755	**9,946,213**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,695**	**1,699,180**	**573,343**	**149,317**	**9,840,535**
Cyprus	**7,418,432**	**1,699,180**	**545,327**	**149,317**	**9,812,256**
Other Countries	**263**	**-**	**28,016**	**-**	**28,279**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,681,481	2,148,946	1,380,926	335,852	**10,547,205**
Residual fair value adjustment on initial recognition	(72,591)	(25,815)	(9,376)	(38,820)	**(146,602)**
Gross loans at amortised cost	**6,608,890**	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**
Cyprus	**6,608,309**	**2,123,131**	**1,306,992**	**297,032**	**10,335,464**
Other countries	**581**	**-**	**64,558**	**-**	**65,139**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

Loans and advances to customers classified as held for sale

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,132	476,538	96,209	**574,879**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,459**	**79,255**	**555,789**
Cyprus	**-**	**2,075**	**463,774**	**79,255**	**545,104**
Other countries	**-**	**-**	**10,685**	**-**	**10,685**
	-	**2,075**	**474,459**	**79,255**	**555,789**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,177	21,801	1,138,587	221,365	**1,387,930**
Residual fair value adjustment on initial recognition	(41)	397	(7,650)	(39,381)	**(46,675)**
Gross loans at amortised cost	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**
Cyprus	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**

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

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

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,569,699	430,865	22,357	21,485	**2,044,406**
Global corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	812,211	215,012	12,522	10,589	**1,050,334**
Retail					
- housing	2,769,274	320,473	49,633	11,886	**3,151,266**
- consumer, credit cards and other	732,154	116,983	23,361	16,189	**888,687**
Restructuring					
- corporate	6,092	35,613	14,255	6,257	**62,217**
- SMEs	14,016	16,417	34,083	5,663	**70,179**
- retail housing	3,075	15,528	62,934	3,547	**85,084**
- retail other	1,409	5,701	24,838	1,050	**32,998**
Recoveries					
- corporate	-	-	29,600	6,474	**36,074**
- SMEs	-	-	35,685	3,632	**39,317**
- retail housing	-	-	154,469	28,650	**183,119**
- retail other	114	-	51,672	10,424	**62,210**
International banking services	92,193	40,715	2,775	235	**135,918**
Wealth management	43,908	781	-	441	**45,130**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,519,663	362,199	37,635	34,634	**1,954,131**
Global corporate	1,393,025	367,147	102,881	34,005	**1,897,058**
SMEs	740,305	325,412	17,731	11,005	**1,094,453**
Retail					
- housing	2,223,620	651,980	68,644	11,533	**2,955,777**
- consumer, credit cards and other	588,339	251,022	33,095	17,001	**889,457**
Restructuring					
- corporate	29,108	64,706	60,719	16,484	**171,017**
- SMEs	13,263	25,167	54,003	7,718	**100,151**
- retail housing	2,475	13,599	127,558	5,788	**149,420**
- retail other	943	4,047	71,910	3,064	**79,964**
Recoveries					
- corporate	-	-	29,431	6,746	**36,177**
- SMEs	-	-	65,287	9,927	**75,214**
- retail housing	-	-	404,337	80,725	**485,062**
- retail other	221	13	288,374	57,232	**345,840**
International banking services	76,160	49,222	9,767	189	**135,338**
Wealth management	21,768	8,617	178	981	**31,544**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

Loans and advances to customers classified as held for sale
The following table presents the Group's gross loans and advances to customers at amortised cost classified as held for sale as at 31 December 2021 and 2020, by staging and business line concentration.

2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Global Corporate	-	-	10,470	3	**10,473**
SMEs	-	-	231	-	**231**
Retail					
- housing	-	-	153	-	**153**
- consumer, credit cards and other	-	-	2	-	**2**
Restructuring					
- corporate	-	-	374	-	**374**
- SMEs	-	718	3,842	741	**5,301**
- retail housing	-	804	22,113	1,387	**24,304**
- retail other	-	553	11,543	606	**12,702**
Recoveries					
- corporate	-	-	8,507	694	**9,201**
- SMEs	-	-	17,653	1,761	**19,414**
- retail housing	-	-	204,956	37,649	**242,605**
- retail other	-	-	194,615	36,414	**231,029**
	-	**2,075**	**474,459**	**79,255**	**555,789**

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
SMEs	-	-	-	3	**3**
Retail					
- housing	-	40	-	-	**40**
- consumer, credit cards and other	-	2	21	-	**23**
Restructuring					
- corporate	-	975	62,946	1,036	**64,957**
- SMEs	3,442	9,882	67,664	4,334	**85,322**
- retail housing	2,414	9,882	53,327	2,829	**68,452**
- retail other	280	1,417	26,665	1,018	**29,380**
Recoveries					
- corporate	-	-	73,449	12,664	**86,113**
- SMEs	-	-	325,082	51,862	**376,944**
- retail housing	-	-	296,934	45,684	**342,618**
- retail other	-	-	224,849	62,554	**287,403**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines, as disclosed in Notes 45.2 and 45.3.

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

The movement of the gross loans and advances to customers at amortised cost by staging, including the loans and advances to customers classified as held for sale, is presented in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,615,026	2,145,329	2,502,487	479,016	**11,741,858**
Transfers to stage 1	1,053,432	(1,051,363)	(2,069)	-	**-**
Transfers to stage 2	(575,203)	657,895	(82,692)	-	**-**
Transfers to stage 3	(15,136)	(35,918)	51,054	-	**-**
Foreign exchange and other adjustments	15	1	3,994	(2)	**4,008**
Write offs	(518)	(843)	(252,976)	(40,657)	**(294,994)**
Interest accrued and other adjustments	136,340	104,182	119,123	31,535	**391,180**
New loans originated or purchased and drawdowns of existing facilities	1,614,893	85,901	4,046	11,481	**1,716,321**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)	(1,399,395)	(190,449)	(192,441)	(76,968)	**(1,859,253)**
Changes to contractual cash flows due to modifications	(2,351)	3,461	(14,942)	(2,119)	**(15,951)**
Disposal of Helix 2 portfolio	(8,408)	(16,941)	(1,087,782)	(173,714)	**(1,286,845)**
31 December	**7,418,695**	**1,701,255**	**1,047,802**	**228,572**	**10,396,324**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,945,045	1,504,188	3,172,423	560,371	**12,182,027**
Transfers to stage 1	551,657	(528,094)	(23,563)	-	**-**
Transfers to stage 2	(1,180,335)	1,319,619	(139,284)	-	**-**
Transfers to stage 3	(20,831)	(28,251)	49,082	-	**-**
Foreign exchange and other adjustments	10	(2)	(4,951)	4	**(4,939)**
Write offs	(1,496)	(805)	(359,257)	(36,872)	**(398,430)**
Interest accrued and other adjustments	132,740	65,383	202,795	39,674	**440,592**
New loans originated or purchased and drawdowns of existing facilities	1,157,886	42,276	41,778	183	**1,242,123**
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(971,374)	(224,760)	(321,136)	(72,354)	**(1,589,624)**
Changes to contractual cash flows due to modifications	1,724	(4,225)	(2,998)	1,133	**(4,366)**
Disposal of Velocity 2 portfolio	-	-	(112,402)	(13,123)	**(125,525)**
31 December	**6,615,026**	**2,145,329**	**2,502,487**	**479,016**	**11,741,858**

For revolving facilities, overdrafts and credit cards the net positive change in balance by stage excluding write-offs is reported in 'New loans originated' and the net negative change is reported in 'Loans derecognised or repaid'.

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

The movement of gross loans and advances to customers at amortised cost, in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including loans and advances to customers classified as held for sale, are presented in the tables below:

	Corporate	**Global corporate**	**Retail**
2021	**€000**	**€000**	**€000**
1 January	1,935,306	1,858,337	3,844,562
Transfers in/(out of) business line	39,690	(2,854)	(2,808)
Write offs	(106)	(2,005)	(1,704)
Interest accrued	60,360	70,644	89,885
New loans originated or purchased	471,370	435,512	628,425
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(477,348)	(410,840)	(519,142)
Changes to contractual cash flows due to modifications not resulting in derecognition	(644)	(918)	890
31 December	**2,028,628**	**1,947,876**	**4,040,108**

	Corporate	Global corporate	Retail
2020	€000	€000	€000
1 January	1,953,170	1,845,777	3,688,137
Transfers (out of)/in business line	(3,162)	22,046	(11,783)
Interest accrued, foreign exchange and other adjustments	52,673	24,402	90,158
Write offs	(1,165)	(19,191)	(4,026)
New loans originated or purchased	319,385	261,281	508,773
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(380,501)	(271,581)	(428,755)
Changes to contractual cash flows due to modifications not resulting in derecognition	(5,094)	(4,397)	2,058
31 December	**1,935,306**	**1,858,337**	**3,844,562**

45.5 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of BOC PCL. These portfolios are Corporate, Retail and SMEs. Corporate and SME clients include legal entities. Retail includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower's behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months default rates (PDs) are calculated per rating. These default rates are assumed to be the 12 month probability of default for the scored borrowers. The following table maps PD bands to various risk levels for corporate, retail and SME exposures.

Unrated loans for corporate are assessed using the Group's in-house behavioural scorecard model for corporate legal entities. Unrated loans for retail include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

New customers for corporate and SME legal entities and new lending for retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

The IFRS 9 PD models were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations (before the COVID-19 pandemic) and incorporate the latest scorecard models.

Overall there is an evident decrease both across ratings and portfolios PDs due to the release of PD overlays related to the COVID-19 pandemic and the 9-month moratorium that took place in 2020.

2021	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	1.38	0.80	0.36
2	2.20	0.79	0.75
3	2.37	1.68	2.22
4	3.42	3.24	7.70
5	5.32	6.24	12.96
6	5.82	10.04	17.87
7	11.89	27.14	36.63

2020	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	3.77	2.24	0.82
2	5.93	2.37	1.66
3	6.30	4.15	4.32
4	9.22	7.48	11.75
5	13.65	13.14	21.80
6	15.08	22.44	29.92
7	29.50	53.47	63.00

Lower rating exposures demonstrate a better capacity to meet financial commitments, with lower probability of default, whereas higher rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost which are managed in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of BOC PCL.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	371,648	9,550	**381,198**	713,090	65,056	**778,146**
Rating 2	124,963	1,120	**126,083**	269,133	53,533	**322,666**
Rating 3	689,030	43,870	**732,900**	610,596	119,729	**730,325**
Rating 4	729,502	119,522	**849,024**	471,544	178,093	**649,637**
Rating 5	578,247	289,389	**867,636**	708,462	219,873	**928,335**
Rating 6	167,752	307,445	**475,197**	130,600	98,869	**229,469**
Rating 7	8,680	129,996	**138,676**	9,767	19,187	**28,954**
Unrated	120,016	106,826	**226,842**	34,075	140,432	**174,507**
New customers	386,841	49,745	**436,586**	221,325	2,588	**223,913**
	3,176,679	**1,057,463**	**4,234,142**	**3,168,592**	**897,360**	**4,065,952**
Total Stage 3 and POCI			**191,972**			**398,726**
			4,426,114			**4,464,678**

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	795,577	37,566	**833,143**	693,768	96,548	**790,316**
Rating 2	965,269	34,373	**999,642**	743,838	136,888	**880,726**
Rating 3	756,588	53,053	**809,641**	615,175	163,727	**778,902**
Rating 4	562,838	81,779	**644,617**	432,447	211,631	**644,078**
Rating 5	224,332	80,133	**304,465**	141,377	133,226	**274,603**
Rating 6	114,346	105,725	**220,071**	83,489	143,947	**227,436**
Rating 7	27,568	101,290	**128,858**	46,760	114,183	**160,943**
Unrated	-	2,681	**2,681**	-	2,715	**2,715**
New customers	292,088	15,808	**307,896**	269,584	15,502	**285,086**
	3,738,606	**512,408**	**4,251,014**	**3,026,438**	**1,018,367**	**4,044,805**
Total Stage 3 and POCI			**462,865**			**1,075,211**
			4,713,879			**5,120,016**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	183,001	12,159	**195,160**	133,876	29,345	**163,221**
Rating 2	181,836	29,316	**211,152**	150,155	58,282	**208,437**
Rating 3	43,425	16,911	**60,336**	50,690	33,370	**84,060**
Rating 4	15,454	18,447	**33,901**	15,347	28,751	**44,098**
Rating 5	8,260	16,252	**24,512**	8,195	18,347	**26,542**
Rating 6	5,793	8,019	**13,812**	4,456	15,392	**19,848**
Rating 7	3,249	6,496	**9,745**	2,301	12,125	**14,426**
Unrated	-	18,198	**18,198**	-	9,241	**9,241**
New customers	62,129	3,511	**65,640**	48,259	2,551	**50,810**
	503,147	**129,309**	**632,456**	**413,279**	**207,404**	**620,683**
Total Stage 3 and POCI			**45,560**			**168,808**
			678,016			**789,491**

Loans and advances to customers classified as held for sale

An analysis of gross loans and advances to customers classified as held for sale, as per the internal rating system of BOC PCL is disclosed in the tables below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 3	-	-	**-**	31	193	**224**
Rating 5	-	-	**-**	-	363	**363**
Rating 6	-	-	**-**	-	106	**106**
Unrated	-	-	**-**	-	485	**485**
	-	**-**	**-**	**31**	**1,147**	**1,178**
Total Stage 3 and POCI			**64,759**			**267,609**
			64,759			**268,787**

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	-	-	**-**	23	70	**93**
Rating 2	-	-	**-**	105	70	**175**
Rating 3	-	-	**-**	108	43	**151**
Rating 4	-	111	**111**	568	583	**1,151**
Rating 5	-	-	**-**	942	1,985	**2,927**
Rating 6	-	98	**98**	126	3,749	**3,875**
Rating 7	-	1,464	**1,464**	2,585	11,460	**14,045**
New customers	-	-	**-**	-	58	**58**
	-	**1,673**	**1,673**	**4,457**	**18,018**	**22,475**
Total Stage 3 and POCI			**400,861**			**801,289**
			402,534			**823,764**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 2	-	55	**55**	161	-	**161**
Rating 3	-	-	**-**	19	8	**27**
Rating 4	-	326	**326**	65	226	**291**
Rating 5	-	1	**1**	50	146	**196**
Rating 6	-	-	**-**	760	156	**916**
Rating 7	-	20	**20**	593	2,497	**3,090**
	-	**402**	**402**	**1,648**	**3,033**	**4,681**
Total Stage 3 and POCI			**87,849**			**244,023**
			88,251			**248,704**

45.6 Contingent liabilities and commitments

The Group enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

45.6.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2021	€000	€000	€000	**€000**
Exposures				
1 January	208,410	363,019	52,756	**624,185**
Transfers to stage 1	151,638	(151,638)	-	**-**
Transfers to stage 2	(18,674)	22,983	(4,309)	**-**
Transfers to stage 3	(143)	(1,548)	1,691	**-**
Net increase/(decrease)	91,232	(96,492)	(4,470)	**(9,730)**
31 December	**432,463**	**136,324**	**45,668**	**614,455**

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.1 Contingent liabilities (continued)

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposures				
1 January	430,293	159,924	98,683	**688,900**
Transfers to stage 1	6,146	(5,376)	(770)	**-**
Transfers to stage 2	(187,975)	217,131	(29,156)	**-**
Transfers to stage 3	(4)	(4,011)	4,015	**-**
Net increase/(decrease)	(40,050)	(4,649)	(20,016)	**(64,715)**
31 December	**208,410**	**363,019**	**52,756**	**624,185**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	42	695	18,370	**19,107**
Transfers to stage 1	14	(14)	-	**-**
Transfers to stage 2	(13)	(273)	286	**-**
(Credit)/charge for the year*	(23)	(284)	2,957	**2,650**
31 December	**20**	**124**	**21,613**	**21,757**
Individually assessed	12	32	21,613	**21,657**
Collectively assessed	8	92	-	**100**
	20	**124**	**21,613**	**21,757**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	21	70	21,904	**21,995**
Transfers to stage 1	10	(8)	(2)	**-**
Transfers to stage 2	(200)	305	(105)	**-**
Transfers to stage 3	-	(3,500)	3,500	**-**
Charge/(credit) for the year*	211	3,828	(6,927)	**(2,888)**
31 December	**42**	**695**	**18,370**	**19,107**
Individually assessed	12	287	18,366	**18,665**
Collectively assessed	30	408	4	**442**
	42	**695**	**18,370**	**19,107**

* The charge for the year mainly relates to changes to inputs and net exposure.

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of BOC PCL is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	121,750	1,223	**122,973**	18,551	52,371	**70,922**
Rating 2	13,327	93	**13,420**	24	8,050	**8,074**
Rating 3	45,371	670	**46,041**	12,172	59,503	**71,675**
Rating 4	25,513	2,185	**27,698**	2,532	37,000	**39,532**
Rating 5	42,183	31,791	**73,974**	3,184	70,690	**73,874**
Rating 6	11,720	3,809	**15,529**	2,228	18,556	**20,784**
Rating 7	1,410	432	**1,842**	-	164	**164**
Unrated	29,487	60,193	**89,680**	30,678	79,731	**110,409**
New customers	75,832	-	**75,832**	85,153	2,830	**87,983**
	366,593	**100,396**	**466,989**	**154,522**	**328,895**	**483,417**
Total Stage 3			**35,207**			**44,625**
			502,196			**528,042**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	30,241	78	**30,319**	22,858	3,407	**26,265**
Rating 2	7,949	1,217	**9,166**	5,667	2,790	**8,457**
Rating 3	1,592	223	**1,815**	1,540	590	**2,130**
Rating 4	365	111	**476**	430	254	**684**
Rating 5	42	6	**48**	53	178	**231**
Rating 6	3	-	**3**	18	122	**140**
Rating 7	554	32	**586**	163	1,871	**2,034**
Unrated	-	21,316	**21,316**	-	10,390	**10,390**
New customers	25,124	65	**25,189**	23,159	170	**23,329**
	65,870	**23,048**	**88,918**	**53,888**	**19,772**	**73,660**
Total Stage 3			**9,781**			**7,692**
			98,699			**81,352**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Unrated	-	12,880	**12,880**	-	14,352	**14,352**
	-	**12,880**	**12,880**	**-**	**14,352**	**14,352**
Total Stage 3			**680**			**439**
			13,560			**14,791**

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,146,962	775,164	79,031	**2,001,157**
Transfers to stage 1	417,291	(416,743)	(548)	**-**
Transfers to stage 2	(52,799)	52,799		**-**
Transfers to stage 3	(358)	(1,165)	1,523	**-**
Net (decrease)/increase	(14,015)	2,515	(27,728)	**(39,228)**
31 December	**1,497,081**	**412,570**	**52,278**	**1,961,929**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,291,393	508,861	132,854	**1,933,108**
Transfers to stage 1	133,657	(132,525)	(1,132)	**-**
Transfers to stage 2	(399,593)	413,026	(13,433)	**-**
Transfers to stage 3	(1,280)	(2,753)	4,033	**-**
Net increase/(decrease)	122,785	(11,445)	(43,291)	**68,049**
31 December	**1,146,962**	**775,164**	**79,031**	**2,001,157**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	126	425	-	**551**
Transfers to stage 1	9	(9)	-	**-**
Transfers to stage 2	(32)	63	(31)	**-**
(Credit)/charge for the year*	(84)	(310)	31	**(363)**
31 December	**19**	**169**	**-**	**188**
Individually assessed	7	80	-	**87**
Collectively assessed	12	89	-	**101**
	19	**169**	**-**	**188**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	30	87	-	**117**
Transfers to stage 1	34	(34)	-	**-**
Transfers to stage 2	(128)	168	(40)	**-**
(Credit)/charge for the year*	190	204	40	**434**
31 December	**126**	**425**	**-**	**551**
Individually assessed	36	111	-	**147**
Collectively assessed	90	314	-	**404**
	126	**425**	**-**	**551**

*The charge in the year mainly relates to changes to inputs.

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.2 Commitments (continued)

The credit quality of commitments, as per the internal rating system of BOC PCL is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	256,764	8,352	**265,116**	241,799	28,308	**270,107**
Rating 2	41,484	3,397	**44,881**	19,069	57,360	**76,429**
Rating 3	128,429	10,627	**139,056**	64,983	74,480	**139,463**
Rating 4	58,322	10,107	**68,429**	30,570	57,489	**88,059**
Rating 5	58,708	82,198	**140,906**	27,382	50,681	**78,063**
Rating 6	12,239	16,047	**28,286**	3,093	16,443	**19,536**
Rating 7	154	1,627	**1,781**	28	61	**89**
Unrated	26,441	103,918	**130,359**	19,947	118,931	**138,878**
New customers	26,296	20,402	**46,698**	92,936	398	**93,334**
	608,837	**256,675**	**865,512**	**499,807**	**404,151**	**903,958**
Total Stage 3			**22,553**			**50,700**
			888,065			**954,658**

	2021			**2020**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	234,443	22,597	**257,040**	204,597	43,683	**248,280**
Rating 2	40,913	17,522	**58,435**	44,967	21,932	**66,899**
Rating 3	12,254	3,988	**16,242**	12,287	10,000	**22,287**
Rating 4	3,027	2,900	**5,927**	3,585	5,402	**8,987**
Rating 5	2,270	1,748	**4,018**	1,168	2,635	**3,803**
Rating 6	235	523	**758**	385	756	**1,141**
Rating 7	77	262	**339**	125	807	**932**
Unrated	-	17,465	**17,465**	-	12,301	**12,301**
New customers	11,073	459	**11,532**	8,710	618	**9,328**
	304,292	**67,464**	**371,756**	**275,824**	**98,134**	**373,958**
Total Stage 3			**24,001**			**20,607**
			395,757			**394,565**

	2021			**2020**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	244,760	29,865	**274,625**	179,709	99,239	**278,948**
Rating 2	115,852	10,877	**126,729**	58,949	58,456	**117,405**
Rating 3	55,987	12,732	**68,719**	25,306	46,873	**72,179**
Rating 4	30,358	7,642	**38,000**	14,508	28,034	**42,542**
Rating 5	8,553	8,621	**17,174**	4,893	16,434	**21,327**
Rating 6	4,095	6,756	**10,851**	2,422	9,759	**12,181**
Rating 7	711	2,984	**3,695**	199	4,036	**4,235**
Unrated	-	7,926	**7,926**	-	7,567	**7,567**
New customers	123,636	1,028	**124,664**	85,345	2,481	**87,826**
	583,952	**88,431**	**672,383**	**371,331**	**272,879**	**644,210**
Total Stage 3			**5,724**			**7,724**
			678,107			**651,934**

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale

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

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
1 January	22,619	49,127	1,376,412	204,477	**1,652,635**
Transfers to stage 1	18,228	(17,818)	(410)	-	**-**
Transfers to stage 2	(2,361)	15,825	(13,464)	-	**-**
Transfers to stage 3	(430)	(1,462)	1,892	-	**-**
Impact on transfer between stages during the year*	(11,600)	(7,088)	4,781	(605)	**(14,512)**
Foreign exchange and other adjustments	-	-	2,362	-	**2,362**
Write offs	(518)	(843)	(252,895)	(40,657)	**(294,913)**
Interest (provided) not recognised in the income statement	-	-	41,812	6,658	**48,470**
New loans originated or purchased*	4,152	-	-	233	**4,385**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)*	(632)	(464)	(26,886)	(770)	**(28,752)**
Write offs*	281	318	6,282	(19)	**6,862**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(10,259)	2,943	66,324	10,295	**69,303**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(826)	1,647	(1,889)	(2,262)	**(3,330)**
Disposal of Helix 2 portfolio	(3,197)	(12,802)	(725,525)	(109,569)	**(851,093)**
31 December	**15,457**	**29,383**	**478,796**	**67,781**	**591,417**
Individually assessed	6,661	14,476	78,045	7,427	**106,609**
Collectively assessed	8,796	14,907	400,751	60,354	**484,808**
	15,457	**29,383**	**478,796**	**67,781**	**591,417**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 16).

The main driver for the impairment loss for the year ended 31 December 2021 is due to additional net credit losses recorded of approximately €13 million on NPEs as part of the Group's de-risking activities (including additional ECL charge for Helix 2 disposal and ECL release on Helix 3 portfolio) and the impact of the updated macroeconomic scenarios across all stages of approximately €8 million. There has been also a net ECL charge of approximately €26 million following the cure model recalibration performed in the third quarter of 2021, partially offset by the release of approximately €20 million ECL following the removal of overlays brought forward from 2020.

45. Risk management - Credit risk (continued)

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

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	16,665	25,380	1,555,339	206,166	**1,803,550**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	7,017	(191)	**7,686**
Foreign exchange and other adjustments	-	-	(4,133)	(81)	**(4,214)**
Write offs	(1,496)	(807)	(359,255)	(36,872)	**(398,430)**
Interest (provided) not recognised in the income statement	-	-	68,919	9,939	**78,858**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,560)	(4,206)	**(34,340)**
Write offs*	1,032	812	30,650	6,509	**39,003**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	224,710	34,648	**262,952**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,376,412**	**204,477**	**1,652,635**
Individually assessed	5,801	10,715	89,655	6,967	**113,138**
Collectively assessed	16,818	38,412	1,286,757	197,510	**1,539,497**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

The analysis of credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by business line is presented in the table below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	5,131	6,851	18,163	750	**30,895**
Global corporate	4,204	6,511	28,539	734	**39,988**
SMEs	1,653	3,242	8,151	276	**13,322**
Retail					
- housing	1,615	2,868	7,045	317	**11,845**
- consumer, credit cards and other	2,674	4,434	8,223	1,002	**16,333**
Restructuring					
- corporate	40	1,397	5,015	2,292	**8,744**
- SMEs	79	1,139	13,970	884	**16,072**
- retail housing	3	708	20,005	775	**21,491**
- retail other	14	1,049	16,583	806	**18,452**
Recoveries					
- corporate	-	-	21,374	3,518	**24,892**
- SMEs	-	-	26,338	2,045	**28,383**
- retail housing	-	-	152,596	27,732	**180,328**
- retail other	-	-	152,691	26,643	**179,334**
International banking services	33	1,181	102	6	**1,322**
Wealth management	11	3	1	1	**16**
	15,457	**29,383**	**478,796**	**67,781**	**591,417**

45. Risk management - Credit risk (continued)

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

2020 (restated)	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,652	6,003	21,811	624	**32,090**
Global corporate	4,375	5,600	38,758	1,076	**49,809**
SMEs	2,352	4,263	7,182	363	**14,160**
Retail					
- housing	4,616	6,947	12,259	437	**24,259**
- consumer, credit cards and other	3,551	7,731	9,741	925	**21,948**
Restructuring					
- corporate	286	4,014	55,586	2,863	**62,749**
- SMEs	2,114	6,683	49,512	3,519	**61,828**
- retail housing	1,398	6,020	73,348	3,197	**83,963**
- retail other	195	1,197	52,051	2,239	**55,682**
Recoveries					
- corporate	-	-	65,917	10,452	**76,369**
- SMEs	-	-	245,825	35,644	**281,469**
- retail housing	-	-	373,743	67,590	**441,333**
- retail other	3	-	368,793	75,064	**443,860**
International banking services	67	658	1,707	5	**2,437**
Wealth management	10	11	179	479	**679**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by staging and business line concentration for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Restructuring					
- corporate	286	3,993	58,438	3,294	**66,011**
- SMEs	2,383	9,979	62,891	3,802	**79,055**
- retail housing	401	1,742	51,358	2,034	**55,535**
- retail other	923	2,200	57,810	2,688	**63,621**
Recoveries					
- corporate	-	-	96,183	22,286	**118,469**
- SMEs	-	-	254,462	31,585	**286,047**
- retail housing	-	-	360,331	66,721	**427,052**
- retail other	3	-	343,302	68,158	**411,463**
	3,996	**17,914**	**1,284,775**	**200,568**	**1,507,253**

45. Risk management - Credit risk (continued)

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

The movement of the ECL allowance for the loans and advances to customers in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including ECL allowance for loans and advances to customers held for sale, is presented in the table below:

2021	Corporate €000	Global corporate €000	Retail €000
1 January	16,582	26,080	45,730
Transfer in/(out of) the business line	1,648	(482)	(4,440)
Write offs	(106)	(2,005)	(1,704)
Interest (provided) not recognised in the income statement	267	2,381	934
New loans originated or purchased*	1,018	747	1,847
Loans derecognised or repaid (excluding write offs)*	82	(1,706)	(971)
Write offs*	1	(8)	449
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(2,192)	2,614	(6,779)
Changes to contractual cash flows due to modifications not resulting in derecognition*	638	9,942	(1,097)
Impact on transfer between stages during the year*	(2,218)	(5,419)	(5,754)
31 December	**15,720**	**32,144**	**28,215**

2020	Corporate €000	Global corporate €000	Retail €000
1 January	15,354	33,982	49,257
Transfer out of the business line	(1,170)	(1,909)	(7,706)
Write offs	(1,165)	(19,191)	(4,026)
Interest (provided) not recognised in the income statement	197	1,052	620
New loans originated or purchased*	620	2,568	1,456
Loans derecognised or repaid (excluding write offs)*	(907)	1,976	(932)
Write offs*	16	769	2,178
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	911	7,196	2,530
Changes to contractual cash flows due to modifications not resulting in derecognition*	327	(1,340)	1,313
Impact on transfer between stages during the year*	2,512	977	1,040
Disposal of Velocity 2 portfolio	(113)	-	-
31 December	**16,582**	**26,080**	**45,730**

Credit losses of loans and advances to customers as at 31 December 2021 and 2020 include credit losses relating to loans and advances to customers classified as held for sale as presented in the table below:

	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
31 December 2021	**-**	**710**	**262,706**	**42,003**	**305,419**
31 December 2020	3,260	12,254	721,470	111,234	**848,218**

During the year ended 31 December 2021 the total non-contractual write-offs recorded by the Group amounted to €268,560 thousand (2020: €294,932 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is €984,329 thousand (2020: €1,062,224 thousand).

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (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 macroeconomic scenario for future changes in property prices, and 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 December 2021 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 (2020: approximately 32%), excluding those classified as held for sale.

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 (2020: average of seven years), excluding those classified as held for sale.

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

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

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

Any changes in these assumptions or difference 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.

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Group (excluding the loans and advances to customers classified as held for sale) with reference date 31 December 2021 and 2020.

45. Risk management - Credit risk (continued)

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

The Group has altered for the purpose of sensitivity analysis the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2021	2020
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**3,610**	3,599
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(3,626)**	(3,658)
Increase the expected recovery period by 1 year	**8,000**	21,904
Decrease the expected recovery period by 1 year	**(7,421)**	(18,746)
Increase the collateral realisation haircut by 5%	**19,063**	42,769
Decrease the collateral realisation haircut by 5%	**(16,906)**	(36,934)
Increase in the PDs of stages 1 and 2 by 20%	**8,190**	8,718
Decrease in the PDs of stages 1 and 2 by 20%	**(8,011)**	(7,824)

The increase/(decrease) on ECL, per stage, for loans and advances to customers at amortised cost is further presented in the table below:

	Stage 1	Stage 2	Stage 3	**Total**
2021	€000	€000	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	384	413	2,813	**3,610**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(351)	(461)	(2,814)	**(3,626)**
Increase the expected recovery period by 1 year	434	1,402	6,164	**8,000**
Decrease the expected recovery period by 1 year	(401)	(1,323)	(5,697)	**(7,421)**
Increase the collateral realisation haircut by 5%	1,215	3,742	14,106	**19,063**
Decrease the collateral realisation haircut by 5%	(1,004)	(3,266)	(12,636)	**(16,906)**
Increase in the PDs of stages 1 and 2 by 20%*	2,687	5,503	-	**8,190**
Decrease in the PDs of stages 1 and 2 by 20%*	(2,882)	(5,129)	-	**(8,011)**

	Stage 1	Stage 2	Stage 3	**Total**
2020	€000	€000	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	176	322	3,101	**3,599**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(133)	(422)	(3,103)	**(3,658)**
Increase the expected recovery period by 1 year	412	1,100	20,392	**21,904**
Decrease the expected recovery period by 1 year	(352)	(893)	(17,501)	**(18,746)**
Increase the collateral realisation haircut by 5%	1,176	2,810	38,783	**42,769**
Decrease the collateral realisation haircut by 5%	(973)	(2,431)	(33,530)	**(36,934)**
Increase in the PDs of stages 1 and 2 by 20%*	480	8,238	-	**8,718**
Decrease in the PDs of stages 1 and 2 by 20%*	(783)	(7,041)	-	**(7,824)**

*The impact on the ECL includes also the transfer between stages of the loans and advances to customers following the increase/ decrease in the PD.

45. Risk management - Credit risk (continued)

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

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	2021	**2021**	2020	2020
	€000	**€000**	€000	€000
Corporate	**1,365**	**(1,272)**	867	(792)
Global corporate	**2,194**	**(1,976)**	1,567	(1,287)
SMEs	**724**	**(627)**	764	(653)
Retail				
- housing	**1,838**	**(1,545)**	3,066	(2,612)
- consumer, credit cards and other	**718**	**(653)**	848	(684)
Restructuring				
- corporate	**551**	**(558)**	1,007	(1,186)
- SMEs	**956**	**(858)**	1,255	(978)
- retail housing	**1,079**	**(972)**	3,629	(3,146)
- retail other	**458**	**(420)**	1,918	(1,707)
Recoveries				
- corporate	**748**	**(760)**	1,206	(988)
- SMEs	**1,114**	**(940)**	1,174	(895)
- retail housing	**5,541**	**(4,889)**	10,086	(9,043)
- retail other	**1,503**	**(1,233)**	14,929	(12,539)
International banking services	**273**	**(202)**	451	(423)
Wealth management	**1**	**(1)**	2	(1)
	19,063	**(16,906)**	42,769	(36,934)

45.8 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2021 and 2020 by taking possession of collateral held as security, was as follows:

	2021	2020
	€000	€000
Residential property	**10,100**	33,059
Commercial and other property	**27,021**	90,758
	37,121	123,817

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2021 amounted to €1,274,961 thousand (2020: €1,484,292 thousand).

The disposals of repossessed assets during 2021 amounted to €209,961 thousand (2020: €81,840 thousand).

45. Risk management - Credit risk (continued)

45.9 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Group's loans and advances at amortised cost.

Gross loans at amortised cost	**2021** **€000**	2020 €000
Euro	**9,294,950**	9,833,176
US Dollar	**372,263**	344,446
British Pound	**93,369**	91,213
Russian Rouble	**16,329**	14,957
Romanian Lei	**-**	344
Swiss Franc	**61,336**	108,198
Other currencies	**2,288**	8,269
	9,840,535	10,400,603

Loans and advances to customers classified as held for sale

The following table presents the currency concentration of the Group's loans and advances at amortised cost classified as held for sale.

Gross loans at amortised cost	**2021** **€000**	2020 €000
Euro	**533,190**	1,285,894
US Dollar	**700**	7,023
British Pound	**230**	709
Swiss Franc	**18,184**	42,964
Other currencies	**3,485**	4,665
	555,789	1,341,255

45.10 Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (e.g. provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest).

45. Risk management - Credit risk (continued)

45.10 Forbearance (continued)

For an account to qualify for rescheduling it must meet certain criteria including that the customer must be considered to be viable. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory agreements or orders.

The forbearance characteristic contributes in two specific ways for the calculation of lifetime ECL for each individual facility. Specifically, it is taken into consideration in the scorecard development where if this characteristic is identified as statistically significant it affects negatively the rating of each facility. It also contributes in the construction through the cycle probability of default and cure curves, where when feasible a specific curve for the forborne products is calculated and assigned accordingly.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower’s financing (financial restructuring).

Restructuring options may be of a short or long term nature or a combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:
- Suspension of capital or capital and interest: Granting to the borrower a grace period in the payment of capital (i.e. during this period only interest is paid) or capital and interest, for a specific period of time.
- Reduced payments: decrease of the amount of repayment instalments over a defined short term period in order to accommodate the borrower’s new cash flow position.
- Arrears and/or interest capitalisation: forbearance by capitalisation of the arrears and of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.

Long-term restructuring solutions can include the following:
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or on time sale of assets mainly real estate to reduce borrowing.
- Modification of existing terms of previous decisions: In the context of the new sustainable settlement / restructuring solution, review any terms of previous decisions that may not be met.
- Consolidation / Refinancing of Existing Facilities: In cases where the borrower maintains several separate loans with different collateral, they can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collateral.
- Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace / reduce the current account limit.
- Split and freeze: the customer’s debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is ‘frozen’ for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Liquidation Collateral: An agreement between BOC PCL and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
- Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
- Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.

45. Risk management - Credit risk (continued)

45.10 Forbearance (continued)

- Debt/equity swaps: partial set off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Group and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Group and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

Stage 2 and Stage 3 loans that were forborne during the year amounted to €707,190 thousand (2020: €44,823 thousand). Their related modification loss amounted to €23,243 thousand (2020: €10,133 thousand). In 2020, amount of forbearances executed were significantly lower due to the moratorium being in place (the modification mainly relates to credit-related reasons).

Customers classified as Stage 2 and Stage 3 as at 31 December 2020, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2021 amount to €540,712 thousand (2020:€364,238 thousand) and their corresponding ECL amount to €1,268 thousand (2020:€2,842 thousand).

Previously classified Stage 2 and Stage 3 customers that had facilities modified during the year and are classified as Stage 1 at 31 December 2021 amount to €110,303 thousand (2020: €347,966 thousand) and their corresponding ECL amount to €233 thousand (2020: €2,732 thousand). In 2020 the modification for the majority of these facilities reflects the modification due to moratorium.

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €126,972 thousand (2020: €109,663 thousand) and their corresponding ECL amounts to €5,250 thousand (2020: €2,591 thousand) as at 31 December 2021.

45.11 Rescheduled loans and advances to customers

The below table presents the movement of the Group's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale. The rescheduled loans related to loans and advances classified as held for sale as at 31 December 2021 amounts to €245,452 thousand (2020: €754,795 thousand).

	2021	2020
	€000	€000
1 January	**1,981,825**	2,502,933
New loans and advances rescheduled in the year	**741,116**	75,539
Loans no longer classified as rescheduled and repayments	**(484,039)**	(485,042)
Write off of rescheduled loans and advances	**(110,471)**	(130,321)
Interest accrued on rescheduled loans and advances	**72,292**	53,634
Foreign exchange adjustments	**1,907**	(4,094)
Derecognition of Helix 2/Velocity 2 portfolios	**(733,448)**	(30,824)
31 December	**1,469,182**	1,981,825

The classification as forborne loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

The below tables present the Group's rescheduled loans and advances to customers by staging, economic activity and business line classification excluding those classified as held for sale, as well as ECL allowances and tangible collateral held for such rescheduled loans.

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

	2021	2020
	€000	€000
Stage 1	**6,883**	199,193
Stage 2	**828,849**	242,493
Stage 3	**348,385**	686,944
POCI	**39,613**	98,400
	1,223,730	1,227,030

As described in Note 2.19.3, in 2021 the Group introduced the granting of forbearance measures as a criterion of SICR.

Fair value of collateral

	2021	2020
	€000	€000
Stage 1	**6,751**	161,449
Stage 2	**782,843**	225,402
Stage 3	**275,882**	550,358
POCI	**37,824**	88,925
	1,103,300	1,026,134

The fair value of collateral presented above has been computed based to the extent that the collateral mitigates credit risk.

Credit risk concentration

	2021	2020
By economic activity	**€000**	€000
Trade	**52,714**	87,815
Manufacturing	**16,217**	31,353
Hotels and catering	**259,534**	46,145
Construction	**164,871**	69,188
Real estate	**196,522**	101,489
Private individuals	**414,463**	763,723
Professional and other services	**96,714**	94,385
Other sectors	**22,695**	32,932
	1,223,730	1,227,030

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

	2021	2020 (restated)
By business line	**€000**	€000
Corporate	**276,684**	68,413
Global corporate	**357,490**	114,822
SMEs	**106,362**	58,753
Retail		
- housing	**138,753**	222,078
- consumer, credit cards and other	**47,006**	70,923
Restructuring		
- corporate	**21,836**	76,197
- SMEs	**35,890**	61,392
- retail housing	**66,608**	115,436
- retail other	**20,561**	48,253
Recoveries		
- corporate	**19,796**	18,040
- SMEs	**14,382**	34,980
- retail housing	**81,318**	216,418
- retail other	**22,478**	106,205
International banking services	**14,159**	14,015
Wealth management	**407**	1,105
	1,223,730	1,227,030

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	6,461	255,488	14,735	-	**276,684**
Global corporate	-	303,823	53,667	-	**357,490**
SMEs	-	96,654	5,736	3,972	**106,362**
Retail					
- housing	381	97,548	38,276	2,548	**138,753**
- consumer, credit cards and other	41	29,578	16,181	1,206	**47,006**
Restructuring					
- corporate	-	6,941	8,882	6,013	**21,836**
- SMEs	-	8,705	23,410	3,775	**35,890**
- retail housing	-	13,500	49,746	3,362	**66,608**
- retail other	-	5,047	15,088	426	**20,561**
Recoveries					
- corporate	-	-	17,503	2,293	**19,796**
- SMEs	-	-	12,402	1,980	**14,382**
- retail housing	-	-	70,951	10,367	**81,318**
- retail other	-	-	19,313	3,165	**22,478**
International banking services	-	11,565	2,495	99	**14,159**
Wealth management	-	-	-	407	**407**
	6,883	**828,849**	**348,385**	**39,613**	**1,223,730**

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	19,359	26,319	20,618	2,117	**68,413**
Global corporate	69,789	18,908	26,125	-	**114,822**
SMEs	23,041	22,750	11,504	1,458	**58,753**
Retail					
- housing	55,086	108,175	54,892	3,925	**222,078**
- consumer, credit cards and other	17,391	27,694	22,962	2,876	**70,923**
Restructuring					
- corporate	6,162	13,186	41,857	14,992	**76,197**
- SMEs	4,856	9,483	41,234	5,819	**61,392**
- retail housing	2,284	9,302	100,443	3,407	**115,436**
- retail other	475	2,906	43,446	1,426	**48,253**
Recoveries					
- corporate	-	-	13,308	4,732	**18,040**
- SMEs	-	-	27,600	7,380	**34,980**
- retail housing	-	-	183,999	32,419	**216,418**
- retail other	-	-	89,402	16,803	**106,205**
International banking services	750	3,770	9,376	119	**14,015**
Wealth management	-	-	178	927	**1,105**
	199,193	**242,493**	**686,944**	**98,400**	**1,227,030**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the rescheduled loans and advances to customers by staging and business line concentration for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

2020 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Restructuring					
- corporate	6,162	13,406	49,380	14,856	**83,804**
- SMEs	5,993	14,556	31,049	6,776	**58,374**
- retail housing	1,388	4,350	93,962	2,612	**102,312**
- retail other	234	2,565	52,588	1,401	**56,788**
Recoveries					
- corporate	-	-	8,238	7,440	**15,678**
- SMEs	-	-	42,885	4,769	**47,654**
- retail housing	-	-	176,025	32,891	**208,916**
- retail other	-	-	87,162	16,233	**103,395**
	13,777	**34,877**	**541,289**	**86,978**	**676,921**

ECL allowance

	2021 €000	2020 €000
Stage 1	**8**	4,317
Stage 2	**13,349**	9,729
Stage 3	**120,345**	287,188
POCI	**10,218**	37,888
	143,920	339,122

45. Risk management - Credit risk (continued)

45.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2021	2020
	€000	€000
Aaa - Aa3	**105,759**	165,489
A1 - A3	**84,629**	89,692
Baa1 - Baa3	**3,333**	45,641
Ba1 - Ba3	**9,095,864**	5,517,033
B1 - B3	**19,160**	13,830
Caa - C	**6,078**	5,309
Unrated	**37,474**	45,672
Other receivables from banks	**27,303**	33,747
	9,379,600	5,916,413

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 19).

Debt securities
Investments in debt securities are analysed as follows:

	2021	2020
Moody's rating	**€000**	€000
Aaa - Aa3	**836,676**	727,289
A1 - A3	**254,956**	98,397
Baa1 - Baa3	**78,301**	26,047
Ba1 - Ba3	**735,663**	823,724
Unrated	**24,792**	33,387
	1,930,388	1,708,844
Issued by:		
- Cyprus government	**735,663**	823,725
- Other governments	**311,108**	173,502
- Banks and other corporations	**883,617**	711,617
	1,930,388	1,708,844
Classified as:		
Investments mandatorily measured at FVPL	**6,034**	19,118
Investments at FVOCI	**733,080**	656,856
Investments at amortised cost	**1,191,274**	1,032,870
	1,930,388	1,708,844

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2021	€000	€000	€000	€000
Aaa - Aa3	235,297	595,845	-	595,845
A1 - A3	57,757	197,199	-	197,199
Baa1 - Baa3	31,318	46,983	-	46,983
Ba1 - Ba3	408,708	278,491	48,463	326,954
Unrated	-	24,293	-	24,293
	733,080	**1,142,811**	**48,463**	**1,191,274**

45. Risk management - Credit risk (continued)

45.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2020	€000	€000	€000	€000
Aaa - Aa3	244,767	463,904	-	463,904
A1 - A3	28,347	70,050	-	70,050
Baa1 - Baa3	1,000	25,047	-	25,047
Ba1 - Ba3	382,742	392,306	48,676	440,982
Unrated	-	32,887	-	32,887
	656,856	**984,194**	**48,676**	**1,032,870**

46. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions.

Interest rate risk is measured mainly using the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis where the assets, liabilities and off-balance sheet items, are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated.

Interest rate risk is managed through a 1 Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the net interest income. There are different limits for the Euro and the US Dollar.

Sensitivity analysis
The table below sets out the impact on the Group’s net interest income, over a one year period, from reasonably possible changes in the interest rates of the main currencies using the assumption of the prevailing market risk policy for the current and the comparative year:

46. Risk management - Market risk (continued)

Currency	Interest Rate Scenario	Impact on Net Interest Income in €000	
		2021 (50 bps for Euro and 60 bps for US Dollar)	2020 (50 bps for Euro and 60 bps for US Dollar)
All	Parallel up	35,677	27,592
All	Parallel down	(28,235)	(23,627)
All	Steepening	(19,944)	(15,184)
All	Flattening	25,546	22,494
All	Short up	33,182	26,310
All	Short down	(28,169)	(22,790)
Euro	Parallel up	34,484	26,093
Euro	Parallel down	(26,230)	(21,042)
Euro	Steepening	(17,866)	(12,898)
Euro	Flattening	25,153	21,424
Euro	Short up	32,200	24,886
Euro	Short down	(25,208)	(20,267)
US Dollar	Parallel up	1,193	1,499
US Dollar	Parallel down	(2,005)	(2,585)
US Dollar	Steepening	(2,078)	(2,286)
US Dollar	Flattening	393	1,070
US Dollar	Short up	982	1,424
US Dollar	Short down	(2,961)	(2,523)

46. Risk management - Market risk (continued)

The table below sets out the impact on the Group's equity, from reasonably possible changes in the interest rates under various interest rate scenarios for the Euro and the US Dollar in line with the EBA guidelines.

Currency	Interest Rate Scenario	Impact on Equity in €000 2021 (50 bps for Euro and 60 bps for US Dollar)	2020 (50 bps for Euro and 60 bps for US Dollar)
All	Parallel up	(14,964)	174
All	Parallel down	23,698	42,736
All	Steepening	(9,300)	50,082
All	Flattening	8,986	51,093
All	Short up	3,616	6,044
All	Short down	6,273	47,392
Euro	Parallel up	(18,080)	(1,760)
Euro	Parallel down	60,603	90,207
Euro	Steepening	(7,836)	101,292
Euro	Flattening	17,714	101,893
Euro	Short up	2,234	8,897
Euro	Short down	26,386	99,812
US Dollar	Parallel up	6,232	3,867
US Dollar	Parallel down	(6,604)	(2,367)
US Dollar	Steepening	(1,464)	(564)
US Dollar	Flattening	258	293
US Dollar	Short up	4,998	3,191
US Dollar	Short down	(6,920)	(2,514)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified at FVOCI.

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
2021	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**1,219**	**(739)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**(782)**	**739**

46. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
	€000	**€000**
2020		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	686	(541)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	1,496	541

Interest rate benchmark reform
The LIBOR and the EURIBOR (collectively referred to as IBORs) are the subject of international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently from the past or cease to exist entirely or have other consequences that cannot be predicted.

Regarding LIBOR reform, regulators and industry working groups have identified alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative of the underlying market they intended to measure:
- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

In October 2021, the European Commission designated a statutory replacement rate for certain settings of CHF LIBOR.

On 16 November 2021, the Financial Conduct Authority of the United Kingdom (UK FCA) confirmed that they would permit the temporary use of the synthetic GBP and JPY LIBOR in all legacy LIBOR contracts, other than cleared derivatives that have not been changed at or ahead of end-31 December 2021. Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances.

BOC PCL established a project to manage the transition to alternative interest rate benchmarks with the Director of Treasury as the project owner and with oversight from a dedicated Benchmark Steering Committee. The main divisions involved in the project at the highest level are the Legal Department, Treasury, Risk Management, Finance, Information Technology (IT), Operations and the business lines. The Assets and Liabilities Committee (ALCO) monitors the project on a regular basis.

During 2021, the Group has been actively preparing for the transition to alternative rates, including the assessment of appropriate fallback provisions for LIBOR linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to be published or no longer be representative of the underlying market they intended to measure. The most significantly impacted areas and the risks arising from IBORs' transition to alternative interest rate benchmarks are: updating systems and processes affected from the transition, reviewing and amending legal IBORs' referencing contracts, negotiation of revised legal documents with customers, development of new products, impact on risk management processes and systems, market risk profile changes due to IBOR transition, and financial and accounting matters including among other, hedge accounting issues. During 2021, the Group continued to work on technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transition to alternative Reference Rates (RFRs) in line with official sector expectations and milestones. The Group will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

For the legacy non-cleared derivatives exposures, the Group has adhered to the International Swaps and Derivatives Association (ISDA) protocol which came into effect in January 2021, while for cleared derivatives, BOC PCL will adopt the market wide standardised approach to be followed by the relevant clearing house.

46. Risk management - Market risk (continued)

The Group proactively engaged with its customer base and market counterparties for the amendment of substantially all impacted LIBOR contracts (other than contracts referencing USD LIBOR) by 31 December 2021 for transitioning to alternative rates. Those legacy credit facilities in CHF for which the contract was not amended by the first interest period commencing in 2022 ('tough legacy'), have been transitioned to the statutory rate provided by EU legislation. The Group has also made the necessary arrangements to transition its tough legacy GBP and JPY credit facilities to alternative rates by notifying its customer base accordingly and reserving the right to use a statutory rate provided by EU legislation in case such a rate is nominated in the future. New RFR lending products have also been introduced and adopted across the Group's key currencies. The Group continues to engage with counterparties to transition residual exposures, in line with regulatory guidance. This effort will continue until the transition of USD LIBOR contracts concludes by the end of June 2023.

The following table summarises the significant non derivative exposures impacted by interest rate benchmark reform as at 31 December 2021 and 31 December 2020:

2021	**EURIBOR**	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,863,052	92,819	364,113	26,727	1,627	**5,348,338**
Investments	24,371	-	-	-	-	**24,371**
Loans and advances to banks	87,569	18,341	87,397	4,984	10,261	**208,552**
Total	**4,974,992**	**111,160**	**451,510**	**31,711**	**11,888**	**5,581,261**
Non-derivative financial liabilities						
Deposits by banks	151,051	113	7,658	-	503	**159,325**
Total	**151,051**	**113**	**7,658**	**-**	**503**	**159,325**

2020	**EURIBOR**	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,463,730	89,523	331,684	36,967	4,102	**4,926,006**
Investments	32,993	-	-	-	-	**32,993**
Loans and advances to banks	69,405	1,858	69,326	4,968	9,420	**154,977**
Total	**4,566,128**	**91,381**	**401,010**	**41,935**	**13,522**	**5,113,976**
Non-derivative financial liabilities						
Deposits by banks	154,435	1,110	1,074	-	4,668	**161,287**
Total	**154,435**	**1,110**	**1,074**	**-**	**4,668**	**161,287**

EURIBOR is in compliance with the EU Benchmarks Regulation and can continue to be used as a benchmark interest rate for existing and new contracts. The Group therefore, does not consider that Group's exposure to EURIBOR is affected by the BMR reform as at 31 December 2021 and 2020.

For derivatives in hedging relationships subject to IBOR reform refer to Note 21.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In order to manage currency risk, the ALCO has approved open position limits for the total foreign exchange positions. The foreign exchange position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market Risk.

The Group does not maintain a currency trading book.

46. Risk management - Market risk (continued)

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

	Change in foreign exchange rate	Impact on profit/loss after tax	Impact on equity
2021	**%**	**€000**	**€000**
US Dollar	**+10**	**1,253**	**-**
Russian Rouble	**+25**	**2,571**	**34,656**
Romanian Lei	**+10**	**-**	**340**
Swiss Franc	**+5**	**420**	**-**
British Pound	**+10**	**(70)**	**-**
Japanese Yen	**+10**	**67**	**-**
Other currencies	**+10**	**138**	**-**
US Dollar	**-10**	**(1,025)**	**-**
Russian Rouble	**-25**	**(1,543)**	**(20,793)**
Romanian Lei	**-10**	**-**	**(278)**
Swiss Franc	**-5**	**(380)**	**-**
British Pound	**-10**	**57**	**-**
Japanese Yen	**-10**	**(55)**	**-**
Other currencies	**-10**	**(113)**	**-**

	Change in foreign exchange rate	Impact on profit/loss after tax	Impact on equity
2020	**%**	**€000**	**€000**
US Dollar	+15	4,032	-
Russian Rouble	+25	2,594	27,556
Romanian Lei	+10	-	133
Swiss Franc	+10	1,923	-
British Pound	+10	389	(1,110)
Japanese Yen	+10	118	-
Other currencies	+10	13	-
US Dollar	-15	(2,980)	-
Russian Rouble	-25	(1,556)	(16,534)
Romanian Lei	-10	-	(109)
Swiss Franc	-10	(1,422)	-
British Pound	-10	(318)	909
Japanese Yen	-10	(96)	-
Other currencies	-10	(11)	-

The impact on equity arises mainly from the impact of hedging instruments used to hedge part of the net assets of the subsidiaries. At Group level, there is an approximately equal and opposite impact on equity from the revaluation of the net assets of the foreign operations of the Group.

46. Risk management - Market risk (continued)

Price risk

Equity securities price risk
The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the Group as investments.

Investments in equities are outside the Group's risk appetite but may be acquired in the context of delinquent loan workouts. The Group monitors the current portfolio mostly acquired by the Group as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts, with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Group as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Group, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Group.

The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	**Impact on profit/loss before tax**	**Impact on equity**
2021	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+20**	**-**	**645**
Athens Exchange	**+30**	**257**	**-**
New York Exchange	**+20**	**1,626**	**-**
Other stock exchanges and unlisted	**+65**	**46**	**3,721**
Non-listed (Real Estate)	**+25**	**-**	**1,666**
Cyprus Stock Exchange	**-25**	**(1)**	**(806)**
Athens Exchange	**-35**	**(300)**	**-**
New York Exchange	**-25**	**(2,033)**	**-**
Other stock exchanges and unlisted	**-80**	**(57)**	**(4,579)**
Non-listed (Real Estate)	**-10**	**-**	**(666)**

	Change in index	**Impact on profit/loss before tax**	**Impact on equity**
2020	**%**	**€000**	**€000**
Cyprus Stock Exchange	+20	447	294
Athens Exchange	+30	188	-
Other stock exchanges and unlisted	+20	140	2,670
Cyprus Stock Exchange	-20	(447)	(294)
Athens Exchange	-30	(188)	-
Other stock exchanges and unlisted	-20	(140)	(2,670)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 31 December 2021 was A3 (2020: Baa1). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2021 was Aa2 (2020: Aa1). Further information on ratings of debt securities is disclosed in Note 45.12.

46. Risk management - Market risk (continued)

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Group.

The table below indicates how the profit/loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on Monte Carlo conditional value-at-risk (cVaR) analysis which is a risk measure used to evaluate market risks and it is derived by averaging the worst case loss scenarios, with a confidence level of 99%, performed on a bond level, for the year ended 31 December 2021, and based on observations of changes in credit risk over the past years for the year ended 31 December 2020.

	Impact on profit/loss before tax	**Impact on equity**
2021	**€000**	**€000**
Up scenario:		
Aa3 and above rated bonds	**2,383**	**4,093**
A3 and above rated bonds	**2,722**	**2,627**
Baa3 and above rated bonds	**31**	**4,183**
Cyprus Government bonds	**-**	**22,758**
Down scenario:		
Aa3 and above rated bonds	**(2,383)**	**(4,093)**
A3 and above rated bonds	**(2,722)**	**(2,627)**
Baa3 and above rated bonds	**(31)**	**(4,183)**
Cyprus Government bonds	**-**	**(22,758)**

	Impact on profit/loss before tax	**Impact on equity**
2020	**€000**	**€000**
+3.0% for Aa3 and above rated bonds	2,627	7,287
+3.5% for A3 and above rated bonds	905	981
+4.0% for Baa3 and above rated bonds	51	39
+4.3% for Cyprus Government bonds	-	16,322
-3.0% for Aa3 and above rated bonds	(2,627)	(7,287)
-3.5% for A3 and above rated bonds	(905)	(981)
-4.0% for Baa3 and above rated bonds	(51)	(39)
-4.3% for Cyprus Government bonds	-	(16,322)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of other non-equity investments held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	**Impact on profit/loss before tax**	**Impact on equity**
2021	**%**	**€000**	**€000**
Other (non-equity instruments)	**+20**	**1,107**	**-**
Other (non-equity instruments)	**-25**	**(1,384)**	**-**
2020			
Other (non-equity instruments)	+25	4,596	-
Other (non-equity instruments)	-25	(4,596)	-

Property price risk

A significant part of the Group's loan portfolio is secured by real estate the majority of which is located in Cyprus. Furthermore, the Group holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Group primarily as stock of properties and some are held as investment properties.

46. Risk management - Market risk (continued)

Property risk is the risk that the Group's business and financial position will be affected by adverse changes in the demand for, and prices of, real estate, or by regulatory capital requirements relating to increased charges with respect to the stock of properties held.

47. Risk management - Liquidity and funding risk

Liquidity Risk

Liquidity risk is the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

Management and structure

The Board of Directors sets the Group's Liquidity Risk Appetite which defines the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews at frequent intervals the liquidity position of the Group.

The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity risk across the Group.

The Treasury Division is responsible for liquidity management at Group level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored daily by Market Risk, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market Risk reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.
(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.
(iv) Early warning indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.
(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.
(vi) Recovery Plan: the Group has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Group to be adequately prepared to respond to stressed conditions and restore the Group's liquidity position.

47. Risk management - Liquidity and funding risk (continued)

Monitoring process

Daily
The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. The historical summary results of this report are made available to ALCO and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable BOC PCL to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Group. The stress test assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International Banking Services deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month's mismatch.

Market Risk also prepares a monthly liquidity report which is submitted to the ECB. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of BOC PCL and describes the measures implemented and to be implemented in the short term to improve liquidity position if needed.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

47. Risk management - Liquidity and funding risk (continued)

Annually
The Group prepares on an annual basis its report on ILAAP. The ILAAP report provides a holistic view of the Group's liquidity adequacy under normal and stress conditions. Within ILAAP, the Group evaluates its liquidity risk in the context of established policies, processes for the identification, measurement, management and monitoring of liquidity risk implemented by the institution.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the extended ALCO. The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is tested annually. The LCP, which forms part of the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the Board Risk Committee for approval. The approved Liquidity Policy is notified to the SSM.

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), enforced in June 2021, with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

Funding risk

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory ones (e.g MREL).

Main sources of funding

As at 31 December 2021 the Group's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. Wholesale funding is also becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021 and the issuance of senior preferred debt of €300 million in June 2021.

With respect to TLTRO III operations, BOC PCL borrowed in March 2021 an amount of €1,700 million and in June 2021 another €300 million, having previously borrowed in June 2020 €1,000 million under the TLTRO III, given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID-19 aid package. As a result, at 31 December 2021 the carrying value of the ECB funding was €2,970 million (2020: €995 million).

As at 31 December 2021, the wholesale funding nominal amount was €856 million. This includes funding raised from the wholesale debt capital markets of €220 million AT1 issued in December 2018, €300 million new Tier 2 issued in April 2021, €36 million remaining outstanding from the Tier 2 issued in January 2017 and €300 million senior preferred debt issued in June 2021. In January 2022, BOC PCL redeemed the remaining €36 million outstanding of the Tier 2 issued in January 2017.

Funding to subsidiaries

The funding provided by BOC PCL to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to BOC PCL, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable. Certain subsidiaries have a recommendation from their regulator to exercise caution and prudence regarding dividend distributions and to consider the impact of COVID-19 on their operating models, solvency, liquidity and financial position.

47. Risk management - Liquidity and funding risk (continued)

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 31 December 2021 and 2020 are summarised below:

	2021	2020
	€000	€000
Cash and other liquid assets	**102,463**	78,831
Investments	**1,260,158**	37,105
Loans and advances	**3,126,803**	2,842,941
	4,489,424	2,958,877

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond. The increase in cash and other liquid assets presented as encumbered assets during the year ended 31 December 2021 was driven mainly by the cash encumbered for derivatives and for trade finance transactions.

As at 31 December 2021, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The increase in the investments presented as encumbered assets during the year ended 31 December 2021 was driven by the pledging of additional debt securities to the ECB for obtaining funding through the TLTRO III in March 2021 and June 2021.

Loans and advances indicated as encumbered as at 31 December 2021 and 2020, are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,007 million as at 31 December 2021 (2020: €1,017 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2021 housing loans of a nominal amount of €2,091 million (2020: €1,827 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 30).

BOC PCL maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 28 May 2021, the terms of the covered bonds were amended to extend the maturity date to 12 December 2026 and set the interest rate to 3 months Euribor plus 1.25% on a quarterly basis. The covered bonds are listed on the Luxemburg Bourse. The covered bonds have a conditional Pass Through structure. All the bonds are held by BOC PCL. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks include balances of €36,571 thousand as at 31 December 2021 (2020: €44,220 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €71,321 thousand as at 31 December 2021 (2020: €88,963 thousand).

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

47. Risk management - Liquidity and funding risk (continued)

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

Loan stock is classified in the relevant time band according to the remaining contractual maturity or the call date.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
Amounts of commitments and contingent liabilities are included in the time band on the basis of their remaining contractual maturities.

In the case of undrawn facilities the Group has the right to cancel them upon relevant notice to the customers and hence included in the 'On demand and up to one month' time band.

47. Risk management - Liquidity and funding risk (continued)

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	9,186,073	17,427	23,827	1,997	1,579	**9,230,903**
Loans and advances to banks	197,258	4,921	1,882	69,213	18,358	**291,632**
Investments at FVPL	193,160	-	-	-	6,034	**199,194**
Loans and advances to customers	998,098	216,897	689,990	3,282,030	4,649,390	**9,836,405**
Fair value of derivative assets	4,187	322	46	314	1,784	**6,653**
Non-trading investments	44,715	52,105	247,055	1,126,177	469,917	**1,939,969**
Financial assets classified as held for sale	227,195	8	451	1,606	21,110	**250,370**
Other assets	80,803	1,785	4,443	304,915	1,518	**393,464**
	10,931,489	**293,465**	**967,694**	**4,786,252**	**5,169,690**	**22,148,590**
Financial liabilities						
Deposits by banks	59,987	16,568	26,426	193,160	170,983	**467,124**
Funding from central banks	-	-	-	2,931,762	-	**2,931,762**
Customer deposits	13,135,377	1,836,665	2,545,487	16,523	-	**17,534,052**
Loan stock	38,898	-	27,375	109,500	706,875	**882,648**
Fair value of derivative liabilities	2,249	836	1,746	11,925	15,696	**32,452**
Lease liabilities	607	1,160	5,213	19,641	8,018	**34,639**
Other liabilities	179,195	21,190	30,737	6,582	3,342	**241,046**
	13,416,313	**1,876,419**	**2,636,984**	**3,289,093**	**904,914**	**22,123,723**
Net financial (liabilities)/assets	**(2,484,824)**	**(1,582,954)**	**(1,669,290)**	**1,497,159**	**4,264,776**	**24,867**

47. Risk management - Liquidity and funding risk (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,606,343	18,276	25,430	1,886	1,380	**5,653,315**
Loans and advances to banks	322,874	3,229	249	76,358	74	**402,784**
Investments at FVPL	207,383	-	-	60	500	**207,943**
Loans and advances to customers	1,349,563	198,647	783,138	3,176,677	4,378,022	**9,886,047**
Fair value of derivative assets	4,857	522	178	19,018	52	**24,627**
Non-trading investments	4,737	28,209	300,124	1,089,668	282,433	**1,705,171**
Financial assets classified as held for sale	470,112	773	2,756	9,046	78,775	**561,462**
Other assets	74,148	15,255	8,110	2,678	2,020	**102,211**
	8,040,017	**264,911**	**1,119,985**	**4,375,391**	**4,743,256**	**18,543,560**
Financial liabilities						
Deposits by banks	40,311	24,966	19,375	166,712	148,593	**399,957**
Funding from central banks	-	-	-	979,666	-	**979,666**
Customer deposits	11,846,823	1,916,872	2,717,157	58,496	-	**16,539,348**
Loan stock	23,125	-	-	92,500	296,250	**411,875**
Fair value of derivative liabilities	4,930	998	877	23,138	16,035	**45,978**
Lease liabilities	815	1,374	6,193	26,364	11,320	**46,066**
Other liabilities	179,071	20,718	27,571	5,281	2,691	**235,332**
	12,095,075	**1,964,928**	**2,771,173**	**1,352,157**	**474,889**	**18,658,222**
Net financial (liabilities)/assets	**(4,055,058)**	**(1,700,017)**	**(1,651,188)**	**3,023,234**	**4,268,367**	**(114,662)**

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	420,866	55,956	1,498	-	-	**478,320**
Contractual amounts payable	(416,841)	(55,707)	(1,475)	-	-	**(474,023)**
	4,025	**249**	**23**	**-**	**-**	**4,297**
Financial liabilities						
Contractual amounts receivable	576,053	63,521	798	-	-	**640,372**
Contractual amounts payable	(577,555)	(63,992)	(813)	-	-	**(642,360)**
	(1,502)	**(471)**	**(15)**	**-**	**-**	**(1,988)**

47. Risk management - Liquidity and funding risk (continued)

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,599	2,306	720	-	-	**4,625**
Guarantees	134,280	94,065	247,402	107,768	26,315	**609,830**
Commitments						
Documentary credits	2,007	4,024	3,127	946	1,160	**11,264**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,950,665	-	-	-	-	**1,950,665**
	2,088,551	**100,395**	**251,249**	**108,714**	**27,475**	**2,576,384**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	504,655	36,127	3,193	-	-	**543,975**
Contractual amounts payable	(499,949)	(35,502)	(3,148)	-	-	**(538,599)**
	4,706	**625**	**45**	**-**	**-**	**5,376**
Financial liabilities						
Contractual amounts receivable	565,613	175,348	2,858	-	-	**743,819**
Contractual amounts payable	(570,353)	(175,907)	(2,888)	-	-	**(749,148)**
	(4,740)	**(559)**	**(30)**	**-**	**-**	**(5,329)**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,801	1,542	312	-	-	**4,655**
Guarantees	101,769	105,057	264,089	123,140	25,475	**619,530**
Commitments						
Documentary credits	2,482	5,591	4,957	676	1,160	**14,866**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,986,291	-	-	-	-	**1,986,291**
	2,093,343	**112,190**	**269,358**	**123,816**	**26,635**	**2,625,342**

48. Risk management - Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is largely random and therefore unpredictable.

48. Risk management - Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are largely random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating.

Life insurance contracts
The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes, pandemics and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the careful use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The Group uses an analysis based on its embedded value which provides a comprehensive framework for the evaluation and management of risks faced, the understanding of earnings volatility and operational planning. The table below shows the sensitivity of the embedded value to assumption changes that substantially affect the results:

Changes in embedded value	**2021** **€000**	2020 €000
Change in unit growth +0.25%	**123**	97
Change in expenses +10%	**(3,925)**	(2,451)
Change in lapsation rates +10%	**(1,298)**	(480)
Change in mortality rates +10%	**(9,367)**	(6,457)

The variables above are not linear. In each sensitivity calculation for changes in key economic variables, all other assumptions remain unchanged except when they are directly affected by the revised economic conditions.

Changes to key non–economic variables do not incorporate management actions that could be taken to mitigate effects, nor do they take account of consequential changes in policyholder behaviour. In each sensitivity calculation all other assumptions are therefore unchanged.

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

While the magnitude of these sensitivities will, to a large extent, reflect the size of closing embedded value, each variable will have a different impact on different components of the embedded value. In addition, other factors such as the intrinsic cost and time value of options and guarantees, the proportion of investments between equities and bonds and the type of business written, including for example, the extent of with–profit business versus non–profit business and to the extent to which the latter is invested in matching assets, will also have a significant impact on sensitivities.

48. Risk management - Insurance risk (continued)

Non-life insurance contracts
Non-life insurance business is concentrated in Cyprus and the main claims during 2021 and 2020 related to fire and natural forces and other damage to property, motor vehicle liability and general liability.

Risks under these policies are usually covered for a period of 12 months, with the exception of the goods in transit class that covers shorter periods and the contractors all risks class that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are based on experts' estimates and facts known at the balance sheet date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements in the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on experience and market trends, taking into consideration claims handling costs, inflation and claim numbers for each accident year. Also, external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The risk of a non-life insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, their severity and their evolution from one period to the next.

The main risks for the non-life insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from non-life insurance contracts is also mitigated by the following measures: adherence to strict underwriting policies, strict review of all claims occurring, immediate review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

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

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II. Certain provisions took immediate effect (primarily relating to 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).

49. Capital management (continued)

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

The Group and BOC PCL have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to 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 and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

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 UCITS management company of the Group, BOC Asset Management Ltd complies with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements.

Additional information on regulatory capital is disclosed in 'Additional Risk and Capital Management Disclosures' included in the Annual Financial Report and in the 'Pillar III Disclosures Report 2021 (unaudited)', which is published on the Group's website.

50. Related party transactions

Related parties of the Group include associates and joint ventures, key management personnel, members of the Board of Directors and their connected persons.

(a) Transactions with subsidiary

The Company is the holding company of the Group. The Company enters into transactions with its subsidiary in the normal course of business. Balances and transactions between the Company and its subsidiaries are disclosed in Note 16 of the Company's financial statements. Transactions with the subsidiaries have been eliminated on consolidation.

(b) Associates

The Group provides to and receives from its associates certain banking and financial services. These are not material to the Group and all the transactions are made on normal business terms as for comparable transactions with customers of a similar standing. Additional information is disclosed in Note 52.

(c) Compensation of the Board of Directors and key management personnel

The following disclosures are made in accordance with the provisions of IAS 24 Related Party Disclosures and sections 305 and 306 of the Companies Act 2014, in respect of the compensation of the Board of Directors and key management personnel.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2021	2020
Director emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**801**	708
Termination benefits	**-**	450
Employer's contributions	**43**	49
Retirement benefit plan costs	**68**	55
	912	1,262
Non-executives		
Fees	**1,250**	1,089
Total directors' emoluments	**2,162**	2,351
Other key management personnel emoluments		
Salaries and other short-term benefits	**3,234**	3,363
Employer's contributions	**274**	241
Retirement benefit plan costs	**181**	155
Total other key management personnel emoluments	**3,689**	3,759
Total	**5,851**	6,110

Fees and benefits are included for the period that they serve as members of the Board of Directors. Other key management personnel emoluments are included for the period that they serve as key management personnel.

The termination benefits of the executive directors relate to compensation paid to an executive director who left the Group on 31 October 2020. The retirement benefit plan costs relate to contributions paid for defined contribution plan.

50. Related party transactions (continued)

Executive Directors
The salaries and other short-term benefits of the Executive Directors are analysed as follows:

	2021	2020
	€000	€000
Panicos Nicolaou (Chief Executive Officer)	**715**	506
Christodoulos Patsalides (First Deputy Chief Executive Officer - resigned on 31 October 2020)	**-**	202
Eliza Livadiotou (Executive Director Finance & Legacy - appointed on 6 October 2021, following ECB approval)	**86**	-
	801	708

The retirement benefit plan costs for 2021 amounting to €68 thousand (2020: €55 thousand) relate to Mr Panicos Nicolaou €61 thousand (2020: €40 thousand), Mrs Eliza Livadiotou €7 thousand since the date of her appointment on 6 October 2021 and for 2020 Dr Christodoulos Patsalides up to the date of his resignation €15 thousand.

Non-executive Directors

	2021	2020
	€000	€000
Efstratios-Georgios Arapoglou	**215**	154
Arne Berggren	**113**	112
Maksim Goldman	**113**	117
Ioannis Zographakis	**198**	207
Michael Heger	**113**	117
Lyn Grobler	**154**	135
Anat Bar-Gera (resigned on 26 May 2020)	**-**	35
Paula Hadjisotiriou	**119**	110
Maria Philippou	**119**	102
Nicolaos Sofianos (appointed on 26 February 2021, following ECB approval)	**100**	-
Constantine Iordanou (appointed on 29 November 2021, following ECB approval)	**6**	-
	1,250	1,089

The fees of the non-executive Directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as of committees of the Board of Directors.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the management team who report directly to the Chief Executive Officer or to the Deputy Chief Executive Officer. Mrs Eliza Livadiotou has been appointed as member of the Board of Directors from 6 October 2021 and her emoluments from that date onwards are disclosed within the Executive Directors emoluments above.

50. Related party transactions (continued)

(d) Transactions with Directors and key management personnel

The table below shows the loans and advances, deposits and other credit balances held by the members of the Board of Directors and key management personnel and their connected persons, as at the balance sheet date:

Deposits at 31 December	2021 €000	2020 €000
- members of the Board of Directors and other key management personnel	**2,687**	2,017
- connected persons	**2,254**	2,801
	4,941	4,818
Interest expense on deposits for the year	**-**	3

The above table does not include year-end balances for members of the Board of Directors and other key management personnel and their connected persons who resigned during the year.

Interest expense is disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act 2014 disclosures, 'Directors' means the current Board of Directors of the Company and any past directors who were members of the Board of Directors of the Company during the year.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Group's employees and their connected persons on the same terms as those of customers.

Connected persons include spouses, minor children and companies in which directors/other key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties include entities providing key management personnel services to the Group.

Directors: There were 12 Directors in office during the year (2020: 11 Directors), four of whom availed of credit facilities (2020: three Directors). Four of the Directors who availed of credit Facilities had balances outstanding at 31 December 2021 (2020: two Directors). The balances outstanding are disclosed below.

Key management personnel: There were 17 key management personnel in office during the year (excluding Mrs Eliza Livadiotou who was appointed as member of the Board of Directors on 6 October 2021) (2020: 18 key management personnel), 16 of whom availed of credit facilities (2020: 17 key management personnel). All of the key management personnel who availed of credit facilities had balances outstanding at 31 December 2021 and 31 December 2020.

Where no amount is shown in the tables below, this indicates a credit balance, a balance of nil, or a balance of less than €500.

The value of arrangements at the beginning and end of the current and preceding financial years as stated below in accordance with section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the current and preceding financial years is less than 1%.

Details of transactions with the Directors, key management personnel and their connected persons where indicated, for the years ended 31 December 2021 and 2020 are as follows:

50. Related party transactions (continued)

Board of Directors

Panicos Nicolaou	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**	**Unused credit facilities**
	€000	€000	€000	**€000**	**€000**	**€000**
2021						
Loans	95	-	60	35	95	-
Overdrafts/ credit cards	2	n/a	n/a	3	4	45
	97			38	99	45
2020						
Loans	106	-	11	95	106	-
Overdrafts/ credit cards	1	n/a	n/a	2	2	46
	107			97	108	46

Eliza Livadiotou	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**	**Unused credit facilities**
	€000	€000	€000	**€000**	**€000**	**€000**
2021						
Loans	30	77	8	99	102	-
Overdrafts/ credit cards	9	n/a	n/a	8	33	55
	39			107	135	55

Christodoulos Patsalides	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**	**Unused credit facilities**
	€000	€000	€000	**€000**	**€000**	**€000**
2020						
Loans	164	-	24	n/a	n/a	n/a
Overdrafts/ credit cards	36	n/a	n/a	n/a	n/a	n/a
	200			-	-	-

50. Related party transactions (continued)

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**	**Unused credit facilities**
Ioannis Zographakis	€000	€000	€000	**€000**	**€000**	**€000**
2021						
Overdrafts/ credit cards	1	n/a	n/a	2	4	8
2020						
Overdrafts/ credit cards	1	n/a	n/a	1	1	9

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**	**Unused credit facilities**
Nicolaos Sofianos	€000	€000	€000	**€000**	**€000**	**€000**
2021						
Overdrafts/ credit cards	1	n/a	n/a	1	5	4

In addition, during the year Mrs Eliza Livadiotou was a guarantor for one facility with a balance of €190 thousand as at 1 January 2021 which was derecognised in the year.

The balances included in the table above include principal and interest. Also, amounts advanced and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance.

No other Directors had any loan facilities or overdraft/credit card balances with the Group during the year ended 31 December 2021 (2020: nil).

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2021. All interest that has fallen due on these loans or credit facilities has been paid.

During 2021, no Directors resigned from the Board of Directors (2020: two Directors).

Connected persons of the Board of Directors

The aggregate of loans to connected person of Directors in office at 31 December 2021, as defined in section 220 of the Companies Act 2014, are as follows (aggregate of 2 persons; 2020: 1 person):

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**
Panicos Nicolaou	€000	€000	€000	**€000**	**€000**
2021					
Overdrafts/credit cards	-	n/a	n/a	1	3
2020					
Overdrafts/credit cards	1	n/a	n/a	-	3

50. Related party transactions (continued)

Eliza Livadiotou	Balance as at 1 January (or appointment date)	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year**
	€000	€000	€000	**€000**	**€000**
2021					
Loans	91	-	11	83	91
Overdrafts/credit cards	11	n/a	n/a	7	11
	102			90	102

The balances included in the table above include principal and interest. Also, amounts advanced and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2021. All interest that has fallen due on these loans or credit facilities has been paid.

Key management personnel in office during the year (and their connected persons)

	Balance as at 1 January	Balances of key management personnel appointed in the year	Other movements on balances of key management personnel and their connected persons during the year	Amounts advanced during the year	Amounts repaid during the year	**Balance as at 31 December**	**Aggregate maximum amount outstanding during the year (Since appointment date)**
2021	€000	€000	€000	€000	€000	**€000**	**€000**
Loans	21,398	-	18,572	25	311	1,836	21,398
Overdrafts/credit cards	472	n/a	n/a	n/a	n/a	453	507
	21,870					2,289	21,905
2020							
Loans	21,712	-	-	236	1,339	21,398	21,712
Overdrafts/credit cards	515	n/a	n/a	n/a	n/a	472	515
	22,227					21,870	22,227

The balances included in the table above include principal and interest. Also, amounts advanced and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance. Other movements on balances of key management personnel and their connected persons during the year relate mainly to balances of connected entities that ceased to be connected to key management personnel during the year ended 31 December 2021.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2021. All interest that has fallen due on these loans or credit facilities has been paid.

50. Related party transactions (continued)

Aggregate amounts outstanding at year end and additional transactions

	2021	2020	2021	2020
	Number of directors		€000	€000
Loans and advances as at 31 December				
- Board of Directors	12	9	148	98
- key management personnel	17	18	2,216	2,417
Connected persons			164	19,453
			2,528	21,968
Interest income for the year			394	710
Commission income for the year			1	3
Insurance premium income for the year			367	257
Subscriptions and insurance expenses for the year			377	461
Accruals and other liabilities as at 31 December with entity providing key management personnel services			1,199	2,013
Staff costs, consultancy, restructuring and other expenditure with entity providing key management personnel services			9,980	10,087

The above table does not include year-end balances for members of the Board of Directors and their connected persons who resigned during the year, nor balances of customers that do not meet the definition of connected persons as at 31 December 2021.

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €133 thousand as at 31 December 2021 (2020: €57 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €573 thousand as at 31 December 2021 (2020: €3,007 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 31 December 2021 amounted to €774 thousand (2020: €1,197 thousand).

At 31 December 2021 the Group has a deposit of €2,891 thousand (2020: €4,081 thousand) with Piraeus Bank SA, in which Mr Arne Berggren is a non-executive Director. The Group has also provided certain indemnities to Piraeus Bank SA as part of the disposal of Kyprou Leasing SA in 2015.

During the year ended 31 December 2021 premiums of €152 thousand (2020: €26 thousand) and claims of €19 thousand (2020: €15 thousand) were paid between the members of the Board of Directors of the Company and their connected persons and the insurance subsidiaries of the Group.

There were no other transactions during the year ended 31 December 2021 and the year ended 31 December 2020 with connected persons of the current members of the Board of Directors or with any members who resigned during the period/year.

51. Group companies

The main subsidiary companies and branches included in the Consolidated Financial Statements of the Group, their registered office, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2021 are:

Company	Registered office	Activities	Percentage holding (%)
Bank of Cyprus Holdings Public Limited Company	10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	Holding company	n/a
Bank of Cyprus Public Company Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Commercial bank	100
EuroLife Ltd	4 Evrou Street, CY-2003, Strovolos, Nicosia, Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	2-4 Themistokli Dervis Street, CY-1066, Nicosia, Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	1 Stadiou Street, CY-2571, Nisou, Cyprus	Card processing transaction services	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	1 Agiou Prokopiou and Poseidonos Street, CY-2406, Engkomi, Nicosia, Cyprus	Investment banking and brokerage	100
BOC Asset Management Ltd	1 Agiou Prokopiou and Poseidonos Street, CY-2406, Engkomi, Nicosia, Cyprus	Management administration and safekeeping of UCITS Units	100
LCP Holdings and Investments Public Ltd	1 Agiou Prokopiou and Poseidonos Street, CY-2406, Engkomi, Nicosia, Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Auction company	100
BOC Secretarial Company Ltd	51 Stasinos Street, Ayia Paraskevi, Strovolos, CY-2002, Nicosia, Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	192 Alexandras Avenue, 11521 Athens, Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Calea Dorobonti 187B, Sector 1, Bucharest, Romania	Collection of the existing portfolio of receivables, including third party collections	100
MC Investment Assets Management LLC	19-1 Zvezdnyi building, Moscow, Russia	Problem asset management company	100
Fortuna Astrum Ltd	Internacionalnih Brigada 69, 11104, Grad Beograd, Serbia	Problem asset management company	100

51. Group companies (continued)

In addition to the above companies, as at 31 December 2021 BOC PCL had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Edilia Properties Ltd, Limoro Properties Ltd, Samilo Properties Ltd, Jalimo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Prodino Properties Ltd, Alezia Properties Ltd, Stevolo Properties Ltd and Zenoplus Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2021 BOC PCL had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2021 BOC PCL had 100% shareholding in BOC Terra AIF V.C.I Plc which is a real estate alternative investment fund.

At 31 December 2021 BOC PCL had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Alepar Properties Ltd, Cramonco Properties Ltd, Monata Properties Ltd, Aktilo Properties Ltd, Aparno Properties Ltd, Enelo Properties Ltd, Stormino Properties Ltd, Lomenia Properties Ltd, Vertilia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

In addition, BOC PCL holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Romaland Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

51. Group companies (continued)

BOC PCL also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Folimo Properties Ltd, Paneuropean Ltd, Philiki Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC IV Ltd and Steparco Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

Restructuring of its investment banking and brokerage activities

On 19 November 2020, the Group proceeded with a restructuring of its investment banking and brokerage activities through the acquisition by CISCO of LCP Holdings and Investments Public Ltd and CLR Investment Fund Public Ltd. This was achieved by an increase in the share capital of CISCO to BOC PCL in exchange of the shares held by BOC PCL in both companies. In particular, 67% of LCP Holdings and Investments Public Ltd and 20% in CLR Investment Fund Public Ltd were owned by CISCO as at 31 December 2020. In January 2021, CISCO also proceeded with the acquisition of BOC Asset Management Ltd from BOC PCL. The above restructuring did not have an impact on the results of the Group.

Dissolution and disposal of subsidiaries

As at 31 December 2021, the following subsidiaries were in the process of dissolution or in the process of being struck off: Renalandia Properties Ltd, Crolandia Properties Ltd, Fantasio Properties Ltd, Demoro Properties Ltd, Elosis Properties Ltd, Polkima Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Fairford Properties Ltd, Salecom Ltd, Sylvesta Properties Ltd, Fledgego Properties Ltd, Bocaland Properties Ltd, Tantora Properties Ltd, Selilar Properties Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd and Battersee Real Estate SRL.

Frozenport Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, BC Romanoland Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Corner LLC, Leasing Finance LLC, Omiks Finance LLC, Trecoda Real Estate SRL, Commonland Properties Ltd, Melgred Properties Ltd and Romaland Properties SRL were dissolved during the year ended 31 December 2021. Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd), Jongeling Properties Ltd, Kedonian Properties Ltd, Mikosa Properties Ltd, Vemoto Properties Ltd, Subworld Properties Ltd, Intelamon Properties Ltd, Rofeno Properties Ltd, Belvesi Properties Ltd, Icazo Properties Ltd, Lasteno Properties Ltd, Orzo Properties Ltd, Andaz Properties Ltd, CYCMC III Ltd and CLR Investment Fund Public Ltd and subsequently its indirect holding in CLR's subsidiaries (Europrofit Capital Investors Public Ltd, Axxel Ventures Ltd and CLR Private Equity Ltd) were disposed of during the year ended 31 December 2021.

Acquisitions and disposals of subsidiaries

During the years 2021 and 2020 there were no acquisitions of subsidiaries.

During the year ended 31 December 2021, the Group disposed of its 100% shareholding in Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC and recorded a loss on disposal of €458 thousand in the consolidated income statement for the year ended 31 December 2021 (Note 11). In addition, the Group proceeded with the disposal of its 20% shareholding in CLR Investment Fund Public Ltd in October 2021. The disposal resulted in a loss of €66 thousand, which has been recognised in the consolidated income statement for the year ended 31 December 2021 (Note 11).

There were no material disposals of subsidiaries during the year ended 31 December 2020.

52. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	Percentage holding (%)	Type of investment	2021 €000	2020 €000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	-	Associate	-	2,462
Aris Capital Management LLC	30.0	Associate	-	-
Rosequeens Properties Limited	33.3	Associate	-	-
Rosequeens Properties SRL	33.3	Associate	-	-
Tsiros (Agios Tychon) Ltd	50.0	Joint Venture	-	-
Fairways Automotive Holdings Ltd	45.0	Associate	-	-
			-	2,462

The carrying values of the investments in associates and joint venture are considered to be fully impaired and their value has been restricted to zero.

Share of pre-tax profit from associates

	2021 €000	2020 €000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	137	69
	137	69

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
In March 2021 the Group completed the sale of its entire holding of 34.2% of the UCITS of Apollo. The Group considered that it exercised significant influence over Apollo even though no Board representation existed, because due to its UCITS holdings, it possessed the power to potentially appoint members of the Board of Directors. During the year ended 31 December 2021, an amount of €137 thousand was recognised in the consolidated income statement as the Group's share of profit from Apollo. The loss on the sale of the investment in associate amounted to €97 thousand and has been recognised in 'Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' (Note 11) during the year ended 31 December 2021.

53. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for year 2021:

	Total operating income/(expense)	Average number of employees	Profit/(loss) before tax	Accounting tax expense/(income) on profit/(loss)	Corporation tax paid/(refunded)	Public subsidies received
Country	**€000**		**€000**	**€000**	**€000**	**€000**
Cyprus	547,037	3,515	44,099	5,535	4,031	-
Russia	(30)	4	(5,724)	-	-	-
Romania	(518)	5	(942)	-	9	-
Greece	3,406	6	(1,313)	(1,933)	(1,974)	-
Total	**549,895**	**3,530**	**36,120**	**3,602**	**2,066**	**-**

Total operating income/(expense), profit/(loss) before tax and accounting tax expense/(income) on profit/(loss) are prepared on the same basis as the figures reported elsewhere in these financial statements.

The activities of Group companies by geographical area are disclosed in Note 51.

Total operating income/(expense): comprises net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions, gains/(losses) from revaluation and disposal of investment properties, gains/(losses) on disposal of stock of property and other income.

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2021.

Profit/(loss) before tax: profit/(loss) before tax represents profits/(losses) after the deduction of inter-segment revenues/(expenses).

Accounting tax expense/(income) on profit/(loss): includes corporation tax and Cyprus special defence contribution. Deferred tax charge for the year is excluded.

Corporation tax paid/(refunded) includes actual payments made during 2021 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution.

54. Events after the reporting period

Ukrainian crisis

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets and the global economy, as well as coordinated implementation of sanctions the EU, UK and the U.S., in a coordinated effort joined by several other countries, imposed against Russia, Belarus and certain regions of Ukraine and certain Russian entities and nationals. The Group's policy is to comply with all applicable laws, including sanctions and export controls. At present, numerous complex regimes are developing rapidly in response to the military conflict and the Group is working carefully and assiduously to comply with all relevant requirements and to address their potential consequences.

The Group's direct gross lending risk exposure (including loans and advances to customers classified as held for sale) to Russia, Ukraine and Belarus was approximately €119 million (net book value of such exposure at €110 million) across its business divisions as at 31 December 2021, of which €95 million were classified as performing (the basis of the exposure is expanded compared to the country risk exposure as included in Note 45.2 of the Consolidated Financial Statements which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries). Customer deposits related to Russian/Ukrainian customers are disclosed in Note 31 of the Consolidated Financial Statements.

Further, the Group had Rubble denominated loans and advances to banks of approximately €1 million as at 31 December 2021, and amounting to approximately €9 million as at 21 March 2022. Group's investments at amortised cost included Euro denominated debt securities of a carrying amount of €21.7 million relating to debt securities of a European Union country issuer with significant exposure in Russia and Ukraine, which was reduced by €10 million in March 2022. With respect to derivatives, it is noted that the Group reduced its exposure in Rubble denominated derivatives to nil in March 2022. There were no other investments relating to issuers with significant exposure to Russia and/or Ukraine. The Group's balance sheet as at 31 December 2021 also included net assets of approximately €10 million held in the Group's Russian subsidiary; forming part of the Group's overseas legacy operations which are being run down.

Although the Group's direct exposure to the region is limited, the invasion of Russia to Ukraine could result in prolonged/elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with flow-on global inflationary impacts, and a potential negative impact in the domestic, regional and global economy. The potential impacts from the Russian invasion of Ukraine remain uncertain, including but not limited to, on economic conditions, asset valuations, interest rate expectations and exchange rates. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in International Banking Services.

The Group will continue to closely monitor related effects on its financial position, including estimated direct and indirect impacts on expected credit loss calculations and on fair value measurement of assets, liabilities and off-balance sheet exposures as well as impact on operating profit.

Voluntary exit plan by JCC Payment Systems Ltd

In January 2022, the Group's subsidiary company JCC Payment Systems Ltd proceeded with a voluntary exit plan for its employees, with a cost amounting to €2,901 thousand. In total, 14 employees accepted the voluntary exit plan and are expected to leave the Group by the end of the first half of 2022.

Subordinated Tier 2 Capital Note - January 2017

On 19 January 2022, BOC PCL proceeded with the redemption of the remaining outstanding amount of Subordinated Tier 2 Capital Note - January 2017, of a total nominal value of €43 million, as disclosed in Note 33.

Independent auditors' report to the members of Bank of Cyprus Holdings public limited company

Report on the audit of the financial statements

Opinion

In our opinion, Bank of Cyprus Holdings public limited company's consolidated financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2021 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Financial Report 2021 (the "Annual Report"), which comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2021;
- the Consolidated Income Statement and Consolidated and Company Statements of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 15 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview

Materiality

- €16.5m (2020: €16.5m) - Consolidated financial statements
- Based on c.1% of net assets.
- €14.5m (2020: €13.7m) - Company financial statements
- Based on c.1% of net assets.

Audit scope

- We audited the complete financial information of Bank of Cyprus public company limited (pcl), which is the main trading entity of the Group and the only directly held subsidiary of Bank of Cyprus Holdings public limited company.
- Our audit scope addressed in excess of 95% of the Group's revenues, the Group's absolute value of underlying profit and the Group's total assets.

Key audit matters

- Impairment of loans and advances to customers.
- Going concern.
- Litigation provisions and regulatory and other claims.
- Valuation of repossessed properties.
- Privileged user access.
- Carrying value of investment in Bank of Cyprus pcl (company only).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans and advances to customers Refer to Note 2.19 “Impairment of financial assets” within Note 2 “Summary of significant accounting policies”, Note 5.2 “Calculation of expected credit losses” within Note 5 “Significant and other judgements, estimates and assumptions”, Note 23 “Loans and advances to customers” and Note 45 “Risk management - credit risk”. The Group has developed complex models to calculate expected credit losses (“ECL”) on its loans and advances to customers. Impairment provisions are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant or which meet specific criteria determined by management. We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including: • The interpretations and assumptions required to build the models, including the segmentation employed; • The allocation of loans and advances to customers within Stages 1, 2 or 3 including consideration of relevant overlays, where applicable; • Identifying ‘Significant Increase in Credit Risk’; and • The inputs, assumptions and probability weights assigned to multiple economic scenarios as used by the Group.	We understood and evaluated the overall control framework and tested the design and operating effectiveness of key controls across processes relevant to the calculation of ECL. We tested the completeness and accuracy of data inputs to the ECL model on a sample basis. We read and considered the minutes of the Joint Audit & Risk committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk committee. We assessed the appropriateness of the key assumptions used in the methodologies and models developed by the Group and their compliance with the requirements of IFRS 9. We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the criteria used to allocate loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered staging overlays, in particular those applied by management with respect to COVID 19 impacted customers, where applicable. We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator “challenger model”, on the basis of which an independent point ECL estimate was developed and compared against the Group’s own calculation. We evaluated the Group’s individual assessments for a sample of material Stage 3 exposures for compliance with the Group’s policies, developments during 2021 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records. We considered the impact on the Group’s ECL charge of expected realisation through disposals of certain loan portfolios comprising primarily Stage 3 loans and determined whether the related ECL charge is reasonable. We compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, upturn and downturn scenarios to publicly available information. We also considered the reasonableness of the downturn and upturn assumptions in conjunction with the scenario weightings applied by management.

	We evaluated the appropriateness of the Group's disclosures particularly in relation to significant judgements and estimates. We concluded that the methodologies and judgements used by management in determining the ECL charge were reasonable, that the ECL provisions recognised were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Going concern Refer to note 3 to the financial statements and pages 293 and 314 in the Corporate Governance report. The Directors have determined that it is appropriate to prepare the financial statements using the going concern assumption and that no material uncertainties exist relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and company's ability to continue as a going concern. In making their assessment, the Directors have considered a period of at least twelve months from the date of approval of the financial statements. We considered the Group's assessment of its capital and liquidity position at 31 December 2021 including the improvements noted by management since 31 December 2020. Management has considered two prospective macroeconomic scenarios and then assessed the resulting Group capital and liquidity ratios for comparison against regulatory requirements. The development of these scenarios requires considerable management judgement. Particular consideration has been given to assessing any residual impact of COVID-19 as well as recent geopolitical developments pertaining to the Russian invasion of Ukraine. We determined this to be a key audit matter due to the ongoing focus on the capital adequacy for the Group and the judgements and assumptions underlying the delivery of the Group's Financial Plan.	We obtained the Directors' going concern assessment and assessed whether events and conditions exist that create material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. We read correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Group, as well as other correspondence such as the findings of the ECB's Supervisory Review and Evaluation Process (SREP) which determines the Group's required Regulatory ratios. We considered the Group's 4 year Financial Plan approved by the Board in February 2022. We compared the Group's CET1 and other capital and liquidity ratios as included in management's going concern assessment versus regulatory reporting submissions of the Group. We evaluated the Group's assessment of the impact of the projected macroeconomic scenarios on its liquidity and capital ratios for the period of assessment. In particular, we: • Considered the Group's models used to develop projected future operating results, cash flows and estimates of assets and liabilities and challenged the assumptions underlying them by reference to past experience; • Assessed the Group's development of alternative (base and adverse) macroeconomic scenarios by reference to internal and external forecasts for the performance of the Cypriot economy over the next two years. • Considered the Group's estimates with respect to projected liquidity, in the context of liquidity stress testing. • Assessed the Group's estimation of the expected ECL impact on the customer loan portfolio and the valuation of property assets held as collateral and their consistency with the macroeconomic scenarios under consideration. We evaluated and stress-tested the Group's assessment of the possible impact of recent geopolitical developments pertaining to the Russia Ukraine conflict on the Group's forecast capital ratios.

	We also evaluated the disclosures made in the financial statements and assessed whether they reflected the basis of the conclusions of the Directors' assessment. We concluded that the judgements made by the Directors in preparing the financial statements on a going concern basis were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Litigation provisions and regulatory and other claims Refer to Note 2.36 "Provisions for pending litigation, claims, regulatory and other matters" within Note 2 "Summary of significant accounting policies", Note 5.4 "Provisions for pending litigation, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 39 "Pending litigation, claims, regulatory and other matters". The Group is subject to various legal claims, investigations and other proceedings. Provisions for pending litigation, claims, regulatory and other matters amounted to €104m as at 31 December 2021. Management together with the Group's compliance and legal departments and, where necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for each individual case and assess the probability of economic outflow from the Group. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters requires a significant level of judgement by management. The judgements relate to the probability of obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	We obtained an understanding of and evaluated the design of controls relevant to the recognition and measurement of litigation provisions and regulatory and other claims. We tested the operating effectiveness of controls we wished to rely on. We evaluated a risk based sample of management's assessment of individual cases, including whether an economic outflow was assessed as probable. We assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary, we confirmed case facts and judgements directly with external legal advisors. For cases where economic outflow was assessed as probable by management, and therefore a provision recorded, we recalculated the provision and performed sensitivity analysis on key assumptions used by management. We understood the basis of management's collective provisions, in circumstances where these are applied, assessed the key assumptions used by reference to past experience and recalculated provisions booked. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or relevant developments in current cases. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2021. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Valuation of repossessed properties Refer to Note 2.30 "Stock of property", within Note 2 "Summary of significant accounting policies", Note 5.3	We evaluated the overall control framework relevant to repossessed properties and tested the design and operating effectiveness of key controls around their valuation.

"Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 27 "Stock of properties". The Group has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property at the lower of their cost or net realisable value in accordance with IAS 2. Valuations obtained from reputable external valuers are a key input to determine the appropriate carrying value. We determined this to be a key audit matter in light of the large volume of properties held, the carrying value of these properties of €1,112m at 31 December 2021 and the uncertainty around market conditions when estimating the carrying amount.	We focused on the key inputs and assumptions underlying the valuation of the properties accounted for in accordance with IAS 2. We evaluated the competence, capability and objectivity of management's external experts (property valuers). For a sample of external valuation reports, we assessed the methodology and assumptions used with the assistance of PwC valuation experts. For a sample of properties acquired, we tested 'cost' by reference to signed 'debt-for-asset' agreements entered into with borrowers, and we tested the 'net realisable value' at year end by reference to external valuation reports. We performed look-back procedures by comparing the price achieved for disposals during 2021 to the carrying values for those assets at 31 December 2020. We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards. We concluded that the judgements and estimates used by management in determining the carrying amount of repossessed properties were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Privileged user access Refer to pages 310 to 315 in the Corporate Governance report. The Group's financial reporting is heavily reliant on IT systems which have been in place for a number of years and which are inherently complex, thereby creating an elevated risk to financial reporting. The Group relies on privileged user access controls which are critical to ensuring that changes to applications and underlying data are made in an appropriate manner and to mitigate the risk of potential fraud or error. We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data and we performed extensive procedures due to the nature of the legacy systems in place.	With the assistance of PwC IT audit specialists, we obtained an understanding of the Group's IT environment and evaluated and tested the design and operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting. Where deficiencies in privileged user access controls were identified, we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we: ● Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to validate the completeness of access rights within the Group's user access tool that supports the management of user access, for the provision, deprovision, and recertification of privileged access; ● Extracted the list of privileged users on the Group's data warehouse and considered the appropriateness of access during 2021; ● Extracted the list of developers from the production IT systems and release tools for those applications where

	system functionality is managed in-house and reviewed the appropriateness of developer access; and • Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Group's password policy requirements. After evaluating the results of these additional audit procedures, where necessary our team performed further audit procedures such that, we concluded that any residual audit risk was reduced to an acceptable level.
Carrying value of investment in Bank of Cyprus pcl (company only) Refer to Note 2.3 "Investment in subsidiary" within Note 2 "Summary of significant accounting policies", Note 3 "Significant accounting estimates, judgements and assumptions", Note 7 "Investment in subsidiary" to the Company financial statements. As noted in the accounting policies, investment in subsidiaries is shown at cost in the Company financial statements unless there is evidence of impairment, in which case it is shown at cost less impairment. The carrying value of the investment in subsidiaries exceeded the market capitalisation of BOCH public limited company at 31 December 2021. Having completed an impairment test, the directors determined the recoverable amount using a value-in-use approach (which is considered to be higher than fair value less costs to sell) of the investment and have booked a partial writeback of previous impairment provisions in the amount of €50 million. We considered this to be a key audit matter because of the judgement associated with the assessment of the recoverable amount of the investment at 31 December 2021.	We evaluated and tested controls over the recoverability assessment. We assessed the forecasts of expected cash flows included in management's value in use calculations at 31 December 2021 for consistency with the group's recent trading performance and detailed Financial Plan. We challenged the basis on which management projected cash flows for years after the Financial Plan period and evaluated their reasonableness by reference to historic performance, future plans and external data, as appropriate. We considered management's calculation of the Group's weighted average cost of capital by reference to external sources used by management. We reperformed management's terminal value calculation and considered the appropriateness of the long term growth rate used by reference to external forecasts for the Cypriot economy as at 31 December 2021. We concluded that the impairment assessment in respect of the investment in Bank of Cyprus pcl and the disclosures made in the financial statements are reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Bank of Cyprus pcl is the main trading entity of the group and prepares consolidated financial statements which consolidate all other subsidiaries of the Group. In establishing the overall approach to scoping the group audit engagement, we determined the type of work that needed to be performed by legal entity.

The Group team was responsible for the scope and direction of the audit. In determining our audit scope, we considered the nature and extent of audit work that needed to be performed by us, as the Irish Group engagement team and PwC Cyprus, as component auditors. Where the work was performed by PwC Cyprus component auditors, we determined the level of involvement the Group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

For the consolidated financial statements, an audit of the full financial information of Bank of Cyprus pcl was performed as this accounts for in excess of 95% of the Group's revenues, the Group's absolute value of underlying profit and the Group's total assets, respectively. The nature and extent of audit procedures were determined by our risk assessment.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	***Company financial statements***
Overall materiality	€16.5m (2020: €16.5m).	€14.5m (2020: €13.7m).
How we determined it	c.1% of net assets.	c.1% of net assets.
Rationale for benchmark applied	Given the volatility in profit / loss before tax over recent years resulting from elevated impairment charges and the scale of losses arising from exceptional activities, we believe that net assets provide us with a more appropriate and consistent year on year basis for determining materiality rather than profitability.	The Company is a holding company. Consequently, we consider that net assets is the most relevant measure to reflect the nature of its activities and transactions.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €800,000 (group audit) (2020: €825,000) and €725,000 (company audit) (2020: €685,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern assessment, including the impact of Covid-19 and the potential effect of the invasion of Ukraine by Russia.
- Understanding and evaluating the group's financial forecasts and the group's stress testing of liquidity and regulatory capital. In evaluating these forecasts we considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact that the conflict in Ukraine may have on financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue.

Further detail regarding how our audit addressed Going concern risks is included in our Key Audit Matters table above.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's or the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Statement, are consistent with the financial statements and have been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 is contained in the Corporate Governance Statement. (CA14)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

As a result of the directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), under ISAs (Ireland) we are required to report to you if we have anything material to add or to draw attention to regarding:

- The directors' confirmation on page 293 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 33 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to

whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other Code provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors on page 313 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 310-315 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 50 and 51, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The company financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Prior financial year Remuneration Report

We are required to report if the company has not provided the information required by Section 1110N of the Companies Act 2014 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the directors on 2 April 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2019 to 31 December 2021.

Kevin Egan
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
29 March 2022

Company Financial Statements 2021

Contents

Company Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	**2021**	2020
		€000	€000
Income			
Income from equity instruments	*8*	**27,500**	27,500
Income from debt instruments	*8*	**13,778**	-
Total income from investments		**41,278**	27,500
Other income	*4*	**6,794**	3,515
Total income		**48,072**	31,015
Administrative and other operating expenses	*5*	**(4,185)**	(3,618)
		43,887	27,397
Interest expense on loan stock	*13*	**(14,075)**	-
Finance costs		**(19)**	(18)
Credit losses of financial instruments	*8*	**(1,136)**	-
Reversal of impairment/(impairment) of investment in subsidiary	*7*	**50,000**	(252,000)
Profit/(loss) before tax		**78,657**	(224,621)
Tax	*6*	**-**	-
Profit/(loss) after tax for the year		**78,657**	(224,621)
Other comprehensive income (OCI)			
OCI not to be reclassified in the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net gains/(losses) on investments in equity instruments measured at fair value through OCI (FVOCI)	*8*	**27,205**	(28,829)
Total OCI not to be reclassified in the income statement in subsequent periods		**27,205**	(28,829)
Other comprehensive income/(loss) for the year		**27,205**	(28,829)
Total comprehensive income/(loss) for the year		**105,862**	(253,450)

The notes on pages 260 to 270 form an integral part of these Company financial statements.

Company Balance Sheet

as at 31 December 2021

Assets		**2021**	2020
Non-current assets	*Notes*	**€000**	€000
Investment in subsidiary	*7*	**1,430,000**	1,380,000
Investments	*8*	**540,610**	210,729
		1,970,610	1,590,729
Current assets			
Other assets		**55**	45
Receivables from related parties	*10*	**335**	302
		390	347
Total assets		**1,971,000**	1,591,076
Equity and liabilities			
Equity and reserves			
Share capital	*11*	**44,620**	44,620
Share premium	*11*	**594,358**	594,358
Revaluation and other reserves		**17,934**	(9,271)
Retained earnings	*12*	**792,002**	740,927
Equity attributable to the owners of the Company		**1,448,914**	1,370,634
Other equity instruments	*11*	**220,000**	220,000
Total equity and reserves		**1,668,914**	1,590,634
Non-current liabilities			
Loan stock	*13*	**301,661**	-
Current liabilities			
Bank overdrafts	*9*	**142**	127
Other payables	*14*	**283**	315
		425	442
Total liabilities and equity		**1,971,000**	1,591,076

Mr. E. G. Arapoglou
Chairman

Mr. P. Nicolaou
Chief Executive Officer

29 March 2022

The notes on pages 260 to 270 form an integral part of these Company financial statements.

BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital (Note 11)	Share premium (Note 11)	Retained earnings (Note 12)	Financial instruments fair value reserve (Note 8)	**Total equity attributable to the owners of the Company**	Other equity instruments (Note 11)	**Total equity**
	€000	€000	€000	€000	**€000**	€000	**€000**
Balance at 1 January 2020	**44,620**	**1,294,358**	**293,048**	**19,558**	**1,651,584**	**220,000**	**1,871,584**
Loss after tax for the year	-	-	(224,621)	-	**(224,621)**	**-**	**(224,621)**
Other comprehensive loss after tax for the year	-	-	-	(28,829)	**(28,829)**	**-**	**(28,829)**
Total comprehensive loss after tax for the year	-	-	(224,621)	(28,829)	**(253,450)**	**-**	**(253,450)**
Payment of coupon to AT1 holders (Note 11)	-	-	(27,500)	-	**(27,500)**	**-**	**(27,500)**
Reduction of share premium	-	(700,000)	700,000	-	**-**	**-**	**-**
Balance at 31 December 2020/1 January 2021	**44,620**	**594,358**	**740,927**	**(9,271)**	**1,370,634**	**220,000**	**1,590,634**
Profit after tax for the year	-	-	78,657	-	**78,657**	**-**	**78,657**
Other comprehensive profit after tax for the year	-	-	-	27,205	**27,205**	**-**	**27,205**
Total comprehensive profit after tax for the year	-	-	78,657	27,205	**105,862**	**-**	**105,862**
Payment of coupon to AT1 holders (Note 11)	-	-	(27,500)	-	**(27,500)**	**-**	**(27,500)**
Special defence contribution on deemed dividend distribution	-	-	(82)	-	**(82)**	**-**	**(82)**
Total transactions with owners	**-**	**-**	(27,582)	-	**(27,582)**	**-**	**(27,582)**
Balance at 31 December 2021	**44,620**	**594,358**	**792,002**	**17,934**	**1,448,914**	**220,000**	**1,668,914**

The notes on pages 260 to 270 form an integral part of these Company financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 €000	2020 €000
Cash flows from operating activities			
Profit/(loss) before tax		**78,657**	(224,621)
Adjustments for:			
Income from equity instruments	*8*	**(27,500)**	(27,500)
Income from debt instruments	*8*	**(13,778)**	-
Credit losses of other financial instruments	*8*	**1,136**	-
Interest expense on loan stock	*13*	**14,075**	-
(Reversal of impairment)/impairment of investment in subsidiary	*7*	**(50,000)**	252,000
		2,590	(121)
Changes in working capital:			
Other assets		**(10)**	328
Receivables from related parties	*10*	**(33)**	(302)
Other payables	*14*	**(32)**	230
Payables to related parties		**-**	(130)
Tax paid		**(82)**	-
Net cash from operating activities		**2,433**	5
Cash flows from investing activities			
Income received from equity instruments	*8*	**27,500**	27,500
Purchase of debt instruments	*8*	**(300,000)**	-
Income received from debt instruments		**9,966**	-
Net cash (used)/from investing activities		**(262,534)**	27,500
Cash flows from financing activities			
Payment of AT1 coupon	*11*	**(27,500)**	(27,500)
Payment of interest on loan stock		**(9,966)**	-
Net proceeds from issuance of loan stock (net of costs)	*13*	**297,552**	-
Net cash from/(used in) financing activities		**260,086**	(27,500)
Net (decrease)/increase in cash and cash equivalents		**(15)**	5
Cash and cash equivalents:			
At beginning of the year		**(127)**	(132)
At end of the year	*9*	**(142)**	(127)

The notes on pages 260 to 270 form an integral part of these Company financial statements.

1. Corporate information

Bank of Cyprus Holdings Public Limited Company (the 'Company') was incorporated in Ireland on 11 July 2016, as a public limited company under company number 585903 in accordance with the provisions of the Companies Act 2014 of Ireland (Companies Act 2014). Its registered office is 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland.

The Company owns 100% of the share capital of Bank of Cyprus Public Company Limited (BOC PCL) whose principal activities, together with BOC PCL's subdiairies, involve the provision of banking, financial services, insurance services and management and disposal of property predominately acquired in exchange of debt. The Board of Directors does not expect that the Company's activities will change in the foreseeable future. The Company is tax resident in Cyprus.

The Bank of Cyprus Holdings Group (the 'Group') comprises the Company, its subsidiary BOC PCL and the subsidiaries of BOC PCL.

The shares of the Company are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE).

The Company financial statements are available at the Company's registered office (at 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland) and on the Group's website http://www.bankofcyprus.com (Group/Investor Relations/Financial Results).

Company Financial statements
The Company financial statements for the year ended 31 December 2021 were authorised for issue by a resolution of the Board of Directors on 29 March 2022. The Company also issues consolidated financial statements which are available at the Company's registered office and on the Group's website.

The Company financial statements are originally issued in English. The Greek translation of the Company financial statements will be available on the Group's website from 30 March 2022. In case of a difference or inconsistency between the English document and the Greek document, the English document prevails.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRSs.

Presentation of the Company financial statements
The Company financial statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated. A comma is used to separate thousands and a dot is used to separate decimals.

2.2 Going concern

The going concern assessment of the Company is consistent with the going concern assessment of the Group, which is presented in Note 3 of the consolidated financial statements of the Group for the year ended 31 December 2021.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the financial statements of the Company are consistent with those adopted in preparing the consolidated financial statements of the Group, a summary of which is presented in Note 2 of the consolidated financial statements of the Group for the year ended 31 December 2021.

In addition, the following policies are applied:

Investment in subsidiary
The investment in subsidiary is measured at cost less impairment.

2. Summary of significant accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

Investment in subsidiary (continued)

The Company periodically evaluates the recoverability of the investment in subsidiary whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows of the subsidiary or material adverse changes in the economic or political stability of the country in which the subsidiary operates, which may indicate that the carrying amount of the subsidiary is not recoverable. If facts and circumstances indicate that the investment in subsidiary may be impaired, the Company determines the recoverable amount of the investment in subsidiary as the higher of its fair value less costs to sell and its value-in-use. Value-in-use is calculated by estimating the future cash inflows and outflows to be derived from continuing use of the asset and applying the appropriate discount rate.

If the recoverable amount is lower than the carrying value of the subsidiary, an impairment loss is recognised equal to the excess of the carrying value over the recoverable amount. In the cases where the recoverable amount is higher than the carrying value of the subsidiary, that increase is recognised by the Company as a reversal of the impairment loss recognised in prior periods, to the extent that the increased carrying amount attributable to the reversal of the impairment does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Further details on the determination of the recoverable amount of the investment in subsidiary are disclosed in Note 7.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 2.2 of the consolidated financial statements of the Group for the year ended 31 December 2021, which did not have an effect on the Company financial statements.

3. Significant accounting estimates, judgements and assumptions

The preparation of the Company financial statements requires the Company's Board of Directors and management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the Company financial statements and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Board of Directors has made the following judgements and estimations:

Fair value of investments

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Company use only observable market data and so the reliability of the fair value measurement is relatively high.

However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Company only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the Company's fair value of assets and liabilities are disclosed in Note 15.

3. Significant accounting estimates, judgements and assumptions (continued)

Impairment review of its subsidiary undertaking

The Company carries its investment in its subsidiary undertaking at cost and reviews whether there is any indication of impairment at each reporting date. Impairment testing involves comparing the carrying value of the investment to its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value-in-use. If the recoverable amount is higher than the carrying value of the investment, that increase is recognised by the Company as a reversal of the impairment loss recognised in prior periods as explained in Note 2.3. Further details on the Company's key estimates for the recoverable amount of the investment in subsidiary are disclosed in Note 7.

4. Other income

	2021	2020
	€000	€000
Management consultancy services (Note 16 (ii))	1,310	1,138
Reimbursement of expenses and fees (Note 16 (ii))	5,484	2,377
	6,794	3,515

5. Administrative and other operating expenses

	2021	2020
	€000	€000
Directors' fees (Note 16 (iv))	1,250	1,089
Insurance	1,805	1,544
Consultancy and other professional fees	668	410
Stock exchange fees	287	283
Audit fees	243	231
Other expenses	(68)	61
	4,185	3,618

Audit fees above include fees to the statutory auditor (PwC Ireland) of €30 thousand (excluding VAT) for the audit of the Company financial statements (2020: €30 thousand excluding VAT) and €100 thousand (excluding VAT) for the audit of the Company consolidated financial statements (2020: €100 thousand excluding VAT). The consultancy and other professional fees above do not include any fees charged by the Company's statutory auditors.

The Company did not employ any staff during the years 2021 and 2020.

6. Tax

The reconciliation between the income tax expense and the profit/(loss) before tax as estimated using the current income tax rates is set out below:

	2021	2020
	€000	€000
Profit/(loss) before tax	78,657	(224,621)
Income tax at the normal tax rates in Cyprus	9,832	(28,078)
Income tax effect of:		
- expenses not deductible for income tax purposes	541	31,830
- income not subject to income tax	(10,373)	(3,752)
	-	-

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2020: 12.5%).

7. Investment in subsidiary

	2021	2020
	€000	€000
1 January	**1,380,000**	1,632,000
Reversal of impairment/(impairment) of investment in subsidiary	**50,000**	(252,000)
31 December	**1,430,000**	1,380,000

The investment in subsidiary represents a 100% investment in the share capital of BOC PCL, a company registered in Cyprus and its activities are presented in Note 1. Its registered office is at 51 Stassinos Street, 2002, Strovolos, Nicosia, Cyprus.

As at 31 December 2021, the Company performed an assessment of the carrying value of the investment in subsidiary resulting in a partial reversal of previously recognised impairment loss of €50,000 thousand (2020: impairment charge of €252,000 thousand).

The assessment involved the determination of the recoverable amount of the investment in subsidiary as the higher of its fair value less costs to sell and the value-in-use (VIU). While the recoverable amount based on the VIU exceeds market capitalisation at 31 December 2021, the depressed share price is the result of the overall subdued banking environment in which the entity currently operates, along with various entity-specific factors that affect the liquidity of the shares. Compared with 31 December 2020, the VIU exceeded the carrying value by €50,000 thousand. The increase in VIU was principally due to the impact from BOC PCL's actual performance, which was better than earlier estimates, revisions to management's best estimates of BOC PCL's future earnings in the short to medium term, and the net impact of revisions to certain long-term assumptions.

In future periods, the VIU may increase or decrease depending on the effect of changes to model inputs. The main model inputs are described below and are based on factors observed at year-end. The factors that could result in a change in the VIU and an impairment include a short-term underperformance by BOC PCL, a change in regulatory capital requirements or an increase in uncertainty regarding the macroeconomic conditions and future performance of BOC PCL's resulting in a lower forecast of future asset growth or profitability. An increase in the discount rate could also result in a reduction of VIU and an impairment.

At the point where the carrying value exceeds the VIU, impairment would be recognised.

To determine the VIU of the investment in subsidiary, the future cash flows to be derived from continuing use of the asset were estimated with the use of a dividend discount model, which was based on the financial plan approved by the Board up to 2025 and projections beyond 2025 until 2029 were extrapolated. The key assumptions and factors taken into consideration include:

- Forecasted net lending growth, forecasted increase in non-interest income which is based on historical experience of the Group, strategic priorities and direction and extrapolated in the later years considering the macroeconomic forecasts as well as key KPIs of the Group.
- Impairment charge based on historical experience and forecasted general macroeconomic outlook. NPE expected coverage ratio is also considered.
- Operating cost is impacted by cost saving initiatives and envisaged operating model. For period beyond 2025 this takes into consideration projected macroeconomic variables such as CPI and maintain a reasonable cost to income ratio.
- Deposits projections and issuances/redemptions based on the liquidity funding needs of the Groups as well as projected MREL requirements.
- Capital requirements: This was based on the current minimum regulatory requirements, incorporating known changes such as the phasing-in of the O-SII buffer after which has assumed to remain the same throughout the period, and incorporating an additional capital cushion over the minimum capital requirements.

The assumptions are based on both internal and external information including the Group's actual and historic performance, the key objectives of the Group's strategy as well as the macroeconomic environment in Cyprus. From year 2030 onwards, a terminal growth rate has been assumed in the valuation. Growth rate is determined by reference to long-term economic growth, taking into consideration both Cyprus GDP growth projections and brokers consensus. A long-term growth rate of 2% (2020:2%) was used, and does not exceed the relevant long-term average growth rate of the economy in which it operates.

7. Investment in subsidiary (continued)

An appropriate discount rate has been applied which reflects the estimated cost of equity of 11.5% (2020: 11.5%) determined on the basis of CAPM model and brokers' consensus, which take into consideration various risks.

The impact of changes in the growth rate and the discount rate by reference to the carrying value of the investment has been assessed by the Management:
- An increase of 1% in the discount rate would result in an additional €173,000 thousand (2020: €184,000 thousand) impairment;
- A decrease of 1% in the discount rate would result in an additional reversal of impairment by €217,000 thousand (2020: €231,000 thousand);
- An increase of 1% in the long term growth rate would result in an additional reversal of impairment by €29,000 thousand (2020: €31,000 thousand);
- A decrease of 1% in the long term growth rate would result in an additional €23,000 thousand (2020: €25,000 thousand) impairment;

8. Investments

	2021	2020
	€000	€000
Equity instruments at fair value through other comprehensive income (Note 16 (vi))	**237,934**	210,729
Debt instruments measured at amortised cost (Note 16 (vii))	**302,676**	-
	540,610	210,729

Equity instruments
In December 2018, the Company issued €220,000 thousand of Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (AT1) (Note 11). On the same date, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €220,000 thousand proceeds of the issue of the AT1 (the loan, the 'AT1 Loan') on terms substantially identical to the terms and conditions of the AT1 issued by the Company. The AT1 Loan constitutes an unsecured and subordinated obligation of BOC PCL. The interest is at 12.50% and is payable semi-annually. BOC PCL may elect to cancel any interest payment for an unlimited period, and on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain circumstances. The AT1 Loan is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at BOC PCL's option on the fifth anniversary of the issue date and each subsequent fifth anniversary. AT1 Loan has been classified as equity instruments at fair value through other comprehensive income. During the year ended 31 December 2021 an income of €27,500 thousand (2020: €27,500 thousand) has been recognised in profit and loss in respect of these investments.

The fair value of equity instruments held by the Company is determined using models for which all inputs that have a significant effect on fair value are market observable. Equity instruments are financial instruments whose fair value is categorised as Level 2 instruments in fair value hierarchy.

There were no transfers in and out of Level 2 during 2021 and 2020.

During the year ended 31 December 2021 a gain of €27,205 thousand (2020: loss of €28,829 thousand) has been recognised in other comprehensive income in respect of the fair value measurement of these investments.

Debt instruments
In April 2021, the Company issued €300,000 thousand unsecured and subordinated Tier 2 Capital Notes (the 'Notes') (Note 13) and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300,000 thousand proceeds of the issue of the Notes (the 'T2 Loan') on terms substantially identical to the terms and conditions of the Notes issued by the Company. The interest is 6.625% per annum payable annually in arrears and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The note matures on 23 October 2031. BOC PCL has the option to redeem the T2 Loan early on any day during the six-month period from 23 April 2026 to 23 October 2026. The T2 Loan has been classified as a debt instrument measured at amortised cost. During the year ended 31 December 2021 an income of €13,778 thousand (2020: nil) has been recognised in profit and loss in respect of this instrument. As at 31 December 2021 the T2 Loan is classified as Stage 1 for ECL purposes and amount of €1,136 thousand that relates to 12-months ECL has been recognised as credit losses for the year ended 31 December 2021.

9. Bank balances

Bank balances include the following for the purpose of the statement of cash flows:

	2021	2020
	€000	€000
Bank overdrafts (Note 16 (v))	**142**	127

10. Receivables from related parties

	2021	2020
	€000	€000
Current assets		
Receivables from related parties (Note 16 (v))	**335**	302

The above balances represent the maximum exposure to credit risk at the balance sheet date.

11. Share capital

	2021		2020	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
Ordinary shares of €0.10 each	**446,200**	**44,620**	446,200	44,620

The Company did not provide financial assistance permitted by section 82 of the Companies Act 2014 of Ireland for the purchase of its shares.

Authorised and issued share capital

All issued shares are fully paid and carry the same rights.

There were no changes to the authorised or issued share capital during the years ended 31 December 2021 and 2020.

Share premium reserve

2021
There were no changes to the share premium reserve during the year ended 31 December 2021.

2020
The Company, following relevant resolution of its shareholders at the May 2020 Annual General Meeting and subsequent approval by the ECB in September 2020 and by the Irish High Court (pursuant to section 85(1) of the Companies Act 2014 of Ireland), implemented a capital reduction process in November 2020, which resulted in the reclassification of €700 million of the Company's share premium balance as distributable reserves (retained earnings).

11. Share capital (continued)

Share-based payments-share options

Following the incorporation of the Company and its introduction as the new holding company of the Group in January 2017, the Long Term Incentive Plan was replaced by the Share Option Plan which operates at the level of the Company. The Share Option Plan is identical to the Long Term Incentive Plan except that the number of shares in the Company to be issued pursuant to an exercise of options under the Share Option Plan should not exceed 8,922,945 ordinary shares of a nominal value of €0.10 each and the exercise price was set at €5.00 per share. The term of the options was also extended to between 4-10 years after the grant date.

No share options were granted since the date of replacement of the Long Term Incentive Plan by the Share Option Plan at the level of the Company. Any shares related to the Share Option Plan carry rights with regards to control of the Company that are only exercisable directly by the employee.

Other equity instruments

	2021	2020
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

In December 2018 the Company issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (AT1). AT1 constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2021 two coupon payments to AT1 holders were made of a total amount of €27,500 thousand (2020: €27,500 thousand) and have been recognised in retained earnings. The Company may elect to cancel any coupon payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels coupon payment under certain circumstances. AT1 is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary subject to the prior approval of the regulator. AT1 is listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

12. Retained earnings

For the purpose of dividend distribution, retained earnings determined at Company level, are the only distributable reserve.

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1.70% contribution to the National Health System increased to 2.65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders. During 2021 a special defence contribution on deemed dividend distribution of €82 thousand (2020: €1 thousand) was paid by the Company.

13. Loan stock

	Contractual interest rate	2021		2020	
		€000	**€000**	€000	€000
		Nominal value	**Carrying value**	Nominal value	Carrying value
Subordinated Tier 2 Capital Note – April 2021	6.625% up to 23 October 2026	**300,000**	**301,661**	-	-
		300,000	**301,661**	**-**	**-**

Subordinated Tier 2 Capital Note - April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 6.625% per annum payable annually in arrears and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The note matures on 23 October 2031. BOCH has the option to redeem the note early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. During the year ended 31 December 2021 an amount of €14,075 thousand has been recognised as interest expense on this loan stock.

14. Other payables

	2021	2020
	€000	€000
Accruals	**268**	245
VAT payable	**10**	65
Corporation tax payable	**5**	5
	283	315

Other payables are due within 12 months from the balance sheet date.

15. Fair value measurement

The fair value of the financial assets and financial liabilities approximates their carrying value as at 31 December 2021 and 2020, except for the investments in debt instruments measured at amortised cost (Note 8) and the loan stock (Note 13), whose fair value is disclosed below:

	2021			2020		
	Fair value measurement hierarchy	**Carrying value**	**Fair value**	Fair value measurement hierarchy	Carrying value	Fair value
		€000	**€000**		€000	€000
Financial assets						
Debt instruments measured at amortised cost (Note 8)	**Level 2**	**302,676**	**315,463**	-	-	-
Financial liabilities						
Loan stock (Note 13)	**Level 1**	**301,661**	**315,463**	-	-	-

16. Related party transactions

The following transactions were carried out with related parties:

(i) Income from investments

	2021	2020
	€000	€000
Income from investments		
Equity instruments		
BOC PCL	**27,500**	27,500
Debt instruments		
BOC PCL	**13,778**	-

(ii) Other income

	2021	2020
	€000	€000
Management consultancy services	**1,310**	1,138
Reimbursement of expenses and fees	**5,484**	2,377
	6,794	3,515

The above transactions were carried out between the Company and its subsidiary BOC PCL on an arm's length basis.

(iii) Administrative and other expenses

	2021	2020
	€000	€000
Consultancy and other professional fees	**16**	11

The above consultancy and other professional fees were carried out between the Company and its subsidiary BOC PCL on an arm's length basis.

(iv) Directors' remuneration

The total directors' fees amount to €1,250 thousand (2020: €1,089 thousand). These were reimbursed by BOC PCL and included in other income above.

Fees are included for the period that Directors serve as members of the Board of Directors.

Non-executive Directors remuneration

	2021	2020
	€000	€000
Efstratios-Georgios Arapoglou	**215**	154
Arne Berggren	**113**	112
Maksim Goldman	**113**	117
Ioannis Zographakis	**198**	207
Michael Heger	**113**	117
Lyn Grobler	**154**	135
Paula Hadjisotiriou	**119**	110
Maria Philippou	**119**	102
Nicos Sofianos (appointed on 26 February 2021 – following ECB approval)	**100**	-
Anat Bar-Gera (resigned on 26 May 2020)	**-**	35
Constantine Iordanou (appointed on 29 November 2021 following ECB approval)	**6**	-
	1,250	1,089

The fees of the non-executive Directors include fees as members of the Board of Directors of the Company, as well as of members of the committees of the Board of Directors.

16. Related party transactions (continued)

(v) Year-end balances

	2021	2020
	€000	€000
Receivables from related parties		
BOC PCL	**335**	302
Bank overdrafts		
BOC PCL	**142**	127

The receivable from related parties as at 31 December 2021 and 2020 related to income outstanding from management consultancy services and reimbursement of expenses and fees.

There were no other significant transactions with related parties of the Company and no information to be disclosed under section 307 of the Companies Act 2014 of Ireland for the years 2021 and 2020.

(vi) AT1 Capital Securities

In December 2018 the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €220,000 thousand proceeds of the issue of the AT1. Further details are disclosed in Note 8.

(vii) Subordinated Tier 2 Capital Note

In April 2021 the Company and BOC PCL entered into another agreement pursuant to which the Company on-lent to BOC PCL the entire €300,000 thousand proceeds of the issue of the Tier 2 loan stock. Further details are disclosed in Note 8.

17. Dividend

Based on the 2019 SREP decision, which remained in effect during 2021 following relevant communication by the ECB, the Company is under a regulatory prohibition for equity dividend distribution. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital. No dividends were declared or paid during years 2021 and 2020. Following the 2021 SREP Decision the Company remains under a regulatory prohibition for equity dividend distribution.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company.

18. Financial risk management

The Company is exposed to risks the most significant of which are the liquidity risk and market risk.

18.1 Liquidity risk

Liquidity risk refers to probable losses that the Company may face, in case of repayment difficulties to its cash flow obligations. The level of operational costs is low and the Company enjoys adequate liquidity.

18.2 Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes security prices. The Market Risk department is responsible for monitoring the risk resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Price risk

Equity securities price risk
The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the Company as investments.

Investments in equities are outside the Company's risk appetite.

Changes in the prices of equity securities that are classified as FVOCI affect the equity of the Company.

18. **Financial risk management** (continued)

18.2 **Market risk** (continued)

Price risk (continued)

Equity securities price risk (continued)
The table below shows the impact on the equity of the Company from a change in the price of the equity instruments held, as a result of reasonably possible changes based on a Monte Carlo conditional value-at-risk (cVaR) analysis performed on the underlying assets for the year ended 31 December 2021, and based on a change in the price of the equity instruments held, as a result of reasonably possible changes in the relevant stock exchange indices for the year ended 31 December 2020.

2021	Change in index	Impact on equity
	%	€000
Other stock exchanges and unlisted	**+5.6**	**13,324**
Other stock exchanges and unlisted	**-5.6**	**(13,324)**
2020		
Other stock exchanges and unlisted	+15	31,609
Other stock exchanges and unlisted	-15	(31,609)

19. Capital management

The capital management of the Company is consistent with the capital management of the Group as presented in Note 49 of the consolidated financial statements of the Group for the year ended 31 December 2021.

20. Events after the reporting date

There were no material events which occurred after the reporting date other than as disclosed in Note 54 of the consolidated financial statements of the Group for the year ended 31 December 2021.

Annual Corporate Governance Report 2021

Introduction

Part A

Sound corporate governance and corporate administration guarantee a dynamic and effective communication between the Board, the management and the shareholders and consequently the successful implementation of any institution's strategy. The Board of Directors (the 'Board') of the Bank of Cyprus Holdings Plc (the 'Company') views governance as the way it makes decisions and provides oversight in order to promote the Company's success for the long-term benefit of its shareholders and all other stakeholders. It aims to ensure on an ongoing basis that the Company is a modern, competitive and sustainable organisation and promotes the highest standards of integrity, transparency and accountability.

It has therefore been the policy of the Company to fully adhere to the Cyprus Stock Exchange Code ('CSE Code') and comply with all applicable corporate governance requirements. All provisions of the CSE Code have been incorporated in the Company's Corporate Governance Policy and all its principles are fully implemented. The established governance framework provides for systems of checks and controls required to drive accountability and effective decision making across the Company, together with its subsidiaries (the 'Group'), with appropriate policies and practices in place to ensure that the Board and its committees operate effectively. A key objective of the governance framework of the Group is to ensure compliance with applicable corporate governance requirements which in 2021 comprised of:

- The Central Bank of Cyprus ('CBC') Directive on Internal Governance of Credit Institutions (the 'CBC Directive on Internal Governance') (available on www.centralbank.cy);
- The European Banking Authority ('EBA') Guidelines on internal governance under Directive 2013/36/EU;
- The CSE Code (5th revised edition – January 2019) (available on www.cse.com.cy);
- The UK Corporate Governance Code 2018 published by the Financial Reporting Council in the UK (the 'UK Code' which is available on www.frc.org.uk);
- The Joint European Securities and Markets Authority ('ESMA') and EBA Guidelines on the assessment of the suitability of members of the management body ('The Joint Guidelines on Suitability');
- The CBC Directive on the assessment of the suitability of members of the management body and Key Function Holders (the 'CBC Directive on Suitability') (available on www.centralbank.cy).

Corporate governance principles are constantly evolving, and the Board is committed to monitoring and reviewing the Company's corporate governance framework accordingly through regular reviews and challenge.

Part B

The Company confirms that it has complied with the provisions of the CSE Code throughout 2021. The Company applies the provisions of the Code all through the Group. As at the date of this Report, all material subsidiary companies maintain an audit committee and a risk committee. The Report explains how the Company has applied the provisions of the CSE Code through year 2021. The Remuneration Policy Report follows on page 324.

The Directors further consider that the Company has complied with the provisions of the UK Code, other than as set out herein:

- The announcement of the voting results at the 2021 Annual General Meeting ('AGM') did not state as per provision 4 that the Board would be taking follow up action of the resolution which was voted against by more than 20% of shareholders, nor was there an update six months later of the actions taken to understand the viewpoint of the shareholders. However, discussions with dissenting shareholders did take place and the result, following the nomination by several investors, was the appointment of Mr. Iordanou to the Board. An update is included in this report in section 1.3 on page 287.
- The composition of the Human Resources & Remuneration Committee and the Risk Committee in 2021 did not meet provision 32 of the UK Code. By virtue of the CBC Directive on Suitability Mr. Goldman is considered as a non-independent non-executive director even though the Board believes that Mr. Goldman demonstrates independent judgement and challenge.
- Due to certain remuneration restrictions (such as no granting of variable pay) in place by the regulator, the Human Resources & Remuneration Committee and the Board are restricted in their ability to fully comply with provisions 35, 36,37 and 38.
- No engagement with the workforce has taken place to explain how executive remuneration aligns with wider company remuneration as per provision 41.
- The current status of pension arrangements is considered to be fair in light of the remuneration restrictions.

Introduction (continued)

Part B (continued)

The narrative that follows also covers how the Company has applied the principles, provisions and disclosure requirements set out in the UK Code.

The Board considers that the Group's governance arrangements are robust and include a clear organisational structure with well defined, transparent and consistent lines of responsibility which support the maintenance of a robust control environment. These governance arrangements also include consistent authority limits, reporting mechanisms to higher levels of management and the Board, as well as effective processes through which to identify, manage, monitor and report risks to which the Group is or might be exposed.

The Group has appropriate internal control mechanisms including sound administrative and accounting procedures, Information Technology ('IT') systems and controls.

In accordance with section 225 of the Irish Companies Act 2014, the Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The Directors confirm that a compliance statement has been drawn up setting out the Company's policies and that appropriate arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. The Board continually monitors and reviews internally, at least once a year, its governance framework and that of the Group's subsidiary companies (where applicable) through effective oversight.

1. Board of Directors

The Board derives its authority to act from the Articles of Association of the Company and the prevailing companies, stock exchange and banking laws, the directives of the CBC, as well as the CSE and UK Codes. The role of the Board and its committees is well described and analysed in the Board Manual that is annually reviewed and incorporates all responsibilities that emanate from the regulatory framework and best practices.

The Company is the sole shareholder of Bank of Cyprus PCL ('BOC PCL' or 'the Bank'). A common board and committee structure applies, with the same directors sitting on the Board of Directors of the Company and on the Board of Directors of BOC PCL and on the committees of each of the two Boards.

The Board has delegated authority to committees of the Board to support its oversight of risk and control. The committee terms of reference are reviewed annually by the relevant committees and by the Board and are available on the Group's website www.bankofcyprus.com.cy/group or by request to the Company Secretary.

Appropriate cross-membership of key Board committees, including between the Audit Committee ('AC') and the Risk Committee ('RC') and Human Resources and Remuneration Committee ('HRRC') and the Risk Committee, is ensured. The Nominations and Corporate Governance Committee ('NCGC') reviews the composition and purpose of the Board committees annually on behalf of the Board. Details of these committees are set out in section 5 of this report.

The minutes of all meetings of Board committees are circulated to all directors for information and are formally noted by the Board. Papers for all Board committee meetings are also made available to all directors, irrespective of membership. Where there might be a conflict of interest or issues of personal confidentiality, circulation of minutes and papers is restricted. The chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meeting of the Board.

1.1 The Role of the Board

The Board of Directors is collectively responsible for the long-term success of the Group, and is committed to effective leadership which contributes to wider society. The Board's role is to promote the Group's vision, values, culture and behaviour, within a framework of prudent and effective controls, which enables risk to be identified, assessed, measured and managed. The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types. Further information on risk management and the Board's role in the risk governance of the Group is set out in section 5.4 of this report on page 316.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

The Board is responsible for ensuring that management maintains an adequate and effective internal governance framework and internal control system, which includes a clear organisational structure and the smooth operation of independent risk management, regulatory compliance, internal control and ICT and security risk management functions with adequate powers and resources for the performance of their duties. Furthermore, the Board has the responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects, including in relation to the annual and interim financial statements and other price-sensitive public reports and reports required by regulators and by law.

The Board sets the Group's strategic objectives and risk appetite to support the strategy; integrates sustainability into the way business is conducted; ensures that the necessary financial and human resources are in place for the Group to meet its objectives; ensures that the Group's purpose, values, strategy and culture are all aligned and reviews management performance in that regard. The Board also ensures that its obligations towards its shareholders and other stakeholders are understood and met. The Board recognises the need to be adaptable and flexible to respond to changing circumstances and emerging business priorities, whilst ensuring the continuous monitoring and oversight of core issues.

The Board is the decision-making body for all matters of importance because of their strategic, financial or reputational implications or consequences. A formal schedule of matters reserved for approval by the Board ensures that control of these key decisions is maintained by the Board. The schedule of matters reserved for the Board is reviewed at least annually to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice. A full schedule of matters reserved for the Board can be found at www.bankofcyprus.com.cy/group.

Moreover, the Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group. Their appropriateness for the role is monitored on an ongoing basis. The removal from office of the head of a 'control function' as defined in the CBC Directive on Internal Governance, is also subject to Board approval.

Stakeholders

Effective governance facilitates the delivery of the Company's Purpose and strategy, particularly in challenging times. The Board is committed, through the Group's governance model, to driving purpose-led decision-making and to delivering accountability to its stakeholders. Throughout the COVID-19 pandemic, the Board has focused on protecting the health and wellbeing of the workforce and supporting the Group customers, clients and other stakeholders, while ensuring that the Bank remains secure and resilient, both financially and operationally.

The purpose of the Bank of Cyprus is to continuously support the development of the Cyprus economy and society by going beyond banking; to deliver stakeholder value through responsible operations, sustainable products and innovative services by remaining a strong driving force of sustainable development in the country. Its mission is to support its customers through their daily needs and in the most important moments of their lives. It invests resources and effort to ensure that the Group's services are provided by leading professionals at the cutting edge of technology with ethics and integrity.

Good governance generates mutual trust and engagement between the Company and its stakeholders. Responding to the concerns of stakeholders is a key element of the Group's corporate responsibility and transparency projects and initiatives. The Group has identified, inter alia, the following key stakeholders: regulators, society, suppliers, customers, shareholders and employees.

The Board spends time engaging with relevant stakeholders, including employees, clients, investors and regulators to better understand their views and perspectives. The Board will continue to enhance the mechanism that ensures that the Group's stakeholders are given due regard and consideration as part of the Board's decision-making.

This section describes the ways the Board takes into account in its discussions and decision-making, the interests of stakeholders and the matters set out in section 172 of the Companies Act.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

The Chairman, members of the Board, chairs of Board committees and members of Senior Management regularly meet with regulators including the Joint Supervisory Team ('JST'), the Central Bank of Cyprus ('CBC'), the European Central Bank ('ECB') and others. Discussions include regulation and supervision, risk governance and oversight, the future of the banking industry, climate-related and environmental risks, strategic challenges and rebuilding culture. The Board is regularly updated on these meetings. Management provides regular briefings to the Board on regulatory engagement and correspondence which ensures that the Board remains aware of regulatory expectations and areas of focus.

The Bank 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 by 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 Bank has set up a robust governance structure to oversee its Environmental, Social and Governance ('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.

Several policies have been updated, and this effort will continue in the coming years, as it will be conducive in streamlining operations and culture with the Bank's ESG ambition. At the same time, the Bank will intensify its support to its clients and communities in becoming increasingly sustainable and will respond to the heightened importance the Bank's investors and shareholders attach to ESG matters. The Bank has the commitment, the scale and the reach to deliver the desired change across Cyprus in the coming years. Environmentally friendly products have been launched, and the Bank will continue to enrich its products and services in line with its ESG Strategy and the Recovery and Resilience Plan for Cyprus.

The Company has adopted the United Nations 2030 Agenda, as represented by the Sustainable Development Goals (SDGs) for 2030, which provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. The Group's management has decided that the Company should actively contribute to the achievement of the SDGs and work effectively with its stakeholders to accelerate inclusive growth, to confront climate change and achieve sustainable development. The Group has committed to becoming carbon neutral by 2030 and to have net zero emissions by 2050, whilst at the same time supporting its customers and communities in this transition. The Group has also committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Bank' strategy:

- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies by 2030.

The Company participates in the European programme Business4Climate and commits to a more active involvement in climate protection. This means the reduction of greenhouse gas emission by 8% until 2030, through a customised action plan that includes policy implementation, measures and daily practices which contribute in mitigating the Group's environmental footprint.

The Bank is a valid member of the Business Integrity Forum (BIF) which is an internationally recognised forum of credible corporations that form this alliance with the purpose of supporting and promoting business ethics and integrity via the adoption of a specific framework of governance guidelines, conformity with which is validated on an annual basis.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

True to its vision of services beyond banking, the Group in partnership with the Non-Governmental Organisation Reaction created SupportCy in 2020, a network of companies and organizations which supported the state mechanism and society in general in its fight against the pandemic of COVID-19. SupportCy became a legacy that will continue to offer, based on the collaborations and mutual support of its members. The total amount provided through SupportCy to society surpassed €650,000 while the network of companies and organizations grew to 130. SupportCy provides support to the Ministry of Health, the Ministry of Labour, Welfare and Social Insurance and the Ministry of Education.

More information on the initiatives of the Company with respect to its role in society can be found in the Corporate Sustainability Report on https://www.bankofcyprus.com.cy/group/corporate-responsibility/our-sustainability-reports/. SupportCy was a result of the strategy of the Group as approved by the Board in not only offering a sponsorship but rather through this network of partners providing support wherever needed in cooperation with the state mechanism.

At the centre of the Bank'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, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the education of over 30 entrepreneurs and financial support of €60.000 provided via the IDEA Innovation Centre. Staff have continued to engage in voluntary initiatives to support charities, foundations and people in need.

The Bank maintains a Donations, Sponsorships and Partnership Policy which does not allow sponsorship of political parties or any associations or organisation related directly or indirectly to one.

The Company aims to develop healthy and mutually beneficial business relationships with its vendors and business partners. To this respect it has established a Vendor Management Unit, which operates according to the Sourcing Procurement and Vendor Management Policy approved by the Board, to ensure the prevalence of transparency, integrity, fair competition and accountability throughout the execution of the process of procurement. A structured assessment and due diligence is executed prior to selecting a supplier. The Group develops healthy partner-like relationships with major suppliers for regular consultation and procurement planning, leading to enhanced efficiencies as well as improved quality of purchased goods and services.

The Board continues to closely monitor developments in, and the effects of COVID-19 on both the global and Cypriot economy. Economic activity recovered strongly in 2021, driven by domestic demand as well as by external demand in the second half of the year, reflecting a strong recovery in tourist activity in the period. At the same time, the Group has continued its focus on providing support to its customers, staff and community.

Government support to businesses and households remained substantial in the year. Over the medium term, prospects remain positive aided also by the Recovery and Resilience Fund of Next Generation EU. The Bank's medium term strategic priorities are clear, with a renewed focus on growing revenues in a more capital efficient way, whilst striving for a leaner operating model. In addition, the Group continues to focus on further strengthening its asset quality, whilst maintaining a good capital position, in order to continue to play a vital role in supporting the recovery of the Cypriot economy. Delivery on the Bank's medium term strategic priorities is enabled by the Group's transformation plan. The Group aims 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 continues to work towards becoming a more customer centric organisation. The Board receives regular updates on progress against customer metrics from management. In addition, its understanding of customers' perspectives is informed by deep dives on customer themes through customer surveys and focus groups and through customer complaints. To further enhance the customer-centric focus of its strategy the Board was informed of the stock taking of customer experience issues encountered while servicing in branch channels, and the actions taken to resolve such issues.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

The Bank of Cyprus' vision is to create lifelong partnerships with its customers, guiding and supporting them in a changing world. Its marketing slogan 'In every next move' indicates the commitment of the Bank to this respect. A transformation plan is in progress to enable modern banking by digitally transforming customer service, as well as internal operations. The transformation plan will enable delivery on the Group's strategic pillars, with key shifts focusing on a leaner and more efficient operating model, profitability and optimisation of the client service and distribution models with an emphasis on the customer. The benefits of this transformation are already enjoyed by the Bank's customers who have online access to banking services through their computer, tablets and mobile devices. In support of government guidelines to limit movements during the pandemic, the Bank encouraged its customers to shift to safe digital channels for most of their transactions, avoiding all physical presence in branches.

The Bank has embarked on a revolutionary development of Digital Onboarding of clients, which has improved customer experience and timeliness of service, but also contributes to the further de-risking of the Bank via the gradual termination of the professional intermediaries' channel and lastly supports the environmental integrity of the Bank.

The Group has very low appetite for threats and losses arising from cyber-attacks and information misuse. The security, protection and privacy of personal data are important to the Group. Securing Bank's information and systems has been one of the most significant priorities for the Board. Investments are thus made in terms of people to first, second and third lines of defence employing qualified security engineers, analysts and IT auditors. In addition, significant investments are made in innovative technology on a continuous basis (such as machine learning and artificial intelligence). Management support is at the highest possible level and there is direct independent reporting to the appropriate Board committees. In parallel all its security controls follow regulatory standards (GDPR, NIS, PSD2, PCI, SWIFT) and international best practices (such as ISO 27001).

Further, the Group maintains a zero-tolerance policy for money laundering and terrorism financing incidents and no violation of the relevant legislation or breach of the Group's internal policies, procedures and its compliance framework are permitted. The Board expects strict adherence to policies and procedures from every member of staff and this is reiterated in every meeting of the AC, through continuous refresher training sessions for Anti-Money Laundering ('AML') and through the Key Performance Indicators ('KPIs') of Local Compliance Officers at each unit of the Group.

The establishment in early 2021 of the Transformation Office to provide a holistic oversight and challenge of all transformation initiatives and programmes in order to materially improve performance and/or organisational effectiveness provides management and the Board with the ability to proactively identify any areas of challenge and competing priorities. This programme has impacted and continues to impact various facets of the Group's business model, affecting the structure of the Bank, given that the overriding objective is to simplify processes, make the most of synergies and knowledge-sharing, inter alia.

Moreover, significant changes are being implemented as per the Board's direction to enable a more modern and efficient workplace. New technologies and tools have been introduced that will significantly improve employee collaboration and knowledge sharing across the organisation. A series of automations, streamlining processes and organisational innovation initiatives resulted in improved customer services, internal efficiencies and savings, in accordance with the Group's strategy aimed at enhancing productivity and achieving a lean operating model and a lower cost base over time. BOC PCL has already begun the journey of transforming its branch network. The first model branch in Nicosia was launched in February 2021 while a second branch will be launched in Limassol in early 2022.

Next steps include the transition to the new renewed Internet Banking platform, while soon customers will be able to easily have an overall view of their finances. At the same time, new tools such as defining and managing budgets and opening of new lending products entirely through the Group's digital channels will soon be available to customers.

The Board is regularly updated through the HRRC on matters relating to employees. Staff members remain a key factor in achieving the Group's objectives. Further to the Board's direction that the Group maintains its high-performance culture, the Bank has continued to upgrade its staff's skill set by providing training and development opportunities to all staff, and capitalising on modern delivery methods.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

In 2021, the Bank continued to place special emphasis on staff wellness offering seminars on Healthy Eating, Mental Health in the workplace and Financial Planning to 630 employees, through its 'Well at Work program'. The Group's commitment in safeguarding gender equality in the workplace has been translated into policies and practices over the years. In 2021, the Group received a Certificate by the Ministry of Labour, Welfare and Social Insurance for applying good practices for gender equality in the working environment.

The right of association including the right to trade unions and accession to them, is constitutionally guaranteed by article 21.2 and article 11 of the European Convention on Human Rights. These rights are also reflected in article 21 of the Constitution of the Republic of Cyprus (1960, amended 2013). The Union of Banking Employees of Cyprus was registered as a trade union in 1956 and still remains the sole representative of workers in the banking sector. Almost all employees of the Bank (97.6%) are members of the Cyprus Union of Bank Employees. A collective agreement is in place.

The Board has set the reshaping of the Bank's culture as a key strategic driver of value and success. The Ethics, Conduct & Culture Committee ('ECCC') works closely with the executive team to ensure a continued focus on the Group's culture, to achieve the Group's purpose, mission and vision and live up to the Group's Code of Ethics. The Committee together with the HRRC is working towards empowering the Group's existing engagement mechanisms between the Board and the workforce.

The Ethos Project under the auspices of the ECCC and the Chief of Staff was set up to bolster the culture of ethics and risk management for the better protection of employees, customers and the Group. The Bank developed an action plan focused on the cultivation of a healthy culture of ethics and risk management and the development of the important profiles of desirable behaviours that are required to help strengthen the genuine relationship of trust with the Group's customers, investors and regulators.

Short video clips, under the slogan 'I am the Bank" endorsed by the Board, were produced to raise awareness among staff about risks that should not be overlooked in their effort to best serve their clients, on which practices to avoid and which to cultivate. Both the Chief of Staff and the Chairman of the ECCC were involved in passing this message to staff.

The Board also reviews the results of the Pulse and Staff Opinion Surveys and how these are transformed into actions in response to staff feedback. The Group appointed more than 25 Health Champions across all its sectors who interviewed and discussed with all staff their perception relative to what needs to be done in the Group Organisational Health Index ('OHI'). The OHI focuses on – and simultaneously examines - all aspects of the Group's work culture as well as the way it operates as an organization. Action plans were set in place for all areas of focus identified.

The Board, through the AC reviews the effectiveness of the Whistleblowing Policy annually. Further to recommendation by the ECCC, the Board decided that whistleblowing should be encouraged for those cases where staff do not comply with regulations and act out of policy. Such instances should be part of the appraisal and a case for triggering disciplinary procedures.

The Group has improved its risk profile and financial viability while improving its social and environmental approach and maximising its positive impact. The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. The Group is a diversified, leading, financial and technology hub in Cyprus. It has delivered significant progress against its strategy announced in November 2020 and this, together with the solid growth outlook for the Cyprus economy, has allowed the Group to update its medium-term strategic targets with an increased focus on creating shareholder value. The Group now increases its medium-term return on tangible equity (ROTE) target to over 10%, providing the foundations for a return of dividend distributions, subject to performance and relevant approvals. The Group has continued to provide high- quality new loans via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries more in line with the Bank's target risk profile.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

Significant deleveraging of the Cyprus economy of the past seven years is coming to an end. The Group aims to benefit from its strong market position; to help deploy the Cyprus Recovery and Resilience Fund; to grow shipping and international corporate lending with prudence; and to explore market opportunities in trades of performing loans in Cyprus. At the same time, it aims to support its customers in the transition to a sustainable future through, for example, the provision of environmentally friendly products.

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, further diversifying the Group's income streams. Furthermore, there are initiatives underway to enhance revenues from the insurance business in the medium term. The Group currently has sustainable healthy profitability from its insurance business and it is aiming for further growth leveraging on the Bank's strong market share. Finally, the Group aims to introduce the Digital Economy Platform 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 to drive opportunities in lifestyle banking and beyond.

Following the imposition of restrictive measures by the Council of the European Union and other jurisdictions against Russia and Belarus, and various Russian and Belarusian entities and individuals and although the Group's direct exposure to Russia, Ukraine or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in international banking services. Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage.

To facilitate the Board's understanding of the views of major shareholders, directors receive an investor relations update from management at all scheduled meetings of the Board. The content of this update includes market updates, details of recent investor interactions, share price and valuation analysis and share register analysis. The Company facilitates direct dialogue with investors since it is striving for the greatest possible transparency. It also works towards integrating feedback in its corporate strategy. This is achieved through participation in conferences, private meetings, virtual road shows, frequent conference calls and at least quarterly updates on the results of post-corporate transactions of great significance. The Chairperson and the Senior Independent Director ('SID') maintain direct contact with investors. The chairpersons of the committees make themselves available for questions at the AGM. The CEO, the Executive Director Finance & Legacy and the Manager Investor Relations engaged extensively in 2021 with existing shareholders and potential new investors during individual or group meetings and on roadshows and investor conferences.

The Board is closely monitoring the execution of the strategic plan and therefore regularly discusses progress against targets. The Board instils the right tone from the top; has set down the values of the Company i.e. integrity, transparency, accountability, confidentiality and sustainability and aims to embed them in every activity and operation of the Group. The Group is thus creating value for its customers, shareholders and employees.

Leadership

There is a clear separation between the role of the Chairperson who is responsible for the leadership and effectiveness of the Board, and the Chief Executive Officer ('CEO') who is responsible for the running of the Company's business. This clear division of responsibility is documented in the Board Manual and the Corporate Governance Policy which have been approved by the Board. The Corporate Governance Policy is available on the Group's website https://www.bankofcyprus.com.cy/globalassets/who-we-are/our-governance/group-corporate-governance-policy.pdf. The day to day operations of the Group have been delegated to management.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Role of the Chairperson

The Chairperson oversees the Board's operation and effectiveness, including ensuring the agenda cover the key strategic items confronting the Group; sets the style and tone of Board discussions; encourages the active participation of members of the Board in the discussions and activities of the Board and sets clear expectations regarding the Group's culture, values and behaviour. The Chairperson also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards.

Role of Vice-Chairperson

The Vice-Chair provides support and guidance to the Chairperson as required and in coordination with the Chair, acts as an ambassador for the Board and Group in its relationship with regulators, employees and clients, and deputises the Chairperson at Board, general shareholder or other meetings when the Chair is unable to attend.

Role of Senior Independent Director

The Senior Independent Director (the 'SID') is available to shareholders and members of the Board if they have concerns that have not / cannot be dealt with through normal communication channels. He provides a sounding board for the Chairperson, as well as support to the Chairperson in delivering his objectives.

He chairs an executive session of the non-executive directors to assess the performance of the Chairperson as part of the annual evaluation of Board performance and takes responsibility for an orderly succession process for the Chairperson working closely with the NCGC. He also attends meetings with major shareholders to ensure that there is a balanced understanding of the issues and concerns that they may have.

Non-Executive Directors

Non-executive directors are responsible for monitoring executive activity and contributing to the development of strategy of the Company. They are not Company employees and do not participate in the daily management of the Group.

Their role is to constructively challenge management, to scrutinize the performance of senior management in meeting agreed goals and objectives and to monitor the reporting of the performance. Non-executive directors must also satisfy themselves on the integrity of financial information and that the systems of financial controls, compliance and risk management frameworks and the internal control framework are robust and defensible. The NEDs (including the Chairman and the Deputy Chairperson) bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Regular meetings are held between the non-executive directors in the absence of the executive directors and at least once a year in the absence of the Chairperson.

Executive Directors

Executive Directors have executive functions in the Group in addition to their Board duties. The role of Executive Directors, led by the CEO, is to propose strategies to the Board and, following challenging Board scrutiny, to execute the agreed strategies to the highest possible standards.

The CEO is an employee of BOC PCL. The CEO's termination of employment is subject to six months' notice to that effect to be given to the executive director, without cause but at the sole discretion of BOC PCL. The Executive Director Finance & Legacy ('EDFL') is also an employee of BOC PCL and was appointed to the Board in October 2021. The EDFL's employment is mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by BOC PCL based on years of service and for a four-month prior written notice by the executive director in the event of a voluntary resignation.

Role of the CEO

The CEO is responsible for the execution of the approved strategy and has ultimate executive responsibility for the Group's operations, performance and compliance. In his day-to-day management of the Group, as delegated by the Board, the CEO is supported with recommendations and advice from the Executive Committee ('ExCo') which he chairs. The CEO's service contract is reviewed at least every five years.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

1.1.1 Information and Support

The Board meets on a regular basis and has a formal schedule of matters for consideration which evolves based on business needs and which the Board formally reviews annually. Performance against delivery of the agreed key financial priorities is reviewed at every meeting with particular reference to the detailed Group management accounts. The CEO and the EDFL comment on strategy, current business performance, the market, regulatory and other external developments at each meeting and present comparative data. The Board receives regular reports and presentations from other senior management on developments in the operations of the Group. The Board considers reports from each of the Board committees, while regular reports are also provided on the Group's risk appetite, top and emerging risks, risk management, credit exposures and the Group's loan portfolio, asset and liability management, liquidity, litigation, compliance and reputational issues.

Under the supervision of the Chairperson of the Board, the Company Secretary's responsibilities include facilitating the flow of information within the Board and its committees, between senior management and non-executive directors and between heads of internal control functions and non-executive directors, as well as facilitating the induction, development and evaluation of members of the Board.

All members of the Board have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer (the 'CGCO') who can provide relevant information related to Board procedures and the CSE and UK Codes. The Company Secretary is responsible for ensuring that the directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

The directors also have access to the advice of the Group external legal advisors and to independent professional advice at the Group's expense if and when required. Committees of the Board have similar access and are provided with sufficient resources to undertake their duties. The Company Secretary provides dedicated support for members of the Board on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process. All members of the Board benefit from directors' and officers' liability insurance in respect of legal actions against them.

Occasionally the Board holds deep dive sessions with key business lines to provide members with a deeper insight into key areas of strategic focus, enable better quality of debate and enhance knowledge. The deep dives usually include presentations and opportunity for discussion. In 2021, discussions took place on the Capital Plan, the Resolvability Plan and the MREL Compliance Plan, including discussions with the regulators. Other extensive discussions were on the initiatives to improve the risk culture of the Group, the ESG Strategy, the continued de-risking from NPE loans and the new organisational structure of management.

The key areas of focus in 2021 for the Board, inter alia, were:

Group Strategy	• Four-year business and capital plan; • Sale of a portfolio of Non-performing exposures/trades - Helix 2A&B; • Sale of a mixed portfolio of NPEs and REOs - Helix 3; • The progress of the Digital Economy Platform; • The Transformation programme; • Sustainability Strategy – Setting up of the Sustainability Committee; • The Bank's contribution to environmental integrity and social equity.
Regular Updates	• Group Performance Report; • Finance report, including budgets, forecasts and capital positions; • Risk report; • CEO's report; • Reports from chairpersons of committees; • Cost Management Progress.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

1.1.1 Information and Support (continued)

Business environment	• Cyprus economic development in light of the pandemic; • Pandemic Reforecast; • Monitoring of clients under Moratorium with any arrears; • Quarterly economic reports; • Investors and stakeholders' perspectives; • Market updates and share trading activity.
Financials	• 2020 full year results; • 2021 half-year results; • Impairments; • Minimum Requirement of own funds and Eligible Liabilities (MREL) Funding Plan; • Internal Capital Adequacy Assessment Process ('ICAAP') Report; • Internal Liquidity Adequacy Assessment process ('ILAAP') Report.
Business performance	• Review of business lines' strategies; • Review of the progress of non-performing loans' management; • Credit portfolio overview; • Tier 2 Repurchase and new issue; • Customer performance measurement framework; • Review of the performance of Corporate Finance projects.
Culture	• Risk and Compliance culture; • Talent Management updates.
Risk management	• Group Recovery Plan; • Pillar 3 Disclosures; • Group Risk Appetite Framework; • Progress of implementation of SREP recommendations; • Regulatory interactions; • Oversight of local subsidiaries; • Litigation.
Governance and regulatory compliance	• Board effectiveness and Chairman's performance reviews; • Chairman's remuneration; • Review and approval of various Group policies; • Conflicts of Interest management; • Non-financial reporting; • Appointment of key function holders; • Succession planning; • New streamlined organisational structure; • On-going supervisory dialogue and communication with regulatory authorities.

Strategy Development

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

- 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, whilst managing post pandemic NPE inflows;
- 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.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

1.1.1 Information and Support (continued)

The Group has a clear strategy in place, leveraging on its strong customer base, its renewed customer trust, its market leadership position, and further developing digital knowledge and infrastructure, with a clear focus on creating shareholder value. The Group now increases its medium-term return on tangible equity (ROTE) target to over 10%, providing the foundations for a return of dividend distributions, subject to performance and relevant approvals.

Maintaining a strong capital base has been a key priority for management over the past few years and this remains equally important for the Group going forward. The Group's organic capital generation is to be supported by the improving Return on Tangible Equity (ROTE). Going forward, capital will be deployed for organic growth of the loan book, investment in the business, against regulatory impacts and one-off cost optimisation charges. Detailed information relating to strategy is set out in Strategy and Outlook of the Directors' Report of the 2021 Annual Financial Report on page 30.

1.2 Composition of the Board of Directors

As at 31 December 2021, the Board comprised of twelve members: the Group Chairman who was independent on appointment, two executive directors and nine non-executive directors. According to the provisions of the CBC Directive on Suitability eight of the non-executive directors are independent. The names and brief biographical details including each director's background, external directorships and whether these are executive or non-executive, experience and independent status are set out in section 4 of this report.

The Board considers that a Board size of 10-12 directors allows for a good balance between having the full range of skills and experience necessary on the Board and to populate its committees while retaining a sense of accountability by each director for Board decisions; to govern the business effectively, while enabling full and constructive participation by all directors given the size and operations of the Group and the time demands placed on the directors. The Board recognises the need to identify the best qualified and available people to serve on the Board. In accordance with the Board Nominations Policy, all appointments are made on merit against objective criteria (including skills and experience) with due regard for the benefits of diversity on the Board. The Board plans for its own renewal with the assistance of the NCGC which regularly reviews Board composition, tenure and ensures plans are in place for orderly succession to both the Board and Executive positions.

Both on an individual and a collective basis, the directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained.

The NCGC ensures a formal, rigorous and transparent procedure when considering candidates for appointment to the Board and maintains continuous oversight of the Board's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, risk profile and governance requirements.

The NCGC at least annually reviews the structure, size, and composition of the Board (including skills, knowledge, experience, independence and diversity) and recommends to the Board the skills and experience required to provide sound governance oversight. These include experience in banking, insurance, markets and regulatory environments, risk management, financial management, strategy development, technology and operations experience and knowledge of law, governance, compliance and audit. Assessing the skills profile of the Board ensures that the Board and committees comprise of members having an all-embracing perception of the Group's activities and the risks associated with them. The composition of the Board remains under continuous review and the NCGC maintains a constant focus on succession planning to ensure the continuation of a strong and diverse Board, which is appropriate to the Group's purpose and the industry within which it operates.

The Committee's succession planning process has regard for the impact of expected retirements of directors and the Group's desired culture and strategic direction. As part of the process, the Committee prepares a detailed role profile, based on its analysis of the skills and experience needs and selects, where appropriate, an experienced third-party professional search firm to facilitate the process. The search firm develops an appropriate pool of candidates and provides independent assessments of the candidates. The NCGC then works with that firm to shortlist candidates, conduct interviews/meetings (including meetings with members of the NCGC) and carry out comprehensive due diligence.

1. Board of Directors (continued)

1.2 Composition of the Board of Directors (continued)

The Committee follows the requirements of the Group Suitability Policy which is fully aligned with the CBC Directive on Suitability (and the Joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body) and ensures a robust assessment of potential candidates which includes an interview by the NCGC and recommendation to the Board prior to the submission of suitability applications to the regulator for consideration.

In accordance with the Board Nominations Policy, the assessment and due diligence process is extensive and includes self-certification confirmations of probity and financial soundness as well as external checks involving a review of various publicly available sources. All potential candidates are assessed to ensure they have the ability to act with integrity, lead by example and promote the desired culture, which evidences a commitment to high standards and values. The process also involves the NCGC satisfying itself as to the candidate's ability to devote sufficient time to the role, his/her independence and suitability. At the same time the NCGC assesses and documents its consideration of possible conflicts of interest. Finally, an assessment of collective suitability is performed following which the NCGC makes recommendations to the Board, according to the provisions of the Joint Guidelines on Suitability.

Regulatory assessment and formal approval are required and given for all Board appointments.

The Group carries out a review of the ongoing suitability of Board members on an annual basis, whereby they are required to confirm any changes in their circumstances in respect of their compliance with the CBC Directive on Suitability. All changes in circumstances disclosed, are assessed and their materiality determined. Following the review of 2021, certain changes to directorships were reported. The Board concluded that each of the directors has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively and commits the necessary time for the execution of his/her duties.

1.2.1. Meetings of the Board of Directors

A yearly planner is prepared by the Company Secretary, with input from all Board members, to map out the flow of key items of business to the Board. The Group has a comprehensive and continuous agenda setting and escalation process in place to ensure that the Board has the right information at the right time and in the right format to enable the directors to make the right decisions. The Chairperson leads the process assisted by the Company Secretary.

The process ensures that sufficient time is being set aside for strategic discussions and business critical items. Matters may be added to agendas in response to external events, non-executive directors' requests and regulatory initiatives inter alia.

The Company Secretary is closely involved in preparing the schedule of all Board and committee meetings and the agendas for these meetings, in conjunction with the Chairperson, ensuring that relevant information is dispatched timely to all members of the Board.

Agendas and papers are circulated in a timely manner prior to each meeting and all members of the Board are informed in writing of forthcoming Board meetings to allow them adequate time to review the relevant information and enable them to fully discharge their duties. Meetings packs are typically uploaded a week in advance of the meetings and communicated to all members of the Board via a secure electronic Board portal to ensure they have sufficient time to review the matters which are to be discussed and to seek clarifications or any additional information they may require.

Generally, members of the senior management team and other senior management members are invited to attend part of the meetings to ensure effective interaction with the Board. Board meetings have certain standing items such as a report from the CEO and the EDFL on Group performance, reports from the chairs of committees and updates from other senior management members. In addition to formal meetings, the Board meets as necessary to consider matters of a time-sensitive nature. The Chairperson and the chairs of each committee ensure Board and committee meetings are structured to facilitate discussions.

Committee meetings are held prior to Board meetings with the chairperson of each committee then reporting matters discussed to the Board. Topics for deep dives or additional items are discussed when required and include business, governance and regulatory update.

1. Board of Directors (continued)

1.2 Composition of the Board of Directors (continued)

1.2.1. Meetings of the Board of Directors (continued)

During 2021 the Board held 14 meetings. Only one meeting was held in the physical presence of the members due to the continuing restrictions in travel and the measures in place to fight the pandemic. All other meetings were held through teleconferencing. Further details on the number of the meetings of the Board and its committees and attendance by individual directors are set out below. The offsite meeting was held in September 2021. During the year, the Chairperson and the non-executive directors met virtually, without the executive directors' present, to discuss a range of business matters.

The Board makes full use of technology such as teleconferencing, a Board portal and tablets in its meeting arrangements. This leads to greater flexibility, security and efficiency in Board paper distribution and meeting arrangements. Minutes and matters arising from the meetings are produced and circulated to the directors for review and feedback. Matters arising are followed up in subsequent meetings through relevant updates.

Board of Directors of BOCH 1/1/2021-31/12/2021

Name	Board of Directors	AC	HRRC	NCGC	RC
Efstratios Georgios Arapoglou (Chairman)	14/14			8/8	
Lyn Grobler (Vice-Chairperson)	14/14		11/11	8/8	
Arne Berggren	14/14	15/16		8/8*	
Maksim Goldman	13/14		10/11		24/25
Paula Hadjisotiriou	14/14	16/16			25/25
Michael Heger	14/14	15/16	11/11		
Constantine Iordanou[1]	1/1				
Eliza Livadiotou[2]	2/2				
Panicos Nicolaou	14/14				
Maria Philippou	13/14		11/11	8/8	
Nicos Sofianos[3]	10/10	12/12			20/20
Ioannis Zographakis	14/14	16/16			25/25
Total meetings[4]	***14***	***16***	***11***	***8***	***25***

1 Appointed on 29 November 2021
2 Appointed on 6 October 2021
3 Appointed on 26 February 2021
4 The number of Board meetings at BOC PCL level was 27 during the year 2021. The attendance of these meetings can be found on page 294.

1.2.2 Terms of Appointment, Retirement and Re-election of Directors

Non-executive directors are appointed for an initial three-year term and are typically expected to serve a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing suitability. The Board may invite directors to serve additional periods. A non-executive's term of office will not extend beyond 12 years in total. Any re-appointment beyond 6 cumulative years is considered on an annual basis and has regard for a number of factors including performance, independence, the need for progressive refreshing of the Board over the medium to long term and the best interest of the shareholders.

The Board may at any time appoint any person who is willing to act as director and who fulfils the criteria as these are determined in the Board Nominations Policy, either to fill a vacancy or as an addition to the existing Board, but the total number of directors should not exceed 13. Any director so appointed is subject to election at the AGM following his/her appointment. The NCGC considers, inter alia, whether a potential director is able to devote the requisite time and attention to the Company's affairs, prior to the Board's approval of the individual's appointment.

1. Board of Directors (continued)

1.2 Composition of the Board of Directors (continued)

1.2.2 Terms of Appointment, Retirement and Re-election of Directors (continued)

According to the Articles of Association of the Company, all directors retire each year and if eligible offer themselves for re-election. The following directors, being eligible, offered themselves for re-election and were elected at the AGM on 25 May 2021: Efstratios-Georgios Arapoglou, Arne Berggren, Maksim Goldman, Lyn Grobler, Paula Hadjisotiriou, Michael Heger, Panicos Nicolaou, Maria Philippou, Nicos Sofianos and Ioannis Zographakis. Eliza Livadiotou and Constantine Iordanou were also elected to the Board subject to ECB consent which was provided on 6 October 2021 and 29 November 2021 respectively. The 2021 AGM is scheduled for 20 May 2022, and in line with previous AGMs, all directors will retire from office at the date of the AGM and offer themselves for re-election.

The names of directors submitted for election or re-election are accompanied by sufficient biographical and other relevant information in the AGM documentation and are available on the Group's website to enable shareholders to take an informed decision.

1.2.3 Conflicts of interest

The Group Policy on Conflict of Interests focuses on principles, procedures and arrangements for the prevention, identification, documentation, escalation and management of actual, potential or perceived conflict of interests. The policy is reviewed and approved by the Board annually and is communicated throughout the Group. An enhanced procedure for Board members and senior management to self-assess potential conflict of interests annually was implemented in 2021.

The Board Manual documents procedures specifically relating to directors' conflict of interests, and sets out how these are to be identified, reported and managed to ensure that the directors act at all times in the best interests of the Company. The Board Manual is reviewed and approved by the Board, at least annually.

The Board has adopted a Dealing Code for transactions in the Company's securities by Persons Discharging Managerial Responsibilities (PDMRs). The Dealing Code complies with the European Market Abuse Regulation. All PDMRs have been informed of their obligations under the Dealing Code in writing. All directors have complied with the Dealing Code during 2021.

None of the directors had, during the year or at year end, a material interest, directly or indirectly in any contract of significance with the Group (See Note 50 of the Consolidated Financial Statements of Bank of Cyprus Holdings).

1.2.4 Time commitment

The NCGC ensures that individual Board directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual director. The Board has determined the time commitment expected of non-executive directors to be 35-40 days per annum. Time devoted to the Group can be considerably more when serving on Board committees.

BOC PCL has been classified as a 'significant institution' under the European Union (Capital Requirements) Regulation 2014. The CBC Directive on Suitability which incorporates the provisions of Article 91 of the European Capital Requirements Directive ('CRD IV') on management bodies of credit institutions, determines that a director cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships; or
- Four non-executive directorships.

Executive or non-executive directorships held within the same group, count as a single directorship. Directorships in organisations which do not pursue predominantly commercial objectives do not count for the purposes of the above guidelines.

The ECB which supervises BOC PCL following the European Union Regulation 468/2014 which established the framework for cooperation within the SSM between the ECB and national competent authorities may in exceptional cases and taking into consideration the nature and complexity of the business of the Group, authorise members of the Board to hold one additional directorship.

1. Board of Directors (continued)

1.2. Composition of the Board of Directors (continued)

1.2.4 Time commitment (continued)

In 2019 the ECB having assessed the Chairman's other directorships and the time committed to them, had granted permission to Mr. Arapoglou to hold one additional non-executive directorship given the very limited time commitment involved in that directorship. Mr. Arapoglou has demonstrated relevant commitment to his chairmanship and has fulfilled his responsibilities to the utmost. The executive session of the non-executive directors has highlighted this proven commitment of the Chairman. Moreover, the external Board Performance Evaluation, confirmed and highlighted the adequacy of the time commitment of the Chairman to the Bank. In May 2021 the Chairman stepped down from one of his appointments so that he now holds four non-executive directorships and as at today meets all regulatory obligations. Finally, all other directors were within the directorship limits set out for 'significant institutions'.

All newly appointed members of the Board are provided with a comprehensive letter of appointment detailing their responsibilities as directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of non-executive directors can be inspected during normal business hours by contacting the Company Secretary. Members of the Board are required to devote adequate time to the business of the Group which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units.

In addition, non-executive directors are normally required to sit on at least one Board committee, which involves the commitment of additional time.

Certain non-executive directors such as the Vice-Chair, the SID and committee chairpersons are required to allocate additional time in fulfilling those roles.

Before their appointment, directors disclose details of their other significant commitments along with a broad indication of the time committed to such appointments. The directors' positions on the management bodies of other companies are noted in their biographical details included in section 4 of this report. Such participation does not prevent them from devoting the necessary time and attention to their duties as members of the Board of the Company and is within the limits set by the CBC Directive on Suitability. Before accepting any external appointments, which may affect existing time commitment for the Board's business, approval must be obtained from the NCGC and depending on the nature of the proposed commitment, the Board must approve as well.

During 2021, all Directors complied with the Board process and sought approval in advance where required. All Directors are reminded of their obligation under the Board Manual when appointed to any external roles.

It was estimated that in 2021, each non-executive director spent at least 40 days on board-related duties. The Board considered the time commitment of all directors and concluded that each director devotes the requisite time for the effective performance of his/her duties as described in the Joint Guidelines on Suitability.

1.3 Board Balance and Independence

The NCGC and the Board determine the independence status of each director on appointment. In addition, the Board considers each individual against the criteria set out in the UK Code, the CSE Code, the CBC Directive on Suitability and the Joint Guidelines on Suitability. It also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgement and independent thinking, annually, to ensure that the determination regarding independence remains appropriate.

In 2021 the Board considered the principles relating to independence and determined that eight out of nine Non-Executive Directors in office at 31 December 2021 were independent in character and judgement and free from any business or other relationships with the Group which could affect their judgement. Maksim Goldman, by virtue of his employment up to June 2018 by a corporation controlled by a significant shareholder in the Company, is not considered independent by reference to the provisions of the CBC Directive on Suitability. Mr. Goldman has always exhibited and continues to exhibit an independent character and judgement and the Board believes, based on his performance to date, that he too brings independent challenge and judgement to the deliberations of the Board. Discussions with dissenting shareholders to Mr. Goldman's election, led to the nomination and appointment of Mr. Iordanou to the Board.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

The Chairman, Mr. Arapoglou, was independent on appointment and continues to operate in a manner that is independent in character and remains objective in his opinions having no other relationship or circumstances to affect his judgement. He commits the appropriate time for the Group's business which is slightly more than the other non-executive directors, but his time commitment does not exceed 55 days per year. He has no other remuneration from the Group other than as Chairperson of the Board and chairperson of the NCGC.

The status of each director is presented in the biographical details in section 4 of this report.

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the CSE Code is signed annually by each of the independent non-executive directors and is submitted to the CSE together with the Corporate Governance Report.

1.3.1 Directors' induction and ongoing development

On appointment, each director receives a full, formal induction plan, tailored to his or her specific requirements including committee membership. All incoming directors are provided on appointment with an information pack which includes, among others, the Board Manual, key legislation, directives and regulations and the Company's Articles of Association, to facilitate their understanding of how the Group operates and the key issues that it faces.

Meetings are arranged with senior management on Group and divisional strategy, deep dives on businesses, an overview of the Group's risk appetite and Group Risk Framework, corporate governance, internal control systems, regulatory environment, people strategies, technology and payments. Further, the Company Secretary under the supervision of the Chairperson develops programmes based on the directors' individual needs. A Policy on Induction and Training of Board members has been approved by the Board and can be found on the website.

Ongoing education is provided for the Board, informed by the effectiveness reviews of the Board and individual directors, as well as emerging external developments. Focused training of the Board is arranged in conjunction with scheduled Board meetings where information is provided to ensure that directors receive adequate insight into a particular area through presentations by Group business units and control functions and briefings with senior management. Dedicated training sessions also take place on particular issues (refer to table below for 2021 training schedule) usually identified by the directors themselves and the Company Secretary. A training schedule is prepared at the beginning of each year and directors are expected to attend accordingly.

Education and Development sessions* for the Board members during 2021
• Info. Security Awareness Q1 2021 • Conflict of Interest • Info. Security Awareness Q2 2021 • Info. Security Awareness Q3 2021 • MiFID II (part 2) 2021 • AML Essentials 2021

*e-learning sessions

The training material is distributed to all directors regardless of attendance. In 2021, all training was in the form of e-learning sessions on an online platform with an assessment quiz at the end of the training session. The directors can access this at any time, and once the training is completed, it is recorded on the system to provide a full audit trail.

Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to directors. The Company Secretary ensures all directors are provided with relevant information on a timely basis to enable them to consider issues for decision-making and discharge of their oversight responsibilities.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.1 Directors' induction and ongoing development (continued)

In the performance of their roles, executive directors develop and refresh their skills and knowledge of the Group's business and operations through regular interactions, meetings and briefings with senior management and through presenting on the Group's business to investors and analysts. They remain abreast of developments affecting the financial services sector and banking by representing the Group's interests at conferences, advisory groups and other events and meetings with regulators and other authorities.

The Company Secretary provides the Board with comprehensive guidance on Board procedures and dedicated support for directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal board process.

1.3.2 Board Performance Evaluation

The Board annually reviews its effectiveness and that of its committees and individual members in order to enhance its operations. The objective of these evaluations is to review past performance with the aim of identifying efficiencies, opportunities for improvement and maximizing strengths, determining whether the Board or committee as a whole is effective in discharging its responsibilities and, in the case of individual directors, to determine whether each director continues to contribute effectively and to demonstrate commitment to the role.

The Board is subject to external evaluation every three years. The most recent external review begun in late 2020 and was completed in February 2021. The Board further conducted an internal evaluation in Spring 2021, led by the Chairman with the support of the NCGC and the CGCO. It included a review of the effectiveness of the Board, its committees and individual directors. The directors' views on a range of topics were sought including inter alia, strategy, performance, reporting, risk and control, Board composition and size, diversity, balance of skills, culture and dynamics, the Board's agenda; the quality and timeliness of information, training for directors etc. The review indicated an effective Board with a strong and diverse composition of experiences.

The Chairman met with directors on a one-to-one basis to discuss their individual performance taking into account their input, which was submitted in advance of the meetings. In each case, the Chairman assessed each director as fully effective in his or her role on the Board whose contributions continue to be important to the Company's long-term sustainable success while continuing to demonstrate independence of mind.

Executive directors' individual performance evaluation is assessed against particular KPIs set by the NCGC undertaken at the same time as the performance management process for all employees and includes self-assessment and a review and discussion by the NCGC, before final assessment by the Board.

The process in 2021 was as follows:

- All non-executive members of the Board were invited to complete online questionnaires to self- assess their own performance,
- The Chairman performed an assessment of all the non-executive members who were on the Board throughout 2020.
- The SID chaired an executive meeting of the non-executives in the absence of the Chairman to assess the performance of the Chairman.
- The Self- Assessment of each Committee by its members.

A consolidated report on the findings of the full evaluation process was presented to the Board. The outcome of the Board evaluation was positive, concluding that the effectiveness of the Board and its committees continued to be enhanced year on year. Each director was assessed as being effective, with all directors demonstrating commitment to their roles. The report was considered by the NCGC and collectively discussed by the Board. The recommendations were intended to enhance the Board process, although they were not material to the effectiveness of the Board. The Board accepted them and set up an action plan to incorporate those recommendations. Taking into account the evaluation report, the Board considers that the effective contribution of each of the individual directors and the Board as a whole is and continues to be important to the long-term sustainable success of the Group. The Board also concluded that all the members of the Board have appropriate qualifications; broad relevant experience; continue to be effective; and demonstrate continuing commitment to the role.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.2 Board Performance Evaluation (continued)

Key recommendations emanating from the internal assessment were aligned with the conclusions and recommendation recorded by the independent consultant as follows:

- The Board should continue to appoint new members to achieve a gradual renewal of the Board and its Committees without compromising any of the skills and expertise currently on the Board. The Board would benefit from another director with knowledge of IT or Digital Transformation or Cybersecurity, preferably a woman, in order to achieve its target of 40%.
- The focus of the Board should shift towards more oversight and less management support.
- There is room for the Board to further integrate sustainability concerns in its decision-making process and the development of its strategic plan.
- The Board has determined that the ECCC should address sustainability and ESG factors in earnest to support the Board in collaboration with the NCGC in its strategy development and decision-making.

The chairperson of each principal Board committee led the self-assessment process in respect of committee performance through discussion with all committee members. The effectiveness of each of the four principal committees was assessed as adequate. All non-executive directors provided feedback on their uptake of committee work performed and the results were satisfactory.

The Chairman's performance evaluation was carried out by the non-executive directors led by the SID and was based on a discussion during an executive session of the non-executive directors (without the Chairman). The Board concluded that Mr. Arapoglou continues to be a highly effective Chairperson who provides very strong leadership to the Board and maintains a right balance between oversight and providing advice to the CEO. Mr. Arapoglou combines extensive and relevant banking experience, inclusive leadership style and is open to new ideas. He exercises effective time management and exhibits a Growth mind-set. Areas for enhancement are his visibility within the Bank and the Cyprus market and ensuring more focused training for members on risk-related issues. The Board confirmed its continued support for Mr. Arapoglou.

The external Board Performance Evaluation concluded in February 2021 by Nestor Advisors Ltd, a company with no other connection to the Company, found the Board to be well-structured and composed. The Board has the skills and knowledge necessary for directing and controlling the Bank. The Board members are very well informed, have a thorough understanding of the Group's business and are probing in controlling management's work.

The basis for the execution of this engagement was the relevant provision of the CBC Directive on Internal Governance and the methodology which was followed included:

- Document review of relevant constitutional documents and Board documentation.
- Online questionnaire completed by each Board member.
- Individual interviews including with the Company Secretary, the Chief Risk Officer ('CRO'), Internal Audit Director ('IAD') and Director of Compliance.
- Meeting observation of several meetings at Board and Board Committee level.
- Gap analysis against UK Code.
- The firm's judgement, supervisory and best practice considerations.

Key recommendations emanating from the independent consultants were as follows:

- The Board should focus more on ESG matters;
- The Bank should strengthen its KPIs for senior management to include ESG-related targets;
- The strategy away-day should focus on the long-term vision of the Bank;
- The Board should explore ways in which to ensure that the workforce voice is heard on the Board;
- The monitoring of culture should become part of the Board's long-term strategy agenda.

Progress was made on areas for enhancement identified during the previous internal performance evaluation relating to more hands-on oversight of subsidiary objectives and business, ESG matters featuring on the Board agenda, renewal of the composition of the Board, lessons learned and a continued forward-looking focus on Group strategy.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.2 Board Performance Evaluation (continued)

The directors are aware that in case they have material concerns about the overall governance of the Group, these should be reported without delay to the Board and, if their concerns are not satisfactorily addressed, the directors should report these concerns to the CBC.

1.3.3 Interaction with principal subsidiaries

There are close interactions between the material subsidiary boards and the Group Board and their respective committees, including the requirement for appointments to material subsidiary boards to be approved by the Group Board. The chairs of the subsidiary audit and risk committees submit an annual report to the respective Group Board committees on the effectiveness of these subsidiaries and attend and present at the Group Board committees annually an account of the subsidiary board committees. The chairpersons of the Company's AC and RC are invited, respectively, to participate occasionally in the subsidiary audit and risk committee meetings as observers. In addition, the CGCO and other heads of control functions are invited to attend these meetings as observers. The NCGC annually reviews and approves the Corporate Governance Guidelines for Group Subsidiaries.

1.3.4 Loans to Directors and Other Transactions

Details of credit facilities to directors and other transactions with the Group are set out in Note 50 of the Consolidated Financial Statements for the year ended 31 December 2021.

It is hereby confirmed that the credit facilities to Company directors (and related parties) or to its subsidiary or associated company directors are granted in the normal course of the Company's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of bank facilities to Company directors and its subsidiary company directors are forwarded for approval to the Board after the relevant proposal of the Risk Committee. The interested member of the Board is neither present nor participates in the procedure.

All members of the Board complied with the relevant provisions of the CSE Code and the Banking Law as at 31 December 2021.

2. Internal Controls

The Board is responsible for the adequacy and effectiveness of the system of internal controls, corporate governance and risk management framework of the Group. These ensure amongst others that:

- The governance framework is effective, monitored and periodically assessed;
- The compliance framework is appropriate;
- The integrity and internal controls of the accounting and financial reporting systems, as well as the compliance with relevant legal / supervisory requirements and reporting standards, are adequate;
- The information security framework for the protection of confidential information is appropriate;
- The process of taking appropriate steps to timely address any deficiencies is effective.

The system of internal controls, corporate governance and risk management framework have been designed in accordance with the nature, scale and complexity of the Group's operations, in order to provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

2. Internal Controls (continued)

The overall system of internal controls, corporate governance and risk management framework of the Group include amongst others:

- A transparent organisational structure with clear reporting lines to Senior Management and the Board;
- Board and executive committees with clear responsibilities;
- Three lines of defence model for the effective risk management and compliance across the Group;
- Formal policies and procedures;
- Monthly reporting by business lines to enable progress to be monitored, trends to be evaluated and variances to be acted upon;
- Monthly meetings of committees to review performance;
- Code of Ethics setting out the principles and expectations governing the behavior of all officers and employees;
- Code of Conduct setting out the standards expected of all officers and employees;
- Whistleblowing policy, including processes and procedures, to be followed for independent investigation of concerns raised by staff;
- Anti-Bribery policy in line with the UK regulatory guidance as well as with ISO37001;
- Conflicts of Interest policy;
- Quarterly representations by all Divisions of the Bank to the CEO on the effectiveness of the system of internal controls (policies, procedures and monitoring activities);
- Annual representations by all control functions of the Bank (Compliance, Risk, Information Security) to the CEO on effectiveness of the system of internal controls (policies, procedures, monitoring activities).

The Board confirms that, through the AC and the RC, it has conducted reviews for the year ended 31st December 2021, regarding the effectiveness of the Group's internal control and information systems, as well as in relation to the procedures used to ensure the accuracy, completeness and validity of the information provided to investors. The reviews covered all systems of internal controls, including financial, operational and compliance controls, as well as risk management systems.

In carrying out their reviews, the AC and RC receive regular business and operational risk assessments, regular reports from the Internal Audit Director, the Director of Compliance, the Chief Information Security Officer and the Chief Risk Officer, other internal memos and external audit reports, as well as regulatory reports.

The Board receives a confirmation on an annual basis by the CEO for the effectiveness of compliance, risk management and information security system of internal controls. Additionally, the Board, through the AC and RC, has received confirmation that executive management has taken or is taking the necessary actions to remedy all significant weaknesses identified through the operation of the Company's framework of internal controls, corporate governance and risk management processes and to continuously modify or enhance the system of internal controls, corporate governance and risk management framework as required by the Bank's current transformation.

Based on the internal audit work carried out in 2021, reasonable assurance is provided, with emphasis on specific matters, on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes, for managing significant risks, according to the risk appetite set by the Board of Directors. Emphasis is placed on the areas of Digitalisation, Information Systems and Data Governance, which require management's attention to further manage current, as well as any future, risk exposures.

Overall, the Board of Directors through its committees, has reviewed the effectiveness of the system of internal controls, corporate governance and risk management processes of the Group for the year ended 31st December 2021 and confirms their effectiveness either through the effective design and operation of controls or through mitigating factors that existed. The Board also confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations.

The Group's financial reporting process is controlled using documented accounting policies and procedures supported by instructions and guidance on reporting requirements, issued to all reporting entities within the Group in advance of each reporting period. The submission of financial information from each reporting entity is subject to sign off by the responsible financial officer.

2. Internal Controls (continued)

The internal control system also ensures that the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with legal and supervisory requirements and relevant standards, is adequate. The Group has in place an adequate financial statement closing process by which transactions and events reflected in the Group's accounting records are processed to produce the financial statements, related disclosures and other financial reports which relies either on the effective design and operation of controls or other mitigating factors where these were inefficient. Where from time-to-time areas of improvement are identified these become the focus of management's attention in order to resolve them and thus strengthen the procedures that are in place. Areas of improvement may include the formalisation of existing controls and the introduction of new information technology controls, as part of the Company's on-going digital journey.

The Annual Report and Interim Report prior to their submission to the Board are reviewed and approved by the ExCo. The Board, through the AC scrutinises and approves the financial statements, results, announcements and the Annual Report and ensures that appropriate disclosures have been made. Detailed papers are prepared for review and approval by the AC covering all accounting issues including presentations and disclosures. This governance process enables both management and the Board to challenge the Group's financial statements and other significant disclosures before their publication.

The Bank has developed an Integrated Risk Identification Framework which provides for the identification, evaluation and management of the principal risks faced by the Group. The Group is forward looking to ensure emerging risks are identified. The Key Risk Matrix is thus updated and is approved by the RC and the Board through the ICAAP process. The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and ensuring the maintenance of an effective risk management and oversight process across the Group.

The Board approves the Group Risk Appetite Statement on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through the Risk Report reviewed monthly. A consolidated risk report and risk appetite dashboard is regularly reviewed by the RC to ensure the risk profile and mitigating actions are satisfactory. The key risks with their mitigant actions are presented in Pillar 3 Disclosure Report.

The Board confirms that it carries out a robust assessment of both principal and emerging risks, including risks that might threaten the Group's business model, future performance, liquidity etc.

Business continuity risks are mitigated to ensure that the Bank has business resilience and continuity plans. They also ensure that the Bank operates on an on-going basis and limits potential losses in the event of a severe business disruption.

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of Capital Requirements Directive (CRD) IV. They have been in place for the year under review and up to the date of the approval of the annual report.

Detailed information relating to Group risk management is set out in Notes 45 to 48 of the Consolidated Financial Statements and the Additional Risk and Capital Management Disclosures section of the 2021 Annual Financial Report.

2.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of the 2021 Consolidated Financial Statements. The Directors believe that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. Detailed information relating to going concern is set out in Going Concern of the Directors' Report of the 2021 Annual Financial Report on page 32.

2. Internal Controls (continued)

2.2 Group Code of Conduct and Whistleblowing Policy

The Group has set out the standards that are expected from all employees and directors of the Group in a Code of Conduct along with guidance on how these standards should be applicable. The Code of Conduct and a dedicated Code of Ethics are publicly available on the Group's website.

The Group has a Whistleblowing Policy and relevant written procedure in place for all employees, including directors, which is in accordance with international practice. The policy is reviewed annually. Its general principles are:

- Concerns in good faith, about wrongdoing or malpractice can be raised in confidence without fear of victimisation, discrimination, disadvantage or dismissal;
- Procedures for the reporting of any matters of concern are clearly provided. The persons concerned must be able to bypass the main channels for whistleblowing if these prove inappropriate, and use the anonymous reporting line;
- Disclosures are managed in a timely, consistent and professional manner; and
- The appointment of the chairperson of the AC, an independent non-executive director as a Whistleblowing Champion with specific responsibilities.

The Board and CEO are committed to this policy, which encourages staff to raise concerns. Regular messages from the CEO to staff to speak up and e-learning sessions, are addressed to all staff and the Board of Directors to further increase awareness.

3. Other matters

The table below show attendance of the directors on the meetings of BOC PCL throughout 2021. One third of the directors retire each year and offer themselves for re-election.

Board of Directors of BOC PCL 1/1/2021-31/12/2021

Name	Board of Directors	AC	HRRC	NCGC	RC	AC/RC Joint	TC	ECCC
Efstratios-Georgios Arapoglou (Chairperson)	27/27			8/8				
Lyn Grobler (Vice-Chair)	26/27		11/11	8/8			7/7	
Maksim Goldman	26/27		10/11		27/29	7/7		6/6
Arne Berggren	25/27	15/16		8/8		7/7	7/7	
Paula Hadjisotiriou	26/27	16/16			28/29	7/7	6/7	
Michael Heger	27/27	15/16	11/11			7/7		5/6
Constantine Iordanou[1]	2/2						1/1	
Eliza Livadiotou[2]	7/7							
Panicos Nicolaou	27/27							
Maria Philippou	26/27		11/11	8/8				5/6
Nicos Sofianos[3]	21/22	12/12			24/24	5/5		
Ioannis Zographakis	27/27	16/16			29/29	7/7	7/7	6/6
Total meetings	***27***	***16***	***11***	***8***	***29***	***7***	***7***	***6***

1 – Appointed 29 November 2021
2 Appointed 6 October 2021
3 Appointed 26 February 2021

3.1 Company Secretary

The Board appointed Mrs Katia Santis as the Company Secretary.

3.2 Internal Audit Director

The Board appointed Mr. George Zornas as the Internal Audit Director.

3.3 Corporate Governance Compliance Officer

The Board appointed Mr. Marios Skandalis as CGCO.

4. Members of the Board of Directors

4.1 Non-Executive Directors

Efstratios-Georgios Arapoglou (Chairperson)

Mr. Arapoglou is an expert financial consultant. He has served as Chairperson and CEO of the National Bank of Greece Group, Chairperson of the Hellenic Banks Association, Member of the Board of Eurobank and has held senior management positions with Citibank and Chase Manhattan in the UK and with American Express in Greece. Currently, he is Chairperson of the Board of Titan Cement, an international cement company listed on the Athens Stock Exchange and of Tsakos Energy Navigation, a shipping company listed on the New York Stock Exchange.

Mr. Arapoglou holds an MSc in Finance and Management from the University of Brunel, London, a BSc in Naval Architecture and Ocean Engineering from the University of Glasgow and a BA in Mathematics and Physics from the University of Athens.

He has extensive experience in international capital markets and in corporate, commercial and investment banking in South East Europe, the UK, the Middle East and Africa.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in June 2019

External Appointment:

Chairperson of the Board of Tsakos Energy Navigation
Chairperson of the Board of Titan Cement SA
EFG Hermes Holding SAE

Independent:

Yes, on an ongoing basis.
(Mr. Arapoglou commits the appropriate time for the Group's business which does not exceed 55 days per year. He has no other remuneration from the Group other than as Chairperson of the Board and chairperson of the NCGC).

Committee Membership:

Chairperson of the Nominations and Corporate Governance Committee

Lyn Grobler (Vice-Chair)

Lyn Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed Group Chief Information Officer (CIO) at Hyperion Insurance Group (now Howden Group Holdings) in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organisation and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading over 16 years. Before BP, she managed large scale global technology projects and strategies within banking and trading based in both London and South Africa.

She holds an HND in computer systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University (South Africa).

Mrs. Grobler has significant experience in IT and digital transformation and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in February 2017

External Appointment:

Chairwoman of the Board of Howden Group Services Ltd
Hx Group Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Technology Committee
Member of the Human Resources & Remuneration Committee
Member of the Nominations & Corporate Governance Committee
Member of the Insurance Business Advisory Board

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Arne Berggren

Arne Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 90s, starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the financial crisis in the Baltics, Spain and Slovenia. He has been Head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail.

Mr. Berggren has held numerous board positions in the financial and corporate sector, including a position on the Board of Directors at LBT Varlik Yönetim AS and DUTB Ltd.

He is a graduate of the University of Uppsala, Sweden and has postgraduate studies at the Universities of Amsterdam, Geneva and New York.

Arne Berggren has significant experience in corporate and bank restructurings, bank crises management and risk management and has extensive experience in oversight from a number of directorships.

Term of Office:

Appointed
to the Board of BOC PCL in November 2014
and the Board in October 2016

External Appointment:

Piraeus Bank Group
Chairman of TBC Bank Group PLC

Independent:

Yes

Committee Membership:

Member of the Audit Committee
Member of the Nominations & Corporate Governance Committee
Member of Technology Committee

Maksim Goldman

Maksim Goldman is Director of Strategic Projects at AO Complexprom since June 2018 and is responsible for oversight of various projects and investments under management of the company. Previously, from July 2007 to May 2018 he was Director of Strategic Projects at Renova Group and had served as Deputy Chief Legal Officer of the Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. From 2005 to 2007 he worked as Vice President and International Legal Counsel of OAO Sual-Holding, which was the management company for OAO ‘SUAL’, the second largest aluminium producer in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 he worked as an associate at Chadbourne & Parke LLP in New York and in Moscow.

He holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History from the University of California (Los Angeles).

Mr. Goldman has extensive experience in investments, business development and strategy formation and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed
to the Board of BOC PCL in November 2014
and the Board in October 2016

External Appointment:

United Manganese of Kalahari Ltd

Independent:

No

Committee Membership:

Member of the Risk Committee
Member of the Human Resources & Remuneration Committee
Member of the Ethics, Conduct and Culture Committee

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Paula Hadjisotiriou

Paula Hadjisotiriou is an experienced executive with a long career in senior management roles in financial institutions. She started her accountancy career at Howard, Wade & Jacob before moving to Pricewaterhouse Coopers. Following a six-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in banking, in Greece between 1990-2015, first with Eurobank Ergasias S.A as Group Chief Financial Officer and then with National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently she serves as an advisor to the Latsis Group of Companies in the UK.

She is a Chartered Accountant (Institute of Chartered Accountants of England and Wales (ICAEW)).

Mrs. Hadjisotiriou has significant experience in financial institutions and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in August 2018

External Appointment:

Credit Suisse Bank (Europe) SA

Independent:

Yes

Committee Membership:

Member of the Audit Committee
Member of the Risk Committee
Member of the Technology Committee

Michael Heger

Michael Heger served as the general manager of finance and investment and as an independent senior advisor for S.I.F. International Holding S.A., Luxembourg at its representative office in Vienna until the end of 2021. Previously, from 2009-2012 he served as general manager and chief executive officer of Metal Trade Overseas AG in Zug, Switzerland.

He began his career in 1980 as a manager in export finance and legal affairs for Waagner-Biro AG in Vienna, Austria. Having spent two years at Waagner-Biro AG, he moved to UniCredit Bank Austria Group, where he held various management positions from 1982 to 2002. Between 2001 and 2002, he served as general manager and head of structured trade finance at Bank Austria AG. From 2002 to 2003, he served as the deputy general manager and head of International division for Raiffeisenlandesbank Niederosterreich-Wien AG. Dr Heger then joined MPH Management and Participation Holding S.A., a special purpose company for equity participation in commercial and industrial companies, financial institutions and in property developments as well as for financial and consulting services for domestic and international clients and commodity trading, as the general manager of finance and investment and head of the representative office from 2004-2009.

Dr Heger holds a doctorate in law from the University of Vienna and obtained a postgraduate degree in law from the College of Europe in Bruges, Belgium.

He has extensive banking experience having spent more than 20 years in various senior positions in UniCredit Bank Austria Group and has considerable strategic knowledge of industrial and commercial companies, financial institutions and property developments.

Term of Office:

Appointed to
to the Board of BOC PCL in June 2016
and the Board in October 2016

External Appointment:

None

Independent:

Yes

Committee Membership:

Member of the Audit Committee
Member of the Human Resources and Remuneration Committee
Member of the Ethics, Conduct and Culture Committee

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Constantine Iordanou

Constantine Iordanou has been Chairperson and Chief Executive Officer (CEO) of Arch Capital Group Limited, since August 2003 and Director since January 2002 (retired in September 2019). Before joining Arch as one of its founders in 2002, Mr Iordanou served in various capacities for Zurich Financial Services and its affiliates, including as Senior Executive Vice President of group operations and business development of Zurich Financial Services, President of Zurich-American Specialties Division, Chief Operating Officer and CEO of Zurich American, and CEO of Zurich North America. Before joining Zurich in March 1992, he was President of the commercial casualty division of the Berkshire Hathaway Group and Senior Vice President of American Home Insurance Company, a member of American International Group and until recently Vice-Chairperson of NIPD Genetics.

He holds an Aerospace Engineering degree from New York University.

Mr. Iordanou has significant experience in insurance business and benefits from oversight experience in a number of external directorships.

Term of Office:	**External Appointment:**
Appointed to the Board of BOC PCL and the Board in November 2021	Verisk Analytics Vantage Group Holdings Ltd
Independent:	**Committee Membership:**
Yes	Member of the Technology Committee Member of the Insurance Business Advisory Board

Maria Philippou (Chair of the Human Resources and Remuneration Committee)

Maria Philippou started her career as an HR Consultant with KPMG Greece, before moving to the Lambrakis Press Group as HR Generalist. Having spent three years with Eurobank Ergasias S.A as Compensation & Benefits Manager, in 2006 she moved to the Coca Cola Company Group, progressing through various roles such as Rewards Manager and HR Business & Strategic Partner and finally as Global Talent & Development Director until recently when she moved to Egon Zehnder.

She holds a degree in Business Administration from Nottingham Trent University and a Master of Science in Human Resources Management from Brunel University.

Mrs. Philippou is an experienced executive in human resources and brings valuable skills to the Board in people management.

Term of Office:	**External Appointment:**
Appointed to the Board of BOC PCL and the Board in July 2018	None
Independent:	**Committee Membership:**
Yes	Chairperson of the Human Resources & Remuneration Committee Member of the Nominations & Corporate Governance Committee Member of Ethics, Conduct and Culture Committee

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Nicos Sofianos (Chairperson of the Audit Committee)

Nicos Sofianos is a qualified Chartered Accountant, member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Body of Certified Public Accountants of Greece (SOEL). He was a founding partner of Deloitte Greece and representative of the firm before the regulatory, supervisory and fiscal authorities in Greece. In 2016 he retired with 40 years of audit and broader professional experience.

He holds an Honours degree in Chemical Engineering with a major in Mathematical Modelling and Computer Simulation from the University of Manchester, UK.

Mr. Sofianos has extensive experience in the coordination of accounting, auditing, tax and consulting services rendered to a wide range of companies covering nearly all sectors of industry and in particular the financial services industry sector.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in February 2021

External Appointment:

DoValue Greece SA
Aegean Airlines
Arcela Investments Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Audit Committee
Member of the Risk Committee

Ioannis Zographakis (Chairperson of the Risk Committee & Senior Independent Director)

Ioannis Zographakis started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Citibank Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for Citibank CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he served as the Director of Finance and Acting Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and Head of UK Retail Bank. In 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the Secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chair of the Citi Insurance Brokerage Board in Greece and the Chair of the Investments and Insurance Supervisory Committee in Citibank Greece. He has also served as non-executive Director for the National Bank of Greece group during 2018-2019.

Mr. Zographakis holds an MBA from Carnegie Mellon University in the USA and a Bachelor's degree in civil engineering from Imperial College in London.

He has an extensive background in corporate governance, business restructuring, crisis management, finance, operation & technology in the banking industry, having spent more than 20 years in various senior operational and financial roles in Citibank in the US, UK and Greece and on the Board of a number of financial entities.

Term of Office:

Appointed
to the Board of BOC PCL in September 2013
and the Board in October 2016

External Appointment:

A. Eternity Capital Management Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Risk Committee
Chairperson of the Ethics, Conduct and Culture Committee
Member of the Audit Committee
Member of the Technology Committee

4. Members of the Board of Directors (continued)

4.2 Executive Directors

Panicos Nicolaou (CEO)

Panicos Nicolaou joined the Bank in 2001. He started his career serving at various positions mainly in the Corporate and Credit Risk departments. He was the Manager in the Restructuring and Recoveries Division from April 2014 until June 2016 where he undertook and effectively managed a large portfolio of corporate delinquent clients. From June 2016 until August 2019 he served as Director of Corporate Banking Division supervising the Corporate Banking Centres throughout Cyprus, the International Corporate Banking Centre & International Operations, as well as the Bank's Factoring Unit.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic), Greece and an MSc in Mechanical and Industrial Engineering from University of Illinois at Urbana-Champaign, USA. He also holds a BSc in Financial Services from the School of Management, UMIST, UK, and is an Associate Member of the Chartered Institute of Bankers, Institute of Financial Services, UK since 2004.

He is an experienced financial services professional having served in a number of senior roles in the Group.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in September 2019

External Appointment:

Chairperson of the Association of Cyprus Banks
European Banking Federation

Independent:

No

Committee Membership:

None

Eliza Livadiotou (Executive Director Finance & Legacy)

Eliza Livadiotou began her career at the audit firm Arthur Andersen in Cambridge UK in 1995, where she qualified as a Chartered Accountant. In 1999 she returned to Cyprus and joined Bank of Cyprus, as Assistant to the Group Chief General Manager. In 2005 she moved to financial control where she held various roles in the areas of Group reporting, tax, strategy and corporate finance.

In December 2013, she was appointed as Chief Financial Officer and in 2016 as Finance Director. In October 2021 she was appointed as Executive Member of the Board of Directors. In January 2022 her duties were extended to include the management of the Legacy operations of the Group. In her current capacity she is responsible for Finance, Treasury, Strategy and Corporate Finance, Investor Relations, ESG, Real Estate Management, Restructuring & Recoveries, Regulatory Affairs, Procurement and Economic Research.

Mrs Livadiotou is a Member of Trustees of the Bank of Cyprus Oncology Centre. She is also a member of the Banking Committee of the Institute of Chartered Accountants of England and Wales since March 2021. She previously served as a member of the Financial Services Committee of the Institute of Certified Public Accountants of Cyprus (2006-2018) which she chaired 2014-2016.

Mrs Livadiotou holds and MA (Hons) in Economics from the University of Cambridge.

She has significant experience as a financial services professional.

Term of Office:

Appointed to the Board of BOC PCL
and the Board in October 2021

External Appointment:

None

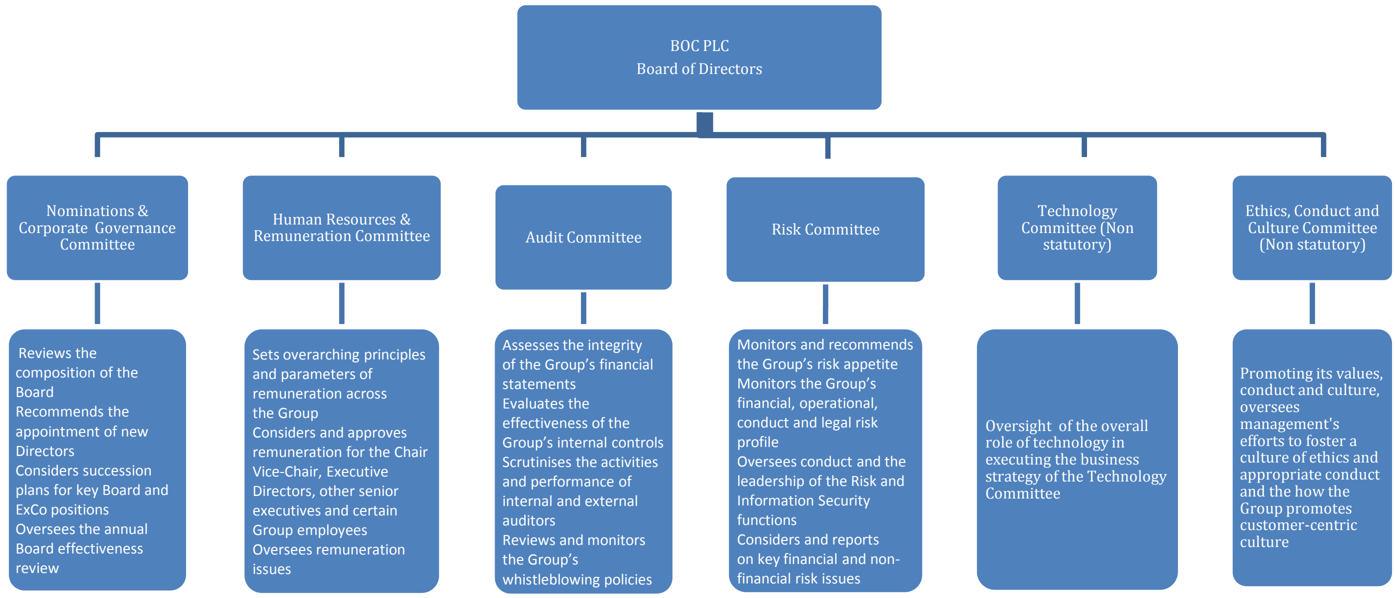
Independent:

No

Committee Membership:

None

5. Board Committees



The Board is assisted in the discharge of its duties by a number of Board committees whose purpose is to consider in greater depth than would be practicable at Board meetings, matters for which the Board retains responsibility. It is therefore crucial that effective linkages are in place between the committees and the Board as a whole given that it is impractical for all independent directors to be members of all the committees. Mechanisms are in place to facilitate these linkages including ensuring that there are no gaps or unnecessary duplication between the remit of each committee and appropriate cross-membership between committees where necessary. Alongside cross-membership the chairperson of each committee reports on matters discussed during committee meetings to the subsequent scheduled meeting of the Board. The minutes of all meetings of Board committees are circulated to all directors for information and formally noted by the Board. Papers for all Board committees are also made available to all directors, irrespective of membership. Such circulation of minutes and papers is restricted should there be a conflict of interest or issues of personal confidentiality.

The statutory committees are the Audit Committee ('AC'), the Risk Committee ('RC'), the Nominations and Corporate Governance Committee ('NCGC') and the Human Resources and Remuneration Committee ('HRRC'). Each committee operates under terms of reference approved by the Board. The core responsibilities of each committee are described in the table above. The remit of each committee is set out in brief in the table, and more information about the committees and their work can be found further below. The terms of reference of the committees are reviewed annually by the relevant committees and by the Board, are based on the relevant provisions of the CSE and UK Codes and the CBC Directive on Internal Governance (where applicable) and are available on the Group's website (www.bankofcyprus.com.cy/group) or by request to the Company Secretary.

In addition to the principal committees, the Board has in place a Technology Committee ('TC') which is mandated to drive the digital transformation of BOC PCL and an Ethics, Conduct and Culture Committee ('ECCC') to support it in promoting its collective vision of values, conduct and culture and to oversee management effort to foster a culture of ethics and appropriate conduct within the Group.

Each of the committees' structure facilitates open discussion and debate, with steps taken to ensure adequate time for members of the committees to consider proposals which are put forward. In carrying out their duties, Board committees are entitled to take independent professional advice, at the Group's expense, where deemed necessary or desirable by the committee members.

The overall responsibility for approving and monitoring the Group's strategy, risk appetite and policies for managing risks lies with the Board, which exercises this responsibility through two of its main committees, namely the RC and the AC.

5. Board Committees

5.1 Nominations and Corporate Governance Committee

As at 31 December 2021 the NCGC comprised of the Chairperson of the Board and three other independent non-executive directors. Its composition is fully compliant with the CSE Code, the UK Code and the CBC Directive on Internal Governance. The Chairperson of the Board chairs the Committee, except when the NCGC is dealing with the appointment of a successor to the role of Chairperson.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Committee met 8 times in 2021. The Chairperson and members of the Committee together with their attendance at meetings are shown below. The CEO attends meetings as appropriate. The NCGC meets annually with no management present.

Member attendance in NCGC meetings* in 2021:

Efstratios-Georgios Arapoglou (Chair)	8/8
Lyn Grobler	8/8
Arne Berggren	8/8
Maria Philippou	8/8

* The number of committee meetings at BOC PCL level were 8 during 2021. The attendance of these meetings can be found on page 294

The key responsibilities of the NCGC are set out in its terms of reference, which are available on the Group's website (www.bankofcyprus.com.cy/group) and are reviewed annually and approved by the Board.

The role of the Committee is to ensure that the Board is comprised of members who are best able to discharge the duties and responsibilities of directors and to support and advise the Board in relation to:

- Board recruitment (including regularly reviewing, reporting on and taking into account, when making further appointments, the composition and effectiveness of the Board);
- Considering and making recommendations to the Board in respect of the appointment of Key Function Holders other than heads of control functions; and
- Reviewing succession planning for directors and senior management, and overseeing the development of a diverse pipeline for succession.

The Committee also:

- keeps the Board's governance arrangements under review and makes appropriate recommendations to the Board to ensure that such arrangements are consistent with best corporate governance standards and practices in place;
- oversees subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries;
- provides oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity and social equity for the Group and its stakeholders; and
- supports the Board in fulfilling its oversight responsibilities relating to the Bank's strategy and supports the development and implementation of the Strategic Plan.

The matters considered and the actions taken by the NCGC during the year are set out in the following table.

5. Board Committees (continued)

5.1 Nominations and Corporate Governance Committee (continued)

Matters considered and action taken by the NCGC in 2021

Board and committee size and composition	• Structure and composition of the Board; • Succession Planning; • Review of re-appointment of members.	• A discussion on the composition of the Board especially around directors reaching the nine year limit for independence status. • Search for potential candidates of particular skillset.
Executive Succession Planning	• Succession Planning of CEO; • Approval of Material Risk Takers ('MRTs); • Appointment of Key Function Holders.	• A discussion on identifying suitable internal candidates. • A deep dive of executive succession planning for key roles was undertaken, which evidenced positive focus and development of key talent.
Annual Board effectiveness Review	• Annual Internal Board Performance Evaluation including Board committees and individual directors; • Review and discussion of External Board Evaluation; • Action Plan for implementing the recommendations of the 2021 Board evaluations.	• The internal Board Performance Evaluation of 2021 reported a positive outcome with regard to the Committee's continued effectiveness. • The external report by Nestor Advisors Ltd cited how well-structured, composed and run the Board is and made several recommendations for further enhancing its effectiveness.
Disclosure & Governance	• Review and approval of revision to the Corporate Governance Framework of the Group; • Approval of the 2021 action plan for corporate governance compliance with best practices; • Review and recommendation for approval to the Board of the Group Corporate Governance Policies; • Review of the Annual Corporate Governance Report; • Review of the quarterly corporate governance reports; • Approval of the report on compliance with the CSE Code and the UK Code; • Committee Terms of Reference; • Discussion on the formation of a Technical Advisory Board.	• Annual review of the Corporate Governance Framework, to incorporate requirements of recent regulatory developments. • A review of the Board Nominations Policy to ensure that targets set for 40% female representation on the Board are still appropriate and achievable. • The Committee approved changes to internal policies and its Terms of Reference that required revising to ensure continued compliance with all applicable corporate governance requirements and the newly issued CBC Directive on Internal Governance Oct 2021. • Given the importance of Digital Transformation for the Bank the NCGC discussed the possible formation of a Technical Advisory Board which will provide direction on what the Bank's vision of its future with regards to technology should be.

Independence and time commitments	• Review of:
	  • Skills, knowledge and expertise;
	  • Independence of non-executive members;
	  • Review of potential conflicts of interest of directors;
	  • Appointments to other directorships;
	  • Attendance records and time commitment.
		• The NCGC assessed cases where directors of the Board and of the material subsidiaries were nominated for appointment to boards of third companies for possible conflict of interests, time commitment issues and limits to the number of directorships a director can hold at any time.
		• All non-executive directors remained independent as to character and judgement. All directors are considered to have appropriate roles including capabilities and skills.
		• During the annual performance evaluation each non-executive director and his/her ability to continue meeting their time commitments was assessed.

5. Board Committees (continued)

5.1 Nominations and Corporate Governance Committee (continued)

Matters considered and action taken by the NCGC in 2021 (continued)

Sustainability	• Review of ESG ratings by institutional investor advisory services and discussion on improving certain factors; • Approval of the Annual Sustainability Report.	• Updated on the action plan of the Sustainability Committee and recommended approval of the sustainability strategy to the Board.
Subsidiary oversight	• Review and approval of the revision of the Corporate Governance Guidelines for Group Subsidiaries; • Approval of appointment of directors of subsidiaries to the boards of third entities.	• Alignment of the corporate governance framework of the subsidiaries with that of the Group taking into consideration proportionality. • Appointment of a subsidiary NED to the board of a third entity and discussion of potential conflicts of interest.

As part of the process of succession planning and determining the appropriate range and mix of skills required to maintain an effective Board, Deloitte was appointed in early 2022 to assess the skillset of the Board against required and desirable Board competencies and provide recommendations for bridging any gap identified for an appropriate range and depth of skills and experience. More information will be reported in the 2022 Corporate Governance Report. The Committee continued to keep under review the structure, size and composition of the Board and its committees. In 2021 it devoted considerable time to succession planning and skillset requirements to bolster the Board's effectiveness, having regard to the need to address the strategy of the Bank for Digital Transformation. A scoping workshop was run with the external consultants who would assist in the search for potential candidates for the Board, by collecting a pool of individuals with appropriate characteristics and skillset, sufficient calibre and suitable for appointment to the Board as non-executive members to enhance the Board's overall effectiveness, facilitating the Board by acting with integrity, leading by example and promoting the desired customer-focused culture.

Having been delegated responsibility for oversight of the Group's sustainability strategy, the Committee received updates from the Sustainability Committee on the action plan in place and the strategy and recommended approval of the strategy to the Board.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were informed of the Committee's activities. The Committee's terms of reference can be found at www.bankofcyprus.com.cy/group.

The CEO and the CGCO are invited to attend meetings where the agenda items are relevant to them and their attendance is requested by the Committee. The Committee ensures plans are in place for the selection, appointment and orderly succession of executive directors and senior managers. The Group carries out a review of the ongoing suitability of ExCo members on an annual basis, whereby they are required to confirm any changes in their circumstances in respect of their compliance with the CBC Directive on Suitability. Any changes in circumstances disclosed are assessed and their materiality determined. Following the review of 2021, certain changes to directorships were reported. The Board concluded that each of the senior management members has the requisite standard of fitness, probity and financial soundness to perform his/her functions effectively.

The Committee keeps under review updates to corporate governance regulations and requirements and briefs the Board on their effective implementation. The Committee oversaw the 2020 internal review of the effectiveness of the Board and its Committees which concluded in March 2021 and the external review which concluded in February 2021.

5.1.1 Diversity

The Group recognises the benefits of having a diverse Board and workforce, creating a work environment where everyone has an opportunity to fully participate in creating business success, and where each person is valued for their distinctive skills, experiences and perspectives. In reviewing Board composition and identifying suitable candidates, the NCGC considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, industry experience, nationality, gender, age and other relevant qualities, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

5. Board Committees (continued)

5.1 Nominations and Corporate Governance Committee (continued)

5.1.1 Diversity (continued)

All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole is required to have to be effective and the diversity benefits each candidate can bring to the overall board composition.

The Group's approach to Board diversity is set out in full in the Board Nominations Policy which can be found online at https://www.bankofcyprus.com.cy/globalassets/who-we-are/our-governance/group-board-nominations-policy.pdf. The Policy recognises that a truly diverse Board will include and make good use of the differences in skills, experience, background, race, gender and other distinctions brought by each director, with such differences being considered in determining the optimum composition of the Board.

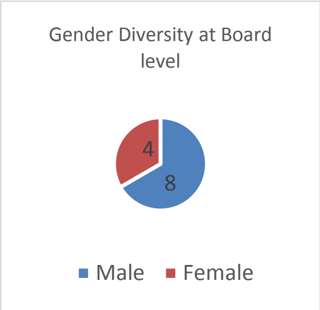
Non-executive members of the Board possess a wide range of skills, knowledge and extensive experience acquired from executive and/or non-executive appointments as directors of other companies, that combine to provide independent perspective, insights and challenge needed to support good decision-making and effective board dynamics. The effectiveness of the Board depends on ensuring the right balance of directors with banking or financial services experience and broader commercial experience. Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group. The participation of executives on the Board enhances the banking expertise of the Board and ensures that the Board is provided with direct, precise and up-to-date information about significant issues concerning the Group.

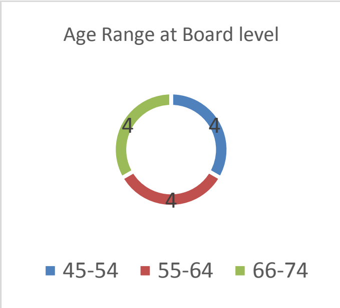
Following review in 2021, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including inter alia, banking, insurance, manufacturing, audit and accounting, economics, risk management, dealing with competent authorities, strategy and business models, legal and consultancy services, information technology and human resource management. The NCGC further recognised that a candidate with strong background in IT and or cybersecurity could enrich the Board composition given the strategic importance of digitisation of the Group.

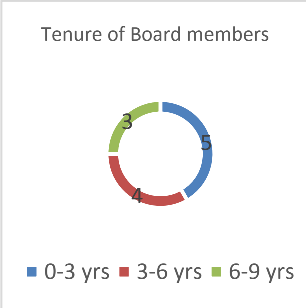
5. Board Committees (continued)

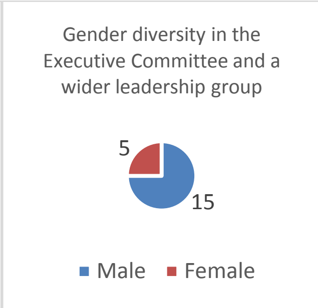
5.1 Nominations and Corporate Governance Committee (continued)

5.1.1 Diversity (continued)









During 2021, the NCGC reviewed the Board Nominations Policy which aims to maintain diversity with appointments based on merit in the context of the skills and experience required. The Group was aiming to achieve and maintain 40% female representation and has been implementing an action plan approved by the NCGC describing all key intervening milestones leading to the accomplishment of this target. The changes in the composition of the Board in 2021 maintained diversity at 33.3%. The Board remains committed to achieving and maintaining its set target the earliest possible.

The Board also places high emphasis on ensuring the development of diversity in the senior management roles within the Group. A number of Group policies ensure unbiased career progression opportunities. The Code of Conduct similarly ensures equal opportunities to all members of staff and treats diversity with fairness and respect aiming to provide fair treatment for everyone at work. A primary ESG target approved under the ESG strategy by the Board is ≥30% women in Group’s management bodies by 2030.

5.2 Human Resources and Remuneration Committee

On 31 December 2021, the Committee comprised of three independent non-executive members and one non-independent non-executive member. Its composition complied with the requirements of the CSE Code, and the CBC Directive on Internal Governance, but not the UK Code which requires that all members are independent. The Board considers that at least one member of the Committee possesses appropriate knowledge and expertise on Human Resources (‘HR’) and remuneration issues and that the chair has at least one year prior committee experience.

The members of the Committee collectively possess appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, including the mechanism for aligning the remuneration structure to the Group’s risk and capital profile. The diverse backgrounds of the members of the Committee provide a balanced and independent view on remuneration matters.

In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the HRRC and the RC.

Biographical details, including each member’s background, experience and independence status are set out in section 4 of this report.

The Committee held 11 meetings in 2021. The chair and members of the Committee together with their attendance at meetings are shown below. The CEO and the Chief of Staff were invited to attend meetings as appropriate.

5. **Board Committees** (continued)

5.2 **Human Resources and Remuneration Committee** (continued)

Member attendance in HRRC meetings* in 2021:

Maria Philippou (Chair)	11/11
Michael Heger	11/11
Lyn Grobler	11/11
Maksim Goldman	10/11

* The number of committee meetings at BOC PCL level were 11 during 2021. The attendance of these meetings can be found on page 294.

The key responsibilities of the HRRC are set out in its terms of reference, which are available on the Group's website (https://www.bankofcyprus.com.cy/group/who-we-are/our-governance/group-committees/) and are reviewed annually and approved by the Board.

The role of the Committee is:

- To oversee that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals. It is imperative for the Group to employ the appropriate forward-looking, commercially minded, human resources that would promote digital transformation and continuous innovation;
- To oversee that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour which would lead to the desired outcome;
- To oversee that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market;
- To regularly review, agree and recommend to the Board the over-arching principles and parameters of Compensation & Benefits policies across the Group and to exercise oversight for such issues;
- Within the over-arching principles and parameters recommended by the Committee and approved by the Board as referred to above, to review and set the remuneration arrangements of the executive directors of the Company, Senior Management and the Group Remuneration Policy, bearing in mind the EBA Guidelines on remuneration policies under CRD V of 2021, the CBC Directive on Internal Governance, the UK Code and any other applicable statutory or regulatory requirements.

The HRRC oversees the HR initiatives that foster employee engagement, such as the application of a holistic internal communication programme, the implementation of the 'Well-at-Work' initiative, an employee wellbeing / care programme and the application of fair and transparent recognition initiatives across the Group.

The HRRC holds delegated responsibility from the Board of Directors for the oversight of the Group-wide Remuneration Policy with specific reference to the senior management, heads of, and senior officers in, internal control functions and those employees whose activities have a material impact on the Group's risk profile. The HRRC is responsible for overseeing the annual review of the Group Remuneration Policy with input from the RC and relevant risk management functions which is then proposed to the Board for ratification. In addition, the Board, through the Committee, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The Group has been operating under a number of remuneration restrictions such as no granting of variable pay which cover all executive directors, senior management and employees. More information about the role of the Committee in respect of the Remuneration Policy can be found in the Remuneration Policy Report on page 324.

The remuneration of non-executive directors is determined by the Board following the recommendation of the Chairperson of the Board while the remuneration of the Chair and Vice-Chair is recommended by the HRRC. Both are subject to approval by the shareholders. No director is involved in decisions regarding his/her own remuneration.

The Committee exercises oversight of negotiations with the labour union in Cyprus and provides guidance and support to management. It advises the Board on the approval of the collective agreements and reviews the framework of industrial relations and collective agreements to ensure they are relevant to best practices and conducive to good performance.

5. Board Committees (continued)

5.2 Human Resources and Remuneration Committee (continued)

The Committee reviews any voluntary retirement / separation schemes for BOC PCL and material subsidiaries in cooperation with the Human Resources Division ('HRD') and succession planning for all divisions and subsidiaries for senior management throughout the Group. It also reviews the annual training plan as prepared by HRD and approved by the CEO and ensures that it creates and/or develops the right competencies and behaviours that are necessary for meeting the Group's strategic priorities.

The Committee reviews and approves the content of any resolutions submitted for approval at the general meeting of the shareholders. These resolutions are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the CSE Code and concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

Matters considered and action taken by the HRRC in 2021

Annual Remuneration Review	• Annual review and approval of the Remuneration Policy; • NED remuneration survey; • Introduction of merit pay as a percentage of fixed salary to encourage high performance from 2022; • Salary proposals for key senior management.	• Salary increases to key executive team members to align with market. • NED remuneration compared well with peer banks but Chairman remuneration was significantly lower. – Recommendation to the Board to increase the Chairman's remuneration. • Discussion took place on the framework of variable pay, but decision was postponed for later in 2022.
Disclosure and Governance	• Review of the Remuneration Policy Report in the Annual Report; • Review of the Terms of Reference of the Committee; • Monitoring of the development of payroll cost; • Review of a number of HR Policies; • Ask the Board.	• The Report was reviewed and approved. • The Committee recommended amendments to its terms of reference to ensure continued compliance with evolving corporate governance requirements and compliance with the CBC Directive on Internal Governance. • A Board communication initiative with staff through emails. • The internal Board Performance Evaluation of 2021 reported a positive outcome with regard to the Committee's continued effectiveness.
Human Resources Review	• Monitoring of the Bank's headcount and payroll cost evolution as well as the external recruitment process; • Review of the targeted Voluntary Exit Plan ('VEP'); • The Disciplinary Code; • Review of Talent Management and Feedback from the Talent Committee; • Spans & Layers exercise; • Gender Pay Gap; • Specialised recruitments.	• The Committee reviewed the Group's plan which continued to identify obsolete positions emanating from digital transformation efficiencies, closure of branches, sales of loans, etc. Consultation with the labour union took place to ensure its on-boarding with the targeted VEP. • The HR strategy in identifying, managing and mentoring talent was reviewed and discussed. • An initiative to reduce the layers of hierarchy for a more agile organisation and faster decision-making and more efficient management process. • An exercise to determine gender pay gap recorded mean and median gap of 14.5% and 9.9% respectively, indicating that women hold fewer senior positions but the Bank compares well with other banks. • Specialised recruitment, mostly for IT and Information Security positions for which no internal talent was identified.
Training	• Review of the training plan of staff for the year.	• The training plan was reviewed to ensure it is appropriate and aligned to the strategy of the Group.
Engagement with Labour Union	• Close monitoring of the progress of the negotiations and recommendation to the Board for approval with regards to renewal of the Collective Agreement.	• The Bank reached agreement with labour union representatives for the renewal of the collective agreement. Validation of the new grading system, promotions and resulting salary increases to staff.

5. Board Committees (continued)

5.2 Human Resources and Remuneration Committee (continued)

Matters considered and action taken by the HRRC in 2021 (continued)

Performance Appraisal, Development and Succession	• Review of the Performance Appraisal results and main findings; • 360⁰ Assessment of Senior Management; • Management Practices Survey; • Review of the Performance Appraisal Policy.	• There is an appropriate process in place to assess the performance of staff and Senior Management. • The Board is informed of the Appraisal results when reviewing the succession plan. • Reviewed the findings of the Management Practices Survey whereby subordinates assess their managers across 12 management dimensions and managers self-assess - areas for focus are Managing Change and Motivation. • The Policy was reviewed and updated to include the active involvement of the Board in the appraisal process of Senior Management, from setting performance targets to appraising performance. • The Bank's Succession Plan was considered by the HRRC and the NCGC at a joint meeting.
Human Resources Practices	• HR Strategy; • HRD update Report (exit statistics, disciplinary cases, financial aid, care leave, vulnerable cases in view of pandemic); • Internal Customer Satisfaction Survey – Action plan; • Staff Opinion Survey; • Organisational Health Index (OHI); • Flexible Workplace Practices; • Covid-19 Pulse Survey; • Update on Risk Culture project;	• Various initiatives introduced by HRD to align culture with strategy were reviewed and commented on by the Committee. • For high risk vulnerable employees who stayed at home as per governmental guidelines, the Bank agreed to top-up the government's allowance. • Action Plan to improve participation rate in the surveys. • A long-term approach in implementing remote working in parallel to the Transformation Project. • Well at Work website- a tailor-made web page, created in cooperation with the Bank's external medical partners, with a specialised section on COVID-19 that includes general advice, information, videos Q&As etc. • Ongoing project as part of the Bank's efforts of enhancing its risk and control culture.

Priorities for the HRRC in 2021 were the nurturing of internal communication with staff, the signing of the collective agreement, the digital learning programme for talent management and the Project Ethos with emphasis on enhancing risk and ethics culture.

The Board is informed through the HRRC on staff surveys and is updated on progress in implementing actions in response to staff feedback. An Organisational Health Index (OHI) Survey was run for the first time in 2021 and it will be repeated on an annual basis, aiming at evaluating the organisation's health while identifying areas of focus and improvement going forward. The Internal Customer Satisfaction Survey allows employees to evaluate the level of service they receive from various internal departments of the Bank. In 2021 several control and support functions were evaluated.

The Committee considered and recognised the strength of the mechanisms in place to engage with and hear from employees. Methods of gathering and documenting workforce views and considering how themes and viewpoints of the workforce would be presented to and considered by the Board for discussion and debate were assessed, to encourage a meaningful dialogue between the Board and the workforce on a timely basis. Further to the Ask the CEO initiative introduced in 2020, the initiative Ask the Board was introduced in August 2021 and there was modest use of the means to communicate directly with staff. Once staff recognise that their views are considered and actions are taken, more usage of this means of communication is expected. Internal communication is further encouraged through regular one-way communication from the Bank to employees through the employee portal, emails to all staff and the CEO corner to keep employees engaged.

5. Board Committees (continued)

5.2 Human Resources and Remuneration Committee (continued)

The Board agreed to adopt an alternate approach to the workforce engagement methods set out in the UK Code. The primary reason for taking a different approach is that there is regular interaction with the labour union which represents 97.7% of staff. Remuneration within the Group is based on collective agreements including remuneration of executive management except that of CEO which is a fixed term contract and there are restrictions on variable remuneration for all employees including executive directors. The Remuneration Policy covers all employees including executive directors.

The information from surveys, the whistleblowing process, other information reported from the Working Team on culture, disciplinary actions, grievances themes etc., were reported to and discussed by the HRRC and the ECCC before being reported to the Board. It is hereby confirmed that the workforce engagement method that the Board has settled on is through internal communication initiatives facilitated by the HRD and reported to the Board.

The Transformation Programme, initiated to further specialise, further modernise and reduce the Bank's operating costs, is of paramount importance in safeguarding the Bank's viability. Further reorganisation and the abolition of a number of jobs/positions in 2021 allowed the Group to proceed with a similar to 2020 targeted Voluntary Exit Plan ('VEP'). The VEP allowed 102 employees to depart smoothly, in receipt of a compensation.

Further information on the role of the Committee is presented in the Remuneration Policy Report, on page 324 of this report.

The chair of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

5.3 Audit Committee

As at 31 December 2021, the AC comprised of five independent non-executive directors. The Board considers that the AC's members have an appropriate mix of skills and experience and have collectively recent financial experience and competence relevant to the banking and financial services sector in which the Group operates. The Board further believes that Nicos Sofianos, Ioannis Zographakis and Paula Hadjisotiriou have specialised knowledge and experience in the application of internal control procedures and accounting issues relevant to the Committee and have significant, recent and relevant financial experience and can be regarded as Audit Committee financial experts. The Committees's composition is fully compliant with the CSE Code, the UK Code and the CBC Directive on Internal Governance.

Biographical details, including each member's background, experience and independence status are set out in section 4 of this report.

The Executive Director Finance & Legacy, Internal Audit Director, Director of Compliance, the statutory auditors and the Company Secretary regularly attend the Committee meetings. As part of and in addition to each scheduled meeting the Committee held members-only meetings. The Committee held 16 meetings during 2021. The chairperson and members of the Committee together with their attendance at meetings are shown below. Nicos Sofianos, Ioannis Zographakis and Paula Hadjisotiriou are also members of the RC. Michael Heger is also a member of the HRRC. Such common membership facilitates effective governance across all finance and risk issues. Agendas are aligned and overlap of responsibilities is avoided.

Member attendance in AC meetings* in 2021:

Nicos Sofianos (Chair since 26 February 2021)	12/12
Ioannis Zographakis (Chair until 25 February 2021)	16/16
Arne Berggren	15/16
Paula Hadjisotiriou	16/16
Michael Heger	15/16

* The number of committee meetings at BOC PCL level were 16 during 2021. The attendance of these meetings can be found on page 294.

5. Board Committees (continued)

5.3 Audit Committee (continued)

The key responsibilities of the AC are set out in its terms of reference, which are available on the Group's website (www.bankofcyprus.com.cy/group) and are reviewed annually and approved by the Board.

The Committee, inter alia, is responsible for:

- The appropriateness and completeness of the Group's system of internal controls and information systems;
- Ensuring that the system of internal controls is adequately resourced;
- Monitoring the integrity of the Group's financial statements and related announcements (including significant financial reporting judgements contained in them) and the financial reporting process;
- Advising the Board on the accuracy and fairness of the annual reports and accounts;
- Monitoring the effectiveness and operations of the internal audit function and the compliance function;
- Overseeing all matters relating to the relationship between the Group and the external auditors;
- Monitoring the effectiveness of the Group's whistleblowing procedures;

and making recommendations to the Board on such matters.

The role of the Committee is fundamental to ensuring the integrity and accuracy of the Company's financial reporting. Good, open relationships between the Committee, the EDFL, the Internal Audit Director and the Director of Compliance as well as the external auditors, are essential to adding value to the organisation. This is achieved by holding management accountable for the implementation of all recommendations (internal and external). In addition to providing assurance within the governance and accountability structures of the Group, it is essential that the Committee contributes, delivers results and adds value to the Group.

The AC considered the results of the deep dives carried out on the availability and continuity of IT Services and the actions taken by the Bank on monitoring customers exiting the Covid-19 moratorium. Further the AC considered the following key significant accounting and other related issues in its review of the financial statements for the year ended 31 December 2021. In addressing these issues, the AC considered the appropriateness of management's judgements and estimates and where appropriate, discussed those judgements and estimates with the external auditors.

Matters considered and action taken by the AC in 2021

External Reporting	• Review and recommendation for approval of the annual and interim reporting; • Review and approval of the quarterly financial results; • Review and approval of the Group's existing accounting policies; • Endorsement of the going concern assessment for the purposes of the basis of preparation of the financial statements.	• The AC considered management's assessment of the appropriateness of preparing the financial statements of the Group on a going concern basis. Matters considered in making this assessment included the performance of the Group, profitability projections, funding and capital plans under base and stress scenarios. • The considerations assessed by the AC in relation to the going concern assessment are also set out in Note 3 of the Consolidated Financial Statements.

5. **Board Committees** (continued)

5.3 **Audit Committee (**continued)

Matters considered and action taken by the AC in 2021 (continued)

External Auditors	• Discussion of the results of the audit of the financial statements; • Evaluation of the independence of the external auditors; • Assessment through Audit Quality Indicators (AQI) of the effectiveness of the external audit process; • Approval of audit, tax compliance and other assurance fees for the year; • Approval of permissible non-audit services assigned to the auditors; • Update on the 2021 External Audit Plan.	• The preparation of the financial statements requires management to make a number of judgments or assumptions that affect significant accounting estimates. The external auditor for each of these accounting estimates, have challenged the appropriateness of assumptions and judgements made by management, assessed the impact of adopting plausible alternative assumptions. • The AC assessed through the AQIs the effectiveness of the external auditors and recommended that the auditors enhance their reporting with regards to subsidiaries. • The external auditors presented their audit plan for the year ended 2021. • The external auditors presented their conclusions in relation to the significant estimates and judgements and discussed them with management. • The auditors as part of their audit approach in line with the prior year included testing of IT general controls where financial reporting controls relied on the specific IT systems in scope and provided updates on the prior year findings in this area. • Further follow-ups were provided on findings in other areas of the external audit. These will continue to be discussed along with management's actions.
Governance	• Review of the revised Terms of Reference of the AC; • Approval of the Corporate Governance Report; • Approval of the Directors' Compliance Statement; • Remuneration of senior officers of compliance and internal audit.	• The Terms of Reference were revised to be in line with the CBC Directive on Internal Governance issued in Oct 2021. • The Board has delegated authority to the NCGC to draw up the Annual Corporate Governance Report, but the AC retains its duty to review and approve the Annual Corporate Governance Report. • Relevant clarifications were sought and the AC was satisfied with respect to the Annual Corporate Governance report and the Directors' Compliance Statement. • Following the signing of the collective agreement and the new grading system, the remuneration of certain senior officers of the two control functions was reviewed and recommended for approval.
Internal Audit	• Review of the Annual Audit Report; • Approval of the Internal Audit's (IA) Annual Audit Plan; • Review of the independence of the IA Division and the IA Director; • Assessment of the independence, adequacy and effectiveness of IA; • Appraisal of the IA Director; • Review of the Internal Audit Division Charter; • Approval of the IA budget; • Review of the IA quarterly activity reports; • Overview of the internal audit services; • IA staffing needs and skills Assessment; • Update on complaints received through the whistleblowing line; • External Quality Assessment process initiation.	• The conclusions arising from the internal audit activity as described in the Annual Audit Report were discussed. • The adequacy, effectiveness and independence of the internal audit function was assessed as adequate and relevant confirmation was provided to the Board. • Investigation reports, internal audit report findings and recommendations were discussed as well as management's response and actions.

5. Board Committees (continued)

5.3 Audit Committee (continued)

Matters considered and action taken by the AC in 2021 (continued)

Compliance	• Review of the Group Financial Crime & Sanctions Compliance Department ('FCSCD') Annual Report; • Review of the Group FCSCD Risk Management Report; • Review of the Compliance Annual Report; • Review and approval of the CD Action Plan; • Review and approval of the Anti-Money Laundering ('AML') risk appetite statement and policies; • Consideration of major compliance issues and reports submitted to it by CD; • Review and approval of the various regulatory compliance policies; • Update on important forthcoming regulatory developments – 6^{th} EU AML Directive; • OSI Audit of the ECB on Internal Governance and Risk Management of Compliance; • Report of the DPO; • Compliance Management System; • Appraisal of the Director Compliance; • Launching of digital KYC tool.	• Data privacy issues and way forward discussed. • An in-depth presentation of the recently implemented Compliance Management System was made to the AC which discussed efficiencies, performance and the need to fully utilise the system. • The OSI findings and recommendations were discussed and actions were taken to enhance compliance activities.
Internal controls	• Annual review of the effectiveness of the Group's internal controls; • Review of the IT Action Plan to address audit findings; • Ongoing interaction with external auditors for exchange of information and evaluation in the context of use of the work of Internal Audit, as allowed by the International Standard on Auditing (ISA) 610 "Using the work of InternalAuditors".	• .Based on the work carried out in 2021, reasonable assurance is provided, with emphasis on specific matters, on the design, adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes, for managing significant risks, according to the risk appetite set by the Board of Directors. Emphasis is placed on the areas of Digitalisation, Information Systems and Data Governance, current, as well as any future, risk exposures. • The progress of addressing IT audit findings was discussed with regard to availability and continuity of IT services.
Subsidiaries Oversight	• Reports by the audit committees of the two insurance companies – General Insurance Ltd and Eurolife.	• The AC Chairman attended on a regular basis the AC meeting of the two insurance companies and provided guidance and advice on various matters discussed. • Discussion of issues faced by the two insurance companies. The AC recommended the insurance companies develop new or supplementary products with exclusive benefits to render them attractive to customers.

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial statements, by discussing and challenging the judgements made by management and the assumptions and estimates on which they are based. The Committee on behalf of the Board reviewed the 2021 Group Annual Financial Report and the process by which the Group believes that the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Following review, the Committee has advised the Board that such a statement can be made in the Annual Report (page 50).

A key activity for the Committee is the consideration of significant matters relating to the annual financial report, with key accounting judgements and disclosures subject to in depth discussion with management and the external auditors, PricewaterhouseCoopers ('PwC'). The Committee provides robust challenge to key judgements in advance of making a recommendation to the Board that all financial reports are considered to be a fair, balanced, and understandable assessment of the Group's financial position.

5. Board Committees (continued)

5.3 Audit Committee (continued)

The most significant judgements, estimates and assumptions in 2021 related to classification of financial instruments and the calculation of expected credit losses, the estimation of the net realisable value of stock of property and provisions relating to pending litigation, claims, regulatory and other matters. Economic activity recovered strongly in 2021 despite the uncertainties brought on by the pandemic. The Committee discussed the appropriateness of the three different economic scenarios used by the Group in the calculation of expected credit losses for loans and advances to customers. Further information is set out in Note 5 of the Consolidated Financial Statements.

The Committee considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.

Management reporting to the Committee from across the business has provided the opportunity for the Committee to challenge, probe, discuss and seek assurances from management, enabling the Committee to provide an independent perspective. The AC considered among others, the following significant issues in its review of the financial statements for the year ended 31 December 2021. In addressing these issues, the Committee discussed key areas of management’s judgements and estimates with the external auditors, PwC; particular areas for discussion included their findings/observations as part of their audit/review of the Group’s financial statements, including inter alia, loan provisioning and impairment, going concern assessment, litigation and claim provisions and observations in relation to the Group’s controls over Information Technology.

Specific matters considered by the Committee were: the effectiveness of the system of internal controls, financial reporting, the major findings of internal audits and investigations into control weaknesses and management’s response. The AC has received confirmation that executive management has taken or is taking the necessary actions to remedy any failings or weaknesses identified through the operation of the Group’s framework of controls and will continue to reassess and remediate further as needed.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Company and/or its subsidiary companies, where any member of the Board, CEO, senior executive officer, Secretary, auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Company’s normal commercial practices (at arm’s length).

The Committee received regular reports from the EDFL, the Internal Audit Director and the Director of Compliance who regularly attended the Committee’s meetings. Reports were submitted to the Committee on internal control matters. The Committee has regular discussions with the external auditors, the Internal Audit Director and the Director of Compliance on various issues without the presence of the management.

Other responsibilities

The AC and the RC liaise closely and in joint committee meetings, review the appropriateness of and completeness of the system of internal controls, management’s recommendations in respect of provisions for impairment of loans and advances and other impairment losses and charges as reported in the Group’s financial statements. The AC is primarily responsible to review the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal controls system, including accounting control systems, thereby maintaining an effective system of internal controls.

The chairperson of the Committee holds the role of Whistleblower’s Champion and has specific responsibility for the integrity, independence and effectiveness of the Group’s policies and procedures on whistleblowing, including the procedures for protecting employees who raise concerns from possible discriminatory or retaliatory actions. He has also been named as the designated Board member responsible for the implementation of the AML Law and relevant Directives.

As a result of the Committee’s work in 2021, assurance has been provided to the Board on the quality and appropriateness of the Group’s financial reporting and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Group’s broader stakeholders.

5. Board Committees (continued)

5.3 Audit Committee (continued)

The Committee's performance during 2021 was assessed as part of the internal performance evaluation of the Board. The conclusion drawn was that the Committee is regarded as operating effectively and the Board takes assurance from the quality of the Committee's work. The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

It is noted that Eurolife Ltd and General Insurance Ltd also maintain an audit committee which reports to the AC on an annual basis. The AC chairman periodically attends meetings of these subsidiary audit committees and reports back to the AC and the Board.

5.3.1 Internal Audit & Compliance Divisions' effectiveness

The Internal Audit and Compliance Divisions report directly to the Board through the AC. They are organisationally independent of units with other executive functions and are not subordinated to any other unit of the Company, except the Director of Compliance who reports administratively to the CEO. The Committee's activities included the consideration of reports submitted by the Internal Audit and Compliance Divisions.

In monitoring the activities and effectiveness of Internal Audit Division, the Committee approved the annual audit plan and budget, including resources, and reviewed progress against the plan throughout the year.

The Committee received regular reports from Internal Audit on internal audit activities across the Group which outline details of the audit approach, management engagement and areas identified during audits for further strengthening across the Group's risk management and internal control framework. These reports cover matters of relevance to the Committee in assessing the effectiveness of the internal controls. Reports are rated based on the design adequacy and operating effectiveness of control environment, as well as management's control awareness of the risks facing their business area. In conjunction with Internal Audit reports, the Committee considers management's responses to, and the timeliness of the remediation of identified issues.

The Committee has satisfied itself that the Internal Audit Division was effective and adequately resourced through regular meetings held with and reports provided by the Internal Audit Director on internal audit issues, including the effectiveness and adequacy of resources. It also approved the engagement of consultants for the External Quality Assessment of the Internal Audit, as required by the IIA Standards every five years.

The Committee reviewed the internal audit planned activities for the following year. Management's responses to Internal Audit's findings and recommendations, as well as the implementation progress of recommendations provided in internal and external reports were reviewed and monitored. The monthly reports issued by the Internal Audit Director enable the Committee to focus discussion on specific areas of concern and to track remediation progress over time.

Regular reports are submitted by Compliance Division to the AC on matters relating to regulatory risk across the Group. The Committee also received reports from the Money Laundering Compliance Officer on the operation and the effectiveness of the systems and controls established by the Group to manage Financial Crime & Sanctions Compliance ('FCSC') risk. FCSC incorporates money laundering, terrorist financing, sanctions and bribery and corruption and is a key area of Committee focus. The remediation plan approved by the AC across the Group on customer due diligence is rigorously monitored. There is zero-tolerance on money laundering and terrorism financing incidents and no violations of the relevant legislation or breaches of the Group's internal policies, procedures and its compliance framework are permitted.

The Committee proposes to the Board the appointment, replacement, transfer or removal of the Internal Audit Director and the Director of Compliance. It submits a report to the Board on the assessment and monitoring of the independence, adequacy and effectiveness of Internal Audit and the Compliance Division.

Assurances have been sought and received by the Committee concerning the resourcing of the Internal Audit and Compliance functions.

5.3.2 Arrangements relating to the external auditors

The Committee oversees the relationship with the external auditors. During the year, the Committee considered PwC's terms of engagement, including remuneration, its independence, audit quality / performance, objectivity and considered the plans for the interim review and year-end audit.

5. Board Committees (continued)

5.3 Audit Committee (continued)

5.3.2 Arrangements relating to the external auditors (continued)

Appropriate safeguards are in place to protect the independence and objectivity of PwC. The Committee operates a Group Policy on the Provision of Non-Audit Services by the Group's statutory auditors in line with the EU Directive and the Auditors' Law to regulate the use of the statutory auditors for non-audit services. In order to ensure the objectivity and independence of the PwC, the policy formalises certain restrictions in the provision of non-audit services by PwC and requires that any engagement of the external auditors for services must be approved in advance by the Committee. Quarterly, details of approved non-audit services are presented to the Committee for review, including monitoring of the balance between audit and permissible non-audit services.

The AC is responsible for overseeing all matters relating to the relationship between the Group and its statutory auditors, including the external audit plan, terms of engagement, audit and non-audit fee arrangements, interim findings and audit finding reports.

The Group is committed to ensuring the independence and objectivity of the statutory auditors and on a semi-annual basis the AC formally reviews the effectiveness, independence and performance of the external auditors. The AC also reviews the external auditors' approach and strategy for the annual audit and audit findings.

The process for assessing the effectiveness of the audit process using AQIs, is supported by tailored questionnaires completed by the AC members and relevant senior management personnel. The responses received are collated and presented to the AC for discussion.

The external auditors do not provide internal audit services to the Group. The AC reviews annually a detailed analysis of the audit and non-audit fees relating to work done by the external auditors, to confirm their independence and refers this analysis to the Board. The External Recruitment Policy provides on hiring employees or former employees of the external auditor.

Information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in Note 15 of the Consolidated Financial Statements.

In accordance with the provisions of the European Directive on statutory audits and following a transparent and competitive tender process in 2017, the AC recommended to the Board the appointment of PricewaterhouseCoopers ('PwC') for accounting periods commencing 1 January 2019. The AGM held on 25 May 2021 considered the continuation in office of PwC as Auditors of the Company and authorised the Board to fix their remuneration.

The AC assessed the independence of the statutory auditors prior to the commencement of the audit period and continues to assess their independence on a six-monthly basis. The Committee concluded that it was satisfied with the independence, quality and performance of PwC in respect of the year ended 31 December 2021 and recommended that the Board propose PwC for reappointment for approval at the 2022 AGM. The lead partner for the audit engagement is Mr. Kevin Egan. PwC's term as statutory auditor ends in 2027. PwC's performance and independence shall be continuously reviewed and they shall remain subject to reappointment each year, pending the selection of a new audit firm ahead of their departure in 2027.

5.4 Risk Committee

The RC as at 31 December 2021 comprised of three independent non-executive directors and one non-independent non-executive director. The Board considers that the RC consists of directors who possess individually and collectively adequate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group as well as its risk management and control practices. The Committee's composition is fully compliant with the CSE Code and the CBC Directive on Internal Governance but not the UK Code which requires every member to be independent.

Biographical details, including each member's background, experience and independence status, are set out in section 4 of this report.

The Committee held 25 meetings during 2021. The chairperson and members of the Committee together with their attendance at meetings are shown below.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Member attendance in RC meetings* in 2021:

Ioannis Zographakis (Chair)	25/25
Maksim Goldman	24/25
Paula Hadjisotiriou	25/25
Nicos Sofianos	20/20

* The number of committee meetings at BOC PCL level were 29 during 2021. The attendance of these meetings can be found on page 294.

To ensure coordination with the work of the AC, Mr. Zographakis, Mrs Hadjisotiriou and Mr Sofianos are members of the AC. Mr. Goldman is also a member of the HRRC. Such common membership facilitates effective governance across all finance and risk issues. Agendas can be aligned and overlap of responsibilities can be avoided. There are regular joint meetings of the AC and RC to ensure there are no gaps in the oversight of internal controls and that any areas of significant overlap are appropriately addressed.

The main purpose of the Committee is to review, on behalf of the Board, the aggregate risk profile of the Group, including performance against risk appetite for all risk types and to ensure that both the risk profile and risk appetite remain appropriate. Specifically, it:

- Assists the Board in overseeing the implementation of the Group’s risk strategy and the corresponding limits set;
- Identifies, assesses, controls and monitors financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational and compliance risks) which the Group faces in cooperation with the responsible Board Committees;
- Considers, challenges and recommends to the Board for approval the Group's overall Risk Appetite;
- Reviews the aggregated Risk Profile for the Group and performance against Risk Appetite and reports its conclusions to the Board;
- Identifies the potential impact of key issues and themes that may affect the Risk Profile of the Group;
- Ensures that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, any key issues and themes impacting the Group and the internal control environment;
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees;
- Ensures effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness; and
- Ensures the effective management of all risks associated with outsourcing.

The Bank, like all other financial institutions, is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk, operational risk and property price risk. The Group monitors and manages these risks through various control mechanisms and reviews the mitigating actions proposed by management.

The Committee gives detailed consideration to existing and emerging risks, through a balanced agenda which ensures sufficient focus on standing areas of risk management through the Group Risk Framework, together with specific attention being given to those emerging risks which are considered to be of ongoing importance to the Group and its customers.

Emerging risks included areas such as transformation risk, data management, IT resilience and information security (including cyber security) and climate-related risks where the dynamic nature and significance of related risks and challenges continue to evolve.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Key matters included:

- Recommending the Group's risk appetite framework and Risk Appetite Statement. Considering breaches of risk appetite, remediation plans and required communications;
- Recommending policies for credit, market and liquidity risks and approving other key risk policies;
- Regularly assessing the Group's overall risk profile and emerging risk themes, hearing directly from the Chief Risk Officer and regularly reviewing the risk report and risk appetite dashboard;
- Receiving reports on the Group's operational and technology capability, including specific updates on cyber risk capability, IT resilience, IT Service Continuity Management and Data Management;
- Recommending the Group's plan for managing NPEs, a key driver of managing legacy credit risk and reviewing the risk aspects of NPE sales;
- Recommending the 2021 ICAAP and ILAAP and Capital Plan.

Work has also been initiated and will continue into 2022, to determine the climate related and environmental risks the Bank is exposed to, so that these can be integrated into the existing risk taxonomy and risk registry of the Bank and inform its various business processes.

At each meeting, the RC reviews the risk report which identifies key issues and includes a view of the Group's Risk Appetite Statement, as well as top and emerging risks. The Committee provides challenge and review to the Group's regulatory submissions relating to capital management and liquidity adequacy assessments.

To ensure consistency of scope and approach by subsidiary company committees, the RC has established core terms of reference to guide subsidiary companies when adopting terms of reference for the non-executive risk committees. The Committee's endorsement is required for any proposed material changes to subsidiary company risk committee terms of reference and for appointments to such committees.

Detailed information relating to Group Risk Management is set out in Notes 45 to 48 of the Consolidated Financial Statements and the Additional Risk and Capital Management Disclosures section of the 2021 Annual Financial Report.

The Committee identified the current and potential impact of key issues and themes on the Group's risk profile and performed deep dive discussions in order to better understand and provide guidance to the management. Deep dive discussions concentrated on the new lending scorecard as well as the Information Security Operating Model and strategy forward. The Fraud Risk Assessment Framework was discussed at length. SREP results and data governance issues were also discussed in depth. Further the Committee discussed and approved or recommended for approval a number of restructurings and contractual or non-contractual write-offs.

The RC discussed and approved the RC calendar for 2021 and undertook the following key activities:

Matters considered and action taken by the RC in 2021

Risk Strategy and Management	• Risk Appetite Framework; • ICAAP/ILAAP/Risk Quantification; • Stress Test; • Capital Plan updates and MREL Funding Plan; • Charter and Budget of Risk Management Division; • Financial Plan Risk Assessment; • Trades for NPE portfolio.	• Follow up of actions of Risk Appetite Framework and relevant indicators cascaded down to the business. • The stress test results were reviewed and the Bank performs similar to peers. • Review of sale transactions of NPE & REO portfolio. • Reviewed and challenged ICAAP and ILAAP scenarios and output.
Operational Risk	• Business continuity; • Third Party Risk Management; • Fraud Risk Management; • Risk Control Self-Assessment ('RCSA') process; • COVID-19 impact.	• Some critical outsourcing to be reviewed by the RC. • Enhancements/Developments on RCSA & Risk Actions to further embed RCSAs into Line Business operations. • Review of the Fraud Risk Assessment Framework.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Matters considered and action taken by the RC in 2021 (continued)

Governance	• Terms of Reference of the Committee and those of Credit Committees; • Review of the effectiveness of the Committee; • Appraisal of the Chief Risk Officer and the Information Security Manager; • Review of all policies.	• Revision of RC Terms of Reference to align with CBC Directive on Internal Governance. • Reshaped the focus and priorities of the RC agenda.
Credit Risk Control & Monitoring	• Credit Portfolio overview; • Credit Exposures greater than €100m; • New lending scorecards; • Provisions for all quarters; • Credit Risk Control and Monitoring; - Review of portfolio under moratorium; - Performance of the NPE & Forborne Mechanism; - Staff Loans.	• Focus on portfolio quality. • Revision of approval limits. • Covid solutions. • NPL plan on track. • Adjusted provisioning process to account for Covid.
Market / Liquidity Risk	• Credit Limits (counterparty & country); • Market Risk Limits; • Levels for Market Risk Related Limits.	• Continuous monitoring of market developments on bonds exposure - especially on Cyprus government bonds.
Other Areas of Focus	• Shipping /Syndication Portfolio; • Recovery Plan & Playbook 2021; • REMU real estate portfolio; • RRD performance; • Property Risk; • Data Governance Framework.	• Monitored progress, performance and quality of Shipping and syndicated lending portfolio. • Maintained oversight on data governance process. • Monitored disposal of Banks repossessed real estate portfolio.
Information Security	• Information Security Reports; • Information Security Risk Assessment Framework; • Risks Thresholds for better governance; • Security controls maturity/associated remediation program; • Data leakage and remote access governance; • Appointment of new Chief Information Security Officer.	• Monitoring the redesigned KRIs to more effectively measure significant security pillars and optimise RAS thresholds. • Increase in the security control maturity score. • Monitoring of Information Security Incidents. • Monitoring of ICT regulations and Bank's progress. • Emphasis given on empowering InfoSec to better fulfil its role and provide added value to the Bank.
Regulatory communication	• Emphasis on quality reporting to the ECB; • Follow up of SREP and on-site inspections; • Review of regulatory Correspondence.	• Maintaining close monitoring on regulatory matters.
Subsidiaries oversight	• The annual reports of the subsidiary risk committees of Eurolife & General Insurance Ltd.	• The reports were reviewed and enhanced interaction with the two insurance subsidiaries will be set in place.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

5. Board Committees (continued)

5.5 Technology Committee

The Committee held 7 meetings during 2021 at BOC PCL level. The chairperson and members of the Committee together with their attendance at meetings are shown below.

Member attendance in TC meetings in 2021:

Lyn Grobler (Chair)	7/7
Ioannis Zographakis	7/7
Paula Hadjisotiriou	6/7
Arne Berggren	7/7
Constantine Iordanou	1/1

The purpose of the TC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the overall role of technology in executing the business strategy of the Group including, but not limited to, major technology investment, technology strategy, operational performance, and technology trends that may affect the Group's client portfolio and/or affairs in general. The Committee has delegated authority by the Board of Directors and is responsible to:

- Review and approve the Group's technology planning and strategy within the overall strategy framework approved by the Board;
- Review and approve significant technology investments and expenditures as per the Committee and limit structures approved by the Board, provided they do not fall within the limits that are reserved for the Board;
- Monitor and evaluate existing and future trends in technology that may affect the Group's strategic plans, including monitoring of overall industry trends;
- Oversee the performance of the Group's technology operations including, among other things, project delivery, technical operations, technology architecture and the effectiveness of significant technology investments;
- Oversee the application of Information Security policies.

Notwithstanding the above, responsibility for the oversight of risks associated with technology, including risk assessment and risk management, remains with the RC.

The Committee monitored the progress of the digital transformation of the Bank and reviewed Key Performance Indicators focused on measuring the increase of usage of digital channels. Digital engagement stood at 77.7% towards year end compared to 73.9% the previous year. The projects running in the IT function were monitored to ensure they stayed within reasonable deadlines. Digital onboarding was initiated successfully. The Digital Transformation of the insurance subsidiaries was also reviewed and monitored on a six-monthly basis. 11 incidents of non-availability of systems were reported in 2021 of which 8 were considered major. The root cause was identified in all cases and mitigating actions were taken to avoid recurrence.

The Committee reviewed the Annual Information Security Report and was informed on the key challenges and the progress made on the InfoSec operating model. A joint meeting with the Audit and Risk Committees was held to review audit findings and relevant recommendations related to risk management of certain large projects.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

5.6 Ethics, Conduct and Culture Committee

The Committee held 6 meetings during 2021 at BOC PCL level. The chairperson and members of the Committee together with their attendance at meetings are shown below.

Member attendance in ECCC meetings in 2021:

Ioannis Zographakis (Chair)	6/6
Maria Philippou	5/6
Michael Heger	5/6
Maksim Goldman	6/6

5. Board Committees (continued)

5.6 Ethics, Conduct and Culture Committee (continued)

The role of the Committee is:

- To support the Board in promoting its collective vision of values, conduct and culture;
- To oversee management's efforts to foster a culture of ethics and appropriate conduct within the Group;
- To oversee the way the Group conducts business focusing on developing a customer-centric culture with an eye on profitability in all its operations;
- To oversee the Group's conduct in relation to its corporate and societal obligations, including setting the direction and policies for the Group's approach to customer and regulatory matters; and
- To oversee the framework for implementing ESG throughout the operations of the Bank and advise/coordinate accordingly with the NCGC and the Sustainability Committee.

The Committee focuses on providing oversight of key ethics matters and the workings of the Disciplinary Committee, on decision-making about matters of conduct and reputational risk and on handling issues of Corporate Social Responsibility with the aim of building and maintaining the right risk, control, customer-centric and economic prosperity culture.

The Committee monitored the progress of the initiative – 'Project Ethos' – which is expected to align organisational culture with strategic objectives. Under the guidance of the Committee several workstreams were created to redesign performance appraisals, enrich policies and procedures, create a risk culture dashboard and enhance the risk and control culture across the Group.

Communication with staff is continuous and includes messages, emails, short videos under the slogan 'I am the Bank' emphasising the expected behaviours and the traps to avoid. Data metrics have been devised to measure the risk culture of the Group. The Disciplinary Code was also updated and approved.

The Committee approved the Terms of Reference of the Sustainability Committee which will implement the ESG Strategy of the Group. This shift in strategy will provide transparency in all aspects of the Company's business, including its efforts for a positive impact on society and the environment, through the published Annual Corporate Responsibility Report. The Group's leading position should be used to drive the ESG agenda of the government and the economy in general, through initiatives and proposals to the government to improve on its Green deal.

The Committee monitored compliance with the Code of Conduct and reviewed disciplinary controls and measures of the Group as presented by HRD on an annual basis.

The chairperson of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

6. Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board following a proposal by the HRRC in accordance with Annex 1 of the CSE Code and the UK Code. It is presented in the 2021 Annual Financial Report of the Group, after the Corporate Governance Report. Information on the remuneration of the members of the Board for the year 2021 is disclosed in Note 50 of the Consolidated Financial Statements of the Group, as well as in the Remuneration Policy Report.

7. Shareholder Relations

A priority of the Group is to communicate with shareholders. The responsibilities of the Chairperson include ensuring effective communication with shareholders and ensuring that directors develop an understanding of the views of major investors. Investor Relations Department has primary responsibility for managing and developing the Group's external relationship with existing and potential institutional investors and analysts. The Chairperson, the SID, the CEO, the EDFL and the Manager Investor Relations engage extensively with existing shareholders and potential new investors during individual or group meetings and on roadshows and investor conferences. All meetings with shareholders are conducted in such a way as to ensure that price sensitive information is not divulged.

7. Shareholder Relations (continued)

Mrs Annita Pavlou, Manager Investor Relations Department, is the Investor Relations Officer, responsible for the communication between shareholders and the Group since 30 August 2016. Information concerning the Group is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Group uses its website (www.bankofcyprus.com.cy/group) to provide shareholders and potential investors with recent and relevant financial information, including the annual, the mid-year financial report and quarterly results, announcements and presentations. The Investor Relations section of the Group's website is updated with all announcements published on the LSE and CSE as these are made. It also contains contact details for the Investor Relations Department.

Directors receive an investor relations update from management at all scheduled Board meetings. This update typically includes market updates, share price and valuation analysis, updates on analysts' reports and share register analysis.

One of the responsibilities of the Chairperson of the Board is to ensure that the views, issues and concerns of shareholders are effectively communicated to the Board and to ensure that directors develop an understanding of the views of major investors. The Board considered the views of major shareholders on company strategy and performance and assessed investor sentiment more broadly in conjunction with the Group's corporate brokers. The SID, Ioannis Zographakis, is available to shareholders if they have concerns that are not resolved through the normal communication channels.

All shareholders of the Company are treated on an equal basis. There are no shareholders with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial condition, financial results, ownership and governance.

Under the Irish Companies Act 2014, one or more members holding at least 3% of the issued share capital of the Company, representing at least 3% of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, has the right to: (a) put an item on the agenda of the AGM provided that the item has been accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted; and (b) to table a draft resolution for an item on the agenda of a general meeting. Such a request must have been received by the Company at least 42 days prior to the relevant meeting.

Any change or addition to the Articles of Association of the Company is only valid if approved by special resolution at a meeting of the shareholders.

Major shareholders do not have different voting rights from those of other shareholders. As at 31 December 2021, the Company has been advised of the following notifiable interest in the share capital of the Company:

• Lamesa Investments Limited	9.27%
• CarVal Investors	8.69%
• Caius Capital	7.96%*
• Senvest Management LLC	5.63%
• European Bank for Reconstruction and Development	5.02%
• Cyprus Popular Bank Public Co Ltd	4.81%
• Eaton Vance Management	3.69%

* Financial Instruments with similar economic effect according to Regulation 17(1)(b) of the Transparency (Directive 2004/1109/EC) Regulations 2007 of Ireland as amended.

In accordance with the Company's Constitution, at the Company's AGM in 2021:

- The Directors were authorised to allot up to an aggregate of 147,245,978 ordinary shares of €0.10 each; and a further 147,245,978 ordinary shares of €0.10 each in the case of a pre-emptive issue (as described in the notice for that general meeting);.
- The Directors were authorised to issue and allot those shares as if the pre-emption provisions set out in section 1022 of the Companies Act 2014 are dis-applied in respect of:
    - (i) in the case of a pre-emptive issue, the aggregate number of ordinary shares of €0.10 each authorised to be issued pursuant to such issue (as described in the notice for that general meeting); and (ii) 22,309,997 ordinary shares of €0.10 otherwise that (i); and
    - a further 22,309,997 ordinary shares of €0.10 each for specified transactions.

7. Shareholder Relations (continued)

- The Directors were also authorised to issue, allot, grant options over or otherwise dispose of Additional Tier 1 ("**AT1 ECNs**") and ordinary shares pursuant to the conversion or exchange of AT1 ECNS provided that this be limited to the issue, allotment, grant of options over or other disposal of ordinary shares of an aggregate nominal amount €6,662,999 and of AT1 ECNs convertible or exchangeable into ordinary shares up to such maximum aggregate nominal amount and the pre-emption provisions set out in section 1022 of the Companies Act 2014 in respect of this authority were dis-applied.
- The Directors were also authorised to make purchases of up to 44,619,993 ordinary shares. Such purchases may be made only at price levels which the directors considered to be in the best interests of the shareholders generally, after taking into account the Company's overall financial position. In addition, the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be the higher of 105% of the average market price of such shares and the amount stipulated by Article 5(1) of the EU Market Abuse (Buyback and Stabilisation) Regulation.

The authority conferred in each of the above resolutions expires on the earlier of close of business on the date of the AGM of the Company or on 24 August 2022.

The AGM was held on 25 May 2021 at the Company's headquarters with shareholders having the ability to listen to the meeting by electronic means and the ability to vote by either submitting a proxy form in advance of the meeting or by using the electronic voting facility. The Chairperson of the Board (who is also the chair of the NCGC) and the chairpersons of the committees of the Board were present to hear the views of the shareholders and answer questions. As is the practice, all directors of the Board at the time of the AGM attended the AGM. At the 2020 AGM, separate resolutions were proposed on each substantially separate issue and voting was conducted by poll. To facilitate shareholder participation, electronic voting is available. Votes are taken by way of a poll to include all shareholder votes cast.

The results of every AGM of the Company including details of votes cast for and against on each resolution are posted on the Group's website (www.bankofcyprus.com.cy/group) and released to the London and Cyprus Stock Exchanges.

There was one resolution for which a negative vote of more than 20% was cast. However, given that the particular views of the shareholders on this matter were known and particular actions had previously been announced, there was no corresponding announcement following the announcement of the voting results.

The Board values the AGM as a key opportunity to meet shareholders. The 2021 AGM of the Company is scheduled to be held on 20 May 2022. Should circumstances and measures in place relative to the pandemic allow it, the whole Board is expected to attend and will be available to answer shareholders' questions.

Remuneration Policy Report for the year 2021

1. Introduction

In accordance with the provisions of the CSE Code published by the CSE (5th Edition (Revised) January 2019) and in particular Annex 1 of the CSE Code, the HRRC prepares the Annual Board of Directors' Remuneration Policy Report which is ratified by the Board and submitted to the shareholders' AGM as part of the Annual Report of the Group. The Board of Directors Remuneration Policy Report for the year 2021 was ratified by the Board on 29 March 2022.

The Bank of Cyprus Group's objective to attract, develop, motivate and retain high value professionals is considered fundamental in achieving the goals and objectives of the Group and ensuring that the right people are in the right roles whilst managing the Group's remuneration strategy and policies in a manner aligned with the interests of the Group's shareholders.

2. Human Resources and Remuneration Committee

The Committee's primary role is to ensure that staff members contribute to sustainable growth by staying ahead of challenges and opportunities.

The Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, in order to ensure that they are consistent with and promote sound and effective risk management.

Every year, the Committee proposes to the Board the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders' AGM. The Committee also reviews the related party transactions note (Note 50) of the Consolidated Financial Statements of the Group and the Remuneration Policy Report itself.

The composition of the Committee is described in section 5.2 of the Annual Corporate Governance Report on page 306.

2.1 Terms of Reference of the Human Resources and Remuneration Committee

The role of the Committee is described in detail in section 5.2. of the Annual Corporate Governance Report on page 306. In respect of remuneration the HRRC undertakes the following:

- To propose adequate remuneration considered necessary to attract and retain high value-adding professionals;
- To consider the remuneration arrangements of the executive directors of the Group, senior management and the Group Remuneration policy bearing in mind the European Banking Authority ('EBA') Guidelines on sound remuneration policies, the CBC Directive on Internal Governance, the CSE Code; the UK Code and any other applicable or regulatory requirements; and
- To review the implementation and effectiveness of the Remuneration Policy and ensure this is in compliance with the Remuneration Framework of the CBC Directive on Internal Governance.

The Committee ensures that internal control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgement on the suitability of the Remuneration Policy and practices, including their suitability for risk management.

The Group's aim is to align its Remuneration Policy and human resources practices, with its business strategy, objectives, values and long-term interests of the Group and ensure that they are consistent with and promote sound and effective management of risk and long-term sustainable success and do not encourage excessive risk-taking.

The Policy aims to ensure the application of a fair, transparent and gender neutral pay management process that applies equally to all staff, aligns their remuneration with job value, individual performance and potential and takes into account market conditions. At the same time, the principles set out in the Policy aim to encourage responsible business conduct, fair treatment of customers and to avoid conflicts of interest.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the UK Code, the CBC Directive on Internal Governance which came into effect in October 2021 and incorporates the requirements for Remuneration Policies included in the European Capital Requirements Directive ('CRD V'), the EBA Guidelines on sound remuneration policies issued in July 2021, MiFID II and other Guidance of the EU as well as regulatory restrictions currently pertinent to the banking sector and the Group in particular.

Remuneration Policy Report for the year 2021 (continued)

2. Human Resources and Remuneration Committee (continued)

2.1 Terms of Reference of the Human Resources and Remuneration Committee (continued)

The Committee reviews and approves the content of any resolutions submitted for approval at the AGM of the shareholders, which are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the Code which may concern possible plans for the compensation of members of the Board in the form of shares, share warrants or share options.

Senior Management

The Committee jointly with NCGC approves remuneration packages of executive members of the Board, other senior management, heads of control functions and other staff reporting to Board committees, including salary, pension policy, option plans, and other types of compensation, recommended by the CEO or by the chairpersons of the Risk and Audit Committees (in the case of the heads of internal control functions) in consultation with the CEO and HRD.

The Committee reviews and approves appointments, transfers and dismissals of Group divisional directors, senior managers and subsidiaries' general managers (except heads of internal control functions), recommended by the CEO, and ensures that all contractual obligations are adhered to.

The chairperson of the Committee is available to shareholders in the AGM to answer any questions regarding the Remuneration Policy of the Group. Workforce engagement is described in section 5.2 of the Annual Corporate Governance Report.

3. Governance of Group Remuneration Policy

3.1 Principles of the CSE Code of Corporate Governance

Companies should implement official and transparent procedures for developing policies concerning the remuneration of executive directors and fixing the remuneration of each Board member separately. The level of remuneration should be sufficient to attract and retain talent required for the efficient operation of the Company. Part of the remuneration of executive directors should be determined in such a way as to link rewards to corporate and individual performance. Resolution, or any other authority allowing, variable pay should be linked to performance.

The Company's Corporate Governance Report includes a statement of the Remuneration Report and relevant criteria, as well as the total remuneration of the executive and non-executive members of the Board.

3.2 EBA Guidelines

The EBA Guidelines aim to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management. The Group seeks to ensure it implements remuneration policies which are in compliance with regulatory guidelines, while at the same time operating under legal and regulatory constraints.

In accordance with EBA guidelines for identification of those employees whose professional activities are deemed to have a material impact on the Group's risk profile, the Group maintains a list of these employees known as Material Risk Takers which is reviewed and approved by the Board annually.

4. Remuneration

4.1 Remuneration of Non-executive Directors

The remuneration of non-executive directors is not linked to the profitability of the Group. It is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the committees of the Board and any participation in the boards of Group subsidiary companies. The shareholders' AGM held on 25 May 2021 approved the increase on the annual remuneration of the Chairman of the Board and the remuneration of the NCGC members. The remuneration of the remaining members remained at the same levels of remuneration as those approved by the shareholders' AGM on 26 May 2020.

Remuneration Policy Report for the year 2021 (continued)

4. Remuneration (continued)

The remuneration of non-executive directors is determined and approved by the Board. Neither the Chairperson nor any director participates in decisions relating to their own personal remuneration. The Committee proposes fees payable to the Chairperson and the Vice-Chair, while the Chairperson makes recommendations for the remuneration of the non-executive directors to the Board for approval by the AGM, considering the following factors:

- The time allocated and effort exerted by non-executive directors to meetings and decision-making in the management of the Group;
- The undertaken level of risk;
- The increased compliance and reporting requirements;
- The requirement not to link remuneration of non-executive directors to the profitability of the Group;
- The requirement that non-executive directors do not participate in the pension schemes of the Group;
- The requirement not to include variable remuneration or share options as remuneration of non-executive directors.

Neither the Chairperson nor any non-executive directors received any performance related remuneration. The remuneration of the non-executive directors is set out below:

Position	Annual Remuneration (€000)
Chairperson	180
Vice-Chair	80
Senior Independent Director	70
Non-Executive Members	45
Chairpersons	
Audit Committee	45
Risk Committee	45
Human Resources and Remuneration Committee	30
Nominations and Corporate Governance Committee	30
Technology Committee	30
Ethics, Conduct and Culture Committee	30
Membership	
Audit Committee	25
Risk Committee	25
Human Resources and Remuneration Committee	20
Technology Committee	20
Ethics, Conduct and Culture Committee	20
Nominations and Corporate Governance Committee	20

Additionally, the Group reimburses all directors for expenses incurred in the course of their duties.

Remuneration Policy Report for the year 2021 (continued)

4. Remuneration(continued)

4.1 Remuneration of Non-executive Directors (continued)

The non-executive directors have letters of appointment which can be inspected during normal business hours by contacting the Company Secretary.

4.2 Remuneration and Other Benefits of Executive Directors

The Committee jointly with the NCGC reviews and approves the remuneration packages vis-a-vis their performance. In line with the UK Code the following factors are also considered: clarity, simplicity, risk, predictability and proportionality and finally alignment to culture. The CEO is an employee of BOC PCL. The Executive Director Finance & Legacy ('EDFL') is also an employee of BOC PCL.

As executive directors do not receive any variable remuneration at all, by virtue of the restrictions currently in place, this makes their annual remuneration fully predictable.

Contracts of Employment

The remuneration (salary and bonus) of executive directors is set out in their employment contracts which have a maximum duration of five years, unless any of the executive directors is an appointed member of the senior management team, in which case the terms of employment are based on the provisions of the collective agreement in place, excluding the CEO.

The employment contract of the CEO is for a period of five years commencing on 1 September 2019.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

Service Termination Agreements

The employment contract of Panicos Nicolaou, CEO, includes a clause for termination, by service of six months' notice to that effect by either the executive director or BOC PCL without cause, BOC PCL also maintains the right to pay to the executive director six months' salary in lieu of notice for immediate termination. There is an initial locked-in period of three years during which no such notice may be served either by BOC PCL or the executive director unless there is a change of control of BOC PCL as this is defined in the service agreement whereupon the executive director may serve the notice and is further entitled to compensation as this is determined in the service agreement.

The terms of employment of Mrs Livadiotou, EDFL and executive member of the Board, are mainly based on the provisions of the collective agreement in place, which provide for notice or compensation by the BOC PCL based on years of service and for a four month prior written notice by the executive director, in the event of a voluntary resignation.

Bonus

No bonus was recommended by the Company's Board for executive directors for 2021.

Retirement Benefit Schemes

The CEO participates in a defined contribution plan largely on the same basis as other employees. The EDFL participates in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 14 of the Consolidated Financial Statements for the year ended 2021.

Share Options

No share options were granted to the executive directors during 2021.

Other Benefits

Other benefits provided to the executive directors include other benefits provided to staff, medical fund contributions and life insurance. The relevant costs for the executive management are disclosed in Note 50 of the Consolidated Financial Statements for the year ended 2021.

Remuneration Policy Report for the year 2021 (continued)

5. Information Regarding the Remuneration of Directors for Year 2021

	Remuneration for services* €	Remuneration for participation in the Board of Directors and its Committees €	Total remuneration for services €	Remuneration and benefits from other Group companies €	Remuneration in the form of profit and/or bonus distribution €	Assessment of the value of benefits that are considered to form remuneration €	Total remuneration and benefits €	Annual contribution to retirement benefits €
Executive Directors								
Panicos Nicolaou	745.232		745.232			6.435	751.667	**61,258**
Eliza Livadiotou[1]	90.337	-	90.337	-	-	1,727	92,064	**6.769**
Non-Executive Directors								
Efstratios -Georgios Arapoglou		215.220	215.220				215.220	
Lyn Grobler		154.350	154.350				154.350	
Arne Berggren	-	113.190	113.190	-	-	-	113.190	**-**
Maksim Goldman	-	113.190	113.190	-	-	-	113.190	**-**
Paula Hadjisotiriou		118.335	118.335				118.335	
Michael Heger		113.190	113.190	-	-	-	113.190	**-**
Constantine Iordanou[2]		6.047	6.047	-	-	-	6.047	**-**
Maria Philippou	-	118.335	118.335	-	-	-	118.335	**-**
Nicos Sofianos[3]	-	99.669	99.669	-	-	-	99.669	**-**
Ioannis Zographakis	-	198.375	198.375	-	-	-	198.375	**-**
	835.569	**1.249.901**	**2.085.470**	**-**	**-**	**8,162**	**2,093,632**	**68,027**

* Includes employers' contributions excluding contributions to retirement benefits.
1- Appointed as Executive Director on 6 October 2021
2- Appointed on 29 November 2021
3- Appointed on 26 February 2021

Remuneration Policy Report for the year 2021 (continued)

5.1 Comparison of Directors' and Employees' remuneration

The following table provides information regarding the annual change in the total remuneration of members of the Group's Board of Directors, as compared with the Group performance as well as the average change in remuneration, on a full-time equivalent basis, of the employees, between 2020 and 2021.

Annual Change	Note	Percentage change in 2021	Percentage change in 2020
Directors' Remuneration-Executive Directors			
Panicos Nicolaou, CEO	1	41%	74%
Christodoulos Patsalides, First Deputy CEO	2	n/a	-14%
Eliza Livadiotou, Executive Director Finance & Legacy	3	38%	14%
Directors' Remuneration-Non-Executive Directors (NEDs)			
Efstratios-Georgios Arapoglou (Chairman)	4	40%	82%
Lyn Grobler	5	14%	48%
Arne Berggren		1%	-4%
Maksim Goldman	6	-3%	-5%
Paula Hadjisotiriou		8%	13%
Michael Heger		-3%	-4%
Constantine Iordanou	7	n/a	n/a
Maria Philippou		16%	54%
Nicos Sofianos	8	n/a	n/a
Ioannis Zographakis		-4%	30%
Anat Bar-Gera	9	n/a	-59%
Average remuneration on a full-time equivalent basis of employees			
Employees of the Group	10	3,7%	-13,4%
Company performance			
Operating profit as per Underlying basis		2.2%	-10.0%
Cost to Income Ratio excluding special levy on deposits and other levies/contributions	11	0 p.p.	+1 p.p.

Notes:

1. Appointed on 1 September 2019 (including the remuneration as KMP)
2. Resigned on 31 October 2020
3. Appointed on 6 October 2021 (including the remuneration as KMP)
4. Elected as Chairman on 14 May 2019
5. Elected as Vice-Chairperson on 26 May 2020
6. Resigned from Vice-Chairperson position on 26 May 2020
7. Appointed on 29 November 2021
8. Appointed on 26 February 2021
9. Resigned on 26 May 2020
10. Employees cost of the Group - as per FS (excluding Voluntary Staff Exit Plan (VEP)) (Note 14). The reduction in financial year 2020 compared to 2019 was due to the reduction of the number of employees following a large scale voluntary exit plan executed in 2019.
11. Defined as total operating expense as per underlying basis (excluding other non-recurring items, VEP, Special levy on deposits and other levies/contributions and provisions for litigation, claims, regulatory and other matters) divided by total income

29 March 2022

Additional Risk and Capital Management Disclosures

2021

The Group is exposed to risks which it monitors, manages and mitigates through various control mechanisms. Information relating to Group's risks and risk management in relation to credit risk, market risk, liquidity and funding risk and insurance risk, as well as capital management is set out in the Notes 45-49 to the Consolidated Financial Statements. This report includes additional disclosures on the principal and emerging risks faced by the Group and capital management disclosures.

The Board is responsible to ensure that a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of all risks is in place. The framework provides the infrastructure, processes and analytics needed to support effective risk management. It also ensures that material risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with its risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained. To that end, a consolidated risk report and risk appetite dashboard is regularly reviewed and discussed by the Board and the Risk Committee (RC) to ensure the risk profile is within the approved risk appetite. In case where violations occur, the Risk Appetite Framework provides the necessary escalation process to analyse the materiality and nature of the breach, notify the appropriate authorities, and decide the necessary remediation actions to address the problem.

1. Credit risk

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group. Further information relating to Group risk management in relation to credit risk is set out in Note 45 of the Consolidated Financial Statements.

1. **Credit risk** (continued)

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

	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	
31 December 2021	**Group gross customer loans and advances[1]**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: on NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers								
General governments	**45,357**	-	-	-	**29**	-	-	-
Other financial corporations	**127,889**	4,771	12,759	4,487	**3,393**	1,909	1,948	1,658
Non-financial corporations	**5,209,599**	277,309	1,009,094	215,157	**144,252**	115,869	86,847	79,329
Of which: Small and Medium sized Enterprises[2] (SMEs)	***4,052,571***	*123,558*	*734,362*	*71,269*	***83,757***	*60,892*	*39,263*	*32,499*
Of which: Commercial real estate[2]	***3,968,375***	*171,215*	*900,697*	*136,257*	***100,301***	*82,872*	*69,309*	*64,282*
Non-financial corporations by sector								
Construction	**512,952**	28,418			**21,224**			
Wholesale and retail trade	**964,891**	40,457			**28,586**			
Accommodation and food service activities	**1,137,443**	4,323			**3,351**			
Real estate activities	**1,210,664**	106,841			**31,821**			
Manufacturing	**326,535**	14,354			**8,094**			
Other sectors	**1,057,114**	82,916			**51,176**			
Households	**4,755,100**	434,040	430,007	238,066	**153,865**	136,902	70,667	64,589
Of which: Residential mortgage loans[2]	***3,734,448***	*369,147*	*372,141*	*208,387*	***112,711***	*105,764*	*56,145*	*52,219*
Of which: Credit for consumption[2]	***581,197***	*54,238*	*61,824*	*31,165*	***28,824***	*22,167*	*13,290*	*11,430*
	10,137,945	**716,120**	**1,451,860**	**457,710**	**301,539**	**254,680**	**159,462**	**145,576**
Loans and advances to customers classified as held for sale	**555,789**	**553,620**	**245,452**	**243,495**	**305,419**	**304,665**	**118,094**	**117,377**
Total on-balance sheet	**10,693,734**	**1,269,740**	**1,697,312**	**701,205**	**606,958**	**559,345**	**277,556**	**262,953**

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

1. Credit risk (continued)

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

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

2. Liquidity and funding risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its commitments as they fall due.

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available and thus the Group may fail to meet its regulatory obligations (e.g. MREL).

Further information relating to Group risk management in relation to liquidity and funding risk is set out in Note 47 of the Consolidated Financial Statements.

2.1 Encumbered and unencumbered assets

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations.

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €4,489,424 thousand as at 31 December 2021 (2020: €2,958,877 thousand).

An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can potentially be pledged and those that are not readily available to be pledged. As at 31 December 2021, the Group held €17,468,507 thousand (2020: €15,033,868 thousand) of unencumbered assets that can potentially be pledged and can be used to support potential liquidity funding needs and €1,324,118 thousand (2020: €2,173,289 thousand) of unencumbered assets that are not readily available to be pledged for funding requirements in their current form.

The table below presents an analysis of the Group's encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes. The carrying amount of such assets is disclosed below:

	Encumbered	Unencumbered		
31 December 2021	**Pledged as collateral**	**Which can potentially be pledged**	**Which are not readily available to be pledged**	**Total**
	€000	**€000**	**€000**	**€000**
Cash and other liquid assets	102,463	8,958,427	461,625	9,522,515
Investments	1,260,158	859,383	19,622	2,139,163
Loans and advances to customers	3,126,803	6,248,132	461,470	9,836,405
Non-current assets held for sale	-	-	358,951	358,951
Property	-	1,402,565	22,450	1,425,015
Total on-balance sheet	**4,489,424**	**17,468,507**	**1,324,118**	**23,282,049**
31 December 2020				
Cash and other liquid assets	78,831	5,389,179	588,089	6,056,099
Investments	37,105	1,837,573	38,436	1,913,114
Loans and advances to customers	2,842,941	6,150,122	892,984	9,886,047
Non-current assets held for sale	-	-	630,931	630,931
Property	-	1,656,994	22,849	1,679,843
Total on-balance sheet	**2,958,877**	**15,033,868**	**2,173,289**	**20,166,034**

2. Liquidity and funding risk (continued)

2.1 Encumbered and unencumbered assets (continued)

Encumbered assets primarily consist of loans and advances to customers and investments in debt securities. These are mainly pledged for the funding facilities of the European Central Bank (ECB) and for the covered bond (Notes 30 and 47 of the Consolidated Financial Statements for the year ended 31 December 2021 respectively). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group, but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

BOC PCL maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the Central Bank of Cyprus (CBC). Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 28 May 2021, the terms of the covered bond were amended to extend the maturity date to 12 December 2026 and set the interest rate to 3-months Euribor plus 1.25% on a quarterly basis. The covered bonds are listed on the Luxemburg Bourse and have a conditional Pass-Through structure. All the bonds are held by BOC PCL. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Unencumbered assets which can potentially be pledged include Cyprus loans and advances which are less than 90 days past due. Balances with central banks are reported as unencumbered and can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered not readily available to be pledged.

Unencumbered assets that are not readily available to be pledged primarily consist of loans and advances which are prohibited by contract or law to be encumbered or which are more than 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred to the Company or a subsidiary are not considered to be readily available as collateral.

Insurance assets held by Group insurance subsidiaries are not included in the table above or below as they are primarily due to the insurance policyholders.

The carrying and fair value of the encumbered and unencumbered investments of the Group as at 31 December 2021 and 2020 are as follows:

31 December 2021	**Carrying value of encumbered investments**	**Fair value of encumbered investments**	**Carrying value of unencumbered investments**	**Fair value of unencumbered investments**
	€000	**€000**	**€000**	**€000**
Equity securities	-	-	208,775	208,775
Debt securities	1,260,158	1,267,666	670,230	668,201
Total investments	**1,260,158**	**1,267,666**	**879,005**	**876,976**
31 December 2020				
Equity securities	-	-	204,270	204,270
Debt securities	37,105	37,601	1,671,739	1,688,644
Total investments	**37,105**	**37,601**	**1,876,009**	**1,892,914**

2. Liquidity and funding risk (continued)

2.2 Liquidity regulation

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

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

As at 31 December 2021 and throughout 2021, the Group was in compliance with all regulatory liquidity requirements. As at 31 December 2021, the LCR stood at 298% for the Group (compared to 254% at 31 December 2020) and was in compliance with the minimum regulatory requirement of 100%. As at 31 December 2021 the Group's NSFR was 147% (compared to 139% at 31 December 2020 on the basis of the Basel III standards).

2.3 Liquidity reserves

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

Composition of the liquidity reserves	**31 December 2021**			31 December 2020		
	Internal Liquidity Reserves	**Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible**		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible	
		Level 1	**Level 2A**		Level 1	Level 2A
	€000	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,064,840**	**9,064,840**	**-**	5,568,431	5,568,431	-
Placements with banks	**118,752**	**-**	**-**	248,839	-	-
Liquid investments	**500,930**	**304,758**	**147,562**	1,409,850	1,240,773	133,073
Available ECB Buffer	**80,786**	**-**	**-**	762,001	-	-
Total	**9,765,308**	**9,369,598**	**147,562**	7,989,121	6,809,204	133,073

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

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

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

The reduction in liquid investments and available ECB buffer for the year ended 31 December 2021 is due to the utilization of ECB buffer and the encumbrance of bonds as collateral for the additional TLTRO funding obtained during 2021 (of nominal value of €2 billion, bringing the total amount to €3 billion).

2. Liquidity risk and funding (continued)

2.3 Liquidity reserves (continued)

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

The Liquidity Reserves are managed by Treasury.

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

ECB announced that it would allow banks to operate below the defined level of 100% of the LCR until at least the end of 2021. On 17 December 2021, the ECB announced that this relief measure will not be extended beyond the end of 2021. The set of collateral easing measures adopted, resulted in increasing BOC PCL's borrowing capacity from the ECB operations and improving the liquidity buffers due to the lower haircuts applied to the ECB eligible collateral, that comprises of bonds and Additional Credit Claims (ACC). The collateral easing packages are designed as temporary measures (with the exception of part of the haircut reduction on ACCs which is permanent) that will remain in place until June 2022 and will be reassessed before then. Furthermore, the ECB enlarged the scope of the ACC framework, increasing the universe of eligible loans. In relation to existing collateral, the ECB announced changes in collateral rules, temporarily accepting collaterals with a rating below investment grade, setting however a minimum acceptable rating level.

Additionally, the package contained measures that provided liquidity support to the euro area financial system, such as significant favourable amendments in the terms and characteristics of TLTRO III. The favourable TLTRO III borrowing terms are not expected to be extended post June 2022. Furthermore, a new series of additional longer-term refinancing operations, called Pandemic Emergency Longer-Term Refinancing Operations (PELTROs), was introduced. The last TLTRO III and PELTROs operations took place in December 2021.

3. Other risks

3.1 Operational risk

Operational risk is defined as the risk of a direct or indirect impact/loss resulting from inadequate or failed internal processes, people, systems or external events. The Group includes in this definition compliance, legal and reputational risk.

The Group recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The main objectives of operational risk management within the Group are: (i) raising operational risk awareness and building the appropriate risk culture, (ii) providing adequate and timely information to the Group's management at all levels in relation to the operational risk profile at a company, unit and activity level, so as to facilitate decision making for risk control activities, and (iii) mitigating operational risk to ensure that operational losses do not cause material damage to the Group's franchise and that the impact on the Group's profitability and corporate objectives is contained.

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises of management and staff who have immediate responsibility of day-to-day operational risk management and own the risk. Each business

3. **Other risks** (continued)

3.1 **Operational risk** (continued)

unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities.

The second line of defence comprises of the Risk Management function whose role is to provide inter-alia operational risk oversight and independent and objective challenge to the first line of defence, supported by other specialist control and support functions including the Group Compliance Division and Information Security functions. The third line of defence comprises of the Internal Audit function, which provides independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

Business resilience is treated as a priority and as such the Group places significant importance on continuously enhancing the business continuity arrangements, to ensure timely recovery in the case of events, such as the COVID-19 pandemic, that may cause disruptions to the business operations.

According to the Pandemic Incident Management Plan, which was invoked following the COVID-19 outbreak, Business Continuity arrangements have been put in place, which include splitting the operations of the critical units at separate locations other than their main business sites along with remote access from home capabilities as applicable. All the controls are undertaken as usual and no additional losses or incidents have been identified as a result of the pandemic. The Operational Risk Management (ORM) unit was also faced with an increased number of process/procedure assessments, as well as new product assessments that emerged due to the special circumstances created by COVID-19.

Further to the actions taken in response to the COVID-19 pandemic, ongoing activities/initiatives towards further enhancement of ORM involved inter alia the following: (i) provision of a fraud risk awareness seminar to staff and top-management, (ii) establishment of a new COSO-ACFE Fraud Risk Assessment framework going beyond the current RCSA process, and (iii) ongoing reviews and enhancements of the internal ORM policies, procedures and the ORM database.

As a result of the customers' accelerated shift towards digital channels, the Fraud Risk Management unit further strengthened BOC PCL's current external fraud prevention controls and framework.

Third-Party and Outsourcing risk can arise from over-dependence on a few providers, un-satisfactory vendor monitoring and possibly lower quality or unsatisfactory continuity of service. The Group has a dedicated team under the ORM Department, the Third-Party Risk Management Unit, which is responsible to perform risk assessments on all outsourcing, strategic and intragroup arrangements of the Group. As part of the risk assessment the team identifies and effectively handles any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing/strategic/intragroup arrangement, prior to their renewal or annually.

Operational risk loss events are classified and recorded in the Group's Risk and Compliance Management System (RCMS) system, which serves as an enterprise tool integrating all risk-control data (e.g. risks, loss incidents, Key Risk Indicators) to provide a holistic view with regards to risk identification, corrective action and statistical analysis. During the year ended 31 December 2021, 323 loss events with gross loss equal to or greater than €1,000 each were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2021 (2020: 314 loss events).

The Group strives to continuously enhance its risk control culture and increase the awareness of its employees on operational risk issues through ongoing staff training (both through physical workshops, which were suspended in 2021 due to the COVID-19 circumstances, and through e-learning).

The Group also maintains adequate insurance policies to cover for unexpected material operational losses.

3. Other risks (continued)

3.2 Regulatory risk

The Group conducts its business subject to on-going regulation and the associated regulatory risk, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations. Failure to comply with regulatory requirements could lead to, amongst other things, increased costs for the Group, limitation on BOC PCL's capacity to lend and could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

There is strong commitment by the management of the Group for an on-going and transparent dialogue with the Regulators (JST, ECB and CBC). Also, a dedicated Executive Steering Group through the Regulatory Affairs department monitors the regulatory agenda to ensure that all regulatory matters are brought to the attention of management in a timely manner.

The Regulatory Framework

The Single Supervisory Mechanism

As part of the initiative for the European Banking Union, Council Regulation (EU) No. 1024/2013 (the "SSM Regulation") established a Single Supervisory Mechanism (SSM) pursuant to which the ECB has been assigned key prudential supervisory tasks for credit institutions in the Eurozone and other EU Member States that participate in the SSM (together with the Member States of the Eurozone, "participating SSM Member States"), with other supervisory functions being assigned to National Competent Authorities (NCAs) of participating SSM Member States.

The ECB exercises its prudential supervisory responsibilities under the SSM Regulation in cooperation with the NCAs in the participating SSM Member States. The relevant NCA in Cyprus is the Central Bank of Cyprus (CBC). NCAs continue to be responsible for supervisory matters not conferred on the ECB, such as conduct of business, consumer protection, money laundering, payment services, and the regulation of branches of third country banks.

The Single Resolution Mechanism

The EU has also established a Single Resolution Mechanism (SRM), under the Single Resolution Mechanism Regulation No 806/2014 as part of the initiative for the European Banking Union. Under the SRM, a single resolution process applies to all credit institutions established in EU Member States that are participating SSM Member States. This process is co-ordinated by the Single Resolution Board (SRB) and a single resolution fund (SRF). BOC PCL is subject to the supervision of the SSM and accordingly the SRM. The SRB acts as the resolution authority for the Group.

The SRM Regulation is closely connected with the EU Bank Recovery and Resolution Directive 2014/59/EU (BRRD). For credit institutions within the scope of the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD (which, in the case of the Group, is the CBC). BOC PCL is subject to the supervision of the SRB.

Supervision of the Group

BOC PCL is a significant credit institution for the purposes of the SSM Regulation and has been designated by the CBC as an "Other Systemically Important Institution" (O-SII). The Group is subject to joint supervision by the ECB and the CBC for the purposes of its prudential requirements. BOC PCL is further regulated and supervised by the CBC with respect to matters not within the ECB's supervisory remit under the SSM Regulation.

BOCH and BOC PCL are also regulated by the Cyprus Securities and Exchange Commission (CySEC) in its capacity as the supervisory authority for the operation of the Cyprus Stock Exchange (CSE) and control of issuers of securities listed on the CSE. In addition, some members of the Group are also regulated on a standalone basis by CySEC in its capacity as the relevant supervisory authority for the operation of MiFID investment services/UCITS activities, while the two insurance entities of the Group are regulated by the Superintendent of Insurance in Cyprus for insurance services.

3. Other risks (continued)

3.2 Regulatory risk (continued)

The Regulatory Framework (continued)

Supervision of the Group (continued)

BOCH's shares are admitted to the standard listing segment of the Official List of the Financial Conduct Authority (FCA), to trading on the Main Market for listed securities of the London Stock Exchange and also to listing on the CSE and to trading on the Main Market of the CSE. As a result, BOCH is subject to supervision by the following competent authorities:

- the FCA in relation to its compliance with the Market Abuse Regulation (EU) No 596/2014 (MAR) and the applicable provisions of the FCA's Listing Rules and Disclosure Guidance and Transparency Rules;
- the CSE in relation to its compliance with the applicable provisions of Cyprus's Securities and Stock Exchange Laws 1993-2007 (as amended) and Regulatory Decision for the Depositary Interests Regulations (Regulatory Administrative Acts) (RAA 396/2016, 397/2016 and 408/2006) and the CSE's Regulatory Decisions Act 379/2014 (as amended);
- the Central Bank of Ireland (CBI) in relation to compliance with the Transparency Directive (Directive 2004/109/EC) Regulations 2007 (as amended) and the Central Bank (Investment Market Conduct) Rules 2019 (which, together, implement the Transparency Directive (Directive 2004/109/EC) in Ireland) and MAR and the European Union (Market Abuse) Regulations 2016 (which implements inter alia certain aspects of MAR and associated delegated acts in Ireland); and
- CySEC in relation to its compliance with MAR and Cyprus' Takeover Bids Law L. 41(I)/2007 (which implements the Takeover Directive (Directive 2004/25/EC) in Cyprus).

Other Regulators of Group Regulated Entities

For regulatory matters unrelated to the Group's capital requirements, BOC PCL's regulated branches and subsidiaries are supervised by regulators in their respective jurisdictions and are subject to local laws, directives, regulations and guidelines in respect of their regulated activities.

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

Regulatory and Legal Risks

In this context, the Group is exposed to a series of regulatory and legal risks:

- Legislative action and regulatory measures which may materially impact the Group and the financial and economic environment in which it operates.
- The Group's business and operations are subject to substantial regulation and supervision and can be negatively affected by its non-compliance with/non-implementation of regulatory requirements and any adverse regulatory and governmental developments.
- The implementation of SSM recommendations as well as Supervisory Review and Evaluation Process (SREP) prudential requirements, may impact the Group and its strategy.
- The implementation of a more demanding and restrictive regulatory framework (including CRD V/CRR II and BRRD II) with respect to, amongst others, capital ratios, leverage, liquidity and disclosure requirements, notwithstanding the benefit to the financial system, poses additional risks for banks.
- Changes in laws or regulations might also restrict certain types of transactions, affect the Group's strategy and lead to revised customer charges for banking products or transactions.

3. Other risks (continued)

3.2 Regulatory risk (continued)

Principal Financial Services Regulatory Requirements

Regulatory Capital Requirements

EU Capital Requirements Directive/Regulation
On 27 June 2019, a series of measures referred to as the Banking Reform Package came into force, subject to various transitional and staged timetables. The Banking Reform Package updated the framework of harmonized rules established following the financial crisis and introduces changes to:

- the Capital Requirements Regulation (CRR-EU/575/2013),
- the Fourth Capital Requirements Directive (CRD IV-2013/36/EU),
- the Bank Recovery and Resolution Directive (BRRD-2014/59/EU), and
- the Single Resolution Mechanism Regulation (SRMR-EU/806/2014).

Further details as to how the amendments introduced impact capital requirements are disclosed in Section 4 'Capital management'.

Bank Recovery and Resolution

The BRRD establishes a framework for the recovery and resolution of EU credit institutions. The stated aim of the BRRD is to provide resolution authorities with common tools and powers to address banking crises pre-emptively in order to ensure the continuity of such institutions' critical financial and economic functions whilst safeguarding financial stability and minimising taxpayers' exposure to losses. The BRRD includes the concept of loss absorption.

One of the requirements of the BRRD is for 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 transposed into national law on 7 May 2021 with Law 96(I)/2021 amending the Resolution of Credit Institutions and Investment Firms Law. In addition, certain provisions on MREL have been introduced in CRR II which came into force on 27 June 2019 as part of the reform package and took immediate effect. Further details on the Group requirements for MREL are disclosed in Section 4 'Capital management'.

The BRRD also has significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of deposits covered under the EU Deposit Guarantee Schemes Directive (DGSD) 2014/49 to be built up by 31 December 2024.

Solvency II

On 1 January 2016 the Directive 2009/138/EC of the European Parliament and of the Council and the relevant Regulations on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) came in force. Additionally, on 11 April 2016 the Law on Insurance and Reinsurance Services and Other Related Issues (Law 38(I)/2016) became effective. The Superintendent of Insurance in Cyprus supervises the required capital which should be maintained by insurance companies in order to ensure they meet the solvency requirement. Additional internal risk appetite limits are set by the insurance subsidiaries of the Group, EuroLife Ltd and General Insurance of Cyprus Ltd, in order to maintain sound capital ratios which can support operational targets. The insurance subsidiaries of the Group manage their capital base by monitoring the coverage of solvency capital requirements on a quarterly basis using high quality own funds. Both subsidiaries were compliant with the solvency capital requirements imposed by the Superintendent of Insurance in Cyprus during 2021.

3. Other risks (continued)

3.2 Regulatory risk (continued)

Principal Financial Services Regulatory Requirements (continued)

Investor Compensation

The Cyprus Investment and Securities Corporation Ltd (CISCO) and BOC Asset Management Ltd (BOCAM) are regulated entities under the supervision of CySEC. Both entities are members of the Investor Compensation Fund (ICF) for clients of Investment Firms. The ICF was established pursuant to Article 59(1) and (2) of Law 144(I)/2007 which provides for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters as an investor compensation fund for clients of companies other than credit institutions. In 2017, Law 144(I)/2007 was replaced by Law 87(I)/2017. The powers and functions of the ICF are regulated by the provisions of the Directive DI87-07 for the Operation of the ICF (dated 8th March 2019), which replaced Directive 144-2007-15 of the CySEC for the Continuance of Operation and the Operation of the ICF. The ICF is administered by a five-member Administrative Committee, comprised of three members designated by the Minister of Finance and two members elected by the General Meeting of the members of the Fund.

CISCO is obliged to contribute annually an amount of 0.5% of the eligible funds and financial instruments of the member's covered clients and if paid by 10th July, there is a discount of 80% on the amount due. This payment no longer accrues to CISCO's already existing share at ICF which currently stands at €748 thousand and which has reached the maximum permissible level according to the previous ICF Directive. This amount is also deductible from the CET1 capital of CISCO as per CySEC's Circular C162 of 2016. CISCO is also obliged to contribute, when called upon by CySEC, an extraordinary supplementary contribution, if CySEC deems that the existing means for the payment of compensation are inadequate, particularly in the event of a liquidation procedure of a member of the ICF. The amount of the extraordinary supplementary contribution is not designated (nor capped). Furthermore, CISCO is required to keep a minimum cash buffer of 0.3% of the eligible funds and financial instruments of its clients as at the previous year, in a separate bank account, in case there is a need for an extraordinary contribution and this should not be used for any other purpose. The cash buffer must be deducted from CISCO's CET1 capital. BOCAM is exempted from the aforementioned annual contribution since custody of these funds is held with BOC PCL and CISCO.

The EU Investor Compensation Schemes Directive 97/9/EC (the ICSD) requires member states to establish Investor Compensation Schemes (ICS) to protect investors with respect to firms carrying on investment business (which may be an investment firm or a credit institution). An ICS will typically make payouts if an investment firm or credit institution carrying on investment business fails.

In Cyprus, the Investor Compensation Fund for Clients of Banks (the Fund) was established under the Investment Firms (IF) Law 2002, as amended thereafter. It is governed by the establishment and operation regulations of an Investor Compensation Fund for Clients of Banks Regulations of 2004 and 2007. Such a Fund is administered by a five member Management Committee, comprised of the Governor and the Senior Manager of the Banking Supervision and Regulation Division of CBC and three other members appointed by the Governor of CBC. BOC PCL is obligated to contribute annually an amount of up to 0.01% of the eligible funds and financial instruments of BOC PCL's clients.

Personal Data

Regulation (EU) No. 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and the free movement of such data (also known as the EU General Data Protection Regulation or the 'GDPR') directly applies in all EU member states (including Cyprus) from 25 May 2018. The GDPR introduced obligations on data controllers and enhanced rights for data subjects. The requirements of the GDPR affect the Group's ability to collect, record, store, retain and use personal data as well as transfers of personal data to countries that do not have adequate data protection laws.

3. Other risks (continued)

3.2 Regulatory risk (continued)

Principal Financial Services Regulatory Requirements (continued)

Payment services

Directive (EU) 2015/2366 on payment services (the PSD II) was transposed into national law with the Law on the Provision and Use of Payment Services and Access to Payment Systems (Law No. 31(I)/2018). BOC PCL is fully compliant with this Law, by duly amending the agreement and relative terms and conditions applied to the payment services offered to its clients.

Investment services

Directive (EU) 2014/65/EU and Regulation (EU) No. 600/2014 on markets in financial instruments (the MiFID II and MiFIR) was transposed into national law with the enactment of the Law on the provision of investment services, the exercise of investment activities and the operation of regulated markets (Law No. 87(I)/2017). This new legislative framework strengthens investor protection and improves the functioning of financial markets.

Benchmark Regulation

The European Benchmarks Regulation (BMR) introduces a regime for benchmark administrators that, aims to ensure the accuracy and integrity of benchmarks. The legislation has been in force since 2018, subject to certain transitional provisions applicable to both European and third-country benchmark administrators.

The BMR is broad in scope and applies to almost all financial, interest rate, regulated data and commodity benchmarks, subject to very limited exemptions. Examples of the use of benchmark include the issuance of a financial instrument referencing an index or a combination thereof, the determination of an amount payable under a financial instrument or a financial contract by referencing an index or a combination thereof, or being a party to a financial contract or providing a borrowing rate. Users of benchmarks are not subject to any standalone regulatory requirements under the BMR. However, they must ensure that the benchmarks they use are compliant with the provisions of the legislation.

Other regulatory requirements

Additionally, during 2021 a number of laws and legislative amendments were enacted and adopted by the Group where applicable, as indicated below:

- *EBA opinion on the risks of ML/TF affecting the EU's financial sector – March 2021*. The ML/TF risks identified by the EBA include those that are applicable to the entire financial system, for instance the use of innovative financial services, while others affect specific sectors, such as de-risking. The list also includes ML/TF risks that emerge from wider developments such as the COVID-19 pandemic that has an impact on both firms' AML/CFT compliance and competent authorities' supervision. The Opinion, therefore, sets out recommendations to competent authorities aimed at closing these gaps.
- *ICT guidelines for insurance companies*. The objective of the guidelines is to promote the increase of the operational resilience of the digital operations of insurance and reinsurance undertakings against the risks they face. Operational resilience is key to protect insurance and reinsurance undertakings' digital assets, including their systems and data from policyholders and beneficiaries.
- *Directive on Internal Governance in Credit Institutions 2021 – Oct 2021*. This Directive defines the internal regulations, procedures and mechanisms to be implemented by credit institutions, in order to ensure the efficient and prudent administration of the credit institution.
- *Covered Bonds law and Directive – Nov 2021*. In November 2019, EU Directive 2019/2162 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU was published. This Directive lays down investor protection rules concerning: 1) the requirements for issuing covered bonds, 2) the structural features of covered bonds, 3) the covered bond public supervision, and 4) the publication requirements in relation to covered bonds.

3. Other risks (continued)

3.2 Regulatory risk (continued)

Principal Financial Services Regulatory Requirements (continued)

Other regulatory requirements (continued)

- *European Banking Authority revised guidelines on major incident reporting under PSD2 – December 2021*. These Guidelines are in support of the objectives of the PSD2 of strengthening the integrated payments market across the European Union, ensuring a consistent application of the legislative framework, promoting equal conditions for competition, providing a secure framework on the payments environment and protecting consumers.
- *Guidelines on exemption from contingency measures under PSD2 (EBA/GL/2018/07) - December 2021*. These Guidelines clarify a number of issues identified by market participants and competent authorities in relation to the four conditions to be met to benefit from an exemption from the fallback option envisaged under Article 33(6) of Regulation (EU) 2018/389 (RTS) on strong customer authentication and common and secure communication (SCA and CSC).
- *Government Guarantee to Credit Institutions for offering loans to businesses and individuals*. Government guarantees will be provided for new loans which have been approved from the effective date of the Decree until the cessation of the implementation of the European Commission Communication and not after 31 March 2022 and, depending on the duration of the loan, the government guarantee will cover any losses (70% of losses) for a period of 3 months to 6 years from the date of loan.
- *Target 2 CBC Directive*. Support the implementation of the Eurosystem's monetary policy and the functioning of the euro money market, minimise systemic risk in the payments market, i.e. the possibility of a single actor causing an entire market to collapse, ensure the efficient processing of cross-border payments in euro. By meeting these objectives, TARGET2 enables payments to flow safely and efficiently across Europe and contributes to the stability of the euro.
- *Taxonomy Regulation*. A classification system, establishing a list of environmentally sustainable economic activities. It aims to provide transparency to investors and businesses and to prevent "greenwashing" by defining the criteria under which a financial product or activity can be described as "environmentally sustainable. Banks are required to report "how, and to what extent, their activities are associated with Taxonomy aligned activities" in connection with the Non-Financial Reporting Directive (NFRD). Further product-level disclosure requirement in alignment with the Regulation on Sustainability-Related Disclosures in the Financial Services Sector (SFDR) are applicable to Financial Market Participants that market or manufacture financial products in the European Union. Products in scope are pensions and asset management products; insurance-based investment products; and Corporate & Investment Banking products including securitisation funds, venture capital and private equity funds, portfolio management, and index funds.
- *EU Council Directive 2011/16 in relation to cross-border tax arrangements (the DAC 6)*. The Cyprus Government has taken up the option for a six-month extension of the reporting deadlines in relation to the DAC 6 reporting regime provided to the member states by the EU Commission on 24 June 2020. The transposition of DAC 6 into local legislation has been voted by the Cyprus Parliament in March 2021. The provisions for the extension of the deadline for reporting and exchange of information under DAC6 are incorporated in the new law. The Ministry of Finance and the Tax Department have issued two announcements in June and in September 2021, informing that there will be no imposition of administrative fines for overdue submission of DAC 6 information that will be submitted until the 30th November 2021. As of 30th November 2021, all parties involved are legally obliged to submit information regarding DAC 6 otherwise administrative fines will be imposed.

3. Other risks (continued)

3.3 Political risk and geopolitical uncertainty

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors which are beyond the control of the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links, most notably the UK and Russia, can have a significant impact on domestic economic activity. As a result, Cyprus' economic recovery will suffer from the adverse impact of the crisis in Ukraine. Cyprus has a relatively large tourism sector (with a high share of foreign visitors coming from Russia and Ukraine) and its growth outlook will depend on developments regarding sanctions, the potential to grow new markets and the epidemiological assessment. The financial sector exposure to foreign markets has been reduced since the 2013 banking crisis. However, Cyprus' economy will be disproportionately affected by a halt in capital inflows and foreign direct investment from Russia.

The invasion of Russia in Ukraine and the sanctioning of Russia will have profound effects on the Russian economy and serious macroeconomic implications for the European Union and the world economy at large. As a result of the crisis in Ukraine and sanctions, supply chains have been disrupted causing shortages in agricultural commodities and metals. Energy prices have risen and, despite fluctuations, energy markets remain tight and prices will stay higher for longer. Inflation pressures that were building before the outbreak of the war have escalated and central banks have started their tightening cycles. The Bank of England raised its policy rates three times in the first quarter to 0.75% and inflation hit 5.5% in February. In the US, the Federal Reserve raised interest rates by 0.25% at its last policy meeting in mid-March and indicated another six hikes in the year and three more next year before pausing. The ECB maintained its main refinance rate unchanged at zero at their March meeting but indicated that quantitative easing will likely end sooner, and that interest rates may start to rise earlier than anticipated. The policy dilemma posed by inflation pressures is even more severe after the war on Ukraine. But raising interest rates to contain inflation would be adding to uncertainty and negatively impacting the growth outlook. Monetary policy has been excessively expansionary for a long period and has thus created an inflationary bias. The European response to the current crisis will have to rely more on fiscal policy.

The highly accommodative monetary policy of the ECB can change abruptly if inflation pressures persist. The refinancing facility will remain at zero and the deposit facility at -0.5% over the next period. With interest rates at their effective lower bound, monetary policy is conducted through quantitative easing. For 2022 the ECB announced a step-by-step reduction in its asset purchases. Accordingly, asset purchases will be conducted at a slower pace in the first quarter. The pandemic emergency purchase programme will be discontinued in the second quarter and the asset purchase programme, will likely phase out by the end of the year or soon after. With inflation pressures persisting longer than initially anticipated and if the current inflation spike proves to be more long-lasting than expected, the ECB would accelerate the drawdown of quantitative easing and bring forward interest rate increases.

If this occurs, it will heighten public debt risks and complicate debt servicing, especially for peripheral countries with high debt loads such as Cyprus. In the absence of monetary policy support, the sovereign debt crisis that had been kept away by the ECB could return, raising contagion risks for the wider euro area.

There have been distinct improvements in Cyprus' risk profile after the banking crisis, but substantial risks remain. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, influenced by external developments with substantial potential impact on the domestic economy.

The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. Public debt has risen from 91% of GDP in 2019 to 115% of GDP in 2020 due to the pandemic mitigation measures and dropped to 104% of GDP in 2021. The median debt ratio in the Euro area was 75% in 2020. Debt sustainability would depend on growth, the budget balance, but also on interest rates which determine debt service costs. Low interest rates currently, are the result of large-scale asset purchases by the ECB, and ample liquidity in sovereign bond markets. A reversal of monetary policy, or developments that can lead up to the fragmentation of the euro area bond sovereign market, such as an unexpected sharp rise in inflation, can increase debt service costs and risk the sustainability of public debt. The risk of bond market fragmentation has increased as a result of the Ukraine crisis and the sanctioning of Russia.

3. **Other risks** (continued)

3.3 **Political risk and geopolitical uncertainty** (continued)

In the banking sector, despite significant progress since the financial crisis of 2012-2014, risks remain elevated. Non-performing loans dropped sharply from about 48% of gross loans at the end of 2014 to 15.2% of gross loans at the end of October 2021 but compare unfavourably to a Euro area average of just over 2%. Also, loans that had been under moratorium until the middle of 2021, have to date, been largely repaid. However, adverse developments such as real sector shocks that can emanate for instance from a prolonged Covid pandemic, or post-Covid permanent shifts in travel and hospitality preferences, or a more permanent impact from the Ukraine crisis, can lead to an increase in the formation of non-performing loans and weaken bank balance sheets.

Cyprus suffers political risk because of the long-standing division of the island, and also because of its domestic political system. Cyprus has a presidential system, with strong executive powers and a fragmented parliament where majority formations for policymaking and passing legislation, including reforms, may be difficult.

Cyprus remains de facto divided since 1974. Repeated efforts for a solution have failed to materialise. The positions of the two communities have hardened in the process, especially after the failure of the last round of negotiations that ended with a multilateral conference in 2017, between the communities, the guarantor powers, and the United Nations, headed by the Secretary General himself. Since late 2020 the UN has intensified its efforts to establish a framework for a new round of negotiations, but progress towards agreeing a framework for settlement talks has yet to be made.

Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results and position.

3.4 **Information security and cyber risk**

Information security and cyber-risk is a significant inherent risk, which could cause a material disruption to the operations of the Group. The Group's information systems have been and will continue to be exposed to an increasing threat of continually evolving cybercrime and data security attacks. Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar threats.

At the same time, the Group has an internal specialised Information Security team which constantly monitors current and future cyber security threats (either internal or external, malicious or accidental) and invests in enhanced cyber security measures and controls to protect, prevent and appropriately respond against such threats for its systems and information.

The Group collaborates with industry bodies, the National Computer Security Incident Response Team (CSIRT) and intelligence-sharing working groups to be better equipped with the growing threat from cyber criminals.

In addition, the Group maintains insurance coverage which covers certain aspects of cyber risks and it is subject to exclusion of certain terms and conditions.

Advanced social engineering attacks were used by attackers for credentials stealing and malware dissemination during the COVID-19 pandemic. The Group's cyber security systems have protected the Group from such threats and are continually improved by strengthening detection, response and protection mechanisms in order to continually contain such threats and keep risks within Group's appetite thresholds.

Current geopolitical tensions may also lead to increased risk of cyber-attack from foreign state actors. In particular, the Russian invasion of Ukraine and the imposition of significant sanctions on Russia by Switzerland, the US, the EU, the UK and others may result in an increase in the risk of cyber-attacks.

3. Other risks (continued)

3.5 Business and strategic risk

Business and strategic risk arises from changes in the external environment including economic trends and competition. A deterioration of the macroeconomic environment stemming from the pandemic or other factors such as the Ukraine crisis pose downside risks for the financial performance of the Group.

The Group faces intense competition in the markets in which it operates in Cyprus and in other parts of Europe. Competition primarily originates from other commercial banks, branches and subsidiaries of foreign banks, and insurance companies offering savings, insurance and investment products. It also faces competition from financial technology companies. The Group remains today the biggest and most systemically important local banking organisation in Cyprus.

Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Group, may create pressure on Group profitability.

In order to mitigate its exposure to the business and strategic risk, the Group has a clear strategy with key objectives. The strategy is developed within the risk appetite of the Group and is monitored closely on a regular basis. The Group remains ready to explore opportunities that complement its strategy.

3.6 Legal risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings and regulatory investigations against the Group (Note 39 of the Consolidated Financial Statements for the year ended 31 December 2021). In the event that legal issues are not properly dealt with by the Group, this may result in financial and/or reputational loss to the Group. The Group has procedures in place to ensure effective and prompt management of Legal risk including, among others, the risk arising from regulatory developments, new products and internal policies.

The Legal Services department (LSD) monitors the pending litigation against the Group and assesses the probability of loss for each legal action against the Group based on International Accounting Standards. It also estimates the amount of potential loss where it is deemed as probable. Additionally, it reports pending litigation and latest developments to the Board of Directors.

3.7 Insurance risk and re-insurance risk

The Group, through its subsidiaries EuroLife Ltd ('EuroLife') and General Insurance of Cyprus Ltd ('GIC'), provides life insurance and non-life insurance services, respectively, and is exposed to certain risks specific to these businesses. Insurance events are unpredictable and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial and statistical techniques. Insurance risk therefore is the risk that an insured event under an insurance contract occurs and uncertainty over the amount and the timing of the resulting claim exists.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements.

For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating and reinsurance arrangements are monitored and reviewed to ensure their adequacy as per the reinsurance policy. In addition, counterparty risk assessment is performed on a frequent basis.

3. **Other risks** (continued)

3.7 **Insurance risk and re-insurance risk** (continued)

Both EuroLife and GIC perform their annual stress tests (ORSA) which aim to ensure, among others, the appropriate identification and measurement of risks, an appropriate level of internal capital in relation to each company's risk profile, and the application and further development of suitable risk management and internal control systems.

3.8 Digital transformation and technology risk

Technology risk arises from system downtimes impacting customer service which may be due to inadequate, failed, or unavailable systems, use of outdated, obsolete and unsupported systems, or systems which do not fully support the requirements of business. The Group is implementing its Digital Transformation Programme, involving changes to, or replacement of critical and/or outdated systems.

Digital transformation risk arises as banking models are rapidly evolving both locally and globally and available technologies have resulted in the customers' accelerated shift towards digital channels. Money transmission and data driven integrated services are also forecast to rapidly evolve in the coming years. How the Group adapts to these developments could impact the realisation of its market strategies and financial plans.

In the context of the overall business strategy, the Group assesses and develops its complementary technology strategy to support operations and mitigate these risks. The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's strategy for digital transformation. In order to achieve this, the Group engages with appropriate external experts.

3.9 Climate Risk

Climate-related and environmental (C&E) risks may impact the financial services sector to varying degrees over the short, medium and long term. The extent to which physical and transition risk might impact a financial services firm will vary depending on firm business model, customer base, location as well as the transition process to a low-carbon economy.

- **Physical risk** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is categorised as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

- **Transition risk** refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

The Group has a dedicated team involved in developing the Group's Sustainability agenda considering the Group's approach to environmental, social and governance (ESG) issues, and the Risk Management Function is closely aligned with this initiative.

3. Other risks (continued)

3.9 Climate Risk (continued)

Managing C&E Risks is a key area of focus under the 'Environment' Pillar of BOC PCL's ESG Strategy (further details on the Group's ESG Strategy are disclosed in the 'Business Overview' Section within the Directors' Report). During 2021, there has been growing regulatory focus on C&E risk management. In the EU, the ECB released guidance in November 2020 on how banks should manage climate-related and environmental (C&E) risks. The guidance sets out 13 supervisory expectations for institutions when formulating and implementing their business strategy, governance and risk management frameworks with the ultimate aim of encouraging greater transparency in C&E risk disclosures. During the first half of 2021, significant institutions, including the Group, were requested to conduct a self-assessment of their current practices against the above expectations and to submit implementation plans detailing how and when they would bring their practices into line with the guide. The Group has developed a C&E Risks Implementation Plan, which is being updated, covering each of the ECB's priorities, including actions to address gaps highlighted in the self-assessment, across a multi-year timeline. This plan was developed following engagement with key stakeholders from across the Group.

A number of actions have been lined up for implementation in 2022 as part of the Group's implementation plan including:

- Complete the initial qualitative risk identification exercise and update the risk taxonomy
- Complete the ESG data gap analysis and put in place a working plan for gathering the data
- Carry out further ESG relating training across all levels of BOC PCL
- Commence the process of incorporating C&E risks in the credit granting process

The Group will consider these risks in 2022 against its business model as part of the work to be completed and design a framework for assessing the impact of these risks on the Group.

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

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

4. Capital management (continued)

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

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

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

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The CET1 ratio of the Group as at 31 December 2021 stands at 15.14% and the Total Capital ratio at 20.01% on a transitional basis. The ratios as at 31 December 2021 include profits for the year ended 31 December 2021.

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

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

4. Capital management (continued)

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

** Fully phased in as of 1 January 2019*

The minimum Pillar I total capital requirement is 8.00% and 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.

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

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 December 2021 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time. Further information is provided in section 'Capital Base' of the Directors' Report.

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 CBC has set the level of the CCyB rate for risk weighted exposures in Cyprus at 0.00% for the years 2020 and 2021 as well as for the first quarter of year 2022. The CCyB for the Group for 2021 has been calculated at 0.00%.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the CBC initially set the O-SII Buffer at 2.00%, revised to 1.50% in November 2021 with effect from 1 January 2022. This buffer is being phased in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% every year thereafter, until being fully implemented. In April 2020, the CBC decided to delay the phasing in of the O-SII Buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently and following the revision to 1.50%, the O-SII Buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set, by 0.25% each year.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of Pillar II Guidance (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.

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA also announced that banks are temporarily allowed to operate below the level of capital defined by Pillar II Guidance (P2G), the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the CBR until end of 2022, without automatically triggering supervisory actions. In February 2022 the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

4. Capital management (continued)

In the context of the annual SREP conducted by the ECB in 2021, and based on the final 2021 SREP decision received in February 2022, the Pillar II requirement was set at 3.26%, compared to the previous level of 3.00%. The additional P2R add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the P2R add-on takes into consideration Project Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

As a result, the Group's minimum phased-in CET1 capital ratio was set at 10.08% compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% P2R requirement, the CCB of 2.50% and the O-SII Buffer of 1.25%) and the Group's phased-in Total Capital requirement was set at 15.01% compared to the previous level of 14.50% (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 3.26% P2R, the CCB of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are effective from 1 March 2022.

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 UCITS management company of the Group, BOC Asset Management Ltd, complies with the regulatory capital requirements of the Cyprus Securities & Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements.

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 December 2021[5]	31 December 2020[6]	**31 December 2021**[5]	31 December 2020[6]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[7]	**1,619,559**	1,722,751	**1,592,455**	1,688,296
Transitional Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	192,248	**300,000**	250,000
Transitional Total Regulatory Capital	**2,139,559**	2,134,999	**2,112,455**	2,158,296
Risk weighted assets – credit risk[8]	**9,678,741**	10,504,937	**9,697,351**	10,516,023
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,015,488**	1,131,438	**995,450**	1,078,575
Total risk weighted assets	**10,694,229**	11,636,375	**10,692,801**	11,594,598
	%	%	**%**	%
Transitional Common Equity Tier 1 ratio	**15.14**	14.80	**14.89**	14.56
Transitional Total Capital ratio	**20.01**	18.35	**19.76**	18.61
Leverage ratio	**7.45**	9.08	**7.35**	8.93

[5] Includes profits for the year ended 31 December 2021.

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

[7] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €30,032 thousand for the Group and €26,452 thousand for BOC PCL as at 31 December 2021 (2020: €27,171 thousand for the Group and €24,269 thousand for BOC PCL). As at 31 December 2021 an amount of €15,394 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (2020:€21,985 thousand).

[8] Includes Credit Valuation Adjustments (CVA).

4. 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 December 2021[5,9]	31 December 2020[6,9]	**31 December 2021[5,9]**	31 December 2020[6,9]
	%	%	**%**	%
Common Equity Tier 1 ratio	**13.75**	12.94	**13.49**	12.69
Total capital ratio	**18.69**	16.74	**18.43**	16.83
Leverage ratio	**6.80**	8.01	**6.70**	7.86

During the year ended 31 December 2021 CET1 ratio was negatively affected mainly by the phasing- in of IFRS 9 transitional adjustments on 1 January 2021, provisions and impairments, the prudential charge relating to the Group's foreclosed assets of approximately 32 bps (explained below), costs relating to the tender process for the Old Tier 2 Capital Notes and the cost of the Voluntary Staff Exit Plan, and was positively affected by pre-provision income, the impact of NPE transactions, the movement in other prudential items and the decrease in risk-weighted assets. As a result, the CET1 ratio has increased by 34 bps during the year ended 31 December 2021.

The ECB, as part of its supervisory role, completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on BOC PCL's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021, resulting in a decrease in the Group's CET1 ratio by approximately 44 bps as at 30 June 2021 and reduced to 32 bps as at 31 December 2021 mainly following impairments taken.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes. At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL, after which Old T2 Notes of €43 million remained outstanding.

As a result of the issuance of €300 million unsecured and subordinated Tier 2 Capital Notes and the main drivers for CET1 as explained above, the Group's Total Capital ratio increased by 166 bps.

At a meeting held on 30 November 2021, the Board of Directors resolved to exercise BOCPCL's option to redeem the remaining nominal amount outstanding of the Old T2 Notes. The outstanding Old T2 Notes were redeemed on 19 January 2022.

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, so as to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The cumulative impact on the capital position as at 31 December 2020 was 30% and as at 31 December 2021 was 50% of the impact on the impairment amounts from the initial application of IFRS 9. This will increase to 75% (cumulative) for year 2022 and will be fully phased in (100%) by 1 January 2023.

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

4. **Capital management** (continued)

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions is allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

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

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

In December 2021, 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 23.74% 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 by 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) 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.

The MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 19.31% of RWAs as at 31 December 2021 (and at 18.44% of RWAs as at 1 January 2022) and at 9.87% of LRE as at 31 December 2021 (and at 9.56% of LRE as at 1 January 2022). The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount which stood at 3.50% as at 31 December 2021, increased to 3.75% on 1 January 2022 and is expected to increase to 4.00% on 1 January 2023.

The MREL requirement is in line with BOC PCL's expectations and funding plans.

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

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2021 are in progress and will be submitted to the ECB by the end of April 2022 once approved by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results (with reference date 30 June and 30 September) 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 and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy. Both the annual ICAAP for 2020 and the quarterly ICAAP reviews, undertaken in 2021, 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 a baseline and stress conditions scenarios.

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

5. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP) (continued)

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-ons capital requirements are a point-in-time assessment and therefore subject to change over time.

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

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

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

The Group will be participating in 2022 in the ECB supervisory Climate risk Stress Test that will assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. ECB considers the test as a learning exercise for banks and supervisors alike. It aims to identify vulnerabilities, best practices and challenges banks face when managing climate-related risk. This is not a pass-or-fail exercise, nor does it have direct implications for banks' capital levels. The results will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative point of view.

DEFINITIONS

Allowance for expected loan credit losses	Allowance for expected loan credit losses 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 classified as non-current assets held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition of loans and advances to customers held for sale), (iii) allowance for expected credit losses on 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.
Cost to income ratio	Cost to income ratio is calculated as the total staff costs (excluding 'Restructuring costs – Voluntary Staff Exit Plan (VEP)') (on an underlying basis as reconciled in the table further below), special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other restructuring costs-organic', 'Restructuring and other costs relating to NPE sales', and 'Net reversals/(provisions) for litigation, claims, regulatory and other matters') (on an underlying basis as reconciled in the table further below) divided by total income as per the underlying basis (as defined below).
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 BOC PCL (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.
Gross loans	Gross Loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. 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 at acquisition).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net loans and advances to customers (including net loans and advances to customers classified as non-current assets held for sale) (as defined below), plus investments (excluding equities and mutual funds).
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet.
Loan credit losses	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 year.

Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year to date) is calculated as the loan credit losses (as defined) (annualised based on year to date days) divided by the average gross loans (as defined). The average gross loans are calculated as the average of the opening balance and the closing balance for the year.
Net fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (per the underlying basis) (annualised based on year to date days) divided by the quarterly average interest earning assets (as defined). Quarterly average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable.
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 the gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
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-performing exposures (NPEs)	As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), 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 Central Bank of Cyprus (CBC), which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPES that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/GL/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter.

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

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

Material arrears/excesses are defined as follows:

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

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

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 Consolidated Income Statement on the underlying basis' relate to: (i) Advisory and other restructuring costs – organic, (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs – Voluntary Staff Exit Plan (VEP).

NPE coverage ratio

The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).

NPE ratio

The NPE ratio is calculated as the NPEs (as defined) divided by gross loans (as defined).

Operating profit

Operating profit (on an underlying basis) comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, reversals net of provisions for litigation, claims, regulatory and other matters, 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 (based on year to date days) operating profit (on an underlying basis) (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.

Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)

Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) is the operating profit (as defined) adjusted for loan credit losses (as defined), impairments of other financial and non-financial assets, net reversal/(provisions) for litigation, claims, regulatory and other matters, tax and (profit)/loss attributable to non-controlling interests.

Profit/(loss) after tax – organic (attributable to the owners of the Company)

Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (as defined) (attributable to the owners of the Company), except for the 'Advisory and other restructuring costs – organic'.

Return on Tangible Equity (ROTE)

Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) (as defined) per the underlying basis (annualised), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.

Total income	Total income on the underlying basis comprises the total of net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties, net gains on disposal of stock of property and other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Director's Report under section 'Group financial results on the underlying basis'.

RECONCILIATIONS

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2021.

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

	2021	2020
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined above)	**10,856,660**	12,261,404
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.4)	**(105,678)**	(146,602)
Gross loans and advances to customers at amortised cost classified as held for sale (Note 45.4)	**(555,789)**	(1,341,255)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Loans and advances to customers measured at fair value through profit or loss (Note 23)	**(281,868)**	(289,861)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(53,700)**	(36,408)
Gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 23)	**9,840,535**	10,400,603

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

	2021	2020
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**574,879**	1,387,930
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**555,789**	1,341,255

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

	2021	2020
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined above)	**791,830**	1,901,978
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.4)	**(105,678)**	(146,602)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(53,700)**	(36,408)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Note 45.7)	**(305,419)**	(848,218)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Provisions for financial guarantees and commitments (Note 34)	**(21,945)**	(19,658)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Financial Statements (Note 23)	**285,998**	804,417

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

	2021	2020
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**324,509**	894,893
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**305,419**	848,218

3. Reconciliation of NPEs

	2021	2020
	€000	€000
NPEs as per the underlying basis (as defined above)	**1,343,308**	3,085,646
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 1 below)*	**(553,619)**	(1,312,165)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(19,030)**	(47,011)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(122,972)**	(118,479)
POCI (NPEs) *(Note 3 below)*	**(70,814)**	(227,065)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as Stage 3 (Note 45.4)	**(3,530)**	(9,376)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 45.4)	**573,343**	1,371,550
NPE ratio		
NPEs (as per table above) (€000)	**1,343,308**	3,085,646
Gross loans and advances to customers (as per table above) (€000)	**10,856,660**	12,261,404
Ratio of NPE/Gross loans (%)	**12.4%**	25.2%

Note 1: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €474,459 thousand Stage 3 loans (2020: €1,130,937 thousand Stage 3 loans) and an amount of €79,160 thousand POCI – Stage 3 loans (out of a total of €79,255 thousand POCI loans) (2020: €181,228 thousand POCI – Stage 3 loans (out of a total of €181,984 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

Note 2: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €2,079 thousand for Stage 3 loans (2020: €7,650 thousand for Stage 3 loans) and an amount of €16,951 thousand for POCI – Stage 3 loans (out of a total of €16,954 thousand POCI loans) (2020: €39,361 thousand for POCI – Stage 3 loans (out of a total of €39,381 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

3. Reconciliation of NPEs (continued)

Note 3: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €70,814 thousand POCI – Stage 3 loans (out of a total of €159,755 thousand POCI loans) (2020: €227,065 thousand POCI – Stage 3 loans (out of a total of €335,852 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

4. Reconciliation of Gross Loans – Pro forma

	2021
	€000
Gross Loans (as per table 1 (a) above)	**10,856,660**
Reconciling items:	
Gross loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (Note 29 – Disposal Group 1 and 2)	**(555,789)**
Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (Note 45.4)	**(19,090)**
Gross loans and advances to customers – Pro forma	**10,281,781**

5. Reconciliation of NPEs – Pro forma

	2021
	€000
NPEs (as per table 3 above)	**1,343,308**
Reconciling items:	
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 1 of table 3 above*)	**(553,619)**
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 2 of table 3 above*)	**(19,030)**
NPEs - Pro forma	**770,659**

NPE ratio – Pro forma	**2021**
NPEs - Pro forma (as per table above) (€000)	**770,659**
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,281,781**
Ratio of NPEs/Gross loans – Pro forma (%)	**7.5%**

6. Reconciliation of Loan credit losses

	2021	2020
	€000	€000
Loan credit losses as per the underlying basis	**66,353**	148,504
Reconciling items:		
(Reversal of loan credit losses)/loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**(12,579)**	120,021
	53,774	268,525
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 (Note 16)	**40,341**	275,080
Net gains on derecognition of financial assets measured at amortised cost (Consolidated Income Statement)	**(3,859)**	(2,949)
Net losses/(gains) on loans and advances to customers at FVPL (Note 11)	**17,292**	(3,606)
	53,774	268,525

KEY PERFORMANCE RATIOS INFORMATION

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2021.

1. Net Interest Margin

Reconciliation of the various components of net interest margin between the underlying basis and the statutory basis is provided below:

1.1. Net interest income used in the calculation of NIM	**2021**	2020
	€000	€000
Net interest income as per the underlying basis/statutory basis	**296,300**	329,998

1.2. Interest earning assets	31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Cash and balances with central banks (Note 42)	**9,230,883**	8,750,254	8,227,491	6,926,347	5,653,315
Loans and advances to banks (Note 42)	**291,632**	284,135	436,091	420,593	402,784
Loans and advances to customers (Note 23)	**9,836,405**	9,787,136	9,966,542	9,959,849	9,886,047
Loans and advances to customers held for sale (Note 29)	**250,370**	249,667	-	471,628	493,037
Cash held for sale (Note 29)	**-**	-	-	79,373	68,425
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') (Note 28)	**299,766**	381,056	378,141	-	-
Investments					
Debt securities (Note 20)	**1,930,388**	1,946,811	1,998,076	1,923,324	1,708,844
Less: Investments which are not interest bearing	**(5,534)**	(7,355)	(7,531)	(18,883)	(18,618)
Total interest earning assets	**21,833,910**	21,391,704	20,998,810	19,762,231	18,193,834
1.3. Quarterly average interest earning assets (€000)					
- 2021	**20,436,098**				
- 2020	17,930,637				

1. Net Interest Margin (continued)

1.4. Net interest margin (NIM)	**2021**	2020
Net interest income (as per table 1.1 above) (€000)	**296,300**	329,998
Quarterly average interest earning assets (as per table 1.3 above) (€000)	**20,436,098**	17,930,637
NIM (%)	**1.45%**	1.84%

2. Cost to income ratio

2.1. Reconciliation of the various components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2021	2020
	€000	€000
2.1.1. Reconciliation of Staff costs		
Total Staff costs as per the underlying basis	**202,487**	195,227
Reclassifications for:		
Staff costs – voluntary exit plans and other termination benefits, separately presented under the underlying basis (Note 14)	**16,146**	5,825
Total Staff costs as per the statutory basis (Note 14)	**218,633**	201,052

	2021	2020
	€000	€000
2.1.2. Reconciliation of Other operating expenses		
Other operating expenses as per the underlying basis	**144,587**	145,149
Reclassifications for:		
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis	**16,120**	25,925
Net reversal/(provisions) for pending litigations, claims, regulatory and other matters, separately presented under the underlying basis	**(2,632)**	7,202
Advisory and other restructuring costs – organic, separately presented under the underlying basis	**9,113**	10,284
Other operating expenses as per the statutory basis (Note 15)	**167,188**	188,560

	2021	2020 (restated)*
	€000	€000
2.1.3. Special levy on deposits and other levies/contributions		
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis (Note 15)	**36,350**	33,656

* 'Special levy on deposits and other levies/contributions' per the underlying basis for the year ended 31 December 2020 has been represented for the deferred tax credit levy of €3,445 thousand, which is now presented within 'Special levy on deposits and other levies/contributions' in line with current year presentation.

2. Cost to income ratio (continued)

2.2. Reconciliation of the various components of total income (as defined) used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2021	2020
	€000	€000
2.2.1. Reconciliation of Net fee and commission income		
Total Net fee and commission income as per the underlying basis/statutory basis	**171,796**	144,674

	2021	2020
	€000	€000
2.2.2. Reconciliation of Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates		
Net foreign exchange gains and net gains/(losses) on financial instruments transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis	**24,306**	14,650
Reclassifications for:		
Net (losses)/gains on loans and advances to customers measured at fair value through profit or loss (FVPL), disclosed within 'Loan credit losses' per the underlying basis (Note 11)	**(17,292)**	3,606
Net loss on early redemption of subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (Note 11)	**(12,558)**	-
Total Net foreign exchange gains and Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (see below)	**(5,544)**	18,256
Net foreign exchange gains as per the statutory basis	**16,503**	16,535
Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (Note 11)	**(22,047)**	1,721
Total Net foreign exchange gains and Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis	**(5,544)**	18,256

2. Cost to income ratio (continued)

	2021	2020
	€000	€000
2.3 Total Income as per the underlying basis		
Net interest income as per the underlying basis (as per table above)	**296,300**	329,998
Net fee and commission income as per the underlying basis (as per table above)	**171,796**	144,674
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis (as per table above)	**24,306**	14,650
Insurance income net of claims and commissions (as per the statutory basis)	**61,044**	56,063
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties (as per the statutory basis)	**11,468**	6,690
Net loss from revaluation of investment properties classified as held for sale, disclosed within 'Provisions/net loss relating to NPE sales' (as per the underlying basis)	**1,006**	-
Other income (as per the statutory basis)	**14,831**	14,957
Total Income as per the underlying basis	**580,751**	567,032

	2021	2020 (restated)*
	€000	€000
2.4 Total Expenses as per the underlying basis		
Staff costs as per the underlying basis (as per table above)	**202,487**	195,227
Special levy on deposits and other levies/contributions as per the underlying basis (as per table above)	**36,350**	33,656
Other operating expenses as per the underlying basis (as per table above)	**144,587**	145,149
Total Expenses as per the underlying basis	**383,424**	374,032
	2021	2020 (restated)*
Cost to income ratio		
Total expenses (as per table above) (€000)	**383,424**	374,032
Total income (as per table above) (€000)	**580,751**	567,032
Total expenses/Total income (%)	**66%**	66%

* 'Special levy on deposits and other levies/contributions' per the underlying basis for the year ended 31 December 2020 has been represented for the deferred tax credit levy of €3,445 thousand, which is now presented in 'Special levy on deposits and other levies/contributions' in line with current year presentation.

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 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the Consolidated Balance Sheet	**24,962,697**	24,550,976	24,211,313	23,043,592	21,514,131
Quarterly average total assets (€000)					
2021	**23,656,542**				
2020	21,190,819				

	2021	2020 (restated)*
Total income (as per table 2.3 above) (€000)	**580,751**	567,032
Total expenses (as per table 2.4 above) (€000) (restated*)	**(383,424)**	(374,032)
Operating profit (€000)	**197,327**	193,000
Quarterly average total assets (€000)	**23,656,542**	21,190,819
Operating profit return on average assets (%)	**0.8%**	0.9%

* Operating profit return on average assets restated for the effect of the representation of 'Special levy on deposits and other levies/contributions' as described in table 2.4 above.

4. Basic earnings/(losses) 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/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)' are provided below:

	2021	2020
Profit/(loss) after tax and before non-recurring items (attributable to the owner of the Company) per the underlying basis (as per table below) (€000)	**91,497**	(9,477)
Weighted average number of shares in issue during the year, excluding treasury shares (€000) (Note 18)	**446,058**	446,058
Basic earnings/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€cent)	**20.50**	(2.12)

The reconciliation between the 'Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)' per the underlying basis to the 'Profit/(loss) after tax (attributable to the owners of the Company)' per the statutory basis is provided in the table below:

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

4.1. Reconciliation of Profit/(loss) after tax-attributable to the owners of the Company

	2021	2020
	€000	€000
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis	**91,497**	(9,477)
Reclassifications for:		
Reversal loan credit losses /(loan credit losses) relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis (as per table 6 above)	**12,579**	(120,021)
Net loss from revaluation of investment properties classified as held for sale, disclosed within 'Provisions/net loss relating to NPE sales' (as per table 2.3 above)	**(1,006)**	-
Impairment loss relating to stock of properties of Project Helix 3, separately disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales'	**(19,424)**	-
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis (as per table 2.1.2 above)	**(16,120)**	(25,925)
Staff costs – voluntary exit plan and other termination benefits, separately presented under the underlying basis (Note 14) (as per table 2.1.1 above)	**(16,146)**	(5,825)
Advisory and other restructuring costs – organic, separately presented under the underlying basis (as per table 2.1.2 above)	**(9,113)**	(10,284)
Net loss on early redemption of Subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (Note 11) (as per table 2.2.2 above)	**(12,558)**	-
Profit/(loss) after tax (attributable to the owners of the Company) per the statutory basis	**29,709**	(171,532)

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:

	2021	2020
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis (as per table 4.1. above) (€000)	**91,497**	(9,477)
Quarterly average tangible total equity (as per table 5.2 below) (€000)	**1,652,550**	1,745,235
ROTE after tax and before non-recurring items (%)	**5.5%**	-0.5%

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

5.1 Tangible total equity	**31 December 2021**	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**1,838,793**	1,845,563	1,825,674	1,843,532	1,830,644
Less: Intangible assets (as per the statutory basis)	**(184,034)**	(183,280)	(184,650)	(184,236)	(185,256)
Total tangible equity	**1,654,759**	1,662,283	1,641,024	1,659,296	1,645,388
5.2 Quarterly average tangible total equity (€000)					
- 2021	**1,652,550**				
- 2020	1,745,235				