Annual Financial Report 2022

Bank of Cyprus Holdings

Contents

Board of Directors and Executives
as at 31 March 2023

Board of Directors of Bank of Cyprus Holdings Public Limited Company	Efstratios-Georgios Arapoglou CHAIRMAN Lyn Grobler VICE-CHAIRPERSON Panicos Nicolaou Arne Berggren Constantine Iordanou Eliza Livadiotou Ioannis Zographakis Maria Philippou Nicolaos Sofianos Paula Hadjisotiriou
Executive Committee	Panicos Nicolaou CHIEF EXECUTIVE OFFICER Dr. Charis Pouangare DEPUTY CHIEF EXECUTIVE OFFICER & CHIEF OF BUSINESS Eliza Livadiotou EXECUTIVE DIRECTOR FINANCE & LEGACY Demetris Th. Demetriou CHIEF RISK OFFICER Irene Gregoriou EXECUTIVE DIRECTOR PEOPLE & CHANGE George Kousis EXECUTIVE DIRECTOR TECHNOLOGY & OPERATIONS
Company Secretary	Katia Santis
Legal Advisers as to matters of Irish Law	Arthur Cox
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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 rate 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 caused significant population displacement, and if the conflict continues, the disruption will likely increase. The scale of the conflict and the extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward-looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any statement is based.

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 ‘Alternative Performance Measures Disclosures’ on pages 412 to 425 of the Annual Financial Report for the year ended 31 December 2022 for further information, reconciliations with Consolidated Financial Statements and calculations of non-IFRS performance measures included throughout this document and their reconciliation to the most directly comparable IFRS measures.

The Annual Financial Report for the year ended 31 December 2022 is available on the Group’s website www.bankofcyprus.com (Group/Investor Relations) (the Group's website).

The Annual Financial Report 2022 of the Group is originally issued in English. The Greek translation of the Annual Financial Report 2022 will be available on the Group’s website by 7 April 2023. In case of a difference or inconsistency between the English document and the Greek document, the English document prevails.

DIRECTORS' REPORT FOR THE YEAR 2022

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 2022.

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 2022.

Activities

The Company is the holding company of the Group and 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, and insurance services and the 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. There were no acquisitions of subsidiaries and no material disposals of subsidiaries during the year ended 31 December 2022. Information on Group companies and acquisitions and disposals during the year are detailed in Note 51 to the Consolidated Financial Statements.

Group financial results on the underlying basis

The main financial highlights for the year ended 31 December 2022 are set out below:

Unaudited Consolidated Income Statement on the underlying basis

€ million	2022[1]	2021[1,2] (restated)
Net interest income	**370**	296
Net fee and commission income	**192**	172
Net foreign exchange gains and net gains on financial instruments	**36**	25
Insurance income net of claims and commissions	**71**	61
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**13**	13
Other income	**17**	14
Total income	**699**	581
Staff costs	**(190)**	(202)
Other operating expenses	**(153)**	(145)
Special levy on deposits and other levies/contributions	**(38)**	(36)
Total expenses	**(381)**	(383)
Operating profit	**318**	198
Loan credit losses	**(47)**	(66)
Impairments of other financial and non-financial assets	**(33)**	(36)
Provisions for pending litigations, regulatory and other matters (net of reversals)	**(11)**	2
Total loan credit losses, impairments and provisions	**(91)**	(100)
Profit before tax and non-recurring items	**227**	98
Tax	**(36)**	(5)
Profit attributable to non-controlling interests	**(3)**	(2)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**188**	91
Advisory and other restructuring costs-organic	**(11)**	(22)
Profit after tax - organic (attributable to the owners of the Company)	**177**	69
Provisions/net profit/(loss) relating to NPE sales[3]	**1**	(7)
Restructuring and other costs relating to NPE sales[3]	**(3)**	(16)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**(104)**	(16)
Profit after tax (attributable to the owners of the Company)	**71**	30

[1]The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.
[2] Comparative information was restated following a reclassification of approximately €1 million loss relating to disposal/dissolution of subsidiaries and associates from 'Net foreign exchange gains and net gains/(losses) on financial instruments' to 'Other income'. More information is provided in Note 2.1 of the Consolidated Financial Statements.
[3] 'Provisions/net profit/(loss) relating to NPE sales' refer to the net profit/(loss) on transactions completed during the year, whilst 'Restructuring and other costs relating to NPE Sales' refer mainly to the costs relating to these trades.

Group financial results on the underlying basis (continued)

Unaudited Consolidated Income Statement on the underlying basis (continued)

	2022	2021
Key Performance Ratios[4]		
Net interest margin	**1.65%**	1.45%
Cost to income ratio	**54%**	66%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**49%**	60%
Operating profit return on average assets	**1.2%**	0.8%
Basic earnings per share attributable to the owners of the Company (€ cent)	**15.94**	6.66
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)[5]	**42.35**	20.50
Return on tangible equity (ROTE) after tax and before non-recurring items[6]	**11.3%**	5.5%
Return on tangible equity (ROTE)	**4.3%**	1.8%

Unaudited Consolidated Balance Sheet on the underlying basis

€ million	**2022**[7]	2021[7]
Cash and balances with central banks	**9,567**	9,231
Loans and advances to banks	**205**	292
Debt securities, treasury bills and equity investments	**2,703**	2,139
Net loans and advances to customers	**9,953**	9,836
Stock of property	**1,041**	1,112
Investment properties	**85**	118
Other assets	**1,881**	1,876
Non-current assets and disposal groups held for sale	**-**	359
Total assets	**25,435**	24,963
Deposits by banks	**508**	457
Funding from central banks	**1,977**	2,970
Customer deposits	**18,998**	17,531
Debt securities in issue	**298**	303
Subordinated liabilities	**302**	340
Other liabilities	**1,251**	1,281
Total liabilities	**23,334**	22,882
Shareholders' equity	**1,859**	1,839
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,079**	2,059
Non-controlling interests	**22**	22
Total equity	**2,101**	2,081
Total liabilities and equity	**25,435**	24,963

[4]Including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale', where relevant.
[5]As of 30 June 2021, management monitors 'Basic earnings 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.
[6]Return on tangible equity (ROTE) after tax and before non-recurring items' is calculated as the profit after tax and before non-recurring items divided by the quarterly average shareholders' equity minus intangible assets at each quarter end.
[7]The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.

Group financial results on the underlying basis (continued)

Unaudited Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios	2022	2021[8]
Gross loans (€ million)	**10,217**	10,856
Allowance for expected loan credit losses (€ million)	**282**	792
Customer deposits (€ million)	**18,998**	17,531
Loans to deposits ratio (net)	**52%**	57%
NPE ratio	**4.0%**	12.4%
NPE coverage ratio	**69%**	59%
Leverage ratio	**7.5%**	7.5%
Capital ratios and risk weighted assets		
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)[9]	**15.4%**	15.1%
Total capital ratio	**20.6%**	20.0%
Risk weighted assets (€ million)	**10,114**	10,694

Commentary on underlying basis

The financial information presented above provides an overview of the Group financial results for the year ended 31 December 2022 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 (non-recurring) 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 2022 between the statutory and underlying basis' below and in 'Alternative Performance Measures Disclosures' of the Annual Financial Report for the year ended 31 December 2022, to facilitate the comparability of the underlying basis to the statutory information.

Certain figures in this Directors' report have been rounded in million to present them more clearly. Percentages presented throughout the Directors' Report are calculated on the underlying figures in thousands and so may differ from the percentage calculated on the rounded numbers presented. Similarly, capital ratios presented have been rounded for ease of presentation to one decimal place.

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 in the year, as well as to sale transactions for which an agreement existed at the end of the year.

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 €555 million (of which €551 million relate to non-performing exposures), as well as real estate properties with book value of €88 million as at 30 September 2022. Project Helix 3 was completed in November 2022.

[8] Including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale', where relevant.
[9] The CET1 fully loaded ratio as at 31 December 2022 amounts to 14.7%, compared to 13.7% and 14.3% pro forma for HFS as at 31 December 2021.

Group financial results on the underlying basis (continued)

Unaudited Consolidated Balance Sheet on the underlying basis (continued)

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 of €0.6 million, as at 31 December 2021, the reference date. Project Sinope was completed in August 2022.

Any references to pro forma figures and ratios as at 31 December 2021 refer to Projects Helix 3 and Sinope (as explained in the paragraphs above). 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'.

Further details of the Project Helix 3 and Project Sinope transactions are provided in 'Loan portfolio quality' under the 'Balance Sheet Analysis' section below.

Unaudited Reconciliation of the Consolidated Income Statement for the year ended 31 December 2022 between the statutory and underlying basis

€ million	Underlying basis	NPE Sales	Other	Statutory basis
Net interest income	370	-	-	370
Net fee and commission income	192	-	-	192
Net foreign exchange gains and net gains on financial instruments	36	-	5	41
Net gains on derecognition of financial assets measured at amortised cost	-	-	5	5
Insurance income net of claims and commissions	71	-	-	71
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	13	-	-	13
Other income	17	-	-	17
Total income	**699**	**-**	**10**	**709**
Total expenses	**(381)**	**(3)**	**(126)**	**(510)**
Operating profit	**318**	**(3)**	**(116)**	**199**
Loan credit losses	(47)	1	46	-
Impairments of other financial and non-financial assets	(33)	-	33	-
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(11)	-	11	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	-	(89)	(89)
Profit before tax and non-recurring items	**227**	**(2)**	**(115)**	**110**
Tax	(36)	-	-	(36)
Profit attributable to non-controlling interests	(3)	-	-	(3)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**188**	**(2)**	**(115)**	**71**
Advisory and other restructuring costs - organic	(11)	-	11	-
Profit after tax - organic* (attributable to the owners of the Company)	**177**	**(2)**	**(104)**	**71**
Provisions/net profit relating to NPE sales	1	(1)	-	-
Restructuring and other costs relating to NPE sales	(3)	3	-	-
Restructuring costs – Voluntary Staff Exit Plans (VEP)	(104)	-	104	-
Profit after tax (attributable to the owners of the Company)	**71**	**-**	**-**	**71**

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

Group financial results on the underlying basis (continued)

Unaudited Reconciliation of the Consolidated Income Statement for the year ended 31 December 2022 between the statutory and underlying basis (continued)

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 under the statutory basis include restructuring costs of €3 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 a reversal of loan credit losses relating to Project Helix 3 of approximately €1 million and are disclosed within 'Provisions/net profit relating to NPE sales' under the underlying basis.

Other reclassifications

- Net gains on loans and advances to customers at FVPL of €4 million included in 'Loan credit losses' under the underlying basis are included in 'Net gains on financial instruments' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

- 'Net gains on derecognition of financial assets measured at amortised cost' of €5 million under the statutory basis comprise of the below items which are reclassified accordingly under the underlying basis as follows:
  - €6 million net gains on derecognition of loans and advances to customers included in 'Loan credit losses' under the underlying basis as to align to the presentation of the loan credit losses arising from loans and advances to customers.
  - Net losses on derecognition of debt securities measured at amortised cost of approximately €1 million included in 'Net foreign exchange gains and net gains on financial instruments' under the underlying basis in order to align their presentation with the gains/(losses) arising on financial instruments.

- Provisions for pending litigations, regulatory and other provisions (net of reversals) amounting to approximately €11 million included in 'Total expenses' under the statutory basis, are separately presented under the underlying basis in conjunction with loan credit losses and impairments.

- Advisory and other restructuring costs of approximately €11 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- Total expenses under the statutory basis include restructuring costs relating to Voluntary Staff Exit Plans (VEP) of €104 million and are separately presented under the underlying basis, since they represent one-off items.

- 'Credit losses on financial assets' and 'Impairment net of reversals of non-financial assets' under the statutory basis include: i) credit losses to cover credit risk on loan and advances to customers of €56 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial instruments of €3 million and impairment net of reversals of non-financial assets of €30 million which are included in 'Impairments of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,079 million as at 31 December 2022 compared to €2,059 million at 31 December 2021. Shareholders' equity totalled €1,859 million as at 31 December 2022 compared to €1,839 million at 31 December 2021.

The Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 15.4% as at 31 December 2022, compared to 15.1% as at 31 December 2021 (and 15.8% pro forma for held for sale portfolios (referred to as 'pro forma for HFS')). During the year ended 31 December 2022, CET1 ratio was positively affected by pre-provision income and the reduction in risk weighted assets (mainly as a result of the completion of Project Helix 3), and negatively affected mainly by the phasing-in of IFRS 9 and other transitional arrangements on 1 January 2022, provisions and impairments, the cost of the Voluntary Staff Exit Plan, the payment of AT1 coupon, the movement of the fair value through OCI reserves and other movements.

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, with the impact being fully phased-in (100%) by 1 January 2023. The final phasing-in of the impact of the impairment amount from the initial application of IFRS 9 is approximately 65 bps on the CET1 ratio on 1 January 2023. In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 26 bps on Group's CET1 ratio as at 31 December 2022, decreased from 32bps on 31 December 2021 mainly due to impairment recognised during the year.

The CET1 ratio on a fully loaded basis amounted to 14.7% as at 31 December 2022 compared to 13.7% as at 31 December 2021 (and 14.3% pro forma for HFS).

The CET1 ratio including the final impact of IFRS 9 phasing-in on 1 January 2023 and also pro-forma for the €50 million dividend relating to IFRS 17 (refer to section further below), distributed to BOC PCL in February 2023 is estimated at 15.2%.

The Total Capital ratio stood at 20.6% as at 31 December 2022, compared to 20.0% as at 31 December 2021 (and 20.8% 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 CET1 capital ratio requirement as at 31 December 2022 was set at 10.10% comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.25% and the Countercyclical Buffer (CcyB) of 0.02%. The Group's minimum phased-in Total Capital ratio requirement as at 31 December 2022 was set at 15.03% comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.25% and the CcyB of 0.02%. The Pillar II included an add-on of 0.26% relating to the ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. 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. The ECB had also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) for 2022.

BOC PCL has been designated as an Other Systemically Important Institution (O-SII) by the Central Bank of Cyprus (CBC) in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, and since November 2021 the O-SII buffer has been revised to 1.50%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.50%. The O-SII buffer as at 31 December 2022 stood at 1.25% and has been fully phased-in on 1 January 2023.

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

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

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

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

Based on the SREP decision, the Company and BOC PCL were under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2021-2022. 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. Based on the final 2021 SREP Decision, the previous restriction on variable pay was lifted.

Following the 2022 SREP decision effective from 1 January 2023, the equity dividend distribution prohibition was lifted for both the Company and BOC PCL, with any dividend distribution being subject to regulatory approval.

Other equity instruments

At 31 December 2022, the Group's other equity instruments amounted to €220 million, flat compared to the prior year, and relate to Additional Tier 1 Capital Securities (the 'AT1 securities').

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

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

Voluntary Staff Exit Plan

In July 2022, the Group completed a Voluntary Staff Exit Plan, resulting in a negative impact of approximately 95 bps both on the Group's CET1 and Total Capital ratios as at 30 September 2022. For further information please refer to 'Total expenses' under the 'Income Statement Analysis' section below.

Project Helix 3

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Legislative amendments for the conversion of DTA to DTC

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

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

In anticipation of modifications to the Law, the Group has in prior years acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Group estimates that such fees could range up to 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. An amount of €4.8 million was recorded during the year ended 31 December 2022 in relation to the annual guaranteed fee for year 2022.

Regulations and Directives

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

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

Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

Bank Recovery and Resolution Directive (BRRD) (continued)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL) (continued)
In February 2023, 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 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by 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 MREL ratio of BOC PCL as at 31 December 2022, calculated according to the SRB's eligibility criteria currently in effect and based on BOC PCL's internal estimate, stood at 21.4% of risk weighted assets (RWA) and at 10.1% of LRE. As at 1 January 2023, the MREL ratio stood at 20.5% of RWAs and 9.8% of LRE, calculated on the same basis. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stands at 3.77% since 1 January 2022 and is expected to increase to 4.02% on 1 January 2023 and will further increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus as announced by the CBC. Throughout the Annual Financial Report, the MREL ratios as at 31 December 2022 include audited profits for the year ended 31 December 2022.

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 2022, BOC PCL's funding from central banks amounted to €1,977 million, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,970 million as at 31 December 2021.

BOC PCL had borrowed an overall amount of €3 billion under TLTRO III by June 2021, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements. Following the changes in the terms of the TLTRO III announced by the ECB in October 2022, and given BOC PCL's strong liquidity position, BOC PCL proceeded with the repayment of €1 billion TLTRO III funding in December 2022.

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.

In addition, BOC PCL exceeded the benchmark net lending threshold in the period 1 October 2020 - 31 December 2021 and qualified for a beneficial rate for the period from June 2021 to June 2022. The NII benefit from its TLTRO III borrowing for the period from June 2021 to June 2022 stood at approximately €15 million and was recognised over the respective period in the income statement.

The Group recognised an additional net NII benefit of approximately €8 million from the TLTRO III borrowing for the period 24 June 2022 to 22 November 2022, of which approximately €5 million was recognised in the income statement during the fourth quarter of 2022.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and Liquidity (continued)

Funding (continued)

Deposits

Customer deposits totalled €18,998 million at 31 December 2022, compared to €17,531 million at 31 December 2021, increased by 8% since the previous year end.

BOC PCL's deposit market share in Cyprus reached 37.2% as at 31 December 2022, compared to 34.8% as at 31 December 2021. Customer deposits accounted for 75% of total assets and 81% of total liabilities at 31 December 2022 (compared to 70% of total assets and 77% of total liabilities at 31 December 2021).

The net loans to deposits (L/D) ratio stood at 52% as at 31 December 2022, compared to 57% as at 31 December 2021 on the same basis, reflecting the increase in customer deposits in the year and the derecognition of Helix 3 portfolio following completion.

Subordinated liabilities

At 31 December 2022, the carrying amount of the Group's subordinated liabilities (including accrued interest) amounted to €302 million, compared to €340 million at 31 December 2021, and relate to unsecured subordinated Tier 2 Capital Notes ('T2 Notes').

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

Debt securities in issue

At 31 December 2022, the carrying amount of the Group's debt securities in issue (including accrued interest) amounted to €298 million, compared to €303 million at 31 December 2021, and relate to senior preferred notes (the 'SP Notes').

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

Liquidity

At 31 December 2022, the Group Liquidity Coverage Ratio (LCR) stood at 291%, compared to 298% at 31 December 2021, well above the minimum regulatory requirement of 100%. The LCR surplus as at 31 December 2022 amounted to €7.2 billion, compared to €6.3 billion at 31 December 2021, well positioned to benefit from further interest rate increases. The increase in liquidity surplus during the year ended 31 December 2022 reflects primarily the increase in customer deposits and the cash consideration received with Helix 3 completion.

At 31 December 2022, the Group Net Stable Funding Ratio (NSFR) stood at 168%, compared to 147% at 31 December 2021, well above the minimum regulatory requirement of 100%.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loans

Group gross loans totalled €10,217 million at 31 December 2022, compared to €10,856 million at 31 December 2021, (inclusive of those classified as held for sale), reduced by 6% since the beginning of the year attributed mainly to the completion of Project Helix 3.

New lending granted in Cyprus reached €2,092 million during the year ended 31 December 2022, compared to €1,792 million for the year ended 31 December 2021, up by 17% yoy, whilst maintaining strict lending criteria. The yearly increase is driven by the increase in lending activity across all sectors, with corporate being the main driver.

At 31 December 2022, the Group net loans and advances to customers totalled €9,953 million, compared to €9,836 million at 31 December 2021, excluding those classified as held for sale as at 31 December 2021, increased by 1% since the beginning of the year.

BOC PCL is the largest credit provider in Cyprus with a market share of 40.9% at 31 December 2022, compared to 38.8% at 31 December 2021, an increase compared to prior year despite the derecognition of Helix 3 portfolio following completion.

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 remain unchanged; maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration following the ongoing macroeconomic uncertainty.

The loan credit losses totalled €47 million (excluding 'Provisions/net (loss)/profit relating to NPE sales') for the year ended 31 December 2022, compared to €66 million for the year ended 31 December 2021. Further details regarding loan credit losses are provided in section 'Profit before tax and non-recurring items' under the 'Income Statement Analysis' section below.

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

Non-performing exposures reduction

During 2022 non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €932 million to €411 million at 31 December 2022 (compared to €1,343 million at 31 December 2021). The reduction during the year ended 31 December 2022 is mainly driven by the completion of Project Helix 3 of €551 million (as at 30 September 2022) and net organic reduction taken place in the year.

As a result, the NPEs account for 4.0% of gross loans as at 31 December 2022, compared to 12.4% as at 31 December 2021.

The NPE coverage ratio stands at 69% at 31 December 2022, compared to 59% as at 31 December 2021. When taking into account tangible collateral at fair value, NPEs are fully covered.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Project Helix 3

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

The gross consideration amounted to approximately €366 million (including advance received), reflecting adjustments resulting from, inter alia, loan repayments received on the Portfolio since the reference date of 31 May 2021.

Project Helix 3 represented a milestone in the successful delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs with the NPE ratio reducing below 5%.

Project Sinope

In December 2021, 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'). Project Sinope was completed in August 2022.

Overall, since the peak in 2014 and following the completion of Helix 3, the stock of NPEs has been reduced by €14.6 billion or 97% to €0.4 billion and the NPE ratio by 59 percentage points, from 63% to 4%.

Fixed income portfolio

Fixed income portfolio amounts to €2,500 million as at 31 December 2022, compared to €1,925 million as at 31 December 2021, increased by 30% since the beginning of the year. The portfolio represents 10% of total assets and comprises €2,046 million (82%) carrying value measured at amortised cost and €454 million (18%) at fair value through other comprehensive income ('FVOCI').

During the year ended 31 December 2022 the Group recognised fair value losses of approximately €10 million directly to Group's equity for the fixed income portfolio measured at FVOCI.

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This bond portfolio has low average duration of approximately two years and high average rating at A2 or at Aa3 when Cyprus government bonds are excluded. The fair value of the amortised cost fixed income portfolio as at 31 December 2022 amounts to €1,953 million. Despite the recent volatility in the financial markets, the fair value of the amortised cost fixed income portfolio relative to its carrying value has not changed materially.

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 €1.5 billion and exceed properties on-boarded in the same period of €1.4 billion.

The Group completed disposals of €162 million during the year ended 31 December 2022 (compared to €140 million in the year ended 31 December 2021), resulting in a profit on disposal of €16 million for the year ended 31 December 2022 (compared to a profit of €14 million for the year ended 31 December 2021). Asset disposals are across all property classes, with half of sales by value in the year ended 31 December 2022 relating to land.

During the year ended 31 December 2022, the Group executed sale-purchase agreements (SPAs) for disposals of 674 properties with contract value of €184 million, compared to SPAs for disposals of 703 properties, with contract value of €149 million for the year ended 31 December 2021.

Group financial results on the underlying basis (continued)

Real Estate Management Unit (REMU) (continued)

In addition, the Group had a strong pipeline of €70 million by contract value as at 31 December 2022, of which €47 million related to SPAs signed (compared to a pipeline of €109 million as at 31 December 2021, of which €47 million related to SPAs signed).

REMU on-boarded €86 million of assets in the year ended 31 December 2022, compared to additions of €34 million in the year ended 31 December 2021, via the execution of debt for asset swaps and repossessed properties.

The carrying value of assets held by REMU that were classified as 'non-current assets and disposal groups held for sale' since 2021 and amounting to €88 million as at 30 September 2022 (comprising stock of properties of €83 million and investment properties of €5 million) were derecognised with the completion of Project Helix 3.

As at 31 December 2022, assets held by REMU had a carrying value of €1,116 million (comprising properties of €1,041 million classified as 'Stock of property' and €75 million as 'Investment properties'), compared to €1,215 million as at 31 December 2021 (excluding assets classified as held for sale, comprising properties of €1,112 million classified as 'Stock of property' and €103 million as 'Investment properties').

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €10 million as at 31 December 2022, compared to €15 million as at 31 December 2021, are not managed by REMU.

Income Statement Analysis

Total income

Net interest income (NII) for the year ended 31 December 2022 amounted to €370 million (including NII of approximately €12 million relating to Helix 3 which was completed in November 2022), compared to €296 million for the year ended 31 December 2021. The yearly increase of 25% reflects positive gearing to higher rates and to a lesser extent, the growth of the performing loan book and fixed income portfolio, notwithstanding the foregone NII on the Helix 2 portfolio (approximately €15 million in the year ended 31 December 2021).

Average interest earning assets (AIEA) for the year ended 31 December 2022 amounted to €22,483 million, up by 10% compared to the year ended 31 December 2021, driven by the increase in liquid assets as a result of the increase in deposits by approximately €1.5 billion since 31 December 2021 and the increase in the fixed income portfolio by approximately €0.6 billion compared to 31 December 2021.

Net interest margin (NIM) for the year ended 31 December 2022 amounted to 1.65%, compared to 1.45% for the year ended 31 December 2021, supported by the rising interest rate environment.

Non-interest income for the year ended 31 December 2022 amounted to €329 million (compared to €285 million for the year ended 31 December 2021, up by 16% yoy), comprising net fee and commission income of €192 million, net foreign exchange gains and net gains on financial instruments of €36 million, net insurance income of €71 million, net gains from revaluation and disposal of investment properties and on disposal of stock of properties of €13 million and other income of €17 million. The yoy increase is driven by higher net fee and commission income, higher insurance income net of claims and commissions and higher net foreign exchange gains and net gains on financial instruments.

Net fee and commission income for the year ended 31 December 2022 amounted to €192 million, (compared to €172 million for the year ended 31 December 2021, up by 12% compared to the prior year), driven by the introduction of a revised price list in February 2022 and the extension of liquidity fees to a wider customer group in March 2022. Liquidity fees were fully abolished in December 2022. Net fee and commission income for the year ended 31 December 2022 includes an amount of approximately €6 million relating to a NPE sale-related servicing fee, for a transitional period ending in the first quarter of 2023.

Net foreign exchange gains and net gains on financial instruments amounted to €36 million for the year ended 31 December 2022 (comprising net foreign exchange gains of €31 million and net gains on financial instruments of €5 million), compared to €25 million for the year ended 31 December 2021 (comprising net foreign exchange gains of €16 million and net gains on financial instruments of €9 million). The increase of 45% compared to the prior year reflects higher foreign exchange gains through FX swaps. Net foreign exchange gains and net gains on financial instruments are volatile profit contributors.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total income (continued)

Net insurance income amounted to €71 million for the year ended 31 December 2022, compared to €61 million for the year ended 31 December 2021, mainly due to increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims.

Net gains from revaluation and disposal of investment properties and on disposal of stock of properties for the year ended 31 December 2022 amounted to €13 million (comprising net gains on disposal of properties of €16 million, and net losses from revaluation of investment properties of €3 million), broadly flat compared to the previous year.

Total income for the year ended 31 December 2022 amounted to €699 million, compared to €581 million for the year ended 31 December 2021, up by 20% compared to the prior year, mainly driven by the increase in the net interest income, net fee and commission income and insurance income net of claims and commissions as explained above.

Total expenses

Total expenses for the year ended 31 December 2022 were €381 million (compared to €383 million for the year ended 31 December 2021), down 1% yoy, 50% of which related to staff costs (€190 million), 40% to other operating expenses (€153 million) and 10% to special levy on deposits and other levies/contributions (€38 million). The yearly decrease relates to the decrease in staff costs offset by the increase in other operating expenses as explained further below.

Staff costs for the year ended 31 December 2022 were €190 million, compared to €202 million for the year ended 31 December 2021, down by 6% compared to the prior year, resulting from the Voluntary Staff Exit Plans that took place during 2022, partially offset by the impact of the collective agreement and the introduction of a new pay grading structure and long-term incentive plan. The VEPs led to the reduction of the Group's full time employees by 16%, at a total cost of €104 million. Following the completion of the VEP, the gross annual savings are estimated at approximately €37 million or 19% of staff costs with a payback period of 2.7 years. The estimated savings of the VEP are expected to be partially offset by the renewal of the collective agreement in 2023.

The Group employed 2,889 persons as at 31 December 2022 compared to 3,438 persons as at 31 December 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 impact of the renewal was an increase in staff costs for 2022 by 3-4% per annum, in line with the impact of renewals in previous years.

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ('2022 LTIP'). The 2022 LTIP involves the granting of an award in the form of shares of the Company and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for the 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3-year period and financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. These share awards will then normally vest in six tranches, with the first tranche (40%) vesting the year following the end of the year the performance period ends and thereafter on an annual basis in equal tranches (12%) with the last tranche vesting on the fifth anniversary of the first vesting date. For the year ended 31 December 2022, the Group recognised in the Consolidated Income Statement an expense of less than €0.5 million regarding the 2022 LTIP. Based on the fair value of these awards on the grant date, the expense deferred to future periods is estimated at approximately €1.1 million. Actual amounts to be expensed in future periods may be lower, e.g., due to forfeiture of awards.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total expenses (continued)

Other operating expenses for the year ended 31 December 2022 were €153 million, compared to €145 million for the year ended 31 December 2021, up by 5% compared to the previous year, driven by inflationary pressures.

Special levy on deposits and other levies/contributions for the year ended 31 December 2022 amounted to €38 million (compared to €36 million for the year ended 31 December 2021) up by 6% yoy, driven by the increase in deposits of approximately €1.5 billion yoy. Special levy on deposits and other levies/contributions for 2022 include a levy in the form of an annual guarantee fee relating to the revised Income Tax legislation of €4.8 million compared to €5.3 million in 2021 (see section 'Capital Base' under 'Balance Sheet Analysis' section above) and the contribution of BOC PCL to the Deposit Guarantee Fund (DGF) of €6 million (2021: €6 million).

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.

The cost to income ratio excluding special levy on deposits and other levies/contributions for the year ended 31 December 2022 was 49%, compared to 60% for the year ended 31 December 2021. The decrease is driven by the higher total income.

The cost to income ratio excluding special levy on deposits and other levies/contributions for 2023 is expected to decrease to mid-40s, reflecting management's ongoing focus on efficiency and cost discipline in an inflationary environment. This target includes a commitment of maintaining total operating expenses of a range between €350-360 million, reflecting some upward pressure on costs from investments in transformation and digitalisation and the renewal of the collective agreement in 2023. The cost to income ratio excluding special levy on deposits and other levies/contributions for 2024 is expected to remain at around similar levels to 2023.

Profit before tax and non-recurring items

Operating profit amounted to €318 million for the year ended 31 December 2022, compared to €198 million for the year ended 31 December 2021, an increase of 62%, driven mainly by the significant increase in net interest income.

Loan credit losses for the year ended 31 December 2022 totalled €47 million, compared to €66 million for the year ended 31 December 2021, down by 30% compared to the prior year.

The annualised loan credit losses charge (cost of risk) for the year ended 31 December 2022 was 44 bps, compared to a cost of risk of 57 bps for the year ended 31 December 2021, down by 13 bps reflecting strong asset quality performance in 2022.

At 31 December 2022, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to 'Alternative Performance Measures Disclosures' of the Annual Financial Report for definition) amounted to €282 million, compared to €792 million at 31 December 2021, and accounted for 2.8% of gross loans (compared to 7.3% (4.5% pro forma for HFS) of gross loans at 31 December 2021).

Impairments of other financial and non-financial assets for the year ended 31 December 2022 amounted to €33 million, compared to €36 million for the year ended 31 December 2021, down by 9% compared to the previous year.

Provisions for pending litigations, claims, regulatory and other matters (net of reversals) for the year ended 31 December 2022 amounted to €11 million, compared to a reversal of €2 million for the year ended 31 December 2021. The net increase in provisions for pending litigations, claims regulatory and other matters (net of reversals) for the year ended 31 December 2022 was primarily driven by a one-off charge of approximately €5.5 million in relation to a revised approach on pending litigation fees.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Profit before tax and non-recurring items (continued)

Profit before tax and non-recurring items for the year ended 31 December 2022 totalled €227 million, compared to €98 million for the year ended 31 December 2021.

Profit after tax and before non-recurring items (attributable to the owners of the Company)

The tax charge for 2022 is €36 million compared to €5 million for 2021.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for the year ended 31 December 2022 amounted to €188 million, compared to €91 million for the year ended 31 December 2021. 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 11.3% ('Recurring ROTE') for the year ended 31 December 2022, compared to 5.5% for the year ended 31 December 2021.

Advisory and other restructuring costs – organic for the year ended 31 December 2022 amounted to €11 million, compared to €22 million for the year ended 31 December 2021, down by 48% compared to the previous year, mainly due to ad-hoc costs related to the tender offer for Existing Tier 2 Capital Notes amounting to €12 million in the year ended 31 December 2021. Advisory and other restructuring costs – organic for the year ended 31 December 2022 relate to the transformation program and other strategic projects of the Group.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for the year ended 31 December 2022 amounted to €177 million, compared to €69 million for the year ended 31 December 2021.

Provisions/net profit/(loss) relating to NPE sales for the year ended 31 December 2022 amounted to a profit of approximately €1 million, compared to a loss of €7 million for the year ended 31 December 2021 (relating to Helix 2 and Helix 3).

Restructuring and other costs relating to NPE sales for the year ended 31 December 2022 was €3 million, compared to €16 million for the year ended 31 December 2021 (relating to the agreements for the sale of portfolios of NPEs).

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €104 million for the year ended 31 December 2022, compared to €16 million for the year ended 31 December 2021. For further details please refer to section 'Total expenses'.

Profit after tax attributable to the owners of the Company for the year ended 31 December 2022 amounted to €71 million, compared to a profit of €30 million for the year ended 31 December 2021. Return on Tangible Equity (ROTE) amounts to 4.3% for the year ended 31 December 2022, compared to 1.8% for the year ended 31 December 2021.

Operating Environment

According to the IMF's revised World Economic Outlook published at the end of January, the global economy is expected to slow in 2023 before picking up again in 2024. Growth will remain weak by historical standards as a result of tighter monetary conditions in the fight against inflation and the negative impact of the war in Ukraine. Global growth is expected to slow from 3.4% in 2022 to 2.9% in 2023, before recovering to 3.1% in 2024. In the euro area, despite signs of resilience to the energy crisis, a mild winter and generous fiscal support, growth is expected to be around 0.7% in 2023 resulting from tighter monetary conditions, a negative terms-of-trade shock from higher energy prices and increased uncertainty as the war in Ukraine is expected to escalate further.

As expected, the ECB continued to raise interest rates at the start of 2023. At the most recent Governing Council meeting on 8 February 2023, the ECB raised its main refinancing operations rate by 50 basis points to 3%. The ECB raised its marginal lending facility to 3.25% and its deposit facility to 2.5%. Rising inflation and a more aggressive monetary policy stance by the U.S. Federal Reserve are expected to force the ECB to take a more aggressive approach. The ECB began raising interest rates in July 2022, when the main refinancing operations rate was zero and the deposit facility was at -0.5%. Financing conditions are expected to tighten further in 2023 and interest rates to remain high throughout the year.

Harmonised inflation in Cyprus fell from 10.6% in July 2022 to 7.6% in December 2022. The annual average was 8.1% in Cyprus and 8.4% in the euro area. Average inflation was higher in the EU, reflecting strong inflation increases in some Member States, mainly in Central and Eastern Europe. In Cyprus, energy contributed 2.6 percentage points and food 0.5 percentage points to total harmonised inflation. Other influences accounted for 5 percentage points. Cyprus does not use gas for energy consumption or electricity production and is entirely dependent on oil, the price of which has not risen as much as that of natural gas.

In a challenging international environment, the Cypriot economy has shown considerable resilience. The contraction of 4.4% in 2020 was modest compared to other southern countries. The economy rebounded strongly in 2021, with real GDP growing by 6.6%. Growth remained strong in 2022 averaging 5.6% which is well above the euro area average. In the fourth quarter of 2022, economic growth stood at 4.5%. However, growth is expected to decelerate in 2023, towards 3%, according to the Ministry of Finance.

On the fiscal side, the recovery in 2021 is underpinned by a significant increase in general government revenue and a relative decline in government expenditure. As a result, the budget deficit narrowed to 1.7% of GDP from a deficit of 5.8% of GDP in 2020, reflecting government measures to support the economy in the midst of a deep recession induced by the COVID-19 pandemic. Developments in 2022 were favourable for public finances. Revenues grew by 16.7% in the first three quarters of the year, while expenditures increased by 1.3%, indicating a significant surplus in the period. Part of the increase in revenues is a windfall related to the energy crisis, but overall, the current state of public finances is positive. Public debt is sustainable and firmly on a downward path. With a budget surplus in 2022 and inflation at around 8.1%, the debt-to-GDP ratio is expected to fall towards 87%, according to the Ministry of Finance. In the longer term, public debt dynamics will depend on interest rate developments, inflation, and growth.

On the supply side, growth in the first three quarters of the year for which data is available, was almost entirely driven by services. Trade, transport, and accommodation services accounted for more than half of the growth over the period. Information and communications and professional and administrative services also made significant contributions. In the industrial sector, growth came from the utilities, electricity, and water sectors, with only a marginal contribution from manufacturing. Construction activity declined slightly and made a negative contribution.

On the demand side, growth in the first three quarters was driven by private consumption and investment, especially inventory accumulation, while the external sector made a negative contribution due to faster growth in imports. Total investment includes transport equipment, which includes ship registrations.

Tourist activity recovered strongly during the year. Arrivals reached 3.2 million persons, or 80% of the corresponding arrivals in 2019. Receipts reached an estimated €2.4 billion in the year, or 90% of corresponding receipts in 2019. The increase in arrivals was mainly due to increases from the United Kingdom and, to a lesser extent, from other European countries and Israel. Travel from Russia and Ukraine has been affected by the war and sanctions.

Operating Environment (continued)

Rising energy costs, exacerbated by the war in Ukraine, are affecting both consumers and businesses. The government has taken initial steps to mitigate the impact. The government lowered VAT rates on electricity and reduced excise duties on petrol and diesel for a limited period until June 2022. The latter remained in force until the end of January 2023. In September 2022, the government introduced a graduated system of subsidies for electricity consumption to replace the reduced VAT.

Cyprus received the first disbursement from the European Commission's Recovery and Resilience Facility of €157 million in September 2021, following the approval of the National Recovery Plan in July of the previous year. This was a pre-financing of 13% of the total disbursements for the period 2021-2026. Furthermore, the European Commission disbursed the first payment of €85 million to Cyprus under the Recovery and Resilience Facility, in December 2022 following the passage of conditional legislation in parliament. The release of the funds is conditional on the strict implementation of the reforms agreed in the National Recovery Plan. The funds will be used, among other things, to increase investment in the digital and green transition and to improve the efficiency of public and local administrations, and of the judicial system.

The banking sector has undergone significant restructuring since the financial crisis of 2013. Banks have reduced their foreign exposures, significantly shrunk their balance sheets, increased their capital buffers, and restructured and refocused their domestic operations. Prudential supervision has been strengthened and a new legal framework for private debt restructuring, including the sale of loans, is now in place. Total non-performing exposures (NPEs) at the end of November 2022 amounted to €2.7 billion, or 10.5% of gross loans. NPEs at the end of 2021 amounted to €3 billion or 11.1% of gross loans. 47.8% of total NPEs at the end of November 2022 were restructured facilities and the coverage ratio was 52.2%. Private debt has continued to decline since mid-2012, shrinking by more than half by the end of December 2022. The decline reflects the long process of deleveraging since the start of the financial crisis and includes the sale or transfer of non-performing loans in recent years. Private debt, as measured by loans to residents excluding the government, stands at 80% of nominal GDP at the end of December 2022. Pure new business lending, which excludes renegotiated amounts, reached €3.2 billion in 2022 as a whole, exactly the same level as pure new lending in 2019. Cypriot banks are excessively liquid, and the bulk of these excess deposits are held overnight at the ECB.

Cyprus' current account deficit narrowed from 10.1% of GDP in 2020 to 6.8% in 2021 and is estimated at 9.6% in 2022 according to the European Commission's autumn forecast. From 2023 onwards, the deficit is expected to gradually narrow as services revenues recover and EU recovery and resilience funds are credited to the secondary income account. However, the current account deficit will remain higher than pre-pandemic levels in the medium term, partly due to strong import growth linked to higher energy prices and EU investment plans, which will weigh on the trade balance. The size of the country's deficit is partly structural, a consequence of special purpose vehicles domiciled in Cyprus.

Recent developments
Recent developments in financial markets in March 2023, particularly in the United States but also in Europe to a lesser extent have been unprecedented. The failures of the two banks in the United States, the California-based Silicon Valley Bank and the New York-based Signature Bank, prompted the forceful intervention of the authorities to pre-empt the risk of financial instability in the banking system. Since 10 March 2023, the US Federal Deposit Insurance Corporation (the 'FDIC') and state regulators have taken control of the two banks.

The US authorities have also taken additional measures to prevent a broader run-on bank deposits. This included invoking a systemic risk clause that allowed the US authorities to guarantee all deposits in the two banks beyond the $250,000 insured cap guarantee by the FDIC. The US Federal Reserve also established a new lending facility that provides banks access to liquidity against eligible collateral but without the need to take a haircut.

In Switzerland, Credit Suisse was exposed to the same sort of concerns as global banks; Credit Suisse was bought by UBS, another Swiss bank, after a deal brokered by the Swiss government, which included liquidity assistance from the Swiss National Bank and partial losses guarantees from the government. Following the Credit Suisse deal, the Single Resolution Board, the European Banking Authority and the ECB Banking Supervision issued a statement welcoming the comprehensive set of actions taken by the Swiss authorities in order to ensure financial stability and noting that the European banking sector is resilient, with robust levels of capital and liquidity.

The Group is closely monitoring developments.

Operating Environment (continued)

Sovereign ratings

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

Most recently, in March 2023, Fitch Ratings upgraded Cyprus' Long-Term Issuer Default rating at investment grade BBB and stable outlook. The upgrade reflects the country's fiscal outperformance, improvement in government indebtedness, and macroeconomic resilience, among others.

In October 2022, DBRS Morningstar affirmed the Republic of Cyprus' Long-Term Foreign and Local Currency – Issuer Ratings at BBB (low) and maintained the trend stable. The affirmation is supported by a stable political environment, the government's sound fiscal and economic policies and the favourable government debt profile. The stable outlook balances recent favourable fiscal dynamics against downside risks for the economic outlook (including further escalation of the crisis in Ukraine).

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

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

Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In December 2022, Fitch Ratings upgraded BOC PCL's long-term issuer default rating to B+ from B-, whilst maintaining the positive outlook. The two-notch upgrade reflects the improved asset quality of BOC PCL, supported by the completion of Project Helix 3 together with the organic reduction of impaired assets. The upgrade is also underpinned by Fitch's view of the resilience of the Cypriot economy, even in light of growing economic uncertainties. In October 2022, Moody's Investors Service upgraded BOC PCL's long-term deposit rating to Ba2 from Ba3, maintaining the positive outlook. The main drivers for this upgrade are the resilience of the Cypriot economy, that is supporting the operating conditions of the banking system to external shocks and the gradual improvement in credit conditions. In September 2022, S&P Global Ratings raised the long-term issuer credit rating of BOC PCL to BB- from B+ and revised the outlook to stable from positive. The upgrade reflects the improvement in asset quality and easing economic risks.

Upgrade of financial targets

The Group is a diversified, leading, financial and technology hub in Cyprus. During 2022 the Group delivered positive financial results and exceeded its 2022 financial targets, confirming the sustainability of its business model with well-diversified revenues and disciplined cost containment despite inflationary pressures. Overall the Group achieved a recurring ROTE of 11.3% for the year. The positive performance is expected to continue in 2023, leading to an upgrade of targeted ROTE to over 13% from over 10% facilitated by the Group's positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position. Therefore, the intention to commence meaningful dividend distributions from 2023 onwards, subject to regulatory approval and market conditions, is reiterated. The Group expects to achieve ROTE over 13% for 2024[10], on the back of stabilising margins and growth of the loan portfolio.

[10] Based on market forward rates as at 23 January 2023; average ECB deposit rate for 2023 assumed at 2.8%.

Business Overview (continued)

Favourable interest rate environment
The structure of the Group's balance sheet is geared towards higher interest rates facilitating immediate growth in net interest income. As at 31 December 2022, cash balances with ECB (excluding TLTRO of approximately €2.0 billion) amounted to approximately €7.6 billion, well positioned to benefit from further interest rate rises. The repricing of the reference rates gradually benefits the interest income on loans, as over 95% of the Group's loan portfolio is variable rate as at 31 December 2022. The Group benefited from the steep and fast increase of interest rates in 2022. The net interest income for the year ended 31 December 2022 stood at €370 million, reflecting an increase of 25% yoy. Factoring in the expectations for the evolution of the interest rates, the net interest income guidance for 2023 is upgraded and the net interest income is now expected to grow by 40-50% year on year. This incorporates assumptions on evolution of interest rates (based on market forward rates as at 23 January 2023; average ECB deposit rate for 2023 assumed at 2.8%), of continuing to rebuild the fixed income portfolio, increased costs of funding, gradual increase in cost of deposits (increase time deposits pass-through to approximately 50%) and gradual change in deposit mix towards time deposits (from 30% as at 31 December 2022 to approximately 45% in December 2023). Following the completion of Project Helix 3 and the end of TLTRO III favourable terms, an overall amount of approximately €28 million, net interest income, will not be repeated in 2023. The growth in the fixed income portfolio is expected to broadly offset foregone net interest income from TLTRO III and higher wholesale funding costs.

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

The Group has continued to provide high quality new lending in the year ended 31 December 2022 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the BOC PCL's target risk profile.

During the year ended 31 December 2022, new lending amounted to €2.092 million, up by 17% yoy, returning to pre-pandemic levels. The increase is driven by increased activity across all sectors, with corporate being the main driver. As a result, the net performing loan book expanded to €9.6 billion up by 3% yoy, despite uncertainties in the macroeconomic environment. However, due to the continuing interest rate rises, demand for new loans is expected to slow down in 2023. In the short-term, net interest income is expected to be supported primarily by asset repricing and higher investments in securities.

As at 31 December 2022, the fixed income portfolio of the Group amounted to €2.5 billion, up by 30% on the prior year and represents 10% of total assets. The portfolio comprises highly rated fixed rate bonds with low average duration, giving the Group the flexibility to take advantage of rising interest rates. The completion of the balance sheet de-risking and the Group's comfortable liquidity position is expected to allow the Group to continue expanding the fixed income portfolio in 2023, subject to market conditions.

The fixed income portfolio consists of €2,046 million measured at amortised cost and €454 million measured at FVOCI. During the year ended 31 December 2022 the Group recognised fair value losses of approximately €10 million directly to Group's equity for the fixed income portfolio measured at FVOCI. The fixed income portfolio measured at amortised cost are held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This bond portfolio has low average duration of approximately two years and high average rating at A2 or at Aa3 when Cyprus government bonds are excluded. The fair value of the amortised cost fixed income portfolio as at 31 December 2022 amounts to €1,953 million. Despite the recent volatility in the financial markets, the fair value of the amortised cost fixed income portfolio relative to its carrying value has not changed materially.

Separately, the Group focuses to continue improving revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. In the first quarter of 2022, a revised price list for charges and fees was implemented and liquidity fees were extended to a wider customer group. The net fee and commission income for the year ended 31 December 2022 remained strong at €192 million, reflecting an increase of 12% yoy. The net fee and commission income for the year ended 31 December 2022 included approximately €16 million from the liquidity fees which were fully abolished in December 2022 and approximately €6 million of servicing fee relating to an NPE portfolio sale that will be phased out in the first quarter of 2023.

Business Overview (continued)

Growing revenues in a more capital efficient way (continued)
Net fee and commission income is also enhanced by transaction fees from the Group's subsidiary, JCC Payment Systems Ltd (JCC), a leading player in the card processing business and payment solutions, 75% owned by BOC PCL. JCC's net fee and commission income contributed 8% of total non-interest income and amounted to €27 million in the year ended 31 December 2022, up 22% compared to the previous year, backed by strong transaction volume.

The Group's insurance companies, EuroLife Ltd (Eurolife) and Genikes Insurance of Cyprus Ltd (GI) are respectively leading players in the life and general insurance business in Cyprus, and have been providing recurring and improving income, further diversifying the Group's income streams. The insurance income net of claims and commissions for the year ended 31 December 2022 contributed 22% of non-interest income and amounted to €71 million, up 17% yoy, driven by exceptionally strong new business in life insurance and the positive changes in valuation assumptions, partially offset by higher insurance claims. Specifically, Eurolife increased its total regular income by 17% yoy, whilst GI increased its gross written premiums by 11% yoy. Following the adoption of IFRS 17, total profits of an insurance contract will remain unchanged over its life. However, the new standard will impact the timing of when profits emerge, improving the predictability of profit over the long-term and is expected to result in a modest annual negative impact on the contribution to Group's profits from the Group's insurance business in the near term. For information on IFRS 17 please refer to the relevant subsection below.

Finally, the Group through the Digital Economy Platform (Jinius) (the 'Platform') aims 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, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The Platform is expected to allow BOC PCL to enhance the engagement of its customer base, attract new customers, optimise the cost of BOC PCL's own processes, and position BOC PCL next to the customer at the point and time of need. Currently, around 1,500 companies were registered in the platform.

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

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included further branch footprint optimisation and substantial streamline of workforce. In July 2022, the Group successfully completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total cost of €101 million. Following the completion of the VEP, the gross annual savings were estimated at approximately €37 million or 19% of staff costs with a payback period of 2.7 years. Additionally, in January 2022 one of BOC PCL's subsidiaries completed a small-scale targeted Voluntary Staff Exit Plan (VEP), through which a small number of full-time employees were approved to leave at a total cost of €3 million. In relation to branch restructuring, during 2022 the Group reduced the number of branches by 20 to 60, a reduction of 25%. Through these successful initiatives, the Group has delivered ahead of schedule on its commitment to reduce its workforce by approximately 15% and its number of branches by 25%. As a result, the cost to income ratio excluding special levy on deposits and other levies/contributions for the year ended 31 December 2022 was reduced to 49%, 11 p.p. down compared to previous year, surpassing the Group's target of low-50s for 2022.

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

Business Overview (continued)

Lean operating model *(continued)*
These share awards will then normally vest in six tranches, with the first tranche (40% of the award) vesting the year following the end of the year the performance period ends and the remaining 60% vesting in equal annual tranches (12%) with the last tranche vesting on the fifth anniversary of the first vesting date. For the year ended 31 December 2022, the Group recognised in the Consolidated Income Statement an expense of less than €0.5 million regarding the 2022 LTIP. Based on the fair value of these awards on the grant date, the expense deferred to future periods is estimated at approximately €1.1 million. Actual amounts to be expensed in future periods may be lower, e.g., due to forfeiture of awards.

The cost to income ratio excluding special levy on deposits and other levies/contributions for 2023 is expected to decrease to mid-40s, reflecting management's ongoing focus on efficiency and cost discipline in an inflationary environment. This target includes a commitment of maintaining total operating expenses of a range between €350-360 million, reflecting some upward pressure on costs from investments in transformation and digitalisation and the renewal of the collective agreement in 2023. The cost to income ratio excluding special levy on deposits and other levies/contributions for 2024 is expected to remain at around similar levels to 2023.

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

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

During the fourth quarter of 2022, BOC PCL continued to enrich and improve its digital portfolio with new innovative services to its customers. The introduction of the QuickLoan new lending products available through the Group's digital channels (Mobile App and Internet Banking), further differentiates BOC PCL within the Cypriot market and enhances its status as a digital leader in banking. The introduction of QuickLoan allows BOC PCL's retail customers to apply for a loan and have an instant update of the approval status of their application.

The adoption of digital products and services continued to grow and gained momentum in the fourth quarter of 2022 and beyond. As at the end of December 2022, 93.9% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 27.5 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 81.7% of individual customers were digitally engaged (up by 21.5 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of December 2022, active mobile banking users and active QuickPay users have grown by 12.8% and 31.3% respectively over the last 12 months. The highest number of QuickPay users to date was recorded in December 2022 with 169 thousand active users. Likewise, the highest number of QuickPay payments was recorded in December 2022 with 565 thousand transactions.

Asset quality
Balance sheet de-risking was largely completed in 2022, marked by the completion of Project Helix 3 which refers to the sale of non-performing exposures with gross book value of €550 million as at 30 September 2022. Project Helix 3 represents a further milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs. Overall, since the beginning of 2022, and including organic NPE reductions of approximately €360 million, the Group reduced its NPEs by 69% and its NPE ratio from 12.4% to 4.0% delivering the 2022 NPE ratio target of sub-5%. As a result, the Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration in this uncertain outlook.

The cost of risk target and NPE ratio target display conservative assumptions on both NPE inflows and provisioning to weather the ongoing macroeconomic uncertainty. Although there are currently no signs of asset quality deterioration, the cost of risk target of 50-80 bps and NPE ratio target of sub 5% remain unchanged for 2023. The cost of risk is expected to start normalising from 2024 onwards to around 40-50 bps.

Business Overview (continued)

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

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

The Group has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Group's strategy:
- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the Extended EXCO) by 2030

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

Environmental Pillar
The Group has estimated the Scope 1 and Scope 2 emissions of 2021 greenhouse gas ('GHG') relating to own operations in order to set the baseline for carbon neutrality target. BOC PCL being the main contributor of GHG emissions of the Group, designed in 2022 the strategy to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. BOC PCL plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to approximately 5-10% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Group expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Group through installation of solar panels and other energy efficiency actions performed in 2021 and 2022 achieved a reduction in electricity consumption of 1.8 million KWh (11% reduction) in the year ended 31 December 2022 compared to the baseline year of 2021.

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

In 2022 BOC PCL launched a low emission vehicle loan product (either hybrid or electric) and intends to further expand its range of environmentally friendly products that are expected to be launched in 2023. In addition, the Group has set up a Sustainable Finance Framework which will facilitate the issuance of Green, Social or Sustainable bonds. The proceeds from such bonds will be allocated to eligible activities and products as designated in the Sustainable Finance Framework.

Moreover, BOC PCL is making substantial progress in further integrating climate risk considerations into its risk management approach, as it tries to integrate climate related risk into its risk culture. BOC PCL, within the context of underwriting processes, is currently in the process of incorporating the assessment of ESG and climate matters and amending its policies and procedures in such a way that potential impact from ESG and climate is reflected in the fundamental elements of the creditworthiness assessment.

Business Overview (continued)

Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda (continued)
This exercise includes the design of ESG questionnaires per sector, which will then be leveraged for deriving an ESG classification. In addition, BOC PCL is in the process to enhance the risk quantification methodology to assess how the portfolio is affected by C&E risks and will be incorporating the above elements into the stress testing infrastructure.

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

Social Pillar
At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of approximately €70 million since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the work of SupportCY Network, which was developed in 2020, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the Work of IDEA Innovation Centre. The Cultural Centre undertook a number of innovative projects such as 'AISTHISEIS' - Multi sensory museum experience for people with disabilities and Faneromeni Arts Festival promoting youth. The IDEA Innovation Centre provided education to 7,000 entrepreneurs, invested approximately €4 million in start-up business creation and supported the creation of 82 new companies to date. Staff have continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2022, the Group heightened its emphasis on staff wellness by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by 1,424 employees through its 'Well at Work program'.

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

The Board composition of the Company and BOC PCL is diverse, with 40% of the Board members being female as at 31 December 2022. The Board displays a strong skillset 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 2022, there is a 27% representation of women in Group's management bodies and a 39% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

Business Overview (continued)

IFRS 17

IFRS 17, is effective from 1 January 2023, and impacts the phasing of profit recognition for insurance contracts. The Group's insurance-related retained earnings will be restated and the reporting of insurance new business revenue will be spread over time, as the Group provides service to its policyholders (versus recognised up-front under the accounting standards applied up until 2022), with the quantum and timing of the impact dependent on, inter alia, the amount and mix of new business and extent of assumption changes in any given year following implementation.

- Under IFRS 17, there will be no present value of in-force life insurance contracts ('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') 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.
- IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities hence insurance liabilities and related assets will be adjusted to reflect IFRS 17 measurement requirements.
- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and will be presented as a deduction to reported revenue. This will result in a reduction in operating expenses.

The Group has made significant progress on the implementation of IFRS 17 and assessing the impact on the financial statements.

On transition the following impact has been estimated:

a) the removal of the value of in-force from the life insurance business (including associated deferred tax liability) of approximately €101 million as per the Group's consolidated balance sheet as at 31 December 2022, which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and

b) the remeasurement of insurance assets and liabilities and the creation of a contractual service margin (CSM) liability is estimated to result in an increase in the equity of the insurance business of the Group (predominantly relating to the life insurance business of the Group) in the range of €70-80 million as at 1 January 2022, which is a consequence of life insurance products. The estimated effect on equity of the insurance business of the Group as at 1 January 2023 (roll forwarding the impact on 2022 profits and taking into consideration other movements in reserves in 2022) is an increase in the range of €50-60 million, compared to the closing equity as at 31 December 2022 as reported under the previous accounting standard, IFRS 4.

As a result of the benefit arising from IFRS 17 on 1 January 2023 as referred to in (b) above, the life insurance subsidiary distributed €50 million as dividend to BOC PCL in February 2023, which benefited Group regulatory capital by an equivalent amount on the same date, enhancing CET1 ratio by approximately 50 bps.

The adoption of IFRS 17 is expected to result in a modest annual negative impact on the contribution to Group's profits by the Group's insurance business in the near term.

Ukrainian crisis

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

Business Overview (continued)

Ukrainian crisis (continued)

Direct impact
The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 million as at 31 December 2022 in Russia through write-offs and provisions.

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

The Group has limited direct exposure to loans related to Ukraine, Russia and Belarus, representing 0.4% of total assets or approximately 1% of net loans as at 31 December 2022. The net book value of these loans stood at €108 million as at 31 December 2022, of which €98 million are performing, whilst the remaining were classified as NPEs well before the current crisis. The portfolio is granular and secured mainly by real estate properties in Cyprus.

Customer deposits related to Ukrainian, Russian and Belarusian customers account for only 6% of total customer deposits as at 31 December 2022. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €7.2 billion (LCR ratio of 291%) as at 31 December 2022.

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

Cyprus has no energy dependence on Russia as it imports oil from Greece, Italy and the Netherlands; however it is indirectly affected by pricing pressures in the international energy markets. The focus on renewable energy sources increases, marked by a steady improvement in contribution at 18% in 2022 (compared to 16% in 2021).

Professional services account for approximately 10% of GDP (based on year 2021) of which some relate to Russia or Ukraine and thus expected to be adversely impacted. There is however no credit risk exposure as the sector is not levered.

Between 2018-2020, Cyprus recorded net foreign direct investment (FDI) outflow to Russia. While Russian gross FDI flows in and out of Cyprus may be quite large, these often reflect the typical set-up of Special Purpose Entities, with limited actual impact on the Cypriot economy, hence likely to have limited impact on domestic activity levels.

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

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

Strategy and Outlook

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

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

KEY STRATEGIC PILLARS	ACTION TAKEN IN THE YEAR ENDED 31 DECEMBER 2022 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)	• A revised price list for charges and fees was implemented in February 2022 • Liquidity fees were extended to a wider customer group in March 2022 and abolished in December 2022 following interest rate rises • Net performing loan book grew to €9.6 billion, an increase of 3% in the year ended 31 December 2022, despite macroeconomic uncertainty • Fixed income portfolio grew to €2.5 billion, an increase of 30% in the year ended 31 December 2022 • *For further information, please refer to section 'Loan portfolio quality' and section 'Business Overview'*	• The structure of the Group's balance sheet is geared towards higher interest rates facilitating immediate growth in net interest income • Grow performing book and increase through high quality new lending over the medium term • Expand fixed income portfolio in 2023, subject to market conditions, to take advantage of the rising yields • 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 VEP in July 2022, which led to the reduction of full time employees by 16% in the year ended 31 December 2022; estimated gross annual saving of approximately €37 million (19%) of staff costs • Rationalisation of branch footprint as 20 branches closed down in 2022, a reduction of 25% • Completion of a small-scale targeted VEP in the first quarter of 2022, by one of BOC PCL's subsidiaries, through which a small number of the Group's employees were approved to leave • Further developments in the Transformation Plan and the digitisation of BOC PCL	• Committed to maintain cost discipline in an inflationary environment • Effectively eliminate restructuring costs as de-risking is largely complete • Enhance procurement control • Committing to maintain total operating expenses for 2023 to a range of €350-€360 million The cost to income ratio excluding special levy on deposits and other levies/contributions for 2023 is expected to decrease to mid-40s and to remain around similar levels in 2024

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN THE YEAR ENDED 31 DECEMBER 2022 AND TO DATE	PLAN OF ACTION
Strengthening asset quality	• Completion of Project Helix 3 in November 2022 (sale of NPE portfolio with gross book value of €0.55 billion) • Balance sheet de-risking continued in the year ended 31 December 2022 with further organic NPE reduction of approximately €360 million • NPE ratio reduced to 4.0% as at 31 December 2022, delivering the 2022 NPE ratio target of sub-5% • *For further information, please refer to section 'Loan portfolio quality' and section 'Business Overview'*	• Prevent asset quality deterioration in an uncertain outlook • Maintain strict discipline on new business NPE ratio target of <5% for 2023 remains unchanged Cost of risk target of 50-80 bps for 2023 remains unchanged, starting to normalise to 40-50 bps from 2024 onwards
Enhancing 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	• First bank in Cyprus joining the Partnership for Carbon Accounting Financials (PCAF) which enable BOC PCL to initiate the estimation of financed emissions (Scope 3) derived from loan portfolio • Initiated the development of ESG questionnaire and ESG scorecard that will be introduced in loan origination process • Concluded on the materiality assessment and identification of climate and environmental risks • Determined the decarbonisation strategy for Scope 1 and Scope 2 emissions • Launch of low emission vehicle loan product (hybrid or electric) • Finalised the Sustainable Finance Framework which will enable the issue of Green/Social/Sustainable bonds • Provision of ESG training to the Board of Directors, Senior Management and all staff to increase awareness and skills • Introduced the ESG internal portal communication as well as Green@Work which enable the employees to take energy efficient actions at work • Launched 'AISTHISEIS' - Multi sensory museum experience for people with disabilities • Introduction of a new visa debit card made from recycled plastic collected from the ocean • *For further information, please refer to section 'Business Overview'*	• Set decarbonisation targets on specific sectors and asset classes • Establish ESG questionnaire and ESG scorecard in the loan origination process • Incorporate loan decarbonisation targets in the business strategy of the Group • Evolution of the ESG strategy with a continued focus on the climate and environmental risks • Continue to embed ESG in the Group's culture • Continuous enhancement of structure and corporate governance • Invest in people and promote talent

Strategy and Outlook (continued)

During 2022 the Group delivered strong financial results, exceeding its 2022 financial targets. This was marked by the recovery of revenues driven by the expansion in net interest income, lower operating expenses despite inflationary pressures and strong performance in asset quality, delivering NPE ratio of sub-5%. As a result, the Group achieved a double-digit recurring ROTE in 2022, building momentum throughout the year.

In 2023 the momentum is expected to continue, leading to an upgrade of targeted ROTE to over 13% from over 10% facilitated by the positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position. This lays the foundations to commence meaningful dividend distributions from 2023 onwards, subject to regulatory approval and market conditions. The Group expects to achieve ROTE over 13% for 2024, on the back of stabilising margins and growth of the loan portfolio.

Key Metrics	2022 Guidance	YEAR ENDED 31 DECEMBER 2022	FY2023 Previous guidance	FY2023[3] Updated guidance
Date	November 2022		November 2022	February 2023
NII	>€350 million	€370 million	€450-€470 million	40-50% yoy (€520-550 million)
Cost to income ratio[1]	Low-50s	49%	approximately 50%	mid-40s
Return on Tangible Equity (ROTE)[2]	approximately 10% (recurring)	4.3% 11.3% (recurring)	>10%	>13%
NPE ratio	<5.0%	4.0%	<5%	<5%
Cost of risk	Mid-40 bps	44 bps	50-80 bps	50-80 bps

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

Going concern

The Directors have made an assessment of the ability of the Group, the Company and BOC PCL 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.

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 2023 (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 a downside scenario and has used reasonable economic inputs to develop its medium-term strategy. The Group is working towards materialising its Strategy.

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 a base and an 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 2022 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 Group's 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 Financial Plan covers the period 2023–2026.

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 Adequacy 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 2022-2024 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 2022. The annual update of the NPE Strategy Plan for years 2023-2025 is planned to be submitted to the ECB on 31 March 2023. The NPE Strategy Plan is consistent with the actions incorporated in the Financial Plan.

Viability statement (continued)

Planning process and assessment (continued)
The ICAAP is a process whose main objective is to assess the Group's capital adequacy in relation to the level of underlying material risks that may arise from pursuing the Group's strategy or from changes in its operating environment. More specifically, the ICAAP analyses, assesses and quantifies the Group's risks, establishes the current and future capital needs for the material risks identified and assesses 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 as per its Board-approved Risk Appetite and Strategy.

The Group undertakes quarterly reviews of its ICAAP results considering the latest actual and forecasted information. The quarterly review identifies whether the Group has adequate capital levels to withstand stress conditions. The quarterly ICAAP reviews of 2022 have 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 base and stress conditions.

The ILAAP is a process whose main objective is to assess whether 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 base and severe stress scenarios, and to meet regulatory requirements including the LCR and the NSFR.

The Group undertakes quarterly reviews of its ILAAP through quarterly stress tests reviews. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly reviews identify whether the Group has an adequate liquidity buffer to cover the stress outflows. The quarterly ILAAP reviews of 2022 indicated that BOC PCL's liquidity position is at a very comfortable level and that BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

The 2022 ICAAP and ILAAP packages are due for submission to the SSM on 31 March 2023.

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 foreign currency exchange rates, interest rates and adverse movements in property prices), operational risk (mainly legal risk, information technology and data risks), business model 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. Similarly, the Group monitors the uncertain geopolitical environment and the macro-economic outlook and assesses and manages potential impact on its operations.

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 and liquidity requirements and capital and liquidity resources.

Viability statement (continued)

Risk management (continued)
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.
- The Group's capital position - CET1 and TCR as at 31 December 2022 stand at 15.4% and 20.6% respectively.
- The Group's strong liquidity position - LCR as at 31 December 2022 at 291%.

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 2025.

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 foreign currency exchange rates, interest rates, security prices and property prices) and insurance and re-insurance risk, are some of the key significant risks the Group faces. In addition, key risks facing the Group 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.

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 'Risk and Capital Management Report', both of which form part of the Annual Financial Report for the year ended 31 December 2022 and in the 'Pillar III disclosures 2022'. 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 of 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 'Risk and Capital Management Report' which forms part of the Annual Financial Report for the year ended 31 December 2022.

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.

The invasion of Russia in Ukraine and the sanctions imposed on Russia raised new challenges for the Group and the developments are closely monitored. The Group's direct exposure is limited, however any indirect impact will depend on the duration and severity of the crisis in Ukraine and its impact on the Cypriot economy, mainly due to a negative impact on the tourism sector, the increasing energy prices resulting in inflationary pressures and disruptions to global supply chains. Further disclosures are provided in 'Business Overview' and 'Operating Environment' sections of this Directors' Report.

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

The risk factors discussed above and in the reports referenced 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. The challenging conditions in global markets arise due to factors including the Ukraine-Russian war, high interest rate environment, inflationary pressures, COVID-19, the growing threat from cyberattacks and other unknown risks. As a result 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.

Details of the financial instruments and hedging activities of the Group are set out in Note 21 of the Consolidated Financial Statements. Further information on financial instruments is also presented in Notes 45-46 of the Consolidated Financial Statements.

Events after the reporting date

No significant non-adjusting events have taken place since 31 December 2022. With respect to the recent developments in financial markets reference is made in section 'Operating Environment' above.

Capital base

Total equity excluding non-controlling interests totalled €2,079 million at 31 December 2022, compared to €2,059 million at 31 December 2021. The CET1 ratio (transitional) stood at 15.4% at 31 December 2022 and at 15.1% at 31 December 2021. During the year ended 31 December 2022, the CET1 ratio was positively affected mainly by pre-provision income and the reduction in risk-weighted assets (RWA), mainly as a result of the completion of Project Helix 3, and negatively affected mainly by the phasing-in of IFRS 9 and other transitional arrangements on 1 January 2022, provisions and impairments, the cost of the Voluntary Staff Exit Plan, the payment of AT1 coupon, the movement of the fair value through OCI reserves and other movements. The Total Capital ratio (transitional) at 31 December 2022 stood at 20.6% (2021: 20.0%).

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

Share capital

As at 31 December 2022, 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 2022 and 2021 is disclosed in Note 35 to the Consolidated Financial Statements.

Share-based payments - share awards

During the Annual General Meeting of the shareholders of the Company which took place on 20 May 2022, a special resolution was approved for the establishment and implementation of the share-based Long-Term Incentive Plan of Bank of Cyprus Holdings Public Limited Company (the '2022 LTIP').

The 2022 LTIP is a share-based compensation plan for executive directors and senior management of the Group. The 2022 LTIP provides for an award in the form of ordinary shares of the Company based on certain non-market performance and service vesting conditions. Performance will be measured over a 3-year period. The performance conditions are set by the Human Resources & Remuneration Committee (HRRC) each year and may be differentiated to reflect the Group's strategic targets and employee's personal performance, at its discretion. Performance will be assessed against an evaluation scorecard consistent with the Group's Medium Term Strategic Targets containing both financial and non-financial objectives, and including targets in the areas of: (i) Profitability; (ii) Asset quality; (iii) Capital adequacy; (iv) Risk control & compliance; and (v) Environmental, Social and Governance ('ESG') targets. The awards ordinarily vest in six tranches, with 40% vesting in the year following the year the performance period ends and the remaining 60% vesting in tranches of 12% on each of annual anniversary following date of the first vesting date. For any award to vest the employee must be in employment of the Group up until the date of the vesting of such an award. Under certain circumstances the HRRC has the discretion to determine whether the award will lapse and/or the extent to which the award will be vested.

Share-based payments - share awards (continued)

The maximum number of shares that may be issued pursuant to the 2022 LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of the Company, as at the date of the resolution (being 22,309,996 ordinary shares of €0.10 each), as adjusted for any issuance or cancellation of shares subsequently to the date of the resolution (excluding any issuances of shares pursuant to the 2022 LTIP). The awards are not entitled to dividend equivalents in accordance with regulatory requirements.

The pre-existing Share Option Plan, which was operating at the level of the Company, has been superseded by the 2022 LTIP.

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 2022, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2021: 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 (2021: €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 following a bid, but the Company is party to a number of funding agreements that may allow the counterparties to alter or terminate the agreements following a change of control. These agreements were not as at 31 December 2022 deemed to be significant in terms of their potential effect on the Group as a whole given the liquidity position of the Group at the time, but the extent of their significance could vary depending on the liquidity position at the time of the change of control.

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 2022 and 2021 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 those 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

Rights and obligations of ordinary shares (continued)

- 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 2022 and 13 March 2023, the Company has been advised of the following notifiable interests in the share capital of the Company:

	31 December 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	40,455,322	9.07	-	-
Caius Capital LLP	2,271,161	0.51	26,390,438	5.91
Senvest Management LLC	35,515,372	7.96	-	-
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	18,221,398	4.08	-	-
Provident Fund of the Cyprus Bank Employees	21,153,863	4.74	-	-
Osome Investments	14,809,498	3.32	-	-

	13 March 2023			
	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	40,455,322	9.07	-	-
Caius Capital LLP	2,388,435	0.54	26,938,276	6.03
Senvest Management LLC	37,112,725	8.32	-	-
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	17,848,936	4.00	-	-
Provident Fund of the Cyprus Bank Employees	21,153,863	4.74	-	-
Osome Investments	14,809,498	3.32	-	-

Dividends

Based on the 2021 SREP decision the Company and BOC PCL were under a regulatory prohibition on equity dividend distribution in 2022, similar to prior years and therefore no dividends were declared or paid during years 2022 and 2021. 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.

Following the 2022 SREP decision, effective from 1 January 2023, the equity dividend distribution prohibition was amended, for both the Company and BOC PCL, so that any dividend distribution, shall be subject to regulatory approval.

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 Stasinos 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, ESG and 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.

Preparation of periodic reporting (continued)

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 Financial 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 applied the principles and 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 2022 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.

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 2022. 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 2022.

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 38.

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 2022.

Corporate Governance Statement (continued)

The Corporate Governance Report for 2022 is included within this Annual Financial Report on pages 345 to 411 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 2022 includes a clause for termination, by service of six months' notice to that effect by the Executive Director but provided there is a change of control of BOC PCL as this is defined in the service agreement. In such an event, the Executive Director will be 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.

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/organisations 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 2022.

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.

Following the shareholders' vote that took place during the Annual General Meeting on 20 May 2022, Mr. Maksim Goldman and Dr. Michael Heger have not been re-appointed to the Board of Directors of the Company.

On 17 February 2023 the Board of Directors nominated Mrs Monique Hemerijck as a new member to the Board of Directors and her official appointment is subject to approval by the ECB.

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.

The remuneration of the Board of Directors is disclosed in Note 50 to the Consolidated Financial Statements and in the Remuneration Policy Report set out in the Corporate Governance Report.

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 2022, is presented in the table below:

	Ordinary shares or Depositary Interests representing Company ordinary shares of €0.10 each at 31 December 2022	**Ordinary shares or Depositary Interests representing Company ordinary shares of €0.10 each at 1 January 2022 or at the date of appointment**
Non-executive directors		
Efstratios-Georgios Arapoglou	106,500	46,500
Arne Berggren	25,000	25,000
Ioannis Zographakis	3,012	3,014
Paula Hadjisotiriou	7	7
Constantine Iordanou	1,347,979	246,773
Maria Philippou	1	1
Maksim Goldman	-	7,192
Executive directors		
Panicos Nicolaou	5,027	5,027
Eliza Livadiotou	35	35
Company Secretary		
Katia Santis	5	5
	1,487,566	**333,554**

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 2022.

Auditors

The Auditors, PricewaterhouseCoopers (PwC) Chartered Accountants and Statutory Audit Firm, were re-appointed as Auditors at the last Annual General Meeting held on 20 May 2022 in accordance with section 383(2) of the Companies Act 2014.

ESG Disclosures

As a recognised leader of the sustainability agenda in Cyprus, the Group is committed to building long-term resilience and sustainability for our business, the economy and society. With key ambitions and targets set across our sustainability agenda, the Group's focus is on implementation and delivery, including investing in our corporate sustainability reporting and meeting disclosure obligations. We believe transparency is at the heart of corporate sustainability, and in this section, we demonstrate our commitment to principles of openness and accountability through the publication of a range of non-financial corporate sustainability and ESG disclosures.

These disclosures provide a basis for us to consider our commitments, while also imposing additional discipline on the Group to make further progress and to use our influence to advocate for sustainability across our range of stakeholders.

Our mandatory non-financial reporting disclosures are provided in the 'ESG Disclosures' section of this Annual Financial Report and are comprised of the Task Force on Climate-related Financial Disclosures (TCFD), the EU Taxonomy Disclosures and the Non-Financial Statement, a requirement under the Non-Financial Reporting Directive (NFRD).

Task Force on Climate-related Financial Disclosures

The Financial Conduct Authority (FCA) Listing Rules require premium-listed and standard-listed companies to make disclosures under the TCFD framework. The Group's disclosures are in line with the TCFD Recommendations and Recommended Disclosures which are structured in the core elements of how organisations operate – governance, strategy, risk management and metrics and targets.

The Group is cognisant that the preparation of comprehensive TCFD aligned disclosures is an ongoing process and anticipates that a number of key actions will be necessary in 2023 to further advance our TCFD disclosures, including:

i. setting of Science Based Targets aligned with a climate scenario relating to the loan portfolio, enabling the Group to incorporate further climate-related objectives and targets into the Group's business strategy;
ii. incorporating ESG questionnaires per sector in the loan origination process, which will then be leveraged for deriving an ESG classification and gather ESG and climate related data;
iii. further developing our tracking and data capabilities to facilitate regular and transparent reporting on our progress; further leverage our climate-related opportunities, in particular in relation to the development of the Group's sustainable finance propositions; and
iv. continuing to address feedback from the ECB on the Group's Climate Risk Implementation Plan.

The Company acknowledges the importance of the TCFD and the UK Listing Rules' requirements for reporting on climate-related risks and opportunities. We have undertaken a comprehensive review of our climate-related risks and opportunities, taking into account the potential impact of climate change on our business environment, and we have been making progress in integrating these considerations into our overall risk management framework. Disclosures have been made for all TCFD Recommendations and Recommended Disclosures, providing information on relevant decisions and on how these were taken. We have considered our 'comply or explain' obligation under the UK's FCA Listing Rules, and confirm that we have made disclosures consistent with the 11 TCFD Recommendations and Recommended Disclosures save for certain items, which we summarise below:

Pillar II – Strategy: Recommendation *'(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning'* and *'(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario'*:

- We disclose qualitatively the impact associated with the identified C&E risks and opportunities.
- The scenario analysis, C&E risk quantification exercise and climate risk stress testing are methods which assist in evaluating and managing the possible effects in the business strategy and financial planning decisions. BOC PCL is currently developing its stress testing methodology which will further help to assess the implications of physical and transition risks on the portfolios, and to inform the business strategy, financial planning and capital planning.
- BOC PCL is currently developing ESG questionnaires and ESG scorecards to incorporate within its loan origination process which will allow it to identify ESG risks, including C&E risks, more granularly. The ESG questionnaires will assist in gathering more accurate data which will then be embedded in the business strategy, financial planning and net-zero strategy.

ESG Disclosures (continued)

Task Force on Climate-related Financial Disclosures (continued)

- BOC PCL has recently joined the Partnership for Carbon Accounting Financials (PCAF) and estimated Financed Scope 3 GHG emissions associated with the loan portfolio. The Group is in the process to set decarbonization targets on specific sectors and asset classes aligned with specific climate scenarios that will be reflected in the business strategy and financial planning and indicate how the strategy should be updated to address C&E risks and opportunities. As new data and modelling capabilities become available, the Group will continue to build upon the transition and physical risk scenario analyses to indicate the resilience of the strategy and financial plan under these scenarios.

Pillar III – Risk Management: Recommendation *'(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management'*:

- The Group is making substantial progress in further integrating climate risk considerations into its risk management approach, as it continues to integrate climate related risk into its risk culture.
- BOC PCL is currently in the process of incorporating the assessment of ESG and climate matters in the loan origination process, so that the potential impact from ESG and climate risks is reflected in the fundamental elements of the creditworthiness assessment i.e., in Repayment Capacity and Collateral Assessment.
- As part of the risk assessment in the loan origination process, BOC PCL is currently developing ESG questionnaires per sector which will then be leveraged for deriving an ESG classification through an ESG Scorecard. The classification will then be factored in the decision-making process in the form of potential pricing amendment, setting of specific covenants etc.
- The Group is in the process to enhance its Risk Quantification capabilities regarding ESG and climate risks in both the economic and normative perspective with the aim to assess the impact on capital.
- The above-mentioned activities are expected to be implemented to a large extent by the end of 2023.

Pillar IV - Metrics and Targets: Recommendation *'(c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets'*:

- The Group has set several primary KPIs and corresponding targets in its current ESG and climate strategy. The Group discloses its targets regarding Scope 1 and Scope 2 GHG emissions as well as its progress against the targets. However, for Financed Scope 3 GHG emissions, the Group is currently in the process to set decarbonisation targets on specific sectors and asset classes, such as on its mortgage portfolio, that will be aligned with a climate scenario.
- BOC PCL has recently joined the Partnership for Carbon Accounting Financials (PCAF). BOC PCL estimated and disclosed Financed Scope 3 GHG emissions relating to c.88% of Gross Loans and Advances portfolio.
- BOC PCL aims to continuously enhance the data quality used for the estimation of Financed Scope 3 GHG emissions and eliminate the current data gaps as the local market becomes more mature, in order to be in a position to set more accurate targets.
- Future disclosure on Financed Scope 3 GHG emissions, and related risks is reliant on our customers publicly disclosing their GHG emissions and related risks. Currently, there is low availability of relevant public data within the Cyprus market due to the fact that the majority of companies are considered SMEs and will not fall under any regulatory disclosure requirements until 2027.
- Significant progress is expected in the target setting process in 2023.

All the current and future actions are comprehensively reported within our TCFD disclosures under each different pillar of the reporting recommendations.

The Group is committed to providing transparent and consistent climate-related disclosures to its stakeholders, including investors, customers, and employees, and will regularly review and update its disclosure practices in line with evolving regulatory requirements and best practices.

The Group is committed to the principles of the TCFD and will continue to engage with stakeholders and collaborate with industry peers to advance the adoption of climate-related disclosure practices across the business community.

ESG Disclosures (continued)

EU Taxonomy
This is our second disclosure to the EU Taxonomy, following its introduction for certain companies last year. It provides a classification system of sustainable activities across climate and environmental objectives.

Non-financial information statement
EU regulations on non-financial information, which were transposed into Irish law (European Union Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups Regulations 2017, SI No. 360 of 2017 (as amended)), require reporting on specific topics such as the environment, social and employee matters, respect for human rights, bribery and corruption. Information required is included in the ‘Non-financial information statement’ included within the ‘ESG Disclosures’ section of the Annual Financial Report.

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 2022 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

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 Stasinos 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 2022 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.

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.

Statement of Directors' Responsibilities (continued)

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 the Annual Financial Report 2022 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 2022 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

31 March 2023

Risk and Capital Management Report 2022

One of the Group's main priorities is to continually improve its risk management framework so as to be able to respond to the ever changing environment in an appropriate manner. Effective risk management is critical to the success of the Group, and as such the Group maintains a risk management framework designed to ensure the safety and soundness of the institution, protect the interests of depositors and shareholders and comply with regulatory requirements. Clearly defined lines of authority and accountability are in place as well as the necessary infrastructure and analytics so as to allow the Group to identify, assess, monitor and control risk.

1. Risk Management Framework (RMF)

The Board of Directors, through the Risk Committee, is responsible to ensure that a coherent and comprehensive Risk Management Framework (the 'framework' or 'RMF') for the identification, assessment, monitoring and controlling of all risks is in place. The framework ensures that material and emerging 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 the Group's 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.

The RMF is supported by a strong governance structure and is comprised by several components that are analysed in the sections below. The RMF is reviewed, updated and approved by the Board at least annually to reflect any changes to the Group's business or for the consideration of external regulations, corporate governance requirements and industry best practices.

1.1 Risk Governance

The responsibility for the governance of risk at the Group lies with the Board of Directors (the 'Board') which is ultimately accountable for the effective management of risks and for the system of internal controls in the Group. The Board is assisted in its risk governance responsibilities by the Board Risk and Board Audit Committees (RC and AC respectively) and at executive level by the Executive Committee (EXCO), Asset and Liability Committee (ALCO), Asset Disposal Committee (ADC), Technology Committee (TC), Sustainability Committee (SC) and the Credit Committees.

The RC supports the Board on risk oversight matters including the monitoring of the Group's risk profile and of all risk management activities whilst the AC supports the Board in relation to the effectiveness of the system of internal controls. In addition, discussion and escalation processes are in place through both Board and Executive Committees that provide for a consistent approach to risk management and decision-making.

Discussion around risk management is supported by the appropriate risk information submitted by the Risk Management Division (RMD) and Executive Management. The Chief Risk Officer (CRO) or his representatives participate in all such key committees to ensure that the information is appropriately presented, and that RMD's position is clearly articulated.

Furthermore, certain roles within the Group are critical as they carry specific responsibilities with respect to risk management. These include:

1. Risk Management Framework (continued)

1.1 Risk Governance (continued)

Chief Executive Officer (CEO)

The CEO is accountable for leading the development of the Group's strategy and business plans in a manner that is consistent with the approved risk appetite and for managing and organising Executive Management to ensure these are executed. It is the CEO's responsibility to manage the Group's financial and operational performance within the approved risk appetite.

Chief Risk Officer (CRO)

The CRO leads an independent RMD across the Group including its subsidiaries. The CRO is responsible for the execution of the Risk Management Framework and the development of risk management strategies. The CRO is expected to challenge business strategy and overall risk taking and risk governance within the Group and independently submit his findings, where necessary, to the RC. The CRO reports to the RC and for administrative purposes has a dotted line to the CEO.

Accountability and Authority

The RMD operates independently and this is achieved through:
- Organisational independence from the activities assigned to be controlled
- Unrestricted and direct access to Executive Management and the Board, either through the RC or directly
- Direct and unconditional access to all business lines that have the potential to generate material risk to the Group. Front Line managers are required to cooperate with the RMD managers and provide access to all records and files of the Group as well as any other information necessary
- A separate budget submitted to the RC for approval
- The CRO is a member of the EXCO and holds voting or veto presence in key executive committees as well as operational committees

Furthermore, this independence is also ensured as:
- The CRO is assessed annually by the RC that is jointly responsible with Human Resources & Remuneration Committee
- The CRO maintains a close working relationship with both the RC and its Chairperson which includes regular and frequent communication both during official RC meetings as well as unofficial meetings and discussions

1.2 Organisational Model

The RMD is the business function set up to manage the risk management process of the Group on a day-to-day basis. The risk management process is integrated into BOC PCL's internal control system. The RMD is organized into several departments, each of which is specialized in one or several categories of risks. The organization of RMD reflects the types of risks inherent in the Group.

The RMD organisational model is structured so as to:
- Define risk appetite and report regularly on the status of the risk profile
- Ensure that all material and emerging risks have proper ownership, management, monitoring and clear reporting
- Promote proper empowerment in key risk areas that will assist in the creation of a robust risk culture.
- Provide tools and methodologies for risk management to the business units
- Report losses from risks identified to the EXCO, the RC and Board and, where necessary, to the Regulatory Authorities
- Collect and monitor Key Risk Indicators (KRIs)

RMD is responsible for the risk management across the Group companies.

1. Risk Management Framework (continued)

1.3 Risk Identification

The risk identification process is comprised of two simultaneous but complementary approaches, namely, the top-down and the bottom-up approaches. The top-down process is led by Senior Management and focuses on identifying the Group's material risks whilst the bottom-up approach risks are identified and captured through several methods such as the Risk and Control Self-Assessment (RCSA) process, incident capture, fraud events capture, regulatory audits, direct engagement with specialized units and other. The risks captured by these processes are compiled during the annual ICAAP process and its quarterly updates and form the Groups' material risks.

To ensure a complete and comprehensive identification of risks the Group has integrated several key processes into its risk identification process,including the:
- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Stress testing
- Group Financial Plan compilation process
- Regulatory, internal and external reviews and audits

1.4 Three Lines of Defence

The Group complies with the regulatory guidelines for corporate governance and has established the "Three Lines of Defence" model as a framework for effective risk and compliance management and control. The three lines of defence model defines the responsibilities in the risk management process ensuring adequate segregation in the oversight and assurance of risk.

First Line of Defence

The first line of defence lies with the functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. It comprises of management and staff of business lines and support functions who are directly aligned with the delivery of products and/or services.

Second Line of Defence

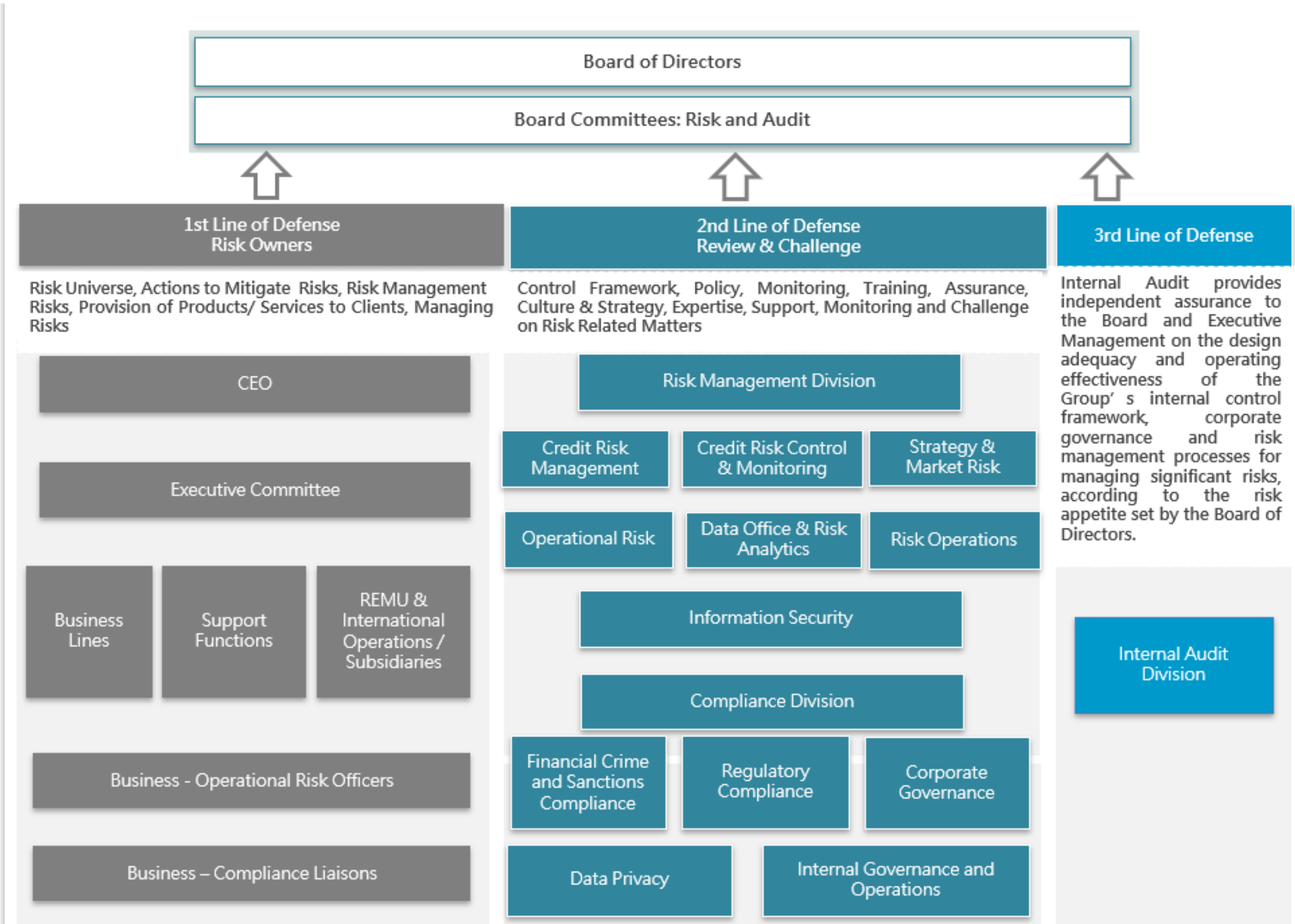
The second line of defence includes functions that oversee the compliance of the first line management and staff with the regulatory framework and risk management principles. It comprises of the RMD, Information Security and Compliance functions. The second line of defence sets the corporate governance framework of the Group and establishes policies and guidelines that the business lines and support functions, Group entities and staff should operate within. The second line of defence also provides support, as well as independent oversight of the risk profile and risk framework.

Third Line of Defence

The third line of defence is the Internal Audit Division (IA) which provides independent assurance to the Board and the EXCO on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG risks) for the management of risks according to the risk appetite set by the Board. Findings are communicated to the Board through the committees and senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates.

1. Risk Management Framework (continued)

1.4 Three Lines of Defence (continued)



1. Risk Management Framework (continued)

1.5 Risk Appetite Framework (RAF)

The objective of the Risk Appetite Framework (RAF) is to set out the level of risk that the Group is willing to take in pursuit of its strategic objectives, outlying the key principles and rules that govern the risk appetite setting. It comprises the Risk Appetite Statement (RAS), the associated policies and limits where appropriate, as well as the roles and responsibilities for the implementation and monitoring of the RAF.

The RAF has been developed in order to be used as a key management tool to better align business strategy with financial and non-financial targets with risk management, and it should be perceived as the focal point for all relevant stakeholders within the Group, as well as the supervisory bodies, for the assessment of whether the undertaken business activities are consistent with the set risk appetite.

The RAF is one of the main elements of the Risk Management Framework which includes, among others, a number of frameworks, policies and circulars that address the principal risks of the Group. Separate RAFs are in place for all operating subsidiaries which are subject to each subsidiary's board approval.

Risk Appetite Statement (RAS)

The RAS is the articulation, in written form, of the aggregate level and types of risk that the Group is willing to accept in the course of executing its business objectives and strategy. It includes qualitative statements as well as quantitative measures expressed relative to capital, liquidity, earnings, funding and other risks.

The RAS considers both principal and other risks (financial and non-financial), which indicatively include the following:

Financial Risks	Non-Financial Risks
Capital	Transaction Processing & Execution Risk
Earnings	Compliance Risk
Credit Risk	Reputational Risk
Market Risk	Legal Risk
Interest Rate Risk in the Banking Book (IRRBB)	Information Security and Cyber Risk
Concentration Risk	Technology Risk
Funding & Liquidity Risk	Outsourcing/3rd Party Risk
Climate & Environmental (C&E) risks	Business Continuity Risk

Risk appetite and Financial Plan interaction

The RAS is subject to an annual review process during the period in which the Group's Financial Plan as well as the divisional strategic plans are being devised. The interplay between these processes provides for an iterative cycle of feedback during which RAS indicators, with minimum regulatory requirements, act as a backstop to the Financial Plan while for other indicators the Financial Plan provides input for risk tolerance setting. Furthermore, every revision of the Group Financial Plan (as well as different scenarios run under the Group Financial Plan) and/or Reforecast exercises run, are tested to ensure it is within the Group's risk appetite.

Risk Appetite Dashboard monitoring

To ensure that the risk profile of the Group is within the approved risk appetite a consolidated risk report and a risk appetite dashboard are regularly reviewed and discussed by the Board and the RC.

Where a breach occurs, 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.

1. Risk Management Framework (continued)

1.6 Risk Taxonomy

In order to ensure that all risks the Group may face are identified and managed, a risk taxonomy is in place which is a key component of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). The taxonomy ensures that the coverage of risks is comprehensive and identifies potential linkages between risks.

1.7 Risk measurement and reporting

The RMD uses several systems and models to support key business processes and operations, including stress testing, credit approvals, fraud risk and financial reporting. The RMD has established a model governance and validation framework to help address risks arising from model use.

Additionally, the RMD:

- Maintains a categorization and definitions of risks and terminologies which are used throughout the Group
- Collates reports of Key Risk Indicators (KRIs) and other relevant risk information. When limit violations occur, escalation and reporting procedures are in place.
- Checks that risk information provided by management is complete and accurate and management has made all reasonable endeavour to identify and assess all key risks
- Ensures that the risk information submitted to the RC and the Board by RMD and management is appropriate and enables monitoring and control of all the risks faced by the Group
- Discloses risk information externally and prepares reports on significant risks in line with internal and external regulatory requirements.

Stress testing

Stress testing is a key risk management tool used by the Group to provide insights on behaviour of different elements of the Group in a crisis scenario and assess Group's resilience and capital and liquidity adequacy, through the use of a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Group
- Evaluating whether there is sufficient capital or adequate liquidity under stressed conditions (ICAAP and ILAAP) and put in place the appropriate mitigants
- Evaluating of the Group's strategy
- Establishing or revising limits
- Assisting the Group to understand the events that might push the Group outside its risk appetite

The Group carries out the stress testing process through a combination of bottom-up and top-down approaches. Scenario and sensitivity analysis follow a bottom-up approach, whereas reverse stress testing follows through a top-down approach.

If the stress testing scenarios reveal vulnerability to a given set of risks, management makes recommendations to the Board, through RC, for remedial measures or actions.

The Group's stress testing programme embraces a range of forward looking stress tests and takes all the Group's material risks into account. These key internal exercises include:

- ICAAP stress testing undertaken in support of the Internal Capital Adequacy Assessment Process. Quarterly ICAAP reviews are also undertaken.
- ILAAP stress testing applied to the funding and liquidity plan to formally assess the Group's liquidity risks. Quarterly ILAAP reviews are also undertaken.
- Ad hoc stress testing as and if required, including in response to regulatory requests.

1. Risk Management Framework (continued)

1.7 Risk measurement and reporting (continued)

Other business and risk type specific stress tests

The Market Risk Department performs additional stress tests, which include the following:

- Monthly stress testing for interest rate risk (2% shock on Net Interest Income (NII) and Economic Value (EV))
- Quarterly stress testing for interest rate risk (based on the six predefined Basel interest rate scenarios which involve flattening, steepening, short up, short down, parallel up, parallel down shocks)
- Quarterly stress testing on items that are marked to market: impact on profit/loss and reserves is indicated from changes in interest rates and prices of bonds and equities
- Liquidity stress testing on cash flows (one month horizon)

The Group participated in the ECB's inaugural climate risk stress test in 2022

The exercise served as a learning exercise for banks to introduce climate risk into risk management as a qualitative part of the Supervisory Review and Evaluation Process (SREP).

The Group will be participating in the 2023 SSM Stress Test as one of the "Other SSM Significant Institutions"

The Stress Test was officially launched on 31 January 2023 and is expected to be completed by the end of July 2023. The exercise will assess EU banks' resilience to an adverse economic shock and inform the 2023 SREP. The stress test results will be used to update each bank's Pillar 2 Guidance in the context of the Supervisory Review and Evaluation Process (SREP). Qualitative findings on weaknesses in the Group's stress testing practices could also affect Pillar 2 Requirements and inform other supervisory activities.

ICAAP

The ICAAP is a process whose main objective is to assess the Group's capital adequacy in relation to the level of underlying material risks that may arise from pursuing the Group's strategy or from changes in its operating environment. More specifically, the ICAAP analyses, assesses and quantifies the Group's risks, establishes the current and future capital needs for the material risks identified and assesses 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 as per its Board-approved Risk Appetite and Strategy.

The Group undertakes quarterly reviews of its ICAAP results considering the latest actual and forecasted information. The quarterly review identifies whether the Group has adequate capital levels to withstand stress conditions. The quarterly ICAAP reviews of 2022 have 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 base and stress conditions.

The 2022 ICAAP is due for submission to the ECB on 31 March 2023. The 2022 ICAAP 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.

1. Risk Management Framework (continued)

1.7 Risk measurement and reporting (continued)

ILAAP

The ILAAP is a process whose main objective is to assess whether 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 base and severe stress scenarios, and to meet regulatory requirements including the LCR and the NSFR.

The Group undertakes quarterly reviews of its ILAAP through quarterly stress tests reviews. 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 quarterly ILAAP reviews of 2022 indicated that BOC PCL's liquidity position is at a very comfortable level and that BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

The 2022 ILAAP is due for submission to the ECB on 31 March 2023. The 2022 ILAAP indicated that the Group maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions scenarios.

2. Recovery and resolution planning

The Group's recovery plan sets out the arrangements and measures that the Group could adopt in the event of severe financial stress to restore the Group to long term viability. A suite of indicators and options are included in the Group's recovery plan, which together present the identification of stress events and the tangible mitigating actions available to the Group to restore viability. The Group's recovery plan is approved by the Board on the recommendation of RC and ALCO.

The Group resolution plan is prepared by the Single Resolution Board in cooperation with the National Resolution Authority (Central Bank of Cyprus). The resolution plan describes the Preferred Resolution Strategy (PRS), in addition to ensuring the continuity of the Group's critical functions and the identification and addressing of any impediments to the Group's resolvability. The PRS for the Group is a single point of entry bail-in via BOC PCL. The resolution authorities also determine the Minimum Requirements for own funds and Eligible Liabilities (MREL) corresponding to the loss absorbing capacity necessary to execute the resolution.

3. Risk Culture

A robust risk culture is a substantial determinant of whether the Group will be able to successfully execute its strategy within its defined risk appetite. An action plan towards the implementation of a firm-wide risk culture is in place across the Group and RMD has a leading role in it. The action plan includes, among other, the measurement of risk culture, both at bank wide and divisional level, through a specific Risk Culture Dashboard, the communication of a series of topics aiming at re-enforcing risk culture and the provision of specific training for areas such as credit underwriting and other risk management related topics.

The Group enhances its risk control culture and increases the awareness of its employees on risk issues through ongoing staff training (both through physical workshops and through e-learning).

4. Principal Risks

As part of its business activities, the Group faces a variety of risks, the most significant of which include Credit risk, Market risk, Liquidity and Funding risk, and Operational risk. Additionally, further risks are also faced by the Group. The principal and other risks faced by the Group are described below as well as the way these are identified, assessed, managed and monitored by the Group, including the available mitigants. The risks described below, should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants as other factors either not yet identified or not currently material, may also adversely affect the Group.

4.1 Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group (actual, contingent or potential claims both on and off balance sheet) or failure to perform as agreed. Within the general definition of credit risk, the Group identifies and manages the following types of risk:

- Counterparty credit risk (CCR): the Group's credit exposure with other counterparties.
- Settlement risk: the risk that a counterparty fails to deliver the terms of a contract with the Group.
- Issuer risk: the risk to earnings arising from a credit deterioration of an issuer of instruments in which the Group has invested.
- Concentration risk: the risk that arises from the uneven distribution of exposures (i.e.credit concentration) to individual borrowers or by industry, collateral, product, currency, economic sector or geographical region.
- Country risk: the Group's credit exposure arising from lending and/or investment or the presence of the Group to a specific country.

Further information and analysis relating to credit risk is set out in Note 45 of the Consolidated Financial Statements. Furthermore, the Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment/expected credit losses (ECLs) are set out in Note 5 'Significant and other judgements, estimates and assumptions' of the Consolidated Financial Statements for the year ended 31 December 2022 (the Consolidated Financial Statements) included within the Annual Financial Report for 2022.

In order to manage these risks the Group has a Credit Risk Management function within RMD that:

- Develops policies, guidelines and approval limits necessary to manage and control or mitigate the credit and concentration risk in the Group. These documents are reviewed and updated at least annually, or earlier if deemed necessary, to reflect any changes in the Group's risk appetite and strategy and consider the market environment or any other major changes from external or internal factors that come into effect
- Assesses credit applications before their submission for approval to Credit Committees / the RC / the Board from an independent credit risk perspective and prepares recommendations with suggestions to improve credit proposals and mitigate credit risk.
- Participates in the Credit Committees of BOC PCL
- Sets KRIs for monitoring the loan portfolio quality and adopts a proactive monitoring approach for such risks
- Measures the expected credit losses in a prudent way in order to have a fair representation of the loan book in the financial statements of the Group

The Group sets and monitors Risk Appetite limits around credit risk. Furthermore, a Limits framework is in place in relation to the credit granting process and its structure and also the general rules are documented in the Group's Lending Policy. Relevant circulars and guidelines are in place that provide limits and parameters for the approval of credit applications and related credit limits. The Group currently has Credit Committees which are comprised of members from various Group divisions outside RMD to ensure independence of opinion. Applications falling outside the approval limits of these Credit Committees are submitted to the RC or the Board, depending on the total exposure of the customer group.

4. Principal Risks (continued)

4.1 Credit Risk (continued)

The Group has adopted methodologies and techniques for credit risk identification. These methodologies are revised and modified whenever deemed necessary to reflect changes in the financial environment and adjusted to be in line with the Group's overall strategy and its short-term and long-term objectives.

The Group dedicates considerable resources to assess credit risk and to correctly reflect the value of its on-balance and off-balance sheet exposures in accordance with regulatory and accounting guidelines. This process can be summarised in the following stages:
- Analysing performance and asset quality
- Measuring exposures and concentrations
- Raising allowances for impairment

Furthermore, post-approval monitoring is in place to ensure adherence to both, terms and conditions set in the approval process and Credit Risk policies and procedures. A key aspect of credit risk is credit risk concentration which is defined as the risk that arises from the uneven distribution of exposures to individual borrowers, specific industry or economic sectors, geographical regions, product types or currencies. The monitoring and control of concentration risk is achieved by limit setting (e.g. sector and name limits) and reporting them to senior management.

Approved policies and procedures are in place for the approval of Credit and Settlement Limits per counterparty based on the business needs, current exposures and investment plans. Counterparty credit and settlement limits for Treasury transactions are monitored real-time through the Treasury front to back system. In the case of a breach, an automatic e-mail is sent to the dealers and Market & Liquidity Risk officers.

With the aim of identifying credit risk at an early stage, a number of key reports are prepared for the EXCO and / or the Board. Indicatively, these include a credit quality dashboard which analyses, among others, the overall loan book performance, forborne facilities, the performance of new lending, specific products or portfolios, new forbearances and modifications and other portfolio quality KPIs.

Country Risk

Country Risk refers to the possibility that borrowers of a particular country may be unable or unwilling to fulfill their foreign obligations for reasons beyond the usual risks which arise in relation to all lenders. Country risk affects the Group via its operation in other countries and also via investments in other countries (Money Market (MM) placements, bonds, shares, derivatives, etc.). In addition, the Group is indirectly affected by credit facilities provided to customers for their international operations or due to collateral in other countries. In this respect, country risk is considered in the risk assessment of all exposures, both on-balance sheet and off-balance sheet. Country risk exposures are the aggregation of the various on-balance sheet and off-balance sheet exposures including investments in bonds, money market placements, loans by or guarantees to residents of a country, letters of credit, properties etc.

The Group monitors country risk on a quarterly basis by reporting to ALCO country exposures compared to country limits. The Board, through the RC is also informed on a regular basis and at least annually, on any limit breaches. The country limits are allocated based on the CET1 capital of the Group, the country's credit rating and internal scoring.

4. Principal Risks (continued)

4.1 Credit Risk (continued)

Credit Risk Mitigation

The fundamental lending principle of the Group is to approve applications and provide credit facilities only when the applicant has the ability to pay and where the terms of these facilities are consistent with the customers' income and financial position, independent of any collateral that may be assigned as security and in full compliance with all external laws, regulations, guidelines, internal codes of conduct and other internal policies and procedures. The value of collateral is not a decisive factor in the Group's assessment and approval of any credit facility since collaterals may only serve as a secondary source of repayment in case of default.

Collaterals are used for risk mitigation. Collaterals are considered as an alternative means of debt recovery in case of default. Collateral by itself is not a predominant criterion for approving a loan, with the exception of when the loan agreement envisages that the repayment of the loan is based on the sale of the property pledged as collateral or liquid collateral provided.

Credit risk mitigation is also implemented through a number of policies, procedures, guidelines circulars and limits. Policies are approved by the RC and include the:

- Lending Policy
- Write-off policy
- Concentration Risk Policy
- Valuation Policy
- Credit Risk Monitoring Policy

Systems

The effective management of the Group's credit risk is achieved through a combination of training and specialisation as well as appropriate credit risk assessment (risk rating) systems. The Group aims to continuously upgrade the systems and models used in assessing the creditworthiness of Group customers. Additionally the Group continuously upgrades the systems and models for the assessment of credit risk aiming to correctly reflect the value of its on-balance and off-balance sheet exposures in accordance with regulatory and accounting guidelines.

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

4. Principal Risks (continued)

4.1 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 2022	**Group gross customer loans and advances[1,2]**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers								
General governments	**39,766**	-	-	-	**25**	-	-	-
Other financial corporations	**186,281**	3,202	11,665	2,825	**6,008**	2,332	2,453	2,250
Non-financial corporations	**5,134,784**	144,522	950,499	91,100	**100,265**	69,212	53,940	44,957
Of which: Small and Medium sized Enterprises[3] (SMEs)	***3,492,414***	*84,493*	*449,891*	*33,140*	***53,939***	*33,882*	*17,643*	*11,683*
Of which: Commercial real estate[3]	***3,975,290***	*120,445*	*895,971*	*80,980*	***76,385***	*58,414*	*47,047*	*41,152*
Non-financial corporations by sector								
Construction	**549,921**	11,949			**13,319**			
Wholesale and retail trade	**909,438**	20,783			**15,907**			
Accommodation and food service activities	**1,164,979**	20,824			**9,543**			
Real estate activities	**1,108,581**	20,281			**19,738**			
Manufacturing	**392,843**	9,429			**4,033**			
Other sectors	**1,009,022**	61,256			**37,725**			
Households	**4,770,863**	260,629	290,556	143,140	**72,144**	54,643	37,362	32,087
Of which: Residential mortgage loans[3]	***3,785,834***	*220,354*	*253,794*	*125,994*	***45,805***	*37,616*	*29,759*	*25,751*
Of which: Credit for consumption[3]	***547,490***	*37,622*	*42,719*	*21,235*	***20,355***	*14,628*	*8,543*	*7,486*
Total on-balance sheet	**10,131,694**	**408,353**	**1,252,720**	**237,065**	**178,442**	**126,187**	**93,755**	**79,294**

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

4. **Principal Risks** (continued)

4.1 **Credit Risk** (continued)

	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[4,5]**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers								
General governments	**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[6] (SMEs)	***4,052,571***	*123,558*	*734,362*	*71,269*	***83,757***	*60,892*	*39,263*	*32,499*
Of which: Commercial real estate[6]	***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[6]	***3,734,448***	*369,147*	*372,141*	*208,387*	***112,711***	*105,764*	*56,145*	*52,219*
Of which: Credit for consumption[6]	***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**

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

4. Principal Risks (continued)

4.2 Market Risk

Market Risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in interest rates, currency / foreign exchange rates and from any other changes in market prices. The main types of market risk to which the Group is exposed to are listed below:

a. Interest Rate Risk (IRR);
b. Currency / foreign exchange risk;
c. Securities price risk (bonds, equities);
d. Properties risk;

Each of the risks above is defined and further analysed in the subsections below. Furthermore, additional information relating to Market risk is set out in Note 46 of the Consolidated Financial Statements.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book ("IRRBB") is the current or prospective risk to both the earnings and capital of the Group as a result of adverse movements in interest rates. The four components of interest rate risk are: repricing risk, yield curve risk, basis risk and option risk. Repricing risk is the risk of loss of net interest income or economic value as a result of timing mismatch in the repricing of assets, liabilities and off balance sheet items. Yield curve risk arises from changes in the slope and the shape of the yield curve. Basis risk is the risk of loss of net interest income or economic value as a result of imperfect correlation between two different variable reference rates. Option risk arises from options, including embedded options, e.g. consumers redeeming fixed rate products when market rates change.

The Group does not operate any trading book and thus all interest rate exposure arises from the banking book.

In order to manage interest rate risk, the Group sets a one year limit on the maximum reduction of the net interest income. Limits are set as a percentage of Group capital and as a percentage of Group net interest income (when positive). There are different limits for Euro and USD. Whilst limit breaches must be avoided at all times, any such occurrence is reported to the relevant authorities (ALCO and / or RC) and mitigating actions are put in place. Monthly monitoring is provided to the Group ALCO.

Group Treasury is responsible for managing the interest rate exposure of the Group. Corrective actions are taken by Treasury with a view of minimizing the risk exposure and in any event to restrict exposure within limits (unless an ALCO/RC approval is obtained).

Currency / foreign exchange risk

Currency/foreign exchange 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 limit the risk of loss from adverse fluctuations in foreign exchange rates, overall Intraday and Overnight open currency position limits have been set. These internal limits are small compared to the maximum permissible by the CBC. Internal limits serve as a trigger to management for avoiding regulatory limit breaches. Due to the fact that there is no Foreign Exchange Trading Book, VaR (Value at Risk) is calculated on a monthly basis on the position reported to the CBC. Intraday and overnight FX position limits are monitored daily and the open foreign currency position or any breaches are reported to ALCO and to the RC on a monthly basis.

4. Principal Risks (continued)

4.2 Market Risk (continued)

Group Treasury is responsible for managing the foreign currency open position of the Group emanating from its balance sheet. The foreign currency position emanating from customer transactions is managed by the Treasury Sales Unit of Global Markets & Treasury Sales Department. Treasury is also responsible for the hedging for the foreign currency open positions of the foreign non-banking units of the Group.

Equities Price Risk

The risk of loss from changes in the price of equity securities arises when there is an unfavorable change in the prices of equity securities held by the Group as investments.

The Group has an outstanding equity and fund portfolio in its books. The equity portfolio mainly relates to certain legacy positions acquired through loan restructuring activity and specifically through debt for equity swaps, whereas the fund portfolio mainly relates to the insurance operations of the Group. The policy is to manage the current equity portfolio with the intention to run it down by selling all positions for which there is a market. No new purchases of equities are allowed without ALCO approval. Nevertheless, new equities may be obtained from repossessions of collateral for loans. Analysis of equity and fund holdings are reported to ALCO on a quarterly basis. The RC is also updated on a quarterly basis. Analysis of the positions the Group maintains as at 31 December 2022 is presented in Note 20 of the Consolidated Financial Statements.

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 issuers changes and/or as the interest rates of fixed rate securities change.

The Group invests a significant part of its liquid assets in debt securities. 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. Debt securities classified as HTC are held at amortised cost.

Debt security investment limits exist at RAS level governing the level of riskiness of the overall portfolio. Credit limits per issuer are also in place. Market and Liquidity Risk Department is responsible for setting and calibrating bond related limits. Limit monitoring is performed on a daily basis. Any breaches are reported following the escalation process depending on the limit breach.

The debt security portfolio is management by Group Treasury and governed by the Bond Investment Policy. The annual bond investment strategy is proposed by Treasury and approved by ALCO. Treasury proceeds with bond investment amounts approved through the Financial Plan, within the Bond Investment Policy and within limits and parameters set in the various policies and frameworks. Analysis of the positions the Group maintains as at 31 December 2022 is presented in Note 20 of the Consolidated Financial Statements.

Property Price Risk

Property price risk is the risk that the value of property will decrease, either as a result of:

- Changes in the demand for, and prices of, Cypriot real estate; or
- Regulatory requests which may increase the capital requirements for stock of property

The Group is exposed to the risk of changes in the fair 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 of debt and is intended to be disposed off in line with the Group’s strategy.

4. Principal Risks (continued)

4.2 Market Risk (continued)

The Group has in place a number of actions to manage and monitor the exposure to property risk as indicated below:

- It has an established Real Estate Management Unit (REMU), a specialised division to manage the repossessed portfolio including employing appropriate disposal strategies.
- It has placed great emphasis on the efficient and quick disposal of on-boarded properties and in their close monitoring and regular reporting. RAS indicators and other KPIs are in place monitoring REMU properties in terms of value and sales levels.
- It assesses and quantifies property risk as one of the material risks for ICAAP purposes under both the normative and economic perspective.
- It 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.
- As part of the valuation process, assumptions are 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.
- For the valuation of properties owned by the Group judgement is exercised which takes into account all available reference points, such as expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.

4.3 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. 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.

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).

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. Additionally, information on encumbrance and liquidity reserves is provided below.

4.3.1 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 €3,631,269 thousand as at 31 December 2022 (2021: €4,489,424 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 2022, the Group held €19,468,233 thousand (2021: €17,468,507 thousand) of unencumbered assets that can potentially be pledged and can be used to support potential liquidity funding needs and €659,311 thousand (2021: €1,324,118 thousand) of unencumbered assets that are not readily available to be pledged for funding requirements in their current form.

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

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:

31 December 2022	Encumbered	Unencumbered		Total
	Pledged as collateral	Which can potentially be pledged	Which are not readily available to be pledged	
	€000	€000	€000	€000
Cash and other liquid assets	73,557	9,391,365	307,147	9,772,069
Investments	284,343	2,393,796	25,564	2,703,703
Loans and advances to customers	3,273,369	6,397,745	282,138	9,953,252
Property	-	1,285,327	44,462	1,329,789
Total on-balance sheet	**3,631,269**	**19,468,233**	**659,311**	**23,758,813**
31 December 2021				
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**

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 2022 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. The covered bonds have a maturity date on 12 December 2026 and interest rate of 3-months Euribor plus 1.25% payable on a quarterly basis. On 9 August 2022, BOC PCL proceeded with an amendment to the terms and conditions of the covered bonds following the implementation of Directive (EU) 2019/2162 in Cyprus. 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 debt securities and 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.

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

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. Non-current assets held for sale are also reported as not readily available to be pledged.

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 2022 and 2021 are as follows:

31 December 2022	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	-	-	194,841	194,841
Debt securities	284,343	265,696	2,224,519	2,150,383
Total investments	**284,343**	**265,696**	**2,419,360**	**2,345,224**
31 December 2021				
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**

4.3.2 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), with the limit set at 100%. The Group has to also comply with the Net Stable Funding Ratio (NSFR) calculated as per the Capital Requirements Regulation II (CRR II), with the limit set at 100%.

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

As at 31 December 2022, the Group was in compliance with all regulatory liquidity requirements. As at 31 December 2022, the LCR stood at 291% for the Group (compared to 298% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%. As at 31 December 2022 the Group's NSFR was 168% (compared to 147% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%.

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.3 Liquidity reserves

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

Composition of the liquidity reserves	31 December 2022			31 December 2021		
	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 & 2B		Level 1	Level 2A & 2B
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	**9,379,888**	**9,379,888**	**-**	9,064,840	9,064,840	-
Placements with banks	**55,825**	**-**	**-**	118,752	-	-
Liquid investments	**1,827,698**	**1,344,032**	**214,800**	500,930	304,758	147,562
Available ECB Buffer	**147,844**	**-**	**-**	80,786	-	-
Total	**11,411,255**	**10,723,920**	**214,800**	9,765,308	9,369,598	147,562

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.

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

In March 2022, the ECB announced the steps for the gradual phasing out of the temporary pandemic collateral easing measures implemented during COVID-19 breakout. The gradual phasing out is scheduled to be concluded in three steps having started from July 2022 and will be completed by March 2024 and gives banks time to adapt to the adjustments to the collateral framework. In the first step in July 2022, the ECB halved the temporary reduction in collateral valuation haircuts across all assets from the previous 20% adjustment to 10%. In the second step, in June 2023, the ECB expects to implement a new valuation haircut schedule based on its pre-pandemic risk tolerance level for credit operations, phasing out the temporary reduction in collateral valuation haircuts completely. In the third and final step, in March 2024, the ECB will, in principle, phase out the remaining pandemic collateral easing measures.

4. Principal Risks (continued)

4.4 Operational Risk

Operational risk is defined as the risk of direct or indirect impact/loss resulting from inadequate or failed internal processes, people, and systems or from 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 Group also maintains adequate insurance policies to cover for unexpected material operational losses.

Operational Risk Management (ORM) Framework

The Group has established an Operational Risk Management Framework which addresses the following objectives:

- Raising operational risk awareness and building the appropriate risk culture,
- Providing effective risk monitoring and reporting to the Group's management at all levels in relation to the operational risk profile, so as to facilitate decision making for risk control activities,
- 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, and
- Maintaining a strong system of internal controls to ensure that operational incidents do not cause material damage to the Group's franchise and have a minimal impact on the Group's profitability and reputation.

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 key components of the Operational Risk Management Framework include the following:

Risk Appetite

A defined Operational RAS is in place, which forms part of the Group RAS. Thresholds are applied for conduct and other operational risk related losses.

Risk Control Self-Assessment (RCSA)

A RCSA methodology is established across the Group. According to the RCSA methodology, business owners are requested to identify risks that arise primarily from the risk areas under a full Risk Taxonomy. Updating/enriching the risk register in terms of existing and potential new risks identified and their mitigation is an on-going process, sourced from RCSAs, but also from other risk and control assessments (RCAs) performed.

4. Principal Risks (continued)

4.4 Operational Risk (continued)

Incident recording and analysis

An operational risk event is defined as any incident where through the failure or lack of a control, the Group could actually or potentially have incurred a loss including circumstances whereby the Group could have incurred a loss, but in fact made a gain, as well as, incidents resulting in potential reputational or regulatory impact.

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, KRIs) to provide a holistic view with regards to risk identification, corrective action and statistical analysis. During the year ended 31 December 2022, 466 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 2022 (2021: 323 loss events).

Key Risk Indicators (KRIs)

These are operational or financial variables, which track the likelihood and/or impact of a particular operational risk. KRIs serve as a metric, which may be used to monitor the level of particular operational risks.

Operational Risk Capital Requirements and ICAAP

Regulatory and economic capital requirements for operational risk are calculated using the Standardised Approach. Additional Pillar II Regulatory capital is calculated for operational risk on a scenario-based approach. Scenarios are built after taking into consideration the Key Risk Drivers, which are identified using a combination of methods and sources, through top-down and bottom-up approaches.

Training and awareness

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 and through e-learning).

Reporting

Important operational risks identified and assessed through the various tools/methodologies of the Operational Risk Management Framework, are regularly reported to top management, as part of overall risk reporting. More specifically, the CRO reports on risk to the EXCO and the RC on a monthly basis, while annual risk reports are submitted to the Regulators. Ad-hoc reports are also submitted to management, as needed.

4.4.1 Fraud Risk Management

Ongoing activities/initiatives towards further enhancements of Operational Risk Management (ORM), involved inter alia the following: (i) provision of a fraud risk awareness seminar to staff and top-management, (ii) establishment of the specialised Fraud Risk Assessment Framework, going beyond the current Risk Control Self-Assessment (RCSA) process, and (iii) ongoing reviews and enhancements of the internal ORM policies and procedures as well as the ORM database. As a result of the customers' accelerated shift towards digital channels, the Fraud Risk Management unit further strengthened the Group's current external fraud prevention controls and framework.

4. Principal Risks (continued)

4.4 Operational Risk (continued)

4.4.2 Third-Party Risk Management

Third-Party and Outsourcing risk can arise from a third party's failure to perform as expected due to reasons such as inadequate capacity, technological failure, human error, unsatisfactory quality of service, unsatisfactory continuity of service and/or financial failure.

The Group has a dedicated unit under the ORM Function, 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 monitors the effective handling of any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing, strategic or intragroup arrangement as well as prior to their renewal or annually.

5. Other principal risks

5.1 Business Model and Strategic Risk

Business model and strategic risk arises from changes in the external environment including economic trends and competition. The Group faces competition from domestic banks, international banks and financial technology companies operating in Cyprus and in other parts of Europe and insurance companies offering savings, insurance and investment products. A continuing deterioration of the macroeconomic environment stemming from the impact of high inflation and the resultant interest hikes or other factors could lead to adverse financial performance which could deplete capital resources.

Furthermore, the Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated. The Group is also dependent on the economic conditions and prospects of countries of the main counterparties with whom it conducts business with.

The Group has a clear strategy with key objectives to enable delivery and operates within defined risk appetite limits which are calibrated to be within the Group’s Risk bearing capacity. The strategy is monitored closely on a regular basis. Furthermore, the Group remains ready to explore opportunities that complement its strategy including diversification of income. As the Group’s business model is pivotal to strategic risk, it has to be viable and sustainable and produce results that are consistent with it annual targets.

The Group manages business model risk within its Risk Appetite Framework, by setting limits in respect of measures such as financial performance, portfolio performance and concentration and capital levels. At a more operational level, the risk is mitigated through periodic monitoring of variances to the Financial Plan. During the year, periodic forecast updates for the full year financial outcome are produced. The frequency of forecast updates during each year will be determined based on prevailing business and economic conditions. Performance against plan is monitored at a Group and business line level on a monthly basis and reported to the EXCO and the Board.

The Group also closely monitors the risks and impact of changing macroeconomic conditions on its lending portfolio, strategy and objectives and takes mitigating actions were necessary. An internal stress testing framework (ICAAP) is in place to provide insights and to assess capital resilience to shocks.

5. Other principal risks (continued)

5.2 Geopolitical Risk

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 can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, the interest rate environment and higher competition in the financial services industry, could negatively affect the Group's business environment, results and operations. The continued war in Ukraine and related increases in global inflationary pressures due to higher energy prices as well as supply chain disruptions have led to a downward revision in global growth forecasts for 2023 and 2024. Major central banks have responded by tightening monetary policy and market interest rates increased significantly during 2022 amid periods of very high market volatility.

In Cyprus, financial sector exposure to foreign markets has been reduced since the 2013 banking crisis. Although, there have been distinct improvements in Cyprus' risk profile after the banking crisis, 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. Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results and position.

The March 2023 developments in the financial markets, particularly in the US but also in Europe to a lesser extent, have been unprecedented. However, the forceful intervention of the US authorities to pre-empt the risk of financial instability in the banking system in response to the failures of the Silicon Valley Bank and the Signature Bank, as well as the Credit Suisse deal brokered by the Swiss government, have reassured the markets. Following the Credit Suisse deal, the Single Resolution Board, the European Banking Authority and the ECB Banking Supervision issued a statement welcoming the comprehensive set of actions taken by the Swiss authorities in order to ensure financial stability and noting that the European banking sector is resilient, with robust levels of capital and liquidity.

The Group is continuously monitoring the current affairs and the impact of the forecasted macroeconomic conditions on the Group's strategy. Where necessary, bespoke solutions are offered to the affected exposures and close monitoring on those is maintained. Furthermore, the Group includes related events in its stress testing scenarios in order to gain a better understanding of the potential impact.

5.3 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 2022). 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 EXCO and the Board.

5.4 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.

5. Other principal risks (continued)

5.4 Technology Risk (continued)

The Group has in place a Technology strategy designed to support Business strategy and customer centric view. The strategy includes investments in skills and technology to minimize system downtimes and security risks, modernization of legacy applications, a risk-based approach to leverage the benefits of Cloud technologies, and investments in new and innovative applications to support business requirements. The Group implements a collaborative operating model to implement the technology initiatives that support Business strategy and Digital Transformation. The Operating Model involves setting up cross-functional teams that combine Technical, Business and Risk skills for accelerated results. Where necessary, the Group engages with appropriate external experts to augment capacity and meet peak demand for technical initiatives while always maintaining good levels of internal skills and capacity.

The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's Technology strategy, compliance with regulation and effective management of the associated risks.

5.5 Digital Transformation Risk

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, data driven integrated services and Digital Product Sales 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 Digital Strategy and maintains a clear roadmap that provides for migration of transactions to the Digital Channels, full Digital and Digital Assisted Product Sales, and Self-service banking support services. The Group's emphasis on the Digital Strategy is reflected in the Operating Model with a designated Chief Digital Officer supported by staff with the appropriate skills that work closely with Technology and Control functions to execute the strategy.

The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's strategy for digital transformation and effective management of the associated risk.

5.6 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.

Current geopolitical tensions have also led to increased risk of cyber-attack from foreign state actors.

The Group has an internal specialized 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 to Group systems and information.

The Group also 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.

5. Other Principal Risks (continued)

5.7 Regulatory Compliance 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. Regulatory compliance risk is the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal standards and policies, and expectations of key stakeholders such as shareholders, customers, employees and society. Failure to comply with regulatory framework 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 (joint supervised by the ECB and the CBC and others, such as CySec and CSE). The Regulatory Steering Group, chaired by the CEO and consisting of executive management, monitors the regulatory agenda, through the Regulatory Affairs Department, to ensure that all regulatory matters are brought to the attention of management in a timely manner.

Regulatory compliance risks are identified and assessed using a combination of methods and sources as these are incorporated in the Group Compliance Policy which sets out the compliance framework that applies within BOC PCL and its subsidiaries in Cyprus and abroad. It sets out the business and legal environment applicable to the Group as well as the objectives, principles, and responsibilities for compliance and how these responsibilities are allocated and carried out at Group and Entity level. Furthermore, this Policy ensures that there are proper procedures in place for BOC PCL to comply with the requirements of the CBC Internal Governance Directive and the EBA Guidelines on Internal Governance.

The Compliance Risk Assessment Methodology sets out the principles to assess compliance risks. The Compliance function identifies and communicates new and/or amended regulations, within the regulatory compliance universe to the relevant business areas for impact assessment and/or a regulatory gap analysis with the Compliance function as second line of defence to review and challenge.

Appropriate tools and mechanisms are in place for monitoring, escalating and reporting compliance activities which, inter alia, include:

- The assessment of periodic reports submitted by the network of its compliance liaisons,
- The use of aggregated risk measurements such as risk indicators,
- The use of reports warranting management attention, documenting material deviations between actual occurrences and expectations (an exceptions report) or situations requiring resolution (an issues log),
- Targeted trade surveillance, observation of procedures, desk reviews and/or interviewing relevant staff,
- Conducting periodic onsite/offsite reviews with applicable laws, rules, regulations and standards and providing recommendations / advise to management on measures to be taken to ensure compliance,
- Investigating possible breaches of the compliance policy and regulatory framework and/or conducting investigations thereof, as requested by competent authorities with the assistance, if deemed necessary, of experts from within the institution such as experts from the Internal Audit function, Legal Services Department, Information Security Department or Fraud Risk Management unit.
- Investigating and reporting to competent authorities' incidents of non-compliance with the CBC Directive within one month of identification and mitigating actions to prevent a recurrence of similar incidents within two months of identification of the incident.

Regulatory compliance risks are reported promptly to senior management and the management body in accordance with the guidelines of the CBC Directive.

5. Other Principal Risks (continued)

5.8 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.

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.

5.9 Climate Risk

Climate risk is a growing consideration for financial institutions given the increasing effects of climate change globally and the sharp regulatory focus on addressing the resultant risks. The Group' s businesses, operations and assets could be affected by climate-related and environmental (C&E) risks over the short, medium and long term. The Group is committed to integrate C&E risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management and has taken the necessary steps to achieve this.

The Group applies the definition used in the Task Force on Climate-related Financial Disclosures (TCFD) for C&E risks whereby climate-related risks are divided into two major categories: (1) risks related to the transition to a lower-carbon economy (transition risks) and (2) risks related to the physical impacts of climate change (physical risks).

- **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.

Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy.

5. Other Principal Risks (continued)

5.9 Climate Risk (continued)

The Group has put in place targets which set transparent ambitions on its climate strategy and decarbonization of its operations and portfolio aiming to achieve the transition to a net zero economy by 2050. An overall ESG strategy and working plan is thus in place to facilitate these ambitions and address ECB expectations.

A dedicated ESG team, RMD as well as other resources have been mobilised across the Group and are engaged in various streams of work such as the measuring of the own and financed emissions, the integration of C&E risk in the risk management framework and the enhancement of green products offering.

Further information on C&E risks and its risk management is provided in the ESG Disclosures 2022 that form part of the Group's Annual Financial Report for 2022, within part A 'Task Force on Climate-related Financial Disclosures (TCFD)'.

6. Emerging Risks

The Group defines emerging risks as new risks or existing risks that may manifest in a different way, with the potential to threaten the execution of our strategy or operations over a medium-term horizon. The internal and external risk environment of the Group as well as macro-themes are assessed to identify such emerging risks that may require escalation and implementation of suitable mitigation actions. Quarterly reporting of emerging risks to the RC and the EXCO are performed to ensure all significant risks are escalated effectively for discussion and action. Currently, the main emerging risks considered by the Group are the following:

6.1 Banking industry transformation risks

The rapid and increasing pace of change of the banking industry landscape, from new fintech competitors to the increase in sophistication of cyber threats, present a challenge to the Group's operations, client-base and growth potential. The Group is on a digital transformation journey through investment in IT, training, automation, monitoring of industry standards and continual assessment of new initiatives.

6.2 Geopolitical, macroeconomic and environmental risks

Global and regional tensions have heightened with the potential to further deteriorate, impacting the economic stability of the region. Monetary and fiscal policy changes as seen by the increase in interest rates by central banks across the globe can have significant and far-reaching consequences for our clients and the Group. Continuous monitoring of geopolitical and economic developments along with scenario analyses help the Group assess risk appetite on a rolling basis in light of the changing factors.

6.3 Regulatory risks

Failure to properly and timely align with the ever-changing regulatory environment presents an emerging risk to the Group. New and existing regulations impacting the Group are Basel IV, ESG and climate risk related regulation, DORA (Digital Operational Resilience Act) and IRRBB (interest rate risk in the banking book). Proactive planning, project management as well as training will help meet future regulatory requirements. The Group continues to actively engage with regulatory and industry bodies to stay abreast of changes and to be able to help drive the industry reaction.

7. Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among 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 (phasing in at 25% in 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. This temporary treatment was in effect till 31 December 2022.

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

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

7. Capital management (continued)

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

The European Council's proposal on CRR and CRD was published on 8 November 2022. During 2023, the finalisation of the European Parliament's position is expected, which will be followed by the trilogue process that will eventually result in the final versions of the directives and regulations. It is expected that the 2021 Banking Package will enter into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The CET1 ratio of the Group as at 31 December 2022 stands at 15.4% and the Total Capital ratio at 20.6% on a transitional basis. The ratios as at 31 December 2022 include profits for the year ended 31 December 2022.

Minimum CET1 Regulatory Capital Requirements	**2022**	**2021**
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.83%	1.69%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Countercyclical Buffer (CcyB)	0.02%	0.00
Minimum CET1 Regulatory Requirements	**10.10%**	**9.69%**

Minimum Total Capital Regulatory Requirements	**2022**	**2021**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.26%	3.00%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Countercyclical Buffer (CcyB)	0.02%	0.00
Minimum Total Capital Regulatory Requirements	**15.03%**	**14.50%**

** Fully phased in as of 1 January 2019*

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

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

In the context of the annual SREP conducted by the ECB in 2021 and based on the final 2021 SREP decision received in February 2022, effective from 1 March 2022, the P2R 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 took into consideration Project Helix 3. It is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G).

7. Capital management (continued)

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

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

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

The capital position of the Group and BOC PCL as at 31 December 2022 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.

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 2021 and 2022. The CcyB for the Group as at 31 December 2022 has been calculated at c.0.02%.

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

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and since November 2021 the O-SII buffer has been set to 1.50%. This buffer is being phased in gradually, having started from 1 January 2019 at 0.50%. The O-SII buffer as at 31 December 2022 stood at 1.25% and has been fully phased-in on 1 January 2023.

7. Capital management (continued)

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

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

Regulatory capital	Group		BOC PCL	
	31 December 2022[1]	31 December 2021[2]	**31 December 2022[1]**	31 December 2021[2]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1) [3]	**1,562,602**	1,619,559	**1,531,366**	1,592,455
Transitional Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional Total Regulatory Capital	**2,082,602**	2,139,559	**2,051,366**	2,112,455
Risk weighted assets – credit risk[4]	**9,103,330**	9,678,741	**9,150,831**	9,697,351
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,010,885**	1,015,488	**997,720**	995,450
Total risk weighted assets	**10,114,215**	10,694,229	**10,148,551**	10,692,801
	%	%	**%**	%
Transitional Common Equity Tier 1 ratio	**15.4**	15.1	**15.1**	14.9
Transitional Total Capital ratio	**20.6**	20.0	**20.2**	19.8
Leverage ratio	**7.1**	7.4	**7.0**	7.3

1 Includes profits for the year ended 31 December 2022.

2 As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.

3 CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €30,421 thousand for the Group and €25,445 thousand for BOC PCL as at 31 December 2022 (31 December 2021: €30,032 thousand for the Group and €26,452 thousand for BOC PCL). As at 31 December 2022 an amount of €12,934 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2021: €15,394 thousand).

4 Includes Credit Valuation Adjustments (CVA).

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 2022[1,2]	31 December 2021[1,3]	**31 December 2022[1]**	31 December 2021[1,3]
	%	%	**%**	%
Common Equity Tier 1 ratio	**14.7**	13.7	**14.3**	13.5
Total capital ratio	**19.9**	18.7	**19.5**	18.4
Leverage ratio	**6.8**	6.8	**6.6**	6.7

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

2. Includes profits for the year ended 31 December 2022.

3.As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.

7. **Capital management** (continued)

During the year ended 31 December 2022 CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2022, provisions and impairments, the cost of VEP, the payment of AT1 coupon, the movement in the fair value through OCI reserves and other movements and was positively affected by pre-provision income and the decrease in risk-weighted assets mainly as a result of the completion of Project Helix 3. As a result, the CET1 ratio has increased by approximately 30 bps during the year ended 31 December 2022.

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. As a result of the prudential charge deducted from own funds as at 31 December 2022, the impact on the Group's CET1 ratio is 26 bps.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes. At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL, 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 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, to reflect the change 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, with the impact being fully phased-in (100%) by 1 January 2023. The cumulative impact on the capital position as at 31 December 2021 was 50% and as at 31 December 2022 at 75%, with the impact being fully phased-in (100%) by 1 January 2023.

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

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

7. Capital management (continued)

Capital requirements of subsidiaries

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. The regulated UCITS management company of the Group, BOC Asset Management Ltd, complied with the regulatory capital requirements of the Cyprus Securities & Exchange Commission (CySEC) laws and regulations. In February 2023, the activities of BOC Asset Management Ltd were absorbed by CISCO and BOC Asset Management Ltd was dissolved. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In February 2023, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 24.35% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply since 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities, updated also as changes in capital requirements become effective.

As at 31 December 2022, the MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 21.4% of RWAs and at 10.1% of LRE. As at 1 January 2023, the MREL ratio stood at 20.5% of RWAs and 9.8% of LRE, calculated on the same basis. The ratios as at 31 December 2022 and 1 January 2023, include profits for the year ended 31 December 2022. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount, which stood at 3.77% as at 31 December 2022 and increased to 4.02% on 1 January 2023 and will further increase on 30 November 2023 following increase in CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus as announced by the CBC.

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

ESG DISCLOSURES 2022

PART A:

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is one of the greatest challenges. The global focus, in 2022, was on environmental-related issues with events such as Conference of Parties (COP) 27 on climate change and COP 15 on nature and biodiversity, keeping these topics to the forefront of public and political discourse. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group systematically moves forward to the alignment with sustainable banking and continues to embed Environmental, Social and Governance ('ESG') in its infrastructure, strategies and policies. The Group's commitment to integrate climate risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management highlights the Group's aspiration to be a frontrunner in the climate space in Cyprus. This is the first TCFD report published by the Company, presenting the current activities and future plans in the climate field.

TCFD Recommendations		*Pages in our disclosures*
Governance	Board's oversight of climate-related risks and opportunities	→ 85-88, 90-91, 108
	Management's role in assessing and managing climate-related risks and opportunities	→ 86, 89, 91-92
Strategy	Climate-related risks and opportunities (short, medium and long term)	→ 93-106
	Impact of climate-related risks and opportunities on business, strategy and financial planning	→ 101-104, 106-108
	Resilience of strategy, considering different climate-related scenarios, including a 2°C or lower scenario	→ 95-96, 106-108, 113-114
Risk Management	Processes for identifying and assessing climate-related risks	→ 99-105
	Processes for managing climate-related risks	→ 106
	Integration of processes for identifying, assessing and managing climate-related risks into overall risk management	→ 106-109
Metrics and targets	Metrics to assess climate-related risks and opportunities in line with strategy and risk management process	→ 109-117
	Scope 1, 2 and 3 GHG emissions and the related risks	→ 109-117
	Targets used to manage climate-related risks and opportunities and performance against targets	→ 109-117

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance

The Group considers climate action as one of its key priorities. To reflect this strong commitment, climate-related risks and opportunities are integrated into the governance structure. The Group is committed to high standards of governance that are consistent with regulatory expectations and evolving best practices.

Organisational structure of the governance

The following climate change and net zero-related governance diagram illustrates how the Group's governance is currently structured.

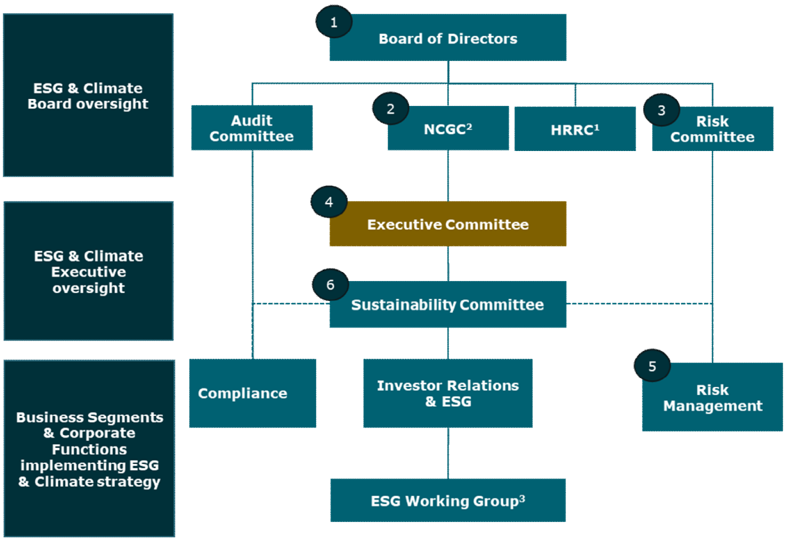
BOCH's governance structure comprises of the following statutory bodies:

- The Board of Directors (the 'Board')
- Board Committees
- Senior Management Committees

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Organisational structure of the governance (continued)



1. The Board, through the NCGC[2] and Risk Committee, oversees the implementation of the Group's ESG and climate strategy. In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally.
2. NCGC[2] provides oversight to the Group's ESG and climate strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders.
3. Risk Committee identifies, assesses, controls and monitors financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, and compliance, and ESG including climate-related & environmental risks (C&E)) which the Group faces in cooperation with the responsible Board Committees.
4. EXCO recommends to NCGC[2] all ESG and climate related matters and policies (excluding ESG and climate risks matters and policies) for approval.
5. ESG and climate risks related policies and matters are discussed in Sustainability Committee and submitted by Risk Management Function directly to Risk Committee for approval, also notifying EXCO.
6. Sustainability Committee reports to EXCO.
7. ECCC[4] undertakes consultancy role to the NCGC[2] when required.

1 HRRC: Human Resources and Remunerations Committee
2 NCGC: Nominations and Corporate Governance Committee
3 ESG working group has been formed in order to support the implementation of the ESG agenda. ESG working group includes Legal, Finance, Business Lines, Operations & Cost Management, Treasury, Digital office, Strategy, Procurement, IT, HR, CAD and Insurance.
4 ECCC: Ethics, Conduct and Culture Committee

——— Reporting
- - - - Collaboration and support

1

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board of Directors and Board Committees

Oversight and approval of Group's climate strategy and how it manages climate-related and environmental ('C&E') risks and opportunities.

Board Committee	Role and Responsibilities
Risk Committee	The Risk Committee ('RC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to understand and monitor the strategy regarding the risk appetite of the Group. The main purpose of the RC 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 ensure both Risk Profile and Risk Appetite remain appropriate. The RC is responsible for the following: • Identify, assess, control and monitor financial/economic risks and non-financial risks (including operational, technological, tax, legal, reputational, and compliance, and ESG including C&E risks) which the Group faces in cooperation with the responsible Board Committees. • Ensure that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, the key issues and themes impacting the Group and the internal control environment. • Ensure 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. • Report to the Board any current or emerging topics relating to ESG risks and matters, including C&E risks and matters, that are expected to materially affect the business, operations, performance, or public image of the Group or are otherwise pertinent to it and its stakeholders and if appropriate, detail actions taken in relation to the same. • Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies. • Review and discuss with management the overall ESG strategy including the strategy to manage C&E risks, and whether the Company should initiate any additional actions or engage with any stakeholders regarding potential key ESG matters, including C&E matters. • Review and monitor key enterprise wide ESG including C&E metrics, targets, KPIs, KRIs and related goals and monitor the progress towards achieving targets and benchmarks.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board of Directors and Board Committees (continued)

Board Committee	Role and Responsibilities
Nominations and Corporate Governance Committee	The Nominations and Corporate Governance Committee ('NCGC') has been delegated authority by the Board and consists of 4 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to provide oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders. The NCGC is responsible for the following: • Develop a strategy for ESG, including C&E matters, focusing on Environmental, Climate, Ethical, Social, and Economic pillars and ensure it is embedded throughout the operations of the Group. • Advise, support and guide the Chief Executive Officer ('CEO') and Executive Management Team in formulating and implementing a business strategy geared to the sustainable development of the Group taking into account ESG, including C&E impacts. • Oversee the Sustainability Committee's ('SC') implementation and progress of the ESG working plan. • Review the institution's response and plan of action to the objectives set out under international agreements. • Review and approve the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance. • Review and approve the non-financial disclosures presented by the SC. • Review and approve the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds.
Human Resources and Remuneration Committee	The Human Resources and Remuneration Committee ('HRRC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives. The HRRC reviews at least annually the appropriate structure of the remuneration system and whether the total amount of variable compensation has been set in accordance with the Remuneration Framework of the Central Bank Directive on Governance. Therefore, any enhancements to the Remuneration Policy to incorporate ESG and climate criteria are approved by the HRRC.
Audit Committee	The Audit Committee ('AC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to assess the soundness of the methodologies and policies that the management of the Group uses to develop ESG, including C&E metrics and other disclosures and to assess the key vendors' plans about sustainability. The AC is responsible for the following: • Ensure the ESG frameworks/standards, including C&E frameworks/standards, used are proper and relevant climate-related financial disclosures are investor grade. • Consider materiality in terms of how ESG issues, including C&E issues, impact the Group's financial performance and ability to create long-term value (Financial materiality) and how the Group's actions impact people and the planet (Social materiality). • Review material public reporting disclosures with respect to ESG, including C&E matters and discuss with management the Group's engagement with stakeholders on key ESG matters, including C&E matters, including in response to any proposals or other concerns that have been submitted to BOCH and/or BOC PCL or the Board. • Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe (which comprises the auditable areas as assessed according to the primary risks which may impair their functionality).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Management Committees

Oversight and responsibility for providing strategic direction and implementation regarding climate-related goals, risks and disclosures.

Management Committee	Role and Responsibilities
Sustainability Committee	The SC is an executive level committee chaired by the CEO and has as a primary role the oversight of the ESG agenda of the Group aiming to lead the Group towards a cleaner, fairer, healthier, and safer world. This will be achieved by helping its customers manage risks in a long-term sustainable and equitable way and aims for the Group to be an employer of choice in Cyprus. The SC is responsible for the following: • Monitor and review the development of the Group's ESG strategy for managing ESG risks, including C&E risks. • Oversee the implementation of the Group's ESG & Climate strategy. • Review the institution's response and plan of action to the objectives set out under international agreements. • Review ESG targets and KPIs, including C&E targets and KPIs. • Review the incorporation of ESG including C&E targets, KPIs and KRIs in the business strategy. • Monitor progress against the Group's ESG working plan including the implementation of the ECB Guide on C&E risks. • Oversee the degree of the Group's alignment with regulatory ESG including C&E related guidance, rules (such as EU Taxonomy, SFDR, NFRD and TCFD) and ECB expectations. • Oversee the establishment of environmentally friendly products and Sustainable Finance Framework. • Review policies relating to ESG matters and risks, including C&E matters and risks, to ensure that they are in line with the needs of the Group and the Group's ESG strategy and that they comply with applicable legal and regulatory requirements. • Review non-financial disclosures including but not limited to the TCFD, relevant ESG disclosures in Pillar III and the annual Sustainability Report. • Monitor the external ESG and C&E trends affecting the formulation of ESG policies, strategies and objectives.
Executive Committee ('EXCO')	The EXCO is responsible for the following: • Consider the overall financial performance and progress of the Group per line of business, including, but not limited to, the Group's capital and liquidity position, the Group profitability, the NPE and the REMU portfolio. • Consider the market conditions and strategic initiatives. • Monitor the recovery and early warning indicators and assess the need to escalate for further action to the RC and the Board. • Consider the Risk Report. • Consider and approve budgets, business strategies/risk strategy to be presented to the Board for approval. • Consider and approve the Group's Risk Appetite Statement to be presented to the RC and Board for approval. • Consider and approve the Group's Financial Plan to be presented to the RC and the Board for approval. • Consider the Compliance Reports/Matters and progress. • Consider the Internal Audit Reports/Matters and progress. • Consider the HR/People Management/Matters and progress. • Consider the Corporate Affairs Report/Matters and progress. • Approve all matters escalated to EXCO within its delegated authorities and/or recommend matters requiring escalation to the Board. • Consider all other matters escalated for discussion by any member of the EXCO or any other Committee/Forum. • Monitor the Board and Board Committees pending decision lists. • Note the minutes of the Acquisition & Disposal Committee (ADC), Group Asset & Liability Committee (ALCO), the Regulatory Steering Group (RSG) and the Business Development Committee (BDC).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board Oversight

The Board has ultimate oversight of the identification, assessment and integration of C&E risks and opportunities throughout the organisation. The Board is informed about the performance of the targets as well as the progress of the ESG working plan through NCGC and RC regular update.

The Terms of Reference of each committee dictate the responsibilities regarding ESG matters, including C&E matters. All C&E matters that are submitted to the Board Committees are in the form of formal documentation describing clearly the purpose and scope of the paper, the methodology applied, any considerations conducted during the process and the conclusions/results reached. The papers are presented to the Board Committees by the responsible division/department. The relevant Board Committee enquires and challenges the responsible division/department in order to approve the relevant paper.

The Group has compiled in 2022 an ESG working plan which is monitored by Investor Relations & ESG Department (‘IR&ESG’), Risk Management Division (‘RMD'), the SC and ultimately by NCGC and RC. The ESG working plan is structured in workstreams which are designed to articulate delivery of Group’s ESG strategic objectives and are aligned with ECB expectations, LSE Disclosure requirements and other regulatory disclosure requirements. Each workstream is associated with specific activities designed to meet relevant reporting and regulatory requirements and achieve the Group’s targets and objectives. For the successful delivery of the Group’s ESG strategic objectives the Group has formed an ESG working group comprising of experts from various departments assigned with specific activities under the ESG working plan. Each activity completed by the ESG working group, is reviewed by the IR&ESG and RMD. The progress, status and output of activities is communicated to SC, as it has the responsibility for the oversight of all ESG activities and SC recommends output for activities relating to ESG policy, strategy and disclosures to EXCO for approval (except those activities relating to ESG and C&E risks). Following EXCO approval those activities are recommended to NCGC for approval (except for those activities relating to ESG and C&E risks).

Specifically, the process through which the Board Committees are informed on environmental and climate-related issues is presented below:

- SC reviews policies relating to ESG matters, including C&E matters, to ensure that they are in line with the needs of the Group and the Group’s ESG strategy and that they comply with applicable legal and regulatory requirements. The SC recommends approval of policies to EXCO (excluding ESG and C&E risks related policies). Following EXCO approval, the policies relating to ESG including C&E matters (excluding ESG and C&E risks related policies) are recommended to NCGC for approval.

- SC discusses and advises the RMD regarding ESG and C&E risks related matters and policies, such as ESG and C&E risks identification, quantification, materiality assessment and establishment of ESG and C&E criteria in the loan origination process. The RMD then submits to the RC for approval the ESG and C&E risks related matters and policies, also notifying the EXCO.

- SC reviews the institution’s response and plan of action towards the objectives set out under international agreements and makes recommendation of the plan of actions for approval to the EXCO. Following EXCO approval and recommendation, the plan of actions is submitted to NCGC for approval.

- SC monitors and reviews the development of the Group's ESG strategy for managing ESG, including C&E risks, and recommends to EXCO for approval. Following EXCO approval and recommendation, it is submitted to NCGC for approval.

- SC reviews BOCH’s annual non-financial disclosures including, but not limited to the TCFD, relevant ESG disclosures in Pillar III and the annual Sustainability Report and recommends to NCGC for approval, also notifying the EXCO.

- SC reports to the EXCO. The NCGC and RC are updated of the progress of ESG working plan on a regular basis.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board Oversight (continued)

The NCGC was informed about C&E matters in March 2022 when it received an update relating to the ESG agenda, decarbonisation strategy for Scope 1 and Scope 2 greenhouse gas ('GHG') emissions as well as data gap analysis. NCGC approved the Corporate Sustainability report of 2021, at the end of June 2022. In November 2022, the NCGC approved the decarbonisation strategy relating to Scope 1 and Scope 2 GHG emissions as well as the compilation of a comprehensive ESG working plan. Following the compilation and approval of the ESG working plan, the implementation of which is monitored by the SC, the NCGC will monitor progress of the ESG working plan and C&E issues on a quarterly basis. In 2022, the RC discussed and approved the risk identification and materiality assessment of the Group. In addition, it was updated on the progress of the ESG agenda twice during 2022. Following the compilation and approval of the ESG working plan, the implementation of which is monitored by the SC, the RC will monitor progress of the ESG working plan and C&E issues on a quarterly basis.

Management Oversight

The Group's management, led by the CEO, consists of executives who have many years of experience and extensive knowledge of the modern banking sector. The governance structure is flexible and functional in order to serve in the best possible way, shareholders and customers.

The CEO is responsible for implementing the enterprise climate strategy (a pillar within the ESG strategy).

In 2021, the Group formed the executive SC whose members, working together, take a coordinated enterprise approach to accelerate the Group's climate ambitions, targets and public engagement, working with a broad set of Group leaders to ensure full alignment and coordination on our climate strategy and actions.

The processes in which the EXCO and SC are involved in regards to the decisions taken on climate and environmental matters has been described in 'Board Oversight' and 'Management Committees' sections above.

Following the compilation of the ESG strategy in 2021 and the ESG working plan in 2022, specific accountabilities are assigned to the Group's Executives and Directors. The C&E responsibilities assigned to key Executives and Directors of the Group are summarised in the table below:

Responsible person	C&E related responsibilities
Chief Executive Officer	The 'CEO' governs the sustainability performance of the Group, driving focus on ESG and climate stewardship and tracking progress made across the business to meet the Group's ESG and climate ambitions through the long-term ESG working plan. The CEO is involved in the identification of sustainable finance growth opportunities for the Group and promoting the development of these in tackling climate change.
Executive Director Finance & Legacy	The Executive Director Finance & Legacy is responsible for the successful integration of ESG into the Group's core business operations, in cooperation with business lines Directors, and long-term business strategy as well as the oversight of the progress of the ESG working plan for the implementation of ESG and climate strategy and Sustainability reporting. In addition, the Executive Director Finance & Legacy is responsible for the oversight of the estimation of Scope 1, Scope 2 and Scope 3 GHG emissions of the Group and the establishment of C&E decarbonisation targets and strategy, in cooperation with Deputy Chief Executive Officer and Chief Risk Officer.
Chief Risk Officer	The Chief Risk Officer is responsible and accountable for the process of effectively managing C&E risks of the Group. This includes the responsibility of overseeing the implementation of the ESG working plan which supports the C&E risk identification, measurement, assessment, stress-testing and limit setting, as well as the supporting governance. The role further encompasses the responsibility of reviewing risk appetite and C&E risk appetite metrics.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Management Oversight (continued)

Investor Relations and ESG Department ('IR&ESG')

The Group's IR&ESG department is developing and implementing the ESG and climate Strategy. The IR&ESG main responsibilities are to:

- compile the ESG working plan and monitor its progress;
- develop the action plan for the implementation of the ESG and climate strategy;
- establish the ESG and climate targets and KPIs and monitor their progress;
- prepare ESG and climate-related reporting;
- coordinate the activities and deadlines of the ESG Working Group;
- review in cooperation with RMD the activities completed by the ESG Working Group; and
- report to the SC in frequent intervals and Board Committees in line with the Terms of Reference.

Risk Management Division:

The RMD is responsible for the identification, quantification and monitoring of ESG risks, including C&E risks, for own operations and clients. The main responsibilities are to:

- incorporate ESG risks, including C&E risks, in the Risk Management Framework, policies and procedures;
- incorporate ESG and climate criteria in the loan origination process;
- review in cooperation with IR&ESG the activities completed by the ESG Working Group;
- comply with ECB guide on C&E risks;
- establish the ESG and climate targets and KPIs in cooperation with IR&ESG; and
- establish the C&E Key Risk Indicators (KRIs) through the ESG and climate targets and KPIs set.

The Executive Director of Finance & Legacy and the Chief Risk Officer monitor the progress of the ESG working plan on a bi-weekly basis.

Remuneration policy

The Group has taken necessary steps in embedding its ESG strategic goals within the remuneration policy, adhering to the importance of connecting the performance of its personnel to ESG and climate matters as a way of incorporating ESG culture within the organisation. The remuneration policy promotes - and is consistent with - sound and effective risk management, is in line with the Group's ESG and climate strategy and does not encourage excessive risk taking that exceeds the level of risk tolerated by the Group.

Performance criteria (financial and/or not financial), set to measure the performance of Senior Management, contain KPIs that relate to the implementation of the Group's ESG strategy, reflecting the Group's emphasis on achieving its climate related objectives, in accordance with the role and responsibility of each Senior Manager in relation to the ESG Strategy. Performance criteria include incentives set to manage ESG risks, including C&E risks, related objectives and/or limits to ensure that green washing practices are avoided. These are expected to be cascaded down to staff, through the performance appraisal system, in line with the staff's respective roles and responsibilities, so as to continuously enhance the Group's ESG culture, elicit the right behaviours and align individual results with ESG Strategy.

Group-wide performance relating to ESG and climate targets are included in the performance scorecard of any applicable Long-Term and/or Short-Term Incentive Plans, at the time of the design and approval of a plan.

The long-term incentive plan ('2022 LTIP') that has been approved by the Company's shareholders, incorporates measurement of performance against an evaluation scorecard consistent with the Group's Medium-Term Strategic Targets, which include ESG targets. The evaluation scorecards used in the abovementioned scheme include KPIs on External ESG ratings. External ESG ratings are granted based on an external assessment performed on ESG aspects of the Group.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II - Strategy

Moving to a sustainable economy is the challenge of our time. Ever-increasing GHG emissions are warming the planet, changing the climate and threatening human life. Averting this requires deep and sustained cuts to GHG emissions. To keep warming to 1.5°C, cuts of 45% are required by 2030, with global GHG emissions reaching 'net zero' by 2050. This means GHG emissions need to decline now. The transition to this low carbon economy requires a transformation of assets and behaviours, for which trillions of dollars in finance are required.

To assist this transition, European Regulators have put in place an EU action plan for sustainable growth that includes several new regulatory disclosure standards, as well as expectations that are bound to become requirements in the near future. Following the developments and having set a 'Beyond Banking' approach and a vision to create a stronger, safer, and future-focused organisation, the Group is determined to continue working towards a better Cyprus and a better world for today and future generations. Consequently, the Group further aspires to increase its positive impact on environment, and maintain its leading role in the social and governance pillars by transforming not only its own operations, but also the operations of its customers.

The Group continues to broaden and strengthen its efforts to identify climate-related risks and opportunities, the key first step in the Group's climate strategy. Once identified, the Group assesses how the risks can be better managed, reduced or mitigated in line with its risk management framework.

The Group's approach to climate action is evolving over time and has progressively been embedded into the Group's activities and actions. The Group is determined to create a stronger, safer, and future-focused organisation. Consequently, the Group focuses on creating lifelong partnerships with customers, as well as guiding and supporting them in a changing world by financing projects which bear a positive climate impact. Underpinning the Group's Climate Strategy (a pillar within its ESG strategy), there are three strategic areas where, moving forward, the Group will focus our climate action:

- Reinforcing the impact of climate financing;
- Building resilience to climate change; and
- Further integrating climate change considerations across all of Group's standards, methods and processes.

The commitments made by the Group in its ESG Strategy focus on the following key objectives:

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

Climate-related Risks

The Group's Climate Strategy is continuously evolving as the Group improves the tools and expands the resources available to grow its understanding of the interconnection between the climate, its business, operations, clients and communities. The Group seeks to identify and advance the initiatives that will enhance its operational resilience, decision-making and planning to mitigate climate-related risks and capitalise upon climate-related opportunities. The Group's strategy and risk management initiatives are interdependent and adapt as needed based on the performance against established metrics and targets. The Group is working to advance its climate knowledge base and resilience to climate-related shocks.

The Group views climate risk as a cross-cutting risk which manifests itself through or amplifies existing risk categories within the Group's Risk Taxonomy, as described further in the 'Pillar III - Risk Management' section of these ESG Disclosures. These transition and physical risks can manifest themselves differently across risk categories in the short, medium, and long term. The time horizons considered are described here for reference. As the Group is in the process of setting up a holistic net-zero strategy, it is expected that it will be in a position to set more granular time-frames moving forward to efficiently capture the decarbonisation targets that will be set.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Risks (continued)

Time horizon label	**Start Year**	**End Year**	**Rationalisation**
Short-term (1-3 years)	2023	2026	The Corporate Sustainability Reporting Directive ('CSRD') is expected to be a major disruption and a milestone for climate change activation. As CSRD will first be applied in January 2025 (for FY 2024) for EU listed companies, and every year thereafter up until 2028 to include certain SMEs and large companies (Years 1-3), the Group considers the first three years as its first time horizon. Furthermore, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions from own operations. The Group has focused its main decarbonisation actions in the short-term up to 2026 in order to lead the decarbonisation efforts, lead by example and also to benefit from any government subsidies that will be announced as part of the Recovery and Resilience Facility ('RRF') of the European Union. As a result, the risk horizon the Group focuses for short term is between 1-3 years.
Medium-term (4-7 years)	2027	2030	As 2030 is the year set by the EU for the goal of 'Fit for 55' (i.e., a 55% reduction of GHG emissions below 1990 levels), the Group has also set 2030 as the medium term risk horizon for the identification of C&E risks and opportunities. Therefore, the time horizon for medium term is between 4-7 years. In addition, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions by 2030, therefore C&E risks should be identified and managed in a horizon of 4-7 years in order to achieve the target set.
Long-term (8-27 years)	2031	2050	The Group considers a time horizon of over 8 years for chronic physical risks to manifest. Additionally, the Group has set a target to become net zero by 2050, following its commitment to the Paris Agreement, which indicates that Scope 1, Scope 2 and Scope 3 GHG emissions should be reduced by 2050 to zero. For Scope 1 and Scope 2 own operations the reduction target is relevant for all time horizons. However, the climate related risks associated with Financed Scope 3 GHG emissions depend also on the useful life of the assets, which for the majority of the current loan portfolio of the Group this translates to a maturity beyond 8 years. As such a long-term time horizon has been set to 8–27 years to cover both the risks as well as the strategic aspects of climate related risks within the organisation.

As new data and modelling capabilities become available, the Group continues to build upon the transition and physical risk scenario analyses. The Group's ambition is to use various models and programmes within its risk assessment process to guide the climate strategy, by allowing it to quantify further the financial impacts of such risks on its portfolios. Furthermore, it is expected that managing the portfolio to net zero should also help to substantially mitigate transition risk. On physical risks, the Group considers that raising the awareness of its customers on acute and chronic physical risks can assist both parties in identifying the best adaptation mechanisms to support a resilience to adverse scenarios through the right products.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Risks (continued)

In particular, in order to assess the financial impact of transition risks on the loan portfolio, a sensitivity analysis on the Financial Plan is to be carried out to reflect the potential impact of a short-term disorderly scenario according to which a set of policies would be frontloaded. Under such a scenario, it would be expected that fuels costs and energy use become more expensive and thus would push the operating margins of corporates downwards as a result of absorbing a part of these costs. At the same time, the increased cost of energy would increase the living costs for households and thus on the grounds of affordability assessment, certain households would face challenges which would be reflected in their cost of risk. Considering the specific composition of the Group's portfolio, such policies would most likely affect customers in the Construction and Real Estate sectors and customers with mortgage loans granted prior to 2010 implying thus less energy-efficient properties.

Further details on how the Group identifies and assesses climate-related risks are provided under 'Pillar III - Risk management' section of these TCFD.

Net Zero Strategy

The Group, as disclosed in the 2021 Sustainability Report has resolved to align with the target set by the Paris agreement, the EU Green Deal and the Cyprus Government for a Net Zero goal by 2050.

Beyond the initiatives focusing on introducing the financing of sustainable products and services, and designing and embedding environmental procedures in the lending process, the Group monitors closely internal operations in order to reduce and eliminate GHG emissions.

As a first step, the Group's Scope 1, Scope 2 and material non-Financed Scope 3 GHG[1] emissions were calculated for 2021, using a widely accepted methodology and bringing the Group in a position where it can set a feasible roadmap of actionable tasks to reduce its carbon footprint and achieve its decarbonisation goals.

Given the fact that BOC PCL is the main contributor of GHG emissions of the Group, BOC PCL has formulated a decarbonisation plan to reduce its own carbon footprint relating to Scope 1 and Scope 2 GHG emissions and ultimately reach its Carbon Neutral target by 2030.

BOC PCL plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, leading to approximately 5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. BOC PCL expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The actions planned by BOC PCL between 2023 to 2025 include:

- Air-conditioning systems replacements
- Boiler replacements
- Photovoltaic (PV) installations
- Roof insulation
- CO_2 sensors installation
- Heat recovery installation

Similar energy efficiency actions are planned for the other operating subsidiaries of the Group.

Currently the Group does not plan to set specific targets for the material non-Financed Scope 3 GHG emissions as the vast majority of its Scope 3 GHG emissions relate to Financed Scope 3 GHG emissions derived from its loan portfolio.

BOC PCL has also recently become a member of the Partnership for Carbon Accounting Financials (PCAF) and estimated Financed Scope 3 GHG emissions derived from its loan portfolio based on PCAF standard and proxies. In 2023, the Group plans to estimate Financed Scope 3 GHG emissions associated with its investments and insurance portfolios. BOC PCL is currently in the process to set decarbonisation targets in specific sectors and asset classes of the loan portfolio as described in the 'Pillar IV - Metrics and Targets' section of these TCFD. The decarbonisation targets that will be set in 2023 associated with the loan portfolio will also be embedded in the Group's Financial Plan.

[1] The non-Financed Scope 3 GHG emissions of the Group comprise of GHG emissions from the business travel, waste disposal, purchased good & services, employee commuting and transport and distribution categories.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Net Zero Strategy (continued)

As a means to enhance not only its climate risk framework but also its ability to identify future opportunities BOC PCL is in the process of introducing new ESG scorecards within its credit granting process which will allow it to more granularly identify ESG risks but at the same time it will open a communication line with its clients to better prepare them to comply with upcoming EU legislation on disclosure, such as the CSRD, which will eventually be reflected within the Group's own net-zero strategy by providing more accurate data and targets.

In terms of stress testing and climate scenario analysis, BOC PCL is currently building the necessary modelling approaches to conduct climate-related stress testing through a bottom-up methodology, as further described in the 'Pillar III - Risk management' section of these TCFD. Developing stress testing will further help to assess the implications of physical and transition risks in the portfolios, and to inform the business strategy and capital planning.

Green Asset Ratio[2] and Green Mortgage Ratio[3]

As BOCH falls under the Non-Financial Reporting Directive it is mandatory to also comply with the EU Taxonomy regulation for financial institutions. As such, BOCH is taking necessary actions and measures to estimate and disclose its Green Asset Ratio, which presents the proportion of the share of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets, such as those consistent with the European Green Deal and the Paris agreement goals. However, it is important to note that financial institutions are currently required to disclose only the EU Taxonomy eligible activities as a share of total covered assets. EU Taxonomy required disclosures are provided in Part B of the 'ESG Disclosures'.

BOCH has committed within its strategy to improve its Green Asset Ratio not only as part of its dedication to the EU Green Deal and the Paris Agreement, but also because, through its increase it will significantly reduce its exposure to transition risk and potential capital impact, which consequently will also have a positive impact towards investors' interest and will further establish BOCH and BOC PCL as a market leader in the sustainability space.

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 (thermal coal mining, coal-fired electricity generation, upstream oil exploration, upstream oil development) which are included in its 'Exclusion and Referral Sectors' list with negative environmental impact.

BOC PCL offers a range of environmentally friendly products to manage transition risk and 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 2023 the Group will continue to build out its green product offering further. The Group expects to discuss ESG and climate matters with its clients at the point of loan origination.

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[2] Green Asset Ratio:The proportion of the share of the credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets..

[3] Green Mortgage Ratio:The proportion of the share of the credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgages assets.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Sustainable Development Goals ('SDGs')

The Group has also identified, through several multi-stakeholder dialogue, numerous material areas of impact that contribute to specific SDGs. As sustainability reporting is now a major source of information for investors, combined with the fact that regulatory bodies are also increasing the requirements of aligned disclosures, transparent reporting of SDGs is of high importance for the Group.

Due to its expertise and business model, the Group has selected to focus on the following SDGs:

These goals are the ones where the Group can have an impact based on its business environment and its customers. These include the commitment to the Paris Agreement, which is an overarching commitment. Committing to climate change mitigation means to actively support responsible tourism and consumption, innovation in the local infrastructure, and supporting sustainable cities and communities.

Further information on the actions and list of KPIs can be found in the annual Sustainability Report.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Opportunities

Climate-related opportunities have been identified across business segments and are informed by the understanding of climate-related risks. They include strategies, products, services and advice to support clients in the low-carbon transition, and to capture new areas of business growth, such as sustainable finance. The Group has also identified opportunities in its operations to mitigate climate change, while improving efficiency and resilience as can be shown in the table below.

Opportunity Type	Climate-Related Opportunities	Time Horizon	Identified Impactful Activities
Resource Efficiency	Use of more efficient modes of transport	Medium/Long	• Upgrade of car fleet with net-zero cars • Awareness of personnel and culture change regarding efficient and less polluting modes of transport
	Use of recycling	Short/Medium/Long	• Enhance the recycling actions of the organisation • Support circular economy
	Move to more efficient buildings	Short/Medium/Long	• Energy efficiency upgrades of owned buildings • Transfer to more energy efficient leased buildings
	Reduce water usage and consumption	Short/Medium/Long	• Increase efforts for the reduction of water usage within the Group's premises
Energy Systems	Use of lower-emission sources of energy	Short/Medium/Long	• More strict procurement specifications for new hardware and electronics
	Shift toward decentralized energy generation	Medium/Long	• Installation of photovoltaics on owned premises • Enter into Power Purchase Agreements with providers of renewable energy
Products and Services	Development and/or expansion of low emission products and services	Short/Medium/Long	• Expand the range of sustainable and environmentally friendly products and services. Refer to current environmentally friendly offerings reported under 'Pillar II - Strategy' section of these TCFD
Markets	Use of public-sector incentives	Short/Medium/Long	• Identify public funding schemes stemming from the RRF in order to further support interested parties and assist in the acceleration of transition efforts
	The development of new revenue streams from new/emerging environmental markets and products	Medium/Long	• Through the net-zero strategy exercises identify sectoral decarbonisation needs and develop new products to assist the clients to achieve their own net-zero targets
	Improved ratings by sustainability/ESG indexes	Short/Medium/Long	• Continuously improve internal procedures and disclosures in order to acquire better ESG ratings

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management

BOC PCL – as one of the systematic banks in Cyprus - is exposed to potential climate related risks and as such has taken the necessary steps to commit in managing these possible risks. To pursue that, a comprehensive and prudent climate risk management framework will be integrated in the existing risk management framework, in line with the applicable regulatory requirements and following best banking practises.

The Group follows the definition of the TCFD for C&E risks as can be shown below.

Climate-related risks fall into two major categories: (1) risks relating to the transition to a lower-carbon economy (transition risks) and (2) risks relating to the physical impacts of climate change (physical risks).[4]

Physical risks	**Acute physical risks**, which arise from specific weather-related events such as storms, floods, wildfires or heatwaves. These extreme weather events may damage production facilities and disrupt value chains. **Chronic physical risks**, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. Physical risks cause damages to assets and disrupt operations and supply chains.
Transition risks	**Policy risk** results from policy and regulatory actions seeking to limit global warming or promote adaptation to climate change. **Legal risk** stems from climate-related litigation claims as organisations fail to mitigate impacts of climate change, to adapt to climate change or to provide sufficient disclosure around material financial risks. **Technology risk** arises from new technologies making old systems prematurely obsolete, thus having a disruptive impact. **Market risk** is caused by supply and demand shifts for certain commodities, products and services taking into account climate considerations. **Reputational risk** comes from changing perceptions of an organisation's impact on climate.

[4] E06 - Climate related risks and opportunities.pdf (tcfdhub.org)

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Methodology - Climate Risk Identification and Assessment

As part of the overall risk management process of C&E risks, a risk identification analysis and assessment exercise has been carried out for the consideration of the impact of climate change on its financed portfolio for different time buckets. The identified risks are assessed on an on-going basis to ensure that these remain up to date given the developments in the business environment and the mitigating actions taken by the Group.

The risk identification process comprised the following:

Exposures identification

To identify the exposures that are vulnerable to transition risks, we employed the Climate Policy Relevant Sectors (CPRS) approach. This approach is a classification of activities whose revenues could be affected positively or negatively in a disorderly low-carbon transition. It allows the assessment of the economic and financial risk when firms are misaligned with the climate and decarbonisation targets specified in the Paris Agreement or with other defined policy objectives.

CPRS are identified considering their:
- direct and indirect contribution to GHG emissions;
- role in the energy value chain;
- relevance for climate policy implementation (i.e., their cost sensitivity to climate policy or regulatory change, e.g., the Carbon Leakage Regulation); and
- business model (input substitutability of fossil fuel).

Risk identification

Several sources were examined, the key of which are presented below, in order to identify the risks that can have a financial impact on the Group. The process involved a rigorous analysis of several risks and possible impacts they could have on a number of high transition sectors within the CPRS framework, marking which combination of risks and impacts were relevant to Cyprus, the local market and finally BOC PCL itself. The analysis revealed over a hundred relevant impacts across the 22 physical/transition risks. As part of this process, the materialisation time frame as well as the transmission to traditional risks were also identified.

Key Sources of Risk Identification
Transition risks 1. Blackrock's study paper with title 'Development of Tools and Mechanisms for the Integration of ESG Factors into the EU Banking Prudential Framework and into Banks' Business Strategies and Investment Policies'. 2. ECB's paper with title 'Climate risk stress test – SSM stress test 2022'.
Physical risks 1. The Intergovernmental Panel on Climate Change (IPCC) paper with title 'AR6 Climate Change 2021: The Physical Science Basis'. 2. The Cyprus Government's Ministry of Agriculture, Rural Development and Environment in the Department of Environment report with title 'The Cyprus Climate Change Risk Assessment Evidence Report'.
Other Sources 1. UNEPFI Impact Analysis Tool 2. The Cyprus Government's Ministry of Agriculture, Rural Development and Environment in the Department of Environment report with title 'Report on The State of the Environment in Cyprus 2020'

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Following the risk identification process as presented above, a qualitative assessment was carried out of over a hundred identified relevant impacts. The assessment methodology included the vulnerability assessment of each NACE sector to the 22 identified risks in order to consider the relevance and potential impact on BOC PCL's portfolio. Following this, the Group proceeded to the qualitative assessment of the risks based on specific criteria.

The tables below provide the four primary risks, which are affected by C&E risks (both transition and physical), and set out the possible impacts and the transmission mechanism. Furthermore, across the previously defined time horizons, climate change may affect, to different degrees, these primary risks (i.e. Credit, Liquidity & Funding, Market and Operational Risk).

Traditional Risks	Transition Risks	Transmission Mechanisms	Examples	Time Horizon
Credit Risk	✓	-Impact on repayment ability through: - increased operating costs for compliance and/or lower revenues - increased capital expenditures to comply with regulatory standards - decrease in value of collateral and/or costs to monetise	- Vulnerability to increasing energy costs/dependence on single energy provider *(Market, Policy and Legal)* - Corporate carbon reporting has become increasingly common, and all companies will need to comply (*Policy and Legal)* - Substitution of existing aged products and services will impact sectors like real estate especially existing stock (*Technology)* - Manufacturing companies will need to find alternatives for packaging which will increase costs *(Technology)* - Carbon pricing on carbon intensive materials will increase the cost of the raw components needed for building a new structure such as steel, concrete, plastic, agricultural products, fuels etc. *(Market)* - Mandates to reduce polluting waste, encourage cyclical economy and reduce GHG emissions will have an impact to several sectors of the economy *(Policy and Legal)*	Short to medium term
Liquidity & Funding Risk	✓	- Inability to raise funding due to lack of climate change action by the organisation - Depletion of deposits to address increase operational costs or mitigate transition risks		Short to medium term
Market Risk	✓	- Impact on the price of marketable debt instruments (bonds) and to Real Estate assets	- Impact on the BOC PCL's valuation if it does not reduce its GHG emissions and/or increase its Green Asset Ratio *(Market)* - Impact on debt instruments and collateral values held in cases these are exposed to C&E risks *(Market)*	Medium term
Operational / Reputational Risk	✓	- Reputational risks due to inability to meet stakeholders' demands or due to financing of environmentally harmful projects - Litigation risks due to financing of environmentally harmful projects	- Impact on BOCH's valuation stemming from reputational risks in cases where its GHG emissions are not reduced *(Reputational)* - Reputational impact if the Group fails to introduce greener products *(Reputational)* - Litigation action against BOCH and/or BOC PCL or its customers where environmentally harmful projects are financed or pursued *(Policy and Legal)*	Short to medium term

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Traditional Risks	Physical Risks	Transmission Mechanisms	Examples	Time Horizon
Credit Risk	✓	-Impact on repayment ability through: - increased operating costs due to retrofitting and/or damage/substitution of assets - increase in insurance costs - lower revenues due to reduced productivity - decrease in value of collateral and/or costs to monetise	- Wildfires resulting from extreme temperature spells are highly destructive on property *(Acute & Chronic)* - Strong storms and extreme rainfall could often result in flooding and costly damage to property and disrupt operations and supply chains if facilities are flooded *(Acute)* - Sea level rise is expected to reduce the island's coastline by 80% in a hot house scenario. In the absence of adaptation, more intense and frequent extreme sea level events, together with trends in coastal development will increase expected annual flood damages by 2-3 orders of magnitude by 2100 based on projections by IPCC. - Increases in temperature and failure to adapt may bring about overheating in buildings that, in turn, increases health risks to the vulnerable portion of the population and to indoor workers which can also affect productivity. Assets that have not been retrofitted will not be marketable *(Acute & Chronic)* - Climate change is expected to cause an increase in the frequency, intensity and duration of drought events. Studies generally conclude that these events substantially undermine property prices. *(Chronic)*	Short to longer term
Liquidity Risk	✓	- Depletion of deposits to address increase operational costs or mitigate transition risks		
Market Risk	✓	- Impact on the price of marketable debt instruments (bonds) and to Real Estate assets	- Properties located in areas of higher physical risks, such as flood and wildfire risks, will be faced with the probability of decrease in their price. *(Acute & Chronic)*	
Operational / Reputational Risk	✓	- Increased operational costs	- Incurred damages due to acute physical risks on the buildings can disrupt operations as well as increased operational costs for repairing damages *(Acute)* - Increased operational costs for cooling of buildings *(Acute & Chronic)* - Potential downtime of IT systems during prolonged acute heatwaves *(Acute)* - Decreased personnel productivity during prolonged acute heatwaves *(Acute & Chronic)*	

Credit risk is one of the key risk categories considered to be most impacted by climate change, as seen in the tables above.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Based on the analysis carried out the mapping to the sectors sensitive to C&E risks is presented below:

Risks	Type	Driver	REAL ESTATE ACTIVITIES	ACCOMMODATION & FOOD SERVICE	CONSTRUCTION	TRANSPORTATION & STORAGE	WHOLESALE & RETAIL TRADE; REPAIR OF MOTOR VEHICLES	MANUFACTURING	AGRICULTURE, FORESTRY AND FISHING
Change in Precipitation - Change in average precipitation level	Physical	Chronic							
Change in Precipitation - Increased intensity, frequency and/or duration of flooding	Physical	Acute							
Change in Temperature - Change in average temperature	Physical	Chronic							
Change in Temperature - Extreme temperature spells	Physical	Acute							
Changing customer behaviour	Transition	Market							
Desertification	Physical	Chronic							
Energy supply	Transition	Market							
Enhanced emissions-reporting obligations	Transition	Policy & Legal							
Exposure to litigation	Transition	Policy & Legal							
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Physical	Acute							
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Transition	Market							
Extreme weather - Storms - Increased intensity, frequency and/or duration of storms	Physical	Acute							
Increased cost of raw materials	Transition	Market							
Increased pricing of GHG emissions	Transition	Policy & Legal							
Increased stakeholder concern or negative stakeholder feedback	Transition	Reputation							
Loss of biodiversity	Physical	Chronic							
Mandates on and regulation of existing products and services	Transition	Policy & Legal							
Pests	Physical	Chronic							
Shifts in consumer preferences	Transition	Reputation							
Substitution of existing products and services with lower emissions options	Transition	Technology							
Uncertainty in market signals	Transition	Market							
Sea level rise	Physical	Chronic							

Explanation of colours: Immaterial | Low | Medium | High

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Furthermore, the below table presents the identified risks and possible impacts for the Retail Real Estate and Commercial Real Estate as the Group has a high concentration within these sectors. For these sectors transition risks are expected to materialise through the need of more energy efficient and net-zero buildings which could translate into credit risk by affecting the repayment ability of the borrowers due to increased unexpected costs or by decreasing the value of the asset. Physical risks need to be examined on an asset-by-asset basis and factoring in also their location.

Risk	Driver	Impact	Timeframe	Assessment
Change in Temperature - Change in average temperature	Chronic	Anticipated higher temperatures and lower average rainfall are expected to increase the number of ‘very high’ and ‘extreme’ Forest Fire Danger Index days. Land and buildings located near areas deemed high risk may see a decrease in demand resulting in reduced land prices.	Long-term	**Medium**
Change in Temperature - Change in average temperature	Chronic	Lack of attention to extreme heat events may bring about overheating in buildings that, in turn, increases health risks to the vulnerable portion of the population such as the elderly, the sick and physically challenged, and the very young. High temperatures can be ameliorated by air conditioning, although causing increased energy consumption and therefore in most instances, GHG emissions. Real Estate companies and Hotels may face increased capital expenditure costs to retrofit air conditioning systems to existing buildings or additional costs in including the systems in new builds as well as additional operating expenditure to run the units. This may have an adverse impact on property valuations.	Long-term	**Low**
Change in Temperature - Extreme temperature spells	Acute	In instances where it is projected that significant increases in degradation rate are to arise, adaptations to the building fabric may be required. For existing buildings, adaptation is a means to further protect the existing building fabric, to enhance performance and control the rate of degradation.	Short-term	**Medium**
Changing customer behaviour	Market	Climate change and sustainability is becoming an important factor for many consumers and investors. Stakeholders are increasingly pressuring companies to reduce their carbon footprints. Companies that fail to adopt and respond to these changing attitudes and behaviour could see themselves losing customers and becoming stigmatised.	Medium-term	**Medium**
Changing customer behaviour	Market	Climate change is expected to negatively impact housing prices and demand in regions/areas that are more exposed to physical climate risks. Sea level rise, more intense storms, higher risk of forest fires, lower water quality, and increased frequency of drought events can shift home owners and investors away from traditionally desirable locations. Furthermore climate change and sustainability is becoming an important factor for many consumers and investors. Houses will be expected to be green or energy efficient and have less dependency on traditional energy and other utility sources. These impacts could decrease valuation for properties and rents.	Medium-term	**Medium**
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Acute	Drought events would increase the risk of fires and reduce the ability of safety teams to battle these fires due to water scarcity. Sectors with immovable assets could be facing more damages due to fire events and increasing cost to repair these damages.	Short-term	**Medium**
Shifts in consumer preferences	Reputation	Energy efficient buildings achieve higher asset values through securing higher rents, lower lease-up costs, higher occupancy levels, lower operating costs and improved indoor air quality. Buildings that do not take into account these additional preferences could face a reduction in demand and the valuation of such properties could decrease.	Medium-term	**Medium**

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

UNEPFI Impact Analysis Tool

BOC PCL has employed the UNEP FI's Impact Analysis Tool which provides for a two-step process to understand and manage actual and potential positive and negative impacts of the financing it provides. As per the methodology underpinning the tool (UNEP FI's Holistic Impact Methodology) the impacts are analysed across the spectrum of the three pillars of sustainable development articulated by the SDGs:

- Human needs (the social pillar – people)
- Environmental conditions or constraints (the environmental pillar – planet)
- Economic development (the economic pillar – prosperity)

The tool allows the selection of the industries that the Group has the biggest exposures to and following that it maps which of them are particularly affected by sustainability trends. The impacts are then further broken down as to deeply understand which SDGs are the most relevant for the Group.

For the Corporate portfolio, the impact analysis focussed on the fifty most important sub-sectors based on NACE codes for a total of ten sectors, analysing €4.7 billion of exposures out of a total of €10.2 billion gross loan book as at 31 December 2022. In terms of industries, Accommodation, Real Estate, Trade and Construction have the highest share in the Group's portfolio. Sectors that are of less importance in terms of financed exposure but are considered significant due to their impact on the SDGs, e.g., manufacturing, transportation and agriculture, were also analysed. For Consumer banking, the impacts of the most prevailing banking products were examined including credit cards, overdrafts, consumer loans, mortgage loans, student loans and vehicle loans.

Analysis

a) Corporate Portfolio

Focusing on the negative impacts, the analysis indicates that all the activities of the financed portfolio can potentially affect the entire environmental pillar as expressed through the three distinct impact areas of:

- Circularity;
- Biodiversity & healthy ecosystems; and
- Climate stability.

Activities from the most prevailing financed sectors such as Construction and Real Estate are negatively associated with:

- Biodiversity;
- Resource Intensity;
- Waste; and
- Climate Stability.

This is mainly due to the fact that these sectors are associated with the use of natural resources, produce waste during the construction/operation phase, affect the climate through the GHG emissions of the properties and in addition, the land/area they are built on may have adverse effects on the local ecosystems.

Similarly, the manufacturing and the transportation sectors are mainly associated with the consumption of fossil fuels and production of GHG emissions (through energy usage and mobility). Agriculture is a sector where it takes up a lot of land whereas livestock production causes the emission of fairly large amounts of CO_2. The accommodation sector, which is of the largest sectors of the loan portfolio, it is not considered a key sector by the UNEP FI tool. However, it is negatively associated with waste, pollution, and the cause of strain on land and local ecosystems.

b) Consumer Banking - Households

The analysis indicates that mortgage loans are negatively associated with 'Climate Stability' and 'Resource Intensity' mainly due to the consumption of energy (GHG emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their GHG emissions.

Next Steps

The Group is constantly monitoring results and working on policies as to target specific industries and sectors that will help it increase its positive impact (e.g., lending to renewable energy projects).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Process for managing climate risks

Changing regulatory and legal requirements, increased stakeholder concern, shifts in consumer preferences, and the mandates on and regulation of existing products and services, are just a few ways that the Group can be exposed to climate risk. The Group periodically reviews the risks it faces and considers how they may affect its customers and operations.

The table below provides an overview of the actions to mitigate climate risk the Group intends to take or is already taking. These actions relate to the previously identified C&E risks that affect the primary risk types.

Risk Type	Controls/ Mitigations Used
Credit	***Transition Risks*** Going forward, the Group intends to perform detailed analyses ('deep dives') for specific Corporate clients with large exposures, in order to carry out strategic initiatives with respect to the following: -Determination of financing terms for Corporate clients with different levels of transition risk -Financing of Corporate clients' 'green' transition -Collection of additional information on Corporate clients' environmental performance (e.g. GHG emissions data). ***Physical Risk Assessment*** In the context of further future actions, the Group intends to perform detailed analyses ('deep dives') regarding its exposure to specific areas with high physical risk vulnerabilities. This will be facilitated through the acquisition of detailed geolocation data which will allow the Group to consider the physical risk of collaterals during loan origination process, to appropriately adjust the underlying financing.
Liquidity & Funding	The 2022 ILAAP scenario considers increased outflows on climate sensitive areas of the loan portfolio.
Market	The Group will consider the ESG rating of bonds purchased.
Operational	The Group, through its current policies and procedures within its BAU and Business Continuity Plans is already addressing these risks. Furthermore, it plans to capture these risks and mitigating actions through its third party assessment procedures.

Integration of climate related and environmental risks into overall risk management

The Group is making substantial progress in further integrating climate risk considerations into its risk management approach, as it tries to integrate climate related risk into its risk culture.

The Group is in the process of embedding climate related risks into its:

- Risk Appetite Framework;
- Climate risk assessment at loan origination;
- Capital Adequacy Assessment and Stress Testing; and
- Internal Risk Reporting.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk Management Framework

The Group has in place a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of risk within the Group. The Framework provides the infrastructure, process and analytics needed to support effective risk management.

Risk Appetite Framework

The Group has set several primary KPIs and corresponding targets in its ESG strategy which are reflected in its current Risk Appetite Statement. Shorter term targets will be set going forward following the estimation of Financed Scope 3 GHG emissions.

Climate risk assessment at loan origination

Within the context of its loan underwriting processes BOC PCL is currently in the process of incorporating the assessment of ESG and climate matters and amending its Policies and Procedures in such a way that potential impact from ESG and climate is reflected in the fundamental elements of the creditworthiness assessment i.e., in Repayment Capacity and Collateral Assessment.

In doing so, BOC PCL is taking the necessary steps to develop an approach which will allow this impact to be assessed both with new lending applications and within stress testing framework. The rationale of elaborating on such an approach is that certain risks might be already affecting the fundamental parameters and are not dependent on realisation of a scenario, whereas other risks are scenario dependent, and their impact would materialise only in the case of the scenario being realised.

The exercise includes the design of ESG questionnaires per sector which will then be leveraged for deriving an ESG classification. The amendment in policies and procedures will also account for the decision-making process in the form of potential alteration of pricing, setting of specific covenants and monitoring requirements, etc.

Climate risk sensitivity and stress testing

Scenario analysis and climate risk stress testing are methods which assist in evaluating and managing the possible effects of C&E risks, to the Group's business strategy and financial planning decisions.

The Group is in the process to enhance the Risk Quantification capabilities regarding the quantification of ESG and climate risks both in terms of an Economic perspective and Normative perspective. In doing so, the Group will focus/take into consideration the below:

- Incorporation of ESG and climate into its risk parameters (PD, LGD, etc.).
- Development of methodology to quantify the ESG and climate risks on the basis of risk parameters.
- Development of methodology to quantify the impact from specific scenarios, by considering whether the said scenario would directly affect risk parameters, or the impact would be propagated via macro-economic factors.

Following the above, the Group aims to assess the impact on capital in relation to the level of risks it is or might be exposed to, under both normal and stress conditions from both the normative and economic perspectives.

Climate change risk will be considered in the risk identification process of the assessment. Where relevant, outcomes from climate scenario analysis and stress tests will be reflected in the assessment documentation.

With the aim to integrate climate risk into the existing risk taxonomy and risk registry of the Group and inform the various business processes, the Group will assess the potential need to capitalise climate risk, considering regulatory and supervisory expectations.

The Group will also be carrying out sensitivity analysis on the vulnerable areas of its loan portfolio. Such analysis is expected to be carried out on a top-down basis.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Internal Risk Reporting

The Group is working to introduce a new reporting framework to track its climate risk exposure. Currently, regular reporting primarily consists of progress updates on the ESG Working Plan. This takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC. The RC also receives separate updates on specific risk management related activities when needed.

Beyond the ESG Working Plan updates, during 2022 the following items were submitted to the appropriate Board Committee:

- The decarbonisation strategy relating to Scope 1 and Scope 2 GHG emissions. This was submitted to the NCGC for approval.
- The risk identification and materiality assessment. This was submitted to the RC for approval.

In addition, the Group is working on setting KRIs related to the environmental pillar in order to monitor C&E risks and to prevent any negative impacts stemming from these risks. Internal reporting will also include the following actions:

- Monitoring of the Energy Performance Certificates of the building stock of the Group's collateral portfolio (both for residential and commercial properties)
- Levels of GHG emissions per sector
- Level of financing on Renewable Energy Projects

Integration of climate related and environmental risks into the Group's three lines of defence framework

Three Lines of Defence

As per the three lines of defence model established by the Group, Control Functions have defined responsibilities in terms of ESG and climate risks.

First Line of Defence

The first line of defence includes functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. Whilst not yet in place, the first line of defence will lead the interaction with the customers as part of the incorporation of the ESG and climate criteria in the credit underwriting process through the ESG questionnaire and scoring process. Furthermore, it will be requested to observe any sector limits being put in place as derived from the science-based targets.

Second Line of Defence

The second line of defence includes functions that oversee compliance of the first line with the regulatory framework and management of risk. It comprises of the RMD, Information Security and Compliance functions, with the involvement as necessary of the support functions such as Human Resources (HR) and Legal Services Department (LSD). In terms of ESG and climate, the second line of defence provides support and oversight of risks through:

- developing, maintaining and enhancing the risk management framework covering all operations of the Group (including ESG and climate risks) and considering new risks or amendments to the existing ones;
- developing and maintaining risk, information security and compliance policies within that framework ensuring these are consistent with the Board's risk appetite and the Group's ESG Strategy; and
- providing the necessary reporting on exposures affected by ESG risks and develop the necessary models and tools to facilitate the climate risk assessment.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Integration of climate related and environmental risks into the Group's three lines of defence framework (continued)

Third Line of Defence

The third line of defence is the Internal Audit Division (IA) which provides independent assurance to the Board and Executive Management on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG and climate risks), for managing significant risks according to the risk appetite set by the Board.

Pillar IV - Metrics and Targets

The Group has disclosed its performance on climate-related metrics and targets based on primary targets set under the ESG strategy. The Group uses such metrics and targets to provide quantitative information on the current status of climate strategy and performance. These figures are regularly assessed by Senior Management through the governance arrangement as presented earlier in 'Pillar I - Governance' section of these TCFD. In the upcoming pages, the Group summarises the operating and financial information to date to guide its progress towards the established impact-reduction and financing goals and the net zero plan.

Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050

The Group aims to become carbon-neutral by 2030, by gradually eliminating its scope 1 and 2 GHG emissions.

The Group has estimated the Scope 1 and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. For the Group to meet the carbon neutrality target, the Scope 1 and Scope 2 GHG emissions should be reduced by 42% (absolute target) by 2030. The absolute reduction target has been set following the climate scenario of 1.5°C which is aligned with the Paris Agreement. BOC PCL in 2022, designed the plan of actions to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. The Group is in the process to design the decarbonization strategy for the reduction of Scope 1 and Scope 2 GHG emissions of its subsidiaries.

For the purpose of the calculation of the 2021 and 2022 Carbon footprint, the Group has set its organisational boundaries based on the operational control approach. The 2021 and 2022 carbon footprint for Scope 1 and Scope 2 GHG emissions was estimated based on the methodologies described in the Greenhouse Gas Protocol ('GHG Protocol') and ISO14064-1:2019 standard. The Group's own carbon footprint will continue to be calculated on an annual basis which will enable comparisons to be made and progress against decarbonisation targets to be monitored.

In 2022, BOC PCL has formulated a plan of action to reduce Scope 1 and Scope 2 and meet carbon neutrality target by 2030 and plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to approximately 5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. The Group expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy.

A number of carbon reduction initiatives are already underway and contribute to the reduction of carbon footprint in the immediate future. These energy and waste initiatives include:

- installation of new solar panels;
- implementation of Energy Management system;
- installation of electric chargers for cars;
- improvement of waste measurement;
- increase initiatives for waste recycling; and
- reduction of paper use.

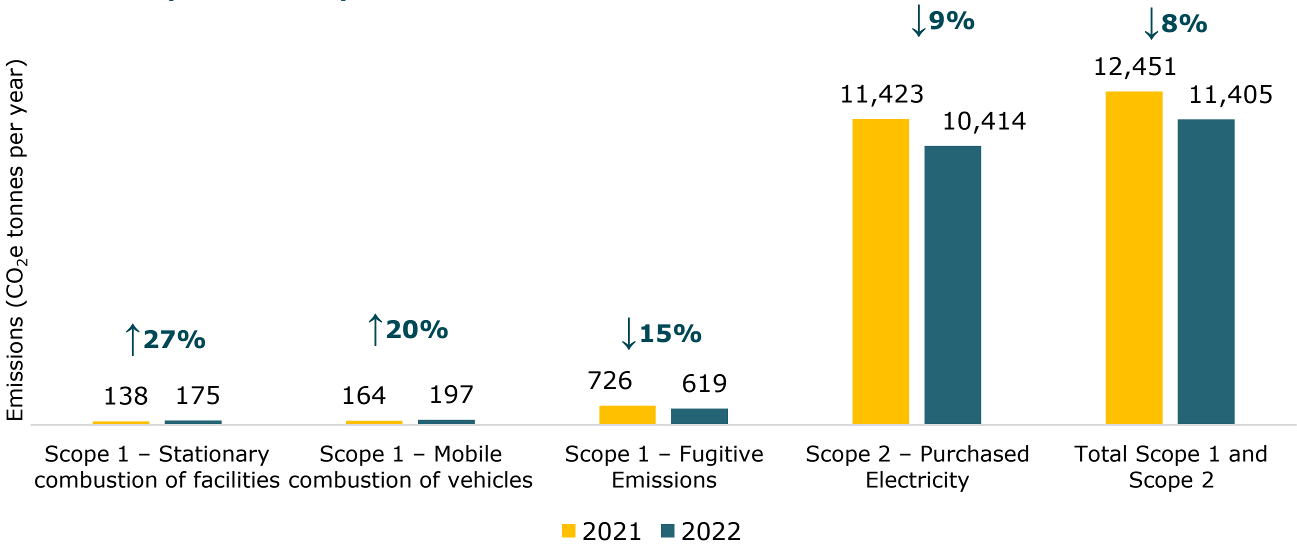
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050 (continued)

BOC PCL, being the main contributor of GHG emissions of the Group, has estimated Scope 1 and Scope 2 GHG emissions for 2022 in order to monitor the progress on carbon neutrality target:

BOC PCL - Scope 1 and Scope 2 GHG emissions



The Scope 1 and Scope 2 GHG emissions of the Subsidiaries of the Group and the non-Financed Scope 3 GHG emissions of the Group will be reported in the Sustainability report of 2022 (the 2022 Sustainability report will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

(Note: The 2021 estimated Scope 1 and 2 GHG emissions presented here are slightly different to those reported in the 2021 Sustainability Report due to the following factors: the overestimation of certain Global Warming Potentials (GWP) for Scope 1 Stationary Combustion, re-estimation of Scope 1 Fugitive GHG emissions to include all properties and reallocation of relevant GHG emissions between companies within the wider Group following revised ownership rights.)

Energy management

Energy consumption accounts for a large percentage of the GHG emissions of own operations. The Group works to reduce consumption in all aspects of its operations. Optimising the amount of energy consumed helps reduce both the Group's environmental footprint and operational costs. The Group implements initiatives for its branches and owned buildings across Cyprus as well as its Head Office, aiming to make a significant, positive impact on the environment and reduce costs. Renewable energy from solar panels has been extremely important in mitigating the Group's climate change impacts. A reduction of approximately 9% in BOC PCL' Scope 2 GHG emissions has been observed in 2022 compared to 2021 following the installation of energy efficient lighting, installation of Energy Management Systems, on-site photovoltaic systems at eight owned buildings and replacement of old air conditioning units.

BOC PCL has managed to reduce its energy consumption by approximately1.8 million kWh in 2022 compared to 2021. In addition, BOC PCL invests continuously in updating its internal practices, and upgrading equipment and technologies, adopting new standards, and complying with international best practices.

Mobile combustion has been increased by 20% due to the fact that COVID-19 measures were applicable in 2021 whilst no COVID-19 related circulation restrictions were effective in 2022 leading to increased consumption. However, BOC PCL disposed of five passenger vehicles in 2022 and is in the process to establish a policy for all vehicle replacements to be hybrid or electric.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Energy management (continued)

Scope 1 GHG emissions relating to Stationary combustion was increased by 27% due to the fact that in one of the buildings the fuel intensive machinery was idle in 2021 but was fully utilised in 2022 for heating purposes due to a mechanical failure on the electricity intensive heating machineries. In addition, fuel consumption was increased in 2022 due to the fact that one building of the Group, which was idle from March 2020 onwards, become fully operational in 2022. These two properties recorded zero stationary combustion GHG emissions in 2021 whilst led to 31.35 tonnes of GHG emissions in 2022.

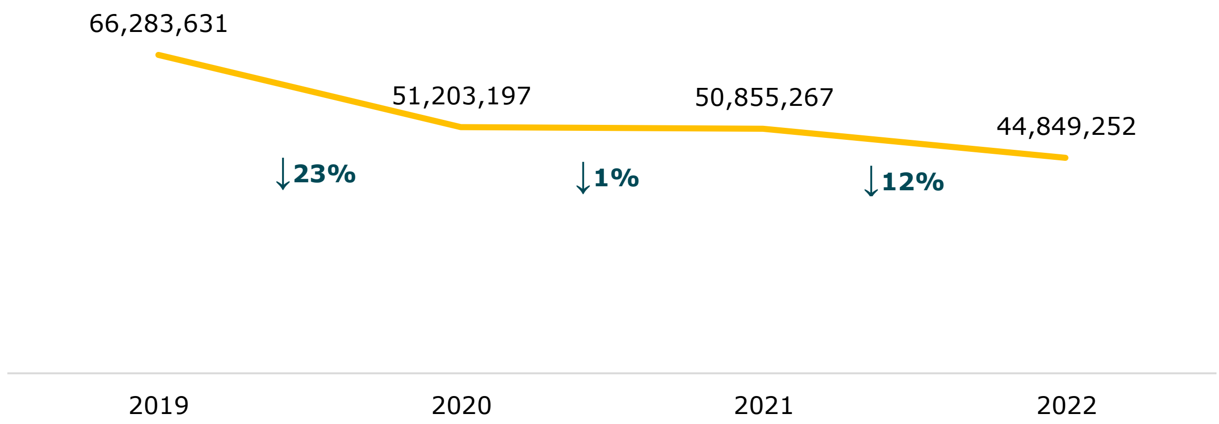
The overall environmental impact relating to Scope 1 and Scope 2 GHG emissions reduced by 1,046 GHG emissions tonnes in 2022 compared to 2021 which represents approximately 8% reduction.

Resource Management and Recycling

Throughout the year, the Group runs initiatives, environmental trainings, awareness sessions and internal communication campaigns to increase environmental awareness, improve efficiency and performance, and reduce resource consumption.

Initiatives focus on various environmental aspects, including energy consumption, paper consumption, printing, use of A/C systems. The goal of this initiative was to motivate all employees to act and join the effort to become more efficient when it comes to resource consumption.

BOC PCL - Paper Consumption (kgs)



Reduction of all GHG emissions to become Net Zero by 2050

BOC PCL has joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions. BOC PCL has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies. The PCAF Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. In addition, PCAF provides a data quality ranking for the estimation of Financed Scope 3 GHG emissions based on data applied in the estimation for each asset class. The scale is between 1-5 with 1 being the highest quality and 5 being the lowest quality.

BOC PCL aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire is expected to be launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. BOC PCL has already established a policy in the loan origination process to gather Energy Performance Certificates (ratings and GHG emissions per square meters) for the financed properties and collateral properties. Additional data gathering actions will be performed during 2023.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

For the initial estimation of Financed Scope 3 GHG emissions relating to the lending portfolio, the loan portfolio was classified in the following PCAF asset classes which will facilitate the setting of decarbonisation targets in the future:

PCAF Asset class	Definition
Business loans	Business loans include all loans and lines of credit for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol) to businesses, non-profits, and any other structure of organisation that are not traded on a market and are on the balance sheet of the financial institution. Revolving credit facilities, overdraft facilities, and business loans secured by real estate such as Commercial Real Estate-secured lines of credit are also included. Any off-balance sheet loans and lines of credit are excluded.
Commercial Real Estate (CRE)	This asset class includes on-balance sheet loans for specific corporate purposes, namely the purchase and refinance of commercial real estate (CRE), and on-balance sheet investments in CRE. This definition implies that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. In all cases, the building owner or investor leases the property to tenants to conduct income-generating activities.
Mortgages	This asset class includes on-balance sheet loans for specific consumer purposes namely the purchase and refinance of residential property, including individual homes and multifamily housing with a small number of units. This definition implies that the property is used only for residential purposes and not to conduct income-generating activities.
Motor vehicles	This asset class refers to on-balance sheet loans and lines of credit for specific (corporate or consumer) purposes to businesses and consumers that are used to finance one or several motor vehicles. Corporate loans for acquisition of vehicles for trade purposes were classified as 'Business Loans'.

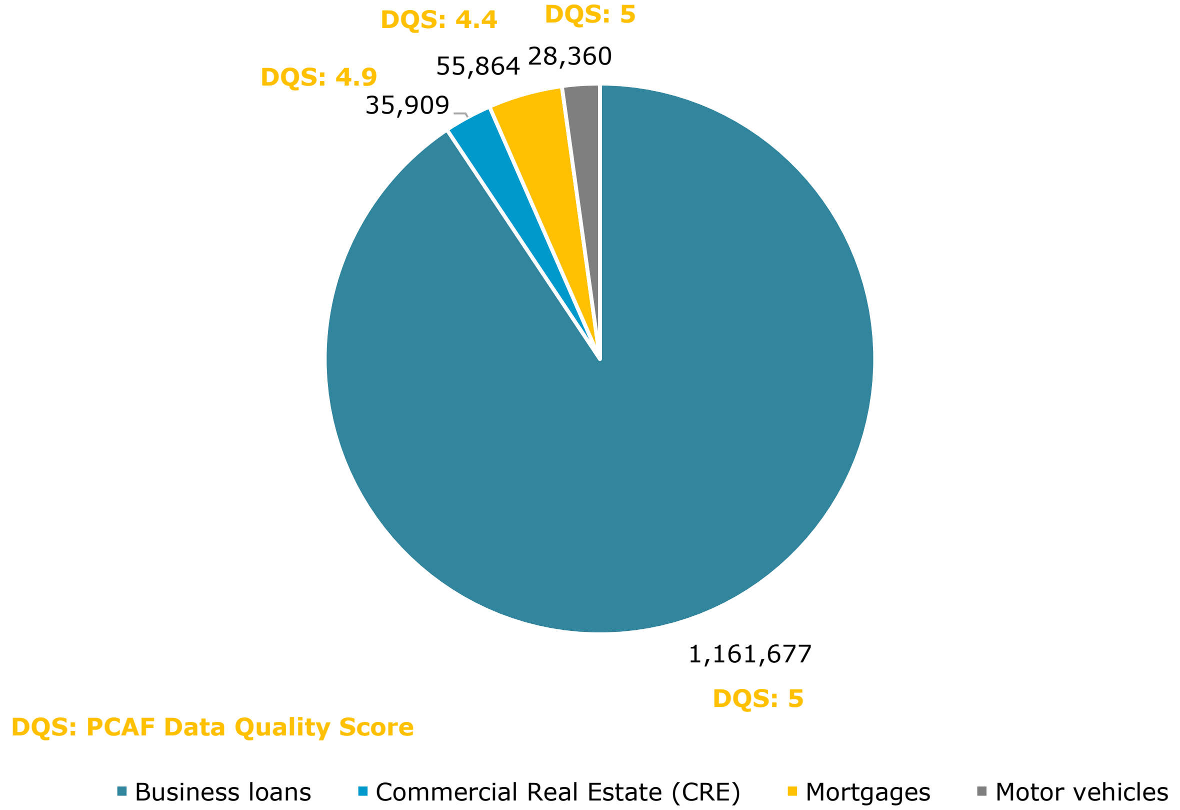
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

The Group estimated the Financed Scope 3 GHG emissions for approximately 88% of Gross Loans and advances portfolio which fall under the above mentioned asset classes. The Group plans to estimate the Financed Scope 3 GHG emissions of its investment and insurance portfolio within 2023. More than approximately 97% of the Group's GHG emissions derived from Financed Scope 3 GHG emissions.

Financed Scope 3 GHG emissions (CO_2e tonnes per year) – 2022 - Loan Portfolio



In 2023, the Group is expected to set decarbonisation target on its Mortgage portfolio due to the fact that 91%[5] of building stock in Cyprus was built before the implementation of minimum energy performance requirements. Therefore, renovation of building stock in Cyprus is vital for reaching Net Zero by 2050. In 2023, the Group is expected to estimate the Financed Scope 3 GHG emissions per square meter financed in Cyprus and set a decarbonisation reduction target to 2030 using a 1.5°C climate scenario. The decarbonisation target will then inform the Group's strategy from 2023 onwards as it will impact the new mortgage lending strategy as well as the incorporation in the new lending strategy of the provision of finance for improvement in energy performance of residential buildings taking into account any government schemes.

[5] Implementation-of-the-EPBD-in-Cyprus.pdf (epbd-ca.eu)

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

Given that the majority of Financed Scope 3 GHG emissions derive from Business Loan asset class, the carbon concentrated sectors under Business Loan asset class have been identified, based on PCAF definition, which are the primary sectors for setting decarbonisation targets. The Group has initiated the process to set decarbonisation targets aligned with a climate scenario for its loan portfolio in 2023. The primary sectors identified under Business Loan asset class are Accommodation and food service activities (12%), Construction (20%), Manufacturing (16%), Transportation and storage (24%) and Wholesale and retail trade (10%).

BOC PCL – Financed Scope 3 GHG emissions – Business loan asset class			
NACE	**Sector**	**OS Loan Amount €million**	**Emissions (CO_2 tonnes per year) – 2022**
H	TRANSPORTATION AND STORAGE	275	281,389
F	CONSTRUCTION	318	236,487
C	MANUFACTURING	360	189,249
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	770	135,124
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	785	119,988
M	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	262	46,021
D	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	48	48,527
A	AGRICULTURE, FORESTRY AND FISHING	42	22,734
Q	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	86	19,882
L	REAL ESTATE ACTIVITIES	685	17,325
E	WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	4	10,541
K	FINANCIAL AND INSURANCE ACTIVITIES	135	10,353
J	INFORMATION AND COMMUNICATION	33	8,013
B	MINING AND QUARRYING	12	5,004
P	EDUCATION	44	3,202
R	ARTS, ENTERTAINMENT AND RECREATION	15	2,876
S	OTHER SERVICE ACTIVITIES	18	2,696
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	24	2,266
Total Financed Scope 3 GHG emissions – Loan portfolio		**€3,916**	**1,161,677**

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Steadily increase Green Asset and Green Mortgage Ratios

The Financial sector has an important role to play in addressing the climate crisis by providing the capital needed to expedite the transition to a low-carbon economy that balances our world's environmental, social and economic needs. We are prepared to support the drastic changes needed in our business and in the world's industrial processes, land-use, buildings, transport and other infrastructure to align with the goals of the Paris Agreement.

A key metric to assess progress against this target is the proportion of the Group's climate action financing as a percentage of total financing. In Part B of these 'ESG Disclosures' the Taxonomy eligible exposures as a percentage of the Group's total assets are presented.

The Group has set up a Sustainable Finance Framework which will facilitate the issuance of Green, Social or Sustainable bonds. The proceeds from such bonds will be allocated to eligible activities and products as designated in the Sustainable Finance Framework.

To support this goal, the Group is working to develop a Green Lending Framework where it expects to use the EU Taxonomy as the main consideration to inform criteria for green or transition loans. This framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands.

PART B:

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

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 related to the environmental objectives of climate change adaptation and mitigation for 2022, for which screening criteria have been established under the delegated acts 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 after the issuing date of this Annual Financial Report, 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 2022 and 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 Complementary Climate Delegated Act including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy-eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2022. While the Group has no direct exposure to the specific nuclear activities and fossil gas related activities, it has exposure to customers involved in the use of fossil gaseous fuels to facilitate power generation activities.

Additional qualitative information with respect to the Group's environmentally friendly products, Green Lending policy and Environmental and Social Policy are provided under 'Pillar II - Strategy' section of Part A-TCFD of these disclosures.

The following table outlines the breakdown of Taxonomy-eligible assets on the balance sheet with reference to disclosure requirements for 2022. 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.

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

	31 December 2022	
Assets covered in both numerator and denominator	**€million**	**% of total assets**
Households	3,884	16%
Local government financing	47	0%
Taxonomy eligible economic activities	**3,931**	**16%**
Assets excluded from the numerator (covered only in the denominator)		
Exposures & investments to NFCs not subject to NFRD	4,870	20%
Exposures & investments to FCs not subject to NFRD	339	1%
On-demand inter-bank loans	119	1%
Derivatives-non trading book	44	0%
Properties (stock of properties and investment properties)	1,091	5%
Exposures & investments to FCs subject to NFRD	824	3%
Exposures & investments to NFCs subject to NFRD	264	1%
Exposures to retail sector not included in the numerator	814	3%
Other assets (own-use property approximately/assets held for sale etc.)	1,168	5%
Taxonomy non-eligible activities	**9,533**	**39%**
Total covered assets	**13,464**	**55%**
Other assets not covered in either denominator or numerator		
Exposures to Central Governments	1,111	4%
Exposures to Central Banks	9,476	39%
Sovereigns	137	1%
Supranational Exposures	294	1%
Trading book exposures	4	0%
Total assets not covered in either denominator or numerator	**11,021**	**45%**
Total assets	**24,486**	**100%**

Taxonomy eligible economic activities as a percentage of total assets amount to 16% for the years ended 31 December 2022 and 2021, whereas non-eligible economic activities amount to 39% of total assets for the year ended 31 December 2022 (2021:41% of total assets). Total derivative exposures as a % of total assets amount to less than 1% for both of 2022 and 2021.

PART C:

Non-financial information statement

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, environmental integrity, climate stability and a viable economy are all among the Group's key targets for 2022 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 2022 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

Commitment to Sustainability
Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to make progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual.

The Group acts with transparency and accountability, in line with its code of ethics, and aspires to lead in an era characterised by exponential change, disruption and digitalisation through its innovative approach. The Group remains consistent and committed towards all its stakeholders; investors, customers, shareholders, employees and the society.

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

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

Employee Engagement
As of 31 December 2022, the Group employed 2,889 employees compared to 3,438 persons as at 31 December 2021. 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 2022 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 for the years 2021 and 2022 a performance-based pay structure was introduced across the Group to drive greater alignment with Group's strategy and ambition.

In 2022, under the 'Organisational Health' project, the Group executed two Pulse check surveys. The Pulse checks remain valuable tools to reassess peoples' perspectives, management's commitment and engagement around the Group's selected health priorities (Personal Ownership, Knowledge Sharing, Employee Involvement and Career Opportunities). Following Pulse checks all practices were improved and dedicated Group and Divisional action plans were designed.

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 2022, BOC PCL heightened its emphasis on staff wellness by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by 1,424 employees, through its 'Well-at-Work program'.

Non-financial information statement (continued)

Learning and Development
Under the Group's Learning and Development Policy, in 2022 the training programmes delivered were based on the following training pillars:

- Systems and data - Provide reskilling and upskilling opportunities to unlock people's potentials and help them to better cope with the ongoing changing professional needs and skills.
- Capability building training - Evolve management skills of middle management to better manage, engage with people and develop further senior management leadership styles to inspire people and drive change.
- Business Driven training - Provide ongoing training opportunities to keep people up to date with regulatory, compliance, information security etc. knowledge, to perform with integrity and professionalism.

As the pandemic restrictions subsided during 2022, training programs offered to members of staff increased by 32% in 2022 in comparison to 2021 and total training hours offered increased by 35% in comparison to 2021. In 2022, 100% of employees received training, with a total of 67,326 training hours being offered. Further to the provision of e-learnings and live webinars, the Group provided 75 physical trainings and programs totalling 13,603 hours during 2022.

Health and Safety
The Health and Safety (H&S) of employees, customers and associates is of primary responsibility for the Group. The objective has always been to prevent work-related injuries and ensure H&S at the workplace through the effective management of related risks.

In 2022 the Group H&S Policy and the internal procedures were revised so as to ensure compliance with the new H&S regulations. Employees were trained on H&S issues and procedures through an e-learning course. In addition, training sessions were conducted for the Presidents of the Safety Committees and key persons of the H&S team, the Compliance Liaisons and the First Aiders. The Group conducts evacuation exercises once a year nationwide for the emergency procedures, including earthquakes and fire. Identified risks through the risk assessments have been properly addressed throughout the year. Our approach is to provide assurance that risks are being properly managed and make our people feel safe. In 2022, BOC PCL continued emphasizing staff wellness offering seminars on Healthy Eating and Mental Health in the workplace, through its 'Well at Work program'.

Society
The Group's CSR Strategy and CSR Programme contribute to the Social Pillar of the ESG Strategy and support the Group's selected United Nations Sustainability Development Goals (SDGs). The Group's CSR programme and all relevant initiatives are compatible with its core business and enhance the Group's overall strategy and vision. The CSR 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. 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.

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 the Group's stakeholders (investors, customers, employees, shareholders, regulators etc.).

In 2022 the Group continued to undertake sustainable support to the local community with Health Pillar initiatives, and Education Pillar initiatives, based on the relevant policy and strategy. Additionally, the Group continued to develop initiatives that aimed to preserve local culture and history, through the Bank of Cyprus Cultural Foundation and to enhance innovation and start-ups through the IDEA Innovation Centre. The Group successfully continued and expanded the operation of the award winning SupportCY network of companies and NGOs.

Non-financial information statement (continued)

Society (continued)
SupportCY was created in March 2020, in order to support public services performing frontline duties during the COVID-19 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 2022, the SupportCY network had more than 167 members, while the SupportCY Crises and Disasters Respond Center, the SupportCY Volunteers Corps and SupportCY House, continue to operate and expand in order to satisfy and cover even more needs of the Cyprus society, and beyond. By 31 December 2022, the SupportCY initiative contributed to society, more than €880,000 worth in funds services and products with BOC PCL contributing most of the monetary support.

To support all the above actions, BOC PCL contributed approximately €620,000 for the support and enhancement of more than 90 NGOs, associations, charity organisations, 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 three pillars of Health, Environment and Education, are indicated below.

Health pillar main actions:

- More than 55,000 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, customised to meet pandemic related social distancing and other rules. The campaign resulted in fund raising of €446,000, recording an increase of around 36% relating to the past year.
- In 2022, 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.

Education pillar main actions:

- The Bank of Cyprus Cultural Foundation ('the Foundation') is a non-profit organisation established in 1984, protecting cultural heritage and supporting youth, curating two museums and five rare collections. The main strategic objectives of the Foundation are the promotion of research, the study of Cypriot culture in the fields of archaeology, history, art and literature, the preservation and dissemination of the cultural and natural heritage of Cyprus, with particular emphasis on the international promotion of the long-standing Greek culture on the island, the shift to research and development of cultural sustainability through European grants and the upgrading and promotion of the educational role of the Foundation. In addition, the Foundation is developing and upgrading the institution's social role for vulnerable/disadvantaged groups, aiming at permanent changes/adaptations in its museums and actions that promote and facilitate the participation of all vulnerable/disadvantaged groups in culture. The Foundation 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.
- In 2022 IDEA was recognised as a valuable partner by the State through the signing of a Memorandum of Understanding with the Ministry of Research, Innovation & Digital Policy, thus materialising its strategic pillar for Public-Private Sector cooperation. The Memorandum included a grant of €100,000 for two IDEA start-ups, as well as joint activities to strengthen youth innovative entrepreneurship. IDEA's cornerstone is its Startup Programme, a comprehensive business creation training program, which hosts start-ups for a period of nine months. Through its extensive panel of more than 80 high-profile mentors and trainers working mostly pro-bono, start-ups work closely with industry experts to receive feedback, mentoring, consultation and professional services. In 2022 IDEA has brought to life innovative businesses relating to healthtec, greentec and tourism sectors, through its current five start-ups.
- In 2022, the Group repeated the partnerships with various organisations to boost efforts around education, innovation and ingenuity. Additionally, the Group awards excellence and creativity among students, but also recognises students who stand out in international and local competitions, through awards and prizes. The Group also awarded talented youth in sports, through sport associations and academies.

Non-financial information statement (continued)

Education pillar main actions: (continued)

- Road Safety is one more sub-pillar in Education that the Group is actively involved, through the organisation and support of campaigns such as friendly tire and mechanical inspections on vehicles, and activities in schools on road safety education, in partnership with expert NGOs, the Police and the Ministry of Transportation.

Environment

The Group aspires to increase its positive impact on environment, and maintain its leading role in the social and governance pillars by transforming not only its own operations, but also the operations of its customers. Further details on the Group's strategy and actions to deliver on the Group's ambitions are disclosed in Part A - TCFD of these 'ESG Disclosures' and in Section 'Business Overview' in the Directors' Report.

During 2022, the Group initiated more environmental programmes in partnerships with expert Non-Governmental Organisations ('NGOs') and other entities, focusing on climate change impacts and the prevention, response to and recovery of forest fires, biodiversity and sea pollution.

Environmental pillar main actions:

- The 'Melissa Zoi' Centre, a bee artificial insemination project for biodiversity, was inaugurated in June 2022, by BOC PCL and the Rotary Clubs of Cyprus. The initiative aims to revitalise the environment and restore economic activity to areas where honey is produced, and which were devastated by wildfires. The 2021 wildfires affected about 75% of beehives so the project aims to revive the destroyed ecosystem, revitalising the affected honey-producing communities. The goal is to provide the necessary support to nature and to the communities that suffer environmentally, financially and professionally. The Centre's operation will benefit nine communities and 38 small and medium-sized honey-making businesses.
- 'Seaμμαχία', a joint Sea Venture, is a project funded by BOC PCL and includes the study and installation of a pilot system for monitoring the quality of sea water in the area of the Ayia Napa Marina in Cyprus. The purpose is to monitor and record important water quality parameters in real time. The main goal of the project is the provision of early detection of pollution indices, which in turn will provide warnings for necessary corrective actions to ensure environmental protection, not only for the Ayia Napa area, but also other coasts of Cyprus thus creating a national sea water quality control system. The pilot program will be implemented by the EMERGE research group of the Cyprus University of Technology in collaboration with CYMEPA and the Ayia Napa Marina.
- BOC PCL and SupportCY businesses and organizations joined forces and supported the Forest Department in the prevention and protection of Cypriot forests. Prevention measures and actions related to public awareness on the protection of forests, as well as fire protection programmes in the forests of Cyprus, were launched in the summer of 2022. Based on official statistical surveys, prevention is the most important factor in the protection of forests. A series of forest patrols has been programmed by the SupportCY Volunteers Corps and the Crises and Disasters Centre. Concurrently, educational and informative actions have been planned in shopping centres and rural municipalities with the collaboration of the Forest Department.
- 'Rescue 3 Europe' has certified five members of BOC PCL's SupportCY Volunteers Corps as 'Swiftwater' and 'Flood First Responders' after undergoing intense training in Greece. The certified members will be mobilized to support and deal with the event of flood.
- SupportCY's members, partnered organisations and state agencies planted 180 trees at Lourka Forest in Geri in 2022. The tree planting locations are designated by the Department of Forests, partnered up with BOC PCL and SupportCY for tree planting activities.

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/organisations 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 2022.

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 to appropriate conduct. 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 Organisation (ILO) and the Universal Declaration of Human Rights (UDHR).

Non-financial information statement (continued)

Human Rights and Equal Opportunities (continued)
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 equality. 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 emphasise 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.

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 'high-risk' third countries). 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 the 'Directors' Report' within the Annual Financial Report 2022.

Non-financial information statement (continued)

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 the 'Directors' Report' and section 'Pillar III – Risk Management' of Part A - TCFD of these 'ESG Disclosures' and in the 'Risk and Capital Management Report' all forming part of this Annual Financial Report.

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 the Directors' Report. Climate and Environmental KPIs are disclosed in the 'Pillar IV – Metrics and Targets' section of Part A - TCFD of these 'ESG Disclosures'.

Consolidated Financial Statements for 2022

Contents

Consolidated Income Statement

for the year ended 31 December 2022

	Notes	2022 €000	2021 (restated) €000
Turnover	6	**904,213**	754,633
Interest income	7	**428,849**	360,928
Income similar to interest income	7	**22,119**	27,621
Interest expense	8	**(65,821)**	(67,057)
Expense similar to interest expense	8	**(14,840)**	(25,192)
Net interest income		**370,307**	296,300
Fee and commission income	9	**202,583**	180,212
Fee and commission expense	9	**(10,299)**	(8,416)
Net foreign exchange gains	10	**31,291**	16,503
Net gains/(losses) on financial instruments	11	**10,052**	(21,323)
Net gains on derecognition of financial assets measured at amortised cost		**5,235**	3,859
Income from assets under insurance and reinsurance contracts	12	**114,681**	205,861
Expenses from liabilities under insurance and reinsurance contracts	12	**(43,542)**	(144,817)
Net losses from revaluation and disposal of investment properties	6	**(999)**	(1,828)
Net gains on disposal of stock of property	27	**13,970**	13,296
Other income	13	**16,681**	14,244
Total operating income		**709,960**	553,891
Staff costs	14	**(294,361)**	(218,633)
Special levy on deposits and other levies/contributions	15	**(38,492)**	(36,350)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	39	**(11,880)**	523
Other operating expenses	15	**(166,365)**	(167,711)
Operating profit before credit losses and impairment		**198,862**	131,720
Credit losses on financial assets	16	**(59,529)**	(46,144)
Impairment net of reversals on non-financial assets	16	**(29,549)**	(49,456)
Profit before tax		**109,784**	36,120
Income tax	17	**(35,812)**	(4,243)
Profit after tax for the year		**73,972**	31,877
Attributable to:			
Owners of the Company		**71,106**	29,709
Non-controlling interests		**2,866**	2,168
Profit for the year		**73,972**	31,877
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	18	**15.9**	6.7

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 €000	2021 €000
Profit for the year		**73,972**	31,877
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods		**(13,309)**	(550)
Fair value reserve (debt instruments)		**(11,197)**	(398)
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)		**(9,935)**	(398)
Transfer to the consolidated income statement on disposal		**(1,262)**	-
Foreign currency translation reserve		**(2,112)**	(152)
Profit/(loss) on translation of net investments in foreign branches and subsidiaries		**1,967**	(7,881)
(Loss)/gain on hedging of net investments in foreign branches and subsidiaries	*21*	**(4,079)**	7,797
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries		**-**	(68)
OCI not to be reclassified in the consolidated income statement in subsequent periods		**(6,059)**	6,475
Fair value reserve (equity instruments)		**(2,015)**	789
Net (losses)/gains on investments in equity instruments designated at FVOCI		**(2,015)**	789
		-	-
Property revaluation reserve		**244**	535
Fair value gain before tax	*25*	**-**	408
Deferred tax	*17*	**244**	127
Actuarial (losses)/gains on defined benefit plans		**(4,288)**	5,151
Remeasurement (losses)/gains on defined benefit plans	*14*	**(4,288)**	5,151
Other comprehensive (loss)/income for the year net of taxation		**(19,368)**	5,925
Total comprehensive income for the year		**54,604**	37,802
Attributable to:			
Owners of the Company		**51,738**	35,649
Non-controlling interests		**2,866**	2,153
Total comprehensive income for the year		**54,604**	37,802

Consolidated Balance Sheet
as at 31 December 2022

		2022	2021 (restated)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks	*19*	**9,567,258**	9,230,883
Loans and advances to banks	*19*	**204,811**	291,632
Derivative financial assets	*21*	**48,153**	6,653
Investments at FVPL	*20*	**190,209**	199,194
Investments at FVOCI	*20*	**467,375**	748,695
Investments at amortised cost	*20*	**2,046,119**	1,191,274
Loans and advances to customers	*23*	**9,953,252**	9,836,405
Life insurance business assets attributable to policyholders	*24*	**542,321**	551,797
Prepayments, accrued income and other assets	*28*	**639,765**	616,219
Stock of property	*27*	**1,041,032**	1,111,604
Investment properties	*22*	**85,099**	117,745
Deferred tax assets	*17*	**227,521**	265,481
Property and equipment	*25*	**253,378**	252,130
Intangible assets	*26*	**168,322**	184,034
Non-current assets and disposal groups held for sale	*29*	**-**	358,951
Total assets		**25,434,615**	24,962,697
Liabilities			
Deposits by banks		**507,658**	457,039
Funding from central banks	*30*	**1,976,674**	2,969,600
Derivative financial liabilities	*21*	**16,169**	32,452
Customer deposits	*31*	**18,998,319**	17,530,883
Insurance liabilities	*32*	**679,952**	736,201
Accruals, deferred income, other liabilities and other provisions	*34*	**384,004**	361,977
Provisions for pending litigation, claims, regulatory and other matters	*39*	**127,607**	104,108
Debt securities in issue	*33*	**297,636**	302,555
Subordinated liabilities	*33*	**302,104**	340,220
Deferred tax liabilities	*17*	**43,822**	46,435
Total liabilities		**23,333,945**	22,881,470
Equity			
Share capital	*35*	**44,620**	44,620
Share premium	*35*	**594,358**	594,358
Revaluation and other reserves		**178,240**	213,192
Retained earnings	*37*	**1,041,152**	986,623
Equity attributable to the owners of the Company		**1,858,370**	1,838,793
Other equity instruments	*35*	**220,000**	220,000
Non-controlling interests		**22,300**	22,434
Total equity		**2,100,670**	2,081,227
Total liabilities and equity		**25,434,615**	24,962,697

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 2022

	Attributable to the owners of the Company												
	Share capital (Note 35)	Share premium (Note 35)	Treasury shares (Note 35)	Other capital reserves (Note 14)	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	**€000**
1 January 2022	44,620	594,358	(21,463)	-	986,623	80,060	23,285	113,651	17,659	**1,838,793**	220,000	22,434	**2,081,227**
Profit for the year	-	-	-	-	71,106	-	-	-	-	**71,106**	-	2,866	**73,972**
Other comprehensive (loss)/income after tax for the year	-	-	-	-	(4,288)	244	(13,212)	-	(2,112)	**(19,368)**	-	-	**(19,368)**
Total comprehensive income/(loss) after tax for the year	-	-	-	-	66,818	244	(13,212)	-	(2,112)	**51,738**	-	2,866	**54,604**
Decrease in value of in-force life insurance business	-	-	-	-	14,114	-	-	(14,114)	-	**-**	-	-	**-**
Tax on decrease in value of in-force life insurance business	-	-	-	-	(1,764)	-	-	1,764	-	**-**	-	-	**-**
Share-based benefits - cost	-	-	-	322	-	-	-	-	-	**322**	-	-	**322**
Defence contribution	-	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Payment of coupon to AT1 holders (Note 35)	-	-	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	**-**	-	(3,000)	**(3,000)**
Transfers to retained earnings	-	-	-	-	7,844	(6,134)	(2,931)	-	1,221	-	-	-	**-**
31 December 2022	**44,620**	**594,358**	**(21,463)**	**322**	**1,041,152**	**74,170**	**7,142**	**101,301**	**16,768**	**1,858,370**	**220,000**	**22,300**	**2,100,670**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	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**

	Note	2022	2021 (restated)
	Note	**€000**	€000
Profit before tax		**109,784**	36,120
Adjustments for:			
Share of profit from associates		**-**	(137)
Depreciation of property and equipment and amortisation of intangible assets		**34,203**	34,928
Impairment of stock of property and other non-financial assets		**29,549**	49,456
Change in value of in-force life insurance business		**14,114**	(3,714)
Credit losses on financial assets	*16*	**59,529**	46,144
Net gains on derecognition of financial assets measured at amortised cost		**(5,235)**	(3,859)
Amortisation of discounts/premiums and interest on debt securities		**(21,344)**	(20,102)
Dividend income		**(940)**	(1,774)
Net loss on disposal of investment in debt securities measured at FVOCI		**2,384**	-
Loss from revaluation of debt securities designated as fair value hedges		**51,839**	16,779
Interest on subordinated liabilities and debt securities in issue		**28,515**	27,687
Negative interest on loans and advances to banks and balances with central banks		**23,184**	31,919
Negative interest on funding from central banks		**(18,418)**	(25,094)
Loss on disposal/dissolution of subsidiaries and associates		**-**	724
Loss from buyback of subordinated loan stock	*11*	**-**	12,558
Net gains on disposal of stock of property and investment properties		**(15,886)**	(14,251)
(Profit)/loss on sale and write offs of property and equipment and intangible assets		**13**	(7)
Interest expense on lease liability		**114**	121
Net losses from revaluation of investment properties		**2,915**	2,783
		294,320	190,281
Change in:			
Loans and advances to banks		**28,996**	(23,955)
Deposits by banks		**50,619**	65,090
Obligatory balances with central banks		**52,450**	(8,956)
Customer deposits		**1,467,436**	997,671
Life insurance assets and liabilities		**(46,773)**	(13,012)
Loans and advances to customers		**(223,579)**	(236,965)
Prepayments, accrued income and other assets		**(11,778)**	89,767
Provisions for pending litigation, claims, regulatory and other matters		**4,132**	(46,671)
Accruals, deferred income, other liabilities and other provisions		**14,725**	21,353
Derivative financial instruments		**(57,783)**	4,448
Investments measured at FVPL		**8,985**	(2,103)
Stock of property		**153,311**	136,816
		1,735,061	1,173,764
Tax paid		**(6,716)**	(2,066)
Net cash from operating activities		**1,728,345**	1,171,698
Cash flows from investing activities			
Purchases of debt, treasury bills and equity securities		**(1,101,030)**	(619,379)
Proceeds on disposal/redemption of investments in debt and equity securities		**454,145**	382,888
Net exchange differences		**(20,618)**	(23,686)
Interest received from debt securities		**30,929**	27,324
Dividend income from equity securities		**940**	1,774
Proceeds on disposal of held for sale portfolios		**332,151**	145,030
Deposits on held for sale portfolios		**-**	19,225
Proceeds on disposal of subsidiaries and associates		**-**	9,535
Purchases of property and equipment	*25*	**(6,752)**	(6,287)
Purchases of intangible assets	*26*	**(17,347)**	(16,055)
Proceeds on disposals of property and equipment and intangible assets		**517**	158
Proceeds on disposals of investment properties		**41,400**	11,126
Net cash used in investing activities		**(285,665)**	(68,347)

	Note	2022 €000	2021 (restated) €000
Cash flow from financing activities			
Payment of AT1 coupon	*35*	**(27,500)**	(27,500)
Payment of defence contribution		**(4,983)**	-
Net (repayments)/proceeds of funding from central banks		**(979,389)**	2,000,000
Proceeds from issue of subordinated liabilities (net of costs)		**-**	297,551
Repayments of subordinated liabilities		**(35,605)**	(231,596)
Proceeds from the issue of debt securities (net of costs)		**-**	298,505
Interest on subordinated liabilities		**(23,334)**	(33,570)
Interest on debt securities in issue		**(7,858)**	-
Negative interest on loans and advances to banks and balances with central banks		**(23,184)**	(31,919)
Principal elements of lease payments		**(6,884)**	(7,637)
Dividend paid by subsidiaries to non-controlling interests		**(3,000)**	(2,110)
Net cash (used in)/from financing activities		**(1,111,737)**	2,261,724
Net increase in cash and cash equivalents		**330,943**	3,365,075
Cash and cash equivalents 1 January		**9,255,210**	5,890,135
31 December	*42*	**9,586,153**	9,255,210

Additional information on the cash flow statement is provided 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. Bank of Cyprus Holdings Public Limited Company is 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 2022 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 31 March 2023.

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.

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.

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.

Comparative information
Comparative information was restated following certain changes in the presentation of the primary statements for the year ended 31 December 2022 as described further below. The changes did not have an impact on the results for the year or equity of the Group.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Reclassifications within the Consolidated Income Statement

'Gains/(losses) on disposal/dissolution of subsidiaries and associates', previously presented within 'Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates', are now presented within 'Other income'. 'Net gains/(losses) on financial instrument transactions' has been renamed to 'Net gains/(losses) on financial instruments'. 'Share of profit/(loss) from associates' previously presented separately in the Consolidated Income Statement is now presented within 'Other income' as well. 'Provisions for pending litigations, regulatory and other provisions (net of reversals)' previously presented within 'Other operating expenses' is now presented separately on the Consolidated Income Statement. As a result of these changes in the presentation of 'Other income' 'Turnover' is also restated as indicated below.

Insurance income and expense previously presented in a single line as insurance income net of claims and commissions are now presented separately. Credit losses relating to financial assets, including loans and advances to customers, is now presented in a single line. Analysis of the individual components included within each line item is presented in the respective Notes.

	31 December 2021 (as previously presented)	Reclassifications	31 December 2021 (restated)
	€000	€000	€000
Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	(22,047)	22,047	n/a
Net losses on financial instruments	n/a	(21,323)	(21,323)
Share of profit from associate	137	(137)	n/a
Other income	14,831	(587)	14,244
	(7,079)	-	(7,079)
Insurance income net of claims and commissions	61,044	(61,044)	n/a
Income from assets under insurance and reinsurance contracts	n/a	205,861	205,861
Expenses from liabilities under insurance and reinsurance contracts	n/a	(144,817)	(144,817)
	61,044	-	61,044
Credit losses to cover credit risk on loans and advances to customers	(40,341)	40,341	n/a
Credit losses of other financial instruments	(5,803)	5,803	n/a
Credit losses on financial assets	n/a	(46,144)	(46,144)
	(46,144)	-	(46,144)
Other operating expenses	(167,188)	(523)	(167,711)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	n/a	523	523
	(167,188)	-	(167,188)
Turnover	755,220	(587)	754,633

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Reclassifications within the Consolidated Balance Sheet
Investments are now presented by class on the face of the consolidated balance sheet and loan stock is now presented in separate lines by type of liability issued.

	31 December 2021 (as previously presented)	Reclassifications	31 December 2021 (restated)
Assets	**€000**	**€000**	**€000**
Investments	879,005	(879,005)	n/a
Investments pledged as collateral	1,260,158	(1,260,158)	n/a
Investments at FVPL	n/a	199,194	199,194
Investments at FVOCI	n/a	748,695	748,695
Investments at amortised cost	n/a	1,191,274	1,191,274
	2,139,163	-	2,139,163
Liabilities			
Loan stock	642,775	(642,775)	n/a
Debt securities in issue	n/a	302,555	302,555
Subordinated liabilities	n/a	340,220	340,220
	642,775	-	642,775

The Consolidated Statement of Cash Flows for the year ended 31 December 2021 as well as respective notes were restated to reflect the changes in the presentation of the Consolidated Income Statement and Consolidated Balance Sheet described above.

In addition, comparative information was restated in relation to the presentation of segmental analysis as detailed in Note 6. This change led to a respective restatement of Notes 6, 23, 31, 45.2, 45.3, 45.6 and 45.10.

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. The adoption of new and amended standards and interpretations as explained in Note 2.2.1 did not have an impact on the Group.

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 2022 and which are explained below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

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.

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)

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).

Annual Improvements to IFRS Standards 2018–2020 Cycle
Annual Improvements to IFRS Standards 2018–2020 Cycle makes amendments to the following standards:

i. 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.
ii. 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.
iii. 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.
iv. 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.

These amendments and the annual improvements to IFRS Standards Cycle did not have a significant impact on the Group during the year ended 31 December 2022.

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
IFRS 17 'Insurance Contracts' (IFRS 17) became effective on 1 January 2023 and applies retrospectively. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

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

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

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)

Insurance contracts measurement under IFRS 17
IFRS 17 prescribes the transition approaches that must be applied. On transition to IFRS 17, entities must apply the fully retrospective approach (FRA), unless impracticable. When impracticable to apply the FRA, such as when there is a lack of sufficient and reliable data, an entity has an accounting policy choice to use either the modified retrospective approach ('MRA') or the fair value approach ('FVA'). The application of each approach by the Group is described further below.

Under IFRS 17 the carrying value of insurance contracts comprises of the present value of future cash flows (separated into liability for remaining coverage and liability for incurred claims), a risk adjustment for non-financial risk and the contractual service margin, which is calculated retrospectively and represents expected future profits to be recognized over the lifetime of contracts. In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available at the reporting date.

To identify groups of insurance contracts, individual contracts subject to similar dominant risks and managed together are identified as a portfolio of insurance contracts. Each portfolio is further separated by profitability group and issue date into periodic cohorts. The fulfilment cash flows comprise:

i. the best estimates of future cash flows, including amounts expected to be collected from premiums and payouts for claims, benefits and expenses, which are projected using assumptions based on demographic and operating experience;
ii. an adjustment for the time value of money and financial risks associated with the future cash flows; and
iii. an adjustment for non-financial risk that reflects the uncertainty about the amount and timing of future cash flows.

IFRS 17 requires the use of current market values for the measurement of insurance liabilities. The shareholder's share of the investment experience and assumption changes will be absorbed by the CSM and released over time to profit or loss under the VFA. Under the GMM, the amount of CSM recognised in profit or loss for services in a period will be determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. Services provided will be estimated using coverage units, which reflect the quantity of benefits and the coverage duration.

Changes in liability for incurred claims (LIC) and liability for remaining coverage (LRC) will be reflected in insurance revenue, insurance service expense, insurance finance income and expense (IFIE), or adjust the contractual service margin (CSM).

Under IFRS 17, operating expenses will be lower as directly attributable costs, which include both acquisition and maintenance costs, will be incorporated in actual and estimated future cash flows and recognised in the results of insurance services.

In contrast to the Group's IFRS 4 accounting where profits are recognised upfront, the CSM will be systematically recognised in revenue, as services are provided over the expected coverage period of the group of contracts without any change to the overall profit of the contracts. Losses resulting from the recognition of onerous contracts are recognised in the income statement immediately. The CSM is adjusted depending on the measurement model of the group of insurance contracts. While the general measurement model ('GMM') is the default measurement model under IFRS 17, the Group will apply also the variable fee approach ('VFA'), which is mandatory to apply for insurance contracts with direct participation features upon meeting the eligibility criteria (this will apply primarily to insurance contracts in the unit linked life portfolio). IFRS 17 provides also for a simplified approach, the Premium Allocation Approach (PAA). The PAA can be used for contracts with coverage periods of one year or less, or as an approximation to the general model and will primarily be applied by the Group to non-life insurance contracts and to non-individual life insurance contracts.

Transition
For all non-life groups of contracts and non-individual life insurance groups of contracts the full retrospective approach will be applied irrespective of issue date.

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)

The Group will apply the modified retrospective approach for groups of life insurance contracts issued between 2016 and 2021. The application of the full retrospective approach for these portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group will use reasonable and supportable information from its existing reporting systems, to derive the closest outcome to the full retrospective approach. For such groups of life insurance contracts, issued prior to 2016, the Group will apply the fair value approach. In applying the fair value approach, the Group will determine the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured as at that date. In determining fair value, the Group will apply the requirements of IFRS 13 'Fair Value Measurement'.

Value of in-force (VIF)
In accordance with IFRS 17 there will be no VIF asset recognised given that the estimated future profits will now be included in the measurement of the insurance contract liability as the CSM, representing unearned profit, which will be gradually recognised over the duration of the contract. The removal of the VIF asset and the recognition of the CSM, which is a liability, will reduce equity.

Implementation Programme status
The Group is at an advanced stage in the implementation of IFRS 17, having put in place accounting policies, data and models, and made progress in calculating 2022 comparative data. The Group continues to make progress with required changes to models and data, and assessing the impact on the Group's financial statements. The Group has divided its insurance products in terms of classification and measurement and aggregation into portfolios, and made estimates using the three measurement models, including a preliminary calculation of the CSM. The precise impact of adopting IFRS 17 is subject to change as:

i. The Group continues work to refine the new accounting processes and internal controls.
ii. Although dry runs were carried out, the new systems and associated controls in place have not been operational for an extensive period.
iii. The Group has not finalised the testing and assessment of controls over its new governance frameworks and IT systems.
iv. The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

Estimated financial impact of the adoption of IFRS 17
On transition the following impact has been estimated:

i. the removal of value of in-force from the life insurance business (including associated deferred tax liability) of approximately €101 million as per the Group's consolidated balance sheet as at 31 December 2022, which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and
ii. the remeasurement of insurance assets and liabilities and the creation of a contractual service margin (CSM) liability is estimated to result in an increase in the equity of the insurance business of the Group (predominantly relating to the life insurance business of the Group) in the range of €70-80 million as at 1 January 2022, which is a consequence primarily of life insurance products.

The estimated effect on equity of the insurance business of the Group as at 1 January 2023 (roll forwarding the impact on 2022 profits and taking into consideration other movements in reserves in 2022) is an increase in the range of €50-60 million, compared to the closing equity as at 31 December 2022 as reported under the previous accounting standard, IFRS 4.

As a result of the benefit arising from IFRS 17 on 1 January 2023 as referred to above, the life insurance subsidiary distributed €50 million as dividend to BOC PCL in February 2023, which benefited Group regulatory capital by an equivalent amount on the same date.

The adoption of IFRS 17 is expected to result in a modest annual negative impact on the contribution to profits of the Group's insurance business in the near term.

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)

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.

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is 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: 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 2024, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

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 2022. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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:

i. power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
ii. exposure, or rights, to variable returns from its involvement with the investee
iii. 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 in cases 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.

2.5 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.

2. Summary of significant accounting policies (continued)

2.6 Investments in associates and joint ventures (continued)

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. Investments in associates and joint ventures are assessed at each reporting date for impairment when there is an indication that the investment may be impaired. 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 included in 'Other Income' in 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. Gains 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 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.

2.7 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.

2. Summary of significant accounting policies (continued)

2.7 Foreign currency translation (continued)

2.7.1 Transactions and balances (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

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:

i. 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
ii. 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.

2.10.3 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. Summary of significant accounting policies (continued)

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 is 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’, while interest expense on financial instruments at FVPL is presented within the caption ‘Expense similar to interest expense’ in the consolidated income statement. All form part of the ‘Net interest income’.

The Group during the year had 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 during the year had 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.

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 instruments' 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 included within 'Credit losses on financial assets'.

2. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.13 Tax (continued)

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 could 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:

i. 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.
ii. 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.

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 instruments' 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.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments - initial recognition (continued)

2.14.4 Measurement categories of financial assets and financial liabilities (continued)

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 and their contractual cash flow characteristics (whether the cash flows represent solely payments of principal 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:

i. 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;
ii. 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;
iii. 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);
iv. 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.

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 instruments' 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.

2. Summary of significant accounting policies (continued)

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

2.15.1 Derivative financial instruments (continued)

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 instruments' 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:

i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
ii. 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 that pass the SPPI test.

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 on financial assets'.

2.15.3 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they meet both of the following conditions:

i. 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;
ii. 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 instruments' 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. Summary of significant accounting policies (continued)

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

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 instruments' 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.

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.

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 instruments' 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.

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. Summary of significant accounting policies (continued)

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

2.15.7 Debt securities in issue and Subordinated liabilities

Debt securities in issue and Subordinated liabilities are initially measured at the fair value of the consideration received, net of any issue costs. They are 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 debt securities in issue and subordinated liabilities 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.

2.17 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 a 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:

i. The Group transfers its contractual rights to receive cash flows from the financial asset; or
ii. 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:

i. The Group transfers substantially all the risks and rewards of the asset; or
ii. 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. Summary of significant accounting policies (continued)

2.18 Modification of financial assets

The contractual terms of a financial asset may be modified due to various reasons, either due to commercial renegotiations or as a response to a borrower's financial difficulties (forborne modified loans) 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.

2.19 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 whereby the ECL is measured on a lifetime basis. 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.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.1 Overview of ECL principle (continued)

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 until a POCI loan is derecognised.

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 on financial assets' and further analysed in Note 16 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.
(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.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

Material arrears/excesses are defined as follows:

i. Retail exposures: Total arrears/excess amount greater than €100
ii. 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 loans which are considered defaulted or otherwise credit-impaired.

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
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, and
v. The obligor does not have any amount past due by more than 90 days.

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' within 'Credit losses on financial assets'.

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.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

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

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 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 2022 and 2021:

Segment	Rating at origination	PD Deterioration thresholds applied at 31 December 2022	PD Deterioration thresholds applied at 31 December 2021
Retail	1-3	2 X PD@O	2 X PD@O
	4-5	2 X PD@O	2 X PD@O
	6-7	2 X PD@O	2 X PD@O
SME	1-3	2 X PD@O	2 X PD@O
	4-5	2 X PD@O	2 X PD@O
	6-7	2 X PD@O	2 X PD@O
Corporate	1-7	1-3 X PD@O	1-3 X PD@O

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:

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

SICR is automatically triggered upon the granting of forbearance measures to performing borrowers. Stage 1 exposures that are classified as 'performing forborne' are automatically transferred to Stage 2.

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 the amount in arrears is lower than 1% of the customer's total exposure, in the case of retail exposures and arrears up to €500 and the amount in arears is lower than 1% of the customer's total exposure 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.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

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

Significant increase in credit risk 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 either 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:

i. exposure at default (EAD),
ii. probability of default (PD), and
iii. loss given default (LGD).

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. For 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.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

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 calibrates 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 in 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:

i. Curing where the probability of cure model was derived based on historical observations.
ii. 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.

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. This involves, among others, 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. Also, significant Stage 1 exposures within sectors assessed by Credit Risk Management to be highly impacted by one or more factors or events (with selection criteria such as COVID-19, a global or local economic / market / regulatory / geopolitical developments, etc) are assessed for potential increase in credit risk and significant exposures that have transitioned to Stage 2 from Stage 1 are assessed for potential indications for unlikeness to pay.

The ECL for individually assessed stage 3 assets is calculated on an individual 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. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

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.

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 and relevant macro-variables have been selected in order to predict more 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 (residential, 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 (1995-2022) is analysed and a frequency distribution is produced. From that distribution probabilities are derived for all possible outcomes. Deviations of actual outcomes from the mean are calculated in terms of standard deviation ratios, and severity is higher at higher deviation ratios. 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 favourable scenario is defined over the range of values to the right of the distribution that correspond to 25% probability. The adverse scenario is defined over the range of values to the left of the distribution that correspond to 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.

The macroeconomic forecasts for the baseline, favourable and adverse scenarios 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 corresponding weights are also determined by the Economic Research Department as described above using discretion and expert judgement where necessary. 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. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

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.

i. 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.
ii. 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.
iii. 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.
iv. 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.

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 on financial assets' and separately identified in Note 16 within ‘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 on financial assets' and further identified in Note 16 in 'Credit losses on financial assets' 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.

2. Summary of significant accounting policies (continued)

2.21 Financial guarantees, letters of credit and undrawn loan commitments (continued)

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 on financial assets' 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.

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.

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/(losses) on financial instruments'. 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/(losses) on financial instruments'.

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. Summary of significant accounting policies (continued)

2.23 Hedge accounting (continued)

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/(losses) on financial instruments' 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.

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.

2.25 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. Summary of significant accounting policies (continued)

2.25 Insurance business (continued)

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.

2.26 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 discloses those securities as '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

Group as a 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.

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

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).

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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in 'Other income' in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2. Summary of significant accounting policies (continued)

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'.

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.

2.29 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. Summary of significant accounting policies (continued)

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 net of reversals on 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.

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 coordinated 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.

2. Summary of significant accounting policies (continued)

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

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:

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii. Its intention to complete the intangible asset and use or sell it;
iii. Its ability to use or sell the intangible asset;
iv. How the intangible asset will generate probable future economic benefits;
v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
vi. 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.

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. Summary of significant accounting policies (continued)

2.34 Share-based compensation plans

The Group recognises expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Whereby employees render services in exchange for equity instruments these arrangements are classified as equity-settled transactions.

Share-based compensation benefits are provided to employees (senior management of the Group) via the Long Term Incentive Plan, an employee share arrangement which satisfies an incentive based award through the issue of shares (equity settled).

Share-based compensation expense is measured by reference to the fair value of the equity instruments on the date of grant, with a corresponding increase in equity (other capital reserves), taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions. For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value.

The total expense is recognised on a per-tranche basis, over the service period based on an estimate of the number of shares expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest and recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity (other capital reserves). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

2.35 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.

2.36 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.

2.37 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.

3. Going concern

The Directors have made an assessment of the ability of the Group, the Company and BOC PCL 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 a 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 2023 (the 'Plan') and the operating environment. The Group has sensitised its projection to cater for a downside scenario and has used reasonable economic inputs to develop its medium-term strategy. The Group is working towards materialising its Strategy.

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 a base and an 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 2022 that can be easily and readily monetised in a period of stress.

4. Economic and geopolitical environment

The economic environment in 2023 and over the medium term is now subject to a high degree of uncertainty, with the continuation of the war in Ukraine, rising tensions in US-China relations, more persistent inflation and tighter monetary conditions threatening a significant slowdown in the global economy, particularly in Europe. A combination of supply shocks, including rising protectionism, the green transition, persistently low productivity growth, slowing population growth as well as more widespread labour shortages following the pandemic, could potentially result average inflation over the next years being higher than over the past years.

Government debt levels in relation to GDP in the advanced economies, fell in 2021-2022 following steep increases in 2020, due to a stronger recovery and higher inflation. However, governments' fiscal space will narrow again in the medium term due to higher interest rates and slower economic growth, limiting their ability to deal with future economic emergencies and potentially increasing the risk of financial instability, especially in more vulnerable countries.

Cyprus' risk profile has improved significantly, but substantial risks remain in the domestic environment and in the external environment on which it depends. The most important factor weighing on Cyprus' sovereign risk is the high level of public debt. Banks have weathered the pandemic crisis well, with their liquidity and capital buffers intact. Non-performing loans continued their downward trend, mainly due to the sale packages of the two largest banks. However, in an uncertain environment, asset quality remains a focus for bank management and supervisors.

Recent developments in financial markets in March 2023, particularly in the United States but also in Europe to a lesser extent, have been unprecedented. The failures of the two banks in the United States, the California-based Silicon Valley Bank and the New York-based Signature Bank, prompted the forceful intervention of the authorities to pre-empt the risk of financial instability in the banking system. The US authorities have also taken additional measures to prevent a broader run on bank deposits. This included invoking a systemic risk clause that allowed the US authorities to guarantee all deposits in the two banks beyond the $250,000 insured cap guarantee by the FDIC. The US Federal Reserve also established a new lending facility that provides banks access to liquidity against eligible collateral, but without the need to take a haircut.

4. Economic and geopolitical environment (continued)

In Switzerland, Credit Suisse was exposed to the same sort of concerns as global banks. Credit Suisse was bought by UBS, another Swiss bank, after a deal brokered by the Swiss government, the Swiss National Bank and FINMA which included liquidity assistance from the Swiss National Bank and partial losses guarantees from the government.

Following the Credit Suisse deal, the Single Resolution Board, the European Banking Authority and ECB Banking Supervision issued a statement welcoming the comprehensive set of actions taken by the Swiss authorities in order to ensure financial stability and noting that the European banking sector is resilient, with robust levels of capital and liquidity.

The Group is closely monitoring developments.

The Group believes it is reasonably well positioned to withstand volatility that may arise from a deterioration in the geopolitical and global economic environment.

Group's Direct exposure to Russia
Russia's invasion of Ukraine has triggered disruptions and uncertainties in the markets and in the global economy. The coordinated implementation of sanctions by the EU, the UK and the U.S., 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.

Overall, the Group's direct exposure to Russia, Ukraine and Belarus remains limited. In summary, the Group has direct lending exposure to Russia, Ukraine and Belarus of a gross book value of approximately €108 million (2021: €119 million) across its business divisions as at 31 December 2022 of which €98 million (2021: €95 million) were classified as performing and secured mainly with residential collateral located in Cyprus. 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 deposit balances with customers with UBO primary passport of origin in these countries amounts to c. 5.7% of total deposits as at 31 December 2022 as disclosed in Note 31 of the Consolidated Financial Statements.

With respect to the Group's Russian subsidiary, the net exposure is being run down and as a result the net assets included on the Group's balance sheet as at 31 December 2022 are less than €1 million (2021: €10 million).

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, in relation 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 review 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.

In a challenging international environment, the Cypriot economy has shown considerable resilience. Growth remained strong in 2022 averaging 5.6% which is well above the euro area average, driven almost entirely by services on the supply side. Tourist activity recovered strongly during the year with arrivals reaching 80% and receipts 90% of the levels in 2019. On the demand side, growth was driven by private consumption and investment, especially inventory accumulation, while the external sector made a negative contribution due to faster growth in imports. However, growth is expected to slow in 2023, towards 3%, according to the Ministry of Finance.

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

5.2 Calculation of expected credit losses (continued)

Rising energy costs, exacerbated by the war in Ukraine, are affecting both consumers and businesses and the government has taken initial steps to mitigate the impact. Harmonised inflation in Cyprus fell from 10.6% in July 2022 to an annual average of 7.6% in December 2022.

Cyprus received a pre-financing of €157 million from the Recovery and Resilience Facility in September 2021 and the first disbursement of €85 million in December 2022. The release of the funds is conditional on the strict implementation of the reforms agreed in the National Recovery Plan. The funds will be used, among other things, to increase investment in the digital and green transition, improve the efficiency of public and local administrations, and improve the efficiency of the judicial system.

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

However, substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. In the banking sector non-performing exposures need to drop further. While the current account deficit will be narrowing as exports services recover in the medium term, it will remain sizable. The monetary policy of the European Central Bank can remain tight for longer if inflation pressures persist. The extent of the crisis in Ukraine can lead to elevated tensions for a considerable period of time.

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 2022.

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Group as at 31 December 2022 and 2021 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 management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Given the added uncertainties of the outlook for 2023 and downside risks, a global slowdown and the continuing war in Ukraine with the risk of escalation rising, as well as the tighter monetary environment in the fight against inflation, management decided to maintain an elevated weight on the adverse scenario.

In the banking sector total non-performing exposures at the end of November 2022, amounted to €2.7 billion, or 10.5% of gross loans and the coverage ratio was 52.2%. Private debt has continued to decline since mid-2012, shrinking by more than half by the end of December 2022. The decline reflects the long process of deleveraging since the start of the financial crisis and includes the sale or transfer of non-performing loans in recent years. Private debt, as measured by loans to residents excluding the government, stands at 80% of nominal GDP at the end of December 2022.

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%.

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

5.2 Calculation of expected credit losses (continued)

31 December 2022

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2023	Adverse	30.0	-2.0	7.0	3.7	-2.2
	Baseline	50.0	2.8	6.3	4.7	2.8
	Favourable	20.0	3.6	5.9	5.1	3.3
2024	Adverse	30.0	-0.7	6.8	3.0	-0.8
	Baseline	50.0	2.4	6.0	3.2	2.5
	Favourable	20.0	2.8	5.8	3.3	2.8
2025	Adverse	30.0	1.4	6.7	2.4	1.1
	Baseline	50.0	2.5	5.7	2.3	2.5
	Favourable	20.0	2.6	5.6	2.4	2.6
2026	Adverse	30.0	2.8	6.7	2.4	2.7
	Baseline	50.0	2.8	5.5	2.4	2.5
	Favourable	20.0	3.1	5.3	2.4	2.6
2027	Adverse	30.0	3.5	6.5	2.5	3.5
	Baseline	50.0	2.6	5.2	2.5	2.5
	Favourable	20.0	2.6	4.9	2.4	2.6

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

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 the 31 December 2022 reporting, considering available information and relevant developments until then, and is described next. Economic activity continued to recover strongly in 2022 driven by a steep recovery in the tourism sector after the steep contraction of 2020, and a strong growth in private consumption, despite an aggressive monetary contraction. Real GDP increased by 5.6% in 2022 and is projected to rise by 2.8% in 2023. Consumer price inflation averaged 8.1% in 2022 and is expected to decelerate to 4.7% in 2023. The unemployment rate will continue to drop steadily in the medium term. Property prices will continue to rise modestly in 2023 as domestic demand remains relatively strong.

The adverse scenario is consistent with assumptions for a global economic slowdown driven by the war in Ukraine, elevated inflation and continued tight monetary policies. The Cypriot economy relies on services, particularly on tourism, international business, and information services with an outward orientation. This makes the Cypriot economy more exposed than other economies to the international environment and terms of trade shocks. Weaker external demand and more restricted domestic demand as a result of higher interest rates will lead to a slow-down of economic activity. The adverse scenario assumes a deeper impact of these conditions on the real economy than under the baseline scenario. Real GDP is expected to contract modestly by 2.0% in 2023 with the recovery remaining weak in the medium term. In the labour market the unemployment rate will rise only modestly and inflation while elevated, will be lower than under the baseline scenario. House prices will also contract in line with the contraction in real GDP.

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, endorsed by the Group Provisions Committee and approved by the joint Risk and Audit 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.

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.

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.

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

5.2 Calculation of expected credit losses (continued)

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

At 31 December 2022, 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 (2021: 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 (2021: 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. The behavioural model was updated in the second quarter of 2022 to reflect updates in customers profile whilst maintaining the same model components.

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 Group Provisions Committee and approved by the joint Risk and Audit Committee.

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.

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

5.2 Calculation of expected credit losses (continued)

In the second quarter of 2022, following the agreement for the disposal of Helix 3 portfolio, the cure model was updated, assigning as maximum cure period an exposure of 3 years instead of 5 years from their default date. This had an ECL impact of €1.8 million charge for the year ended 31 December 2022.

Overlays in the context of COVID-19 and current economic conditions
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, except for the overlay for exposures in the hotel and catering sector (which applied stricter customer's credit ratings thresholds for customers in this industry sector) that was removed in the second quarter of 2022 following the introduction of the new overlays described below. The impact on the ECL, from the removal of the overlay, was a release of €143 thousand for the year ended 31 December 2022 and a transfer of €45 million loans from Stage 2 to Stage 1 during the year ended 31 December 2022.

During 2022, the Group in response to uncertainties from the consequences of the Ukrainian crisis established two new overlays in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact in the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €10 million charge for the year ended 31 December 2022 and a transfer of €148 million loans from Stage 1 to Stage 2 as at 31 December 2022.

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

Horizontal probability of default (PD) overlay was introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy. With this overlay the PDs have been capped to the average of 2018/2019 level, on the basis that these years are considered as closer to a business-as-usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €5.5 million ECL charge for the year 2022.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 December 2022. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 disease due to virus mutations, are timely captured.

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 2021, 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. The selection criteria were further enhanced in 2022 to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries.

Further details on impairment allowances and related credit information are set out in Note 45.

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

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, taking 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 2.37. 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, is subject to tax in Cyprus and 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.

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 primarily 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.

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

5.6 Fair value of investments and derivatives (continued)

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 uses models with only 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.

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

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 2022, 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.

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.

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

5.9 Life insurance business (continued)

5.9.2 Insurance liabilities (continued)

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 current practice in Cyprus (followed under IFRS 4), 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:

i. 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.
ii. 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).

5.12 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 use their market knowledge and professional judgement and do 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.

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

5.13 Leases (continued)

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:

i. 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).
ii. For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.
iii. 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. The results of the overseas activities of the Group, namely Greece, Romania and Russia are presented within segment 'Other', given the size of these operations which are in a run-down mode and relate to legacy operations of the Group. Further, the results of certain small subsidiaries of the Group are allocated to the segments based on their key activities. In addition, as from the fourth quarter of 2022, following an internal re-organisation the Large Corporate and the International Corporate business lines, which were previously reported together as one business line namely Global Corporate have been separated and Large corporate is presented and monitored together with Corporate. Comparative information in analysis by business line, analysis of total revenue and analysis of assets and liabilities were restated to account for this change.

The operating segments are analysed below:

i. The Corporate and Large Corporate, Small and medium-sized enterprises (SME) and Retail business lines are managing loans and advances to customers. Categorisation of loans per customer group is detailed below.
ii. International Corporate is managing loans and advances to customers within the Shipping Centre, the International Corporate Lending and the International Syndicate and Project Finance.
iii. 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.
iv. 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.
v. 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 management 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.
vi. The Real Estate Management Unit (REMU) 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.
vii. 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.
viii. The Insurance business line is involved in both life and non-life insurance business.

6. Segmental analysis (continued)

ix. 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:

i. Retail – all physical person customers, regardless of the facility amount, and legal entities with facilities from BOC PCL of up to €500 thousand, excluding business property loans and/or annual credit turnover up to €1 million.
ii. 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 €500 thousand to €4 million and/or annual credit turnover of €1 million up to €10 million.
iii. 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 of €4 million up to €30 million and/or having a minimum annual credit turnover of €10 million up to €50 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.

Comparative information in analysis by business line of total revenue and turnover was restated to account for the changes in the presentation of the primary statements for the year ended 31 December 2022 as described in Note 2.1.

6. **Segmental analysis** (continued)

Analysis by business line

2022	Corporate and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	114,135	23,224	34,860	137,178	31,083	45,170	4,680	(34,649)	(100)	14,860	(134)	**370,307**
Net fee and commission income/(expense)	22,369	1,575	11,753	61,764	7,819	55,714	5,099	(175)	(7,749)	1,602	32,513	**192,284**
Net foreign exchange gains/(losses)	992	50	591	2,424	80	6,020	126	-	-	21,008	-	**31,291**
Net (losses)/gains on financial instruments	(508)	-	-	-	4,557	-	(114)	(7)	(2,025)	4,911	3,238	**10,052**
Net (losses)/gains on derecognition of financial assets measured at amortised cost	614	83	(456)	454	6,220	45	(302)	-	-	(1,193)	(230)	**5,235**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	71,069	-	70	**71,139**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	-	-	181	(406)	-	(774)	**(999)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	13,325	-	-	645	**13,970**
Other income	(71)	-	16	131	201	(2)	215	9,349	65	1	6,776	**16,681**
Total operating income	137,531	24,932	46,764	201,951	49,960	106,947	9,704	(11,976)	60,854	41,189	42,104	**709,960**
Staff costs	(6,629)	(1,396)	(5,294)	(53,372)	(10,759)	(12,054)	(4,044)	(4,062)	(11,855)	(2,140)	(78,431)	**(190,036)**
Staff costs–voluntary exit plans and other termination benefits	(1,167)	(216)	(2,060)	(46,536)	(9,125)	(5,249)	(1,311)	(571)	(2,475)	(426)	(35,189)	**(104,325)**
Special levy on deposits and other levies/contributions	(3,752)	(294)	(1,938)	(23,509)	(91)	(7,864)	(1,044)	-	-	-	-	**(38,492)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	-	-	-	-	-	-	-	-	-	-	(11,880)	**(11,880)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(34,579)	(6,618)	(15,684)	(77,242)	(22,222)	(9,938)	(2,280)	(18,105)	(11,724)	(10,132)	56,295	**(152,229)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(2,193)	-	-	(731)	-	-	(11,212)	**(14,136)**
Operating profit before credit losses and impairment	91,404	16,408	21,788	1,292	5,570	71,842	1,025	(35,445)	34,800	28,491	(38,313)	**198,862**
Credit losses on financial assets	(7,572)	(203)	(1,024)	230	(48,393)	558	(1,535)	(3,422)	(427)	(823)	3,082	**(59,529)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	-	-	(23,921)	-	-	(5,628)	**(29,549)**
Profit/(loss) before tax	83,832	16,205	20,764	1,522	(42,823)	72,400	(510)	(62,788)	34,373	27,668	(40,859)	**109,784**
Income tax	(10,479)	(2,026)	(2,596)	(190)	5,353	(9,050)	(107)	7,151	(6,806)	(3,458)	(13,604)	**(35,812)**
Profit/(loss) after tax	73,353	14,179	18,168	1,332	(37,470)	63,350	(617)	(55,637)	27,567	24,210	(54,463)	**73,972**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	(2,866)	**(2,866)**
Profit/(loss) after tax attributable to the owners of the Company	**73,353**	**14,179**	**18,168**	**1,332**	**(37,470)**	**63,350**	**(617)**	**(55,637)**	**27,567**	**24,210**	**(57,329)**	**71,106**

6. **Segmental analysis** (continued)

Analysis by business line (continued)

2021 (restated)	Corporate and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	90,045	16,120	29,175	77,110	48,138	7,823	747	(3,445)	(52)	22,273	8,366	**296,300**
Net fee and commission income/(expense)	22,923	759	9,465	45,537	13,041	54,782	5,592	(179)	(7,616)	1,632	25,860	**171,796**
Net foreign exchange gains/(losses)	773	39	511	1,872	77	5,868	2,814	-	-	4,035	514	**16,503**
Net (losses)/gains on financial instruments	(113)	-	-	-	(17,179)	-	(338)	6	(541)	(6,797)	3,639	**(21,323)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5,986	485	1,058	304	(3,872)	(104)	2	-	-	-	-	**3,859**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	60,871	-	173	**61,044**
Net (losses)/gains 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	10	-	12	502	52	3	347	5,874	63	-	7,381	**14,244**
Total operating income	119,624	17,403	40,221	125,325	40,257	68,372	9,164	12,004	52,970	21,143	47,408	**553,891**
Staff costs	(6,813)	(1,480)	(6,074)	(60,775)	(14,975)	(12,731)	(4,080)	(3,972)	(11,303)	(1,526)	(78,758)	**(202,487)**
Staff costs–voluntary exit plans and other termination benefits	(1,094)	(111)	(1,470)	(8,464)	(1,911)	(1,724)	(79)	(483)	(1,113)	(178)	481	**(16,146)**
Special levy on deposits and other levies/contributions	(3,236)	(223)	(1,802)	(23,197)	(110)	(7,095)	(687)	-	-	-	-	**(36,350)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	-	-	-	-	-	-	-	-	-	-	523	**523**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(31,282)	(4,964)	(16,838)	(73,283)	(23,874)	(9,886)	(3,921)	(17,054)	(9,077)	(9,724)	55,316	**(144,587)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(21,612)	-	-	(1,201)	-	-	(311)	**(23,124)**
Operating profit before credit losses and impairment	77,199	10,625	14,037	(40,394)	(22,225)	36,936	397	(10,706)	31,477	9,715	24,659	**131,720**
Credit losses on financial assets	(4,852)	(421)	1,967	12,880	(42,098)	804	(300)	(2,118)	(8)	129	(12,127)	**(46,144)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	-	-	(47,062)	-	-	(2,394)	**(49,456)**
Profit/(loss) before tax	72,347	10,204	16,004	(27,514)	(64,323)	37,740	97	(59,886)	31,469	9,844	10,138	**36,120**
Income tax	(9,043)	(1,276)	(2,000)	3,439	8,040	(4,717)	(158)	7,255	(4,733)	(1,230)	180	**(4,243)**
Profit/(loss) after tax	63,304	8,928	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	**63,304**	**8,928**	**14,004**	**(24,075)**	**(56,283)**	**33,023**	**(61)**	**(52,631)**	**26,736**	**8,614**	**8,150**	**29,709**

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 instruments, net gains/(losses) on derecognition of financial assets measured at amortised cost, 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 and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	154,621	28,570	50,413	213,309	54,216	103,182	10,517	(8,848)	68,365	(5,710)	41,325	**709,960**
Inter-segment (expense)/revenue	(17,090)	(3,638)	(3,649)	(11,358)	(4,256)	3,765	(813)	(3,128)	(7,511)	46,899	779	**-**
Total revenue	**137,531**	**24,932**	**46,764**	**201,951**	**49,960**	**106,947**	**9,704**	**(11,976)**	**60,854**	**41,189**	**42,104**	**709,960**
2021 (restated)												
Revenue from third parties	136,722	21,041	43,892	137,484	44,281	64,635	9,929	15,132	59,770	(25,756)	46,761	**553,891**
Inter-segment (expense)/revenue	(17,098)	(3,638)	(3,671)	(12,159)	(4,024)	3,737	(765)	(3,128)	(6,800)	46,899	647	**-**
Total revenue	**119,624**	**17,403**	**40,221**	**125,325**	**40,257**	**68,372**	**9,164**	**12,004**	**52,970**	**21,143**	**47,408**	**553,891**

Analysis of assets and liabilities

	Corporate and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	3,556,475	684,696	1,020,727	4,193,741	313,657	137,399	72,438	1,115,788	998,966	12,291,132	1,408,357	**25,793,376**
Inter-segment assets	-	-	-	-	-	-	(9,313)	(35,214)	(18,807)	-	(25,938)	**(89,272)**
	3,556,475	**684,696**	**1,020,727**	**4,193,741**	**313,657**	**137,399**	**63,125**	**1,080,574**	**980,159**	**12,291,132**	**1,382,419**	**25,704,104**
Assets between Cyprus and overseas operations												**(269,489)**
Total assets												**25,434,615**

6. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

2021 (restated)	Corporate and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	3,515,114	636,819	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)**
	3,515,114	**636,819**	**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**

2022	Corporate and Large corporate	International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Liabilities												
Liabilities	1,915,300	139,898	1,007,555	11,333,783	33,806	3,957,050	628,578	10,049	784,727	3,183,550	699,535	**23,693,831**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(89,272)	-	**(89,272)**
	1,915,300	**139,898**	**1,007,555**	**11,333,783**	**33,806**	**3,957,050**	**628,578**	**10,049**	**784,727**	**3,094,278**	**699,535**	**23,604,559**
Liabilities between Cyprus and overseas operations												**(270,614)**
Total liabilities												**23,333,945**
2021 (restated)												
Liabilities												
Liabilities	1,602,216	145,934	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)**
	1,602,216	**145,934**	**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)**
Liabilities												**22,881,470**

Segmental analysis of customer deposits and loans and advances to customers is presented in Note 31 and Notes 45.2 and 45.6 respectively.

6. **Segmental analysis** (continued)

Analysis of turnover

	2022	2021 (restated)
	€000	€000
Interest income and income similar to interest income	**450,968**	388,549
Fees and commission income	**202,583**	180,212
Net foreign exchange gains	**31,291**	16,503
Gross insurance premiums (Note 12)	**210,347**	190,432
Losses of investment properties and stock of properties	**(7,657)**	(35,307)
Other income	**16,681**	14,244
	904,213	754,633

The analysis of 'Losses of investment properties and stock of properties' is provided in the table below:

	2022	2021
	€000	€000
Net losses from revaluation and disposal of investment properties	**(999)**	(1,828)
Net gains on disposal of stock of property	**13,970**	13,296
Impairment of stock of property (Note 16)	**(20,628)**	(46,775)
	(7,657)	(35,307)

7. **Interest income and income similar to interest income**

Interest income

	2022	2021
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**335,653**	309,280
- Loans and advances to banks and central banks	**42,545**	1,117
- Debt securities	**12,113**	7,574
- Other financial assets (Note 28)	**10,889**	5,335
Debt securities at FVOCI	**9,231**	12,528
Negative interest on funding from central banks	**18,418**	25,094
	428,849	360,928

Income similar to interest income

	2022	2021
	€000	€000
Loans and advances to customers measured at FVPL	**10,963**	12,382
Derivative financial instruments	**11,156**	15,239
	22,119	27,621

8. Interest expense and expense similar to interest expense

Interest expense

	2022	2021
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**6,857**	5,707
- Funding from central banks and deposits by banks	**7,151**	1,623
- Debt securities in issue	**7,857**	4,055
- Subordinated liabilities	**20,658**	23,632
Negative interest on loans and advances to banks and balances with central banks	**23,184**	31,919
Interest expense on lease liabilities (Note 43)	**114**	121
	65,821	67,057

Expense similar to interest expense

	2022	2021
	€000	€000
Derivative financial instruments	**14,840**	25,192

9. Fee and commission income and expense

Fee and commission income

	2022	2021
	€000	€000
Credit-related fees and commissions	**47,050**	46,445
Other banking commissions	**112,562**	96,325
Fees on servicing loans disposed of under Project Helix 3/Helix 2	**5,564**	7,009
Mutual funds and asset management fees	**3,652**	3,896
Brokerage commissions	**858**	1,029
Other commissions	**32,897**	25,508
	202,583	180,212

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 €26,257 thousand (2021: €24,810 thousand). Other banking commissions include commissions from payment orders amounting to €27,439 thousand (2021: €27,462 thousand) and account maintenance fees of €29,266 thousand (2021: €23,388 thousand). Liquidity fee is also included within other banking commissions and amounted to €15,663 thousand (2021: €12,906 thousand).

Fee and commission expense

	2022	2021
	€000	€000
Banking commissions	**9,984**	8,013
Mutual funds and asset management fees	**284**	278
Brokerage commissions	**31**	125
	10,299	8,416

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 gains/(losses) on financial instruments

	2022	2021 (restated)
	€000	€000
Trading portfolio:		
- derivative financial instruments	**280**	132
Other investments at FVPL:		
- debt securities	**7,326**	5,534
- mutual funds	**(2,139)**	(829)
- equity securities	**55**	3,139
Net loss on disposal of FVOCI debt securities	**(2,384)**	-
Net loss on early redemption of subordinated liabilities (Note 33)	**-**	(12,558)
Net gains/(losses) on loans and advances to customers at FVPL (Note 22)	**4,050**	(17,292)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 21)	**65,427**	19,878
- hedged items (Note 21)	**(62,563)**	(19,327)
	10,052	(21,323)

12. Income from assets and expenses from liabilities under insurance and reinsurance contracts

Income from assets under insurance and reinsurance contracts

	2022			2021		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
	€000	€000	€000	€000	€000	€000
Gross premiums	127,152	83,195	210,347	113,171	77,261	190,432
Reinsurance premiums	(18,258)	(42,729)	(60,987)	(17,084)	(35,311)	(52,395)
Net premiums	108,894	40,466	149,360	96,087	41,950	138,037
Change in provision for unearned premiums	-	851	851	-	(649)	(649)
Total net earned premiums	108,894	41,317	150,211	96,087	41,301	137,388
Net investment (loss)/income and other (expense)/income	(43,226)	-	(43,226)	45,766	-	45,766
Commissions from reinsurers and other income	7,769	14,041	21,810	7,784	11,209	18,993
	73,437	55,358	128,795	149,637	52,510	202,147
Change in value of in-force business before tax (Note 26)	(14,114)	-	(14,114)	3,714	-	3,714
	59,323	55,358	114,681	153,351	52,510	205,861

Expenses from liabilities under insurance and reinsurance contracts

	2022			2021		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
	€000	€000	€000	€000	€000	€000
Gross payments to policyholders	(66,758)	(23,464)	(90,222)	(51,101)	(22,766)	(73,867)
Reinsurers' share of payments to policyholders	4,987	9,925	14,912	4,970	8,858	13,828
Gross change in insurance contract liabilities	63,131	(4,567)	58,564	(64,375)	1,171	(63,204)
Reinsurers' share of gross change in insurance contract liabilities	(2,405)	2,219	(186)	2,939	(1,833)	1,106
Commissions paid to agents and other direct selling costs	(20,151)	(6,459)	(26,610)	(16,787)	(5,893)	(22,680)
	(21,196)	(22,346)	(43,542)	(124,354)	(20,463)	(144,817)

The decrease in income from assets under insurance and reinsurance contracts during the year ended 31 December 2022 is impacted by the valuation on the unit-linked investments, which in turn has a positive impact on the respective technical reserves, whose movement is reported under expenses from liabilities under insurance and reinsurance contracts.

12. Income from assets and expenses from liabilities under insurance and reinsurance contracts (continued)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the consolidated income statement:

	2022			2021		
	Life insurance	**Non-life insurance**	**Total**	Life insurance	Non-life insurance	Total
	€000	**€000**	**€000**	€000	€000	€000
Net (expense)/income from non-linked insurance business assets	**(83)**	**(243)**	**(326)**	(68)	188	120
Net gains/(losses) on financial instrument transactions and other non-linked insurance business income	**40**	**(2,833)**	**(2,793)**	1,114	(535)	579
Staff costs	**(5,674)**	**(8,010)**	**(13,684)**	(5,271)	(7,335)	(12,606)
Other operating expenses	**(6,010)**	**(4,492)**	**(10,502)**	(5,668)	(4,015)	(9,683)

13. Other income

	2022	2021 (restated)
	€000	€000
Dividend income	**940**	1,774
(Loss)/profit on sale and write-off of property and equipment and intangible assets	**(13)**	7
Rental income from investment properties	**4,263**	4,630
Rental income from stock of property	**257**	357
Income from hotel, golf and other leisure activities	**3,559**	2,539
Share of profit from associates	**-**	137
Loss on disposal/dissolution of subsidiaries and associates	**-**	(724)
Other income	**7,675**	5,524
	16,681	14,244

The income from hotel, golf and other leisure activities primarily relates to activities of subsidiaries acquired in debt satisfaction as part of loan restructuring activity.

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).

14. Staff costs

Staff costs

	2022	2021
	€000	€000
Salaries	**150,506**	160,605
Employer's contributions to state social insurance	**27,192**	28,186
Retirement benefit plan costs	**12,016**	13,696
Share-based benefits-expense	**322**	-
	190,036	202,487
Restructuring costs - voluntary exit plans and other termination benefits	**104,325**	16,146
	294,361	218,633

During the year ended 31 December 2022, an amount of €1,719 thousand (2021: €1,235 thousand) relating to staff costs has been capitalised as internally developed computer software (Note 26).

The number of persons employed by the Group as at 31 December 2022 was 2,889 (2021: 3,438 and includes 49 persons that have accepted the voluntary exit plan (VEP) and left the Group in early 2022).

In July 2022, the Group completed a VEP through which 559 of the Group's full-time employees were approved to leave at a total cost of €101,195 thousand.

In January 2022, the Group's subsidiary company, JCC Payment Systems Ltd, proceeded with a VEP for its employees, through which 15 employees were approved to leave at a total cost of €3,130 thousand. 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 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.

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 2022 and 2021.

	2022	2021
Corporate and Large corporate	**60**	92
International corporate	**30**	69
Small and medium-sized enterprises	**95**	107
Retail	**1,019**	1,091
Restructuring and recoveries	**180**	247
International banking services	**218**	243
Wealth management	**36**	37
Treasury	**26**	23
REMU	**45**	55
Insurance	**201**	203
Other (primarily head office functions)	**1,299**	1,348
Total Cyprus	**3,209**	3,515
Other countries	**11**	15
	3,220	3,530

14. Staff costs (continued)

14.1 Retirement benefits

Retirement benefits

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:

	2022	2021
	€000	€000
Defined benefit plans	**652**	586
Defined contribution plans	**11,364**	13,110
	12,016	13,696

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (86% 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 and employee contributions of 3%-10% of the employees' gross salaries for both 2022 and 2021. This plan is managed by an Administrative Committee appointed by the members.

In previous years a small number of employees who did not participate in the main retirement plan, were members of a pension scheme that was closed to new entrants and could have received part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed currently of representatives of the employer. The pension scheme is in the process of liquidation as the last member exited the plan during the year ended 31 December 2022.

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 2022 and 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 since 31 December 2021. As at 31 December 2022 and 2021 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 employees of the former subsidiary of the Group in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

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	**2022 €000**	2021
Liabilities (Note 34)	**3,694**	1,673
Assets (Note 28)	**(816)**	-
	2,878	1,673

Two of the plans have a total funded status at a surplus of €10,739 thousand, one of which is under liquidation with funded status surplus of €1,600 thousand (2021: two plans with surplus €5,462 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)

14.1 Retirement benefits (continued)

The amounts recognised in the consolidated balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2022 and 2021 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 2022	95,038	(98,827)	**(3,789)**	5,462	**1,673**
Current service cost	479	-	**479**	-	**479**
Loss on curtailment and settlement	219	-	**219**	-	**219**
Net interest expense/(income)	1,523	(1,569)	**(46)**	-	**(46)**
Total amount recognised in the consolidated income statement	2,221	(1,569)	**652**	-	**652**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	30,400	**30,400**	-	**30,400**
Actuarial loss from changes in financial assumptions	(34,016)	-	**(34,016)**	-	**(34,016)**
Demographic assumptions	(721)	-	**(721)**	-	**(721)**
Experience adjustments	3,008	-	**3,008**	-	**3,008**
Change in asset ceiling	-	-	**-**	5,617	**5,617**
Total amount recognised in the consolidated OCI	(31,729)	30,400	**(1,329)**	5,617	**4,288**
Exchange differences	(4,077)	4,296	**219**	(339)	**(120)**
Contributions:					
Employer	-	(3,615)	**(3,615)**	-	**(3,615)**
Plan participants	183	(183)	**-**	-	**-**
Benefits paid from the plans	(6,893)	6,893	**-**	-	**-**
Benefits paid directly by the employer	-	-	**-**	-	**-**
31 December 2022	**54,743**	**(62,605)**	**(7,862)**	**10,740**	**2,878**

14. Staff costs (continued)

14.1 Retirement benefits (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 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)

14.1 Retirement benefits (continued)

The actual return on plan assets for year 2022 was a loss of €28,831 thousand (2021: gain of €6,688 thousand) mainly due to the reduction in bond and equity prices during the year.

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:

	2022	2021
Equity securities	**13%**	20%
Debt securities	**57%**	48%
Loans and advances to banks	**13%**	15%
Funds	**17%**	17%
	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 2022 is €95 thousand (2021: €57 thousand).

The Group expects to make additional contributions to defined benefit plans of €3,606 thousand during 2023.

At the end of the reporting period, the average duration of the defined benefit obligations was 14 years (2021: 18 years).

14. **Staff costs** (continued)

14.1 **Retirement benefits** (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 2022 and 2021 are set out below:

2022	**Cyprus**	**Greece**	**UK**
Discount rate	**3.85%**	**n/a**	**5.00%**
Inflation rate	**2.50%**	**n/a**	**3.10%**
Future salary increases	**2.50%**	**n/a**	**n/a**
Rate of pension increase	**n/a**	**n/a**	**2.90%**
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**	**23.0 years M 24.7 years F**
2021			
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

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 of high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone which comprise 18% 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 82% 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 2022 and 2021 is presented below:

	2022		2021	
Variable	**Change +0.5%**	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-6.5%**	**6.9%**	-8.7%	9.4%
Inflation growth rate	**3.8%**	**-4.2%**	5.5%	-5.4%
Salary growth rate	**1.1%**	**-1.1%**	1.0%	-0.9%
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	**3.6%**	**-3.6%**	2.9%	-2.9%

14. Staff costs (continued)

14.1 Retirement benefits (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 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.

14.2 Share-based compensation plan

Long-Term Incentive Plan
During the Annual General Meeting of the shareholders of the Company which took place on 20 May 2022, a special resolution was approved for the establishment and implementation of the share based Long-Term Incentive Plan of Bank of Cyprus Holdings Public Limited Company (the '2022 LTIP').

The 2022 LTIP is a share-based compensation plan for executive directors and senior management of the Group. The 2022 LTIP provides for an award in the form of ordinary shares of the Company based on certain non-market performance and service vesting conditions. Performance will be measured over a 3-year period. The performance conditions are set by the Human Resources & Remuneration Committee (HRRC) each year and may be differentiated to reflect the Group's strategic targets and employee's personal performance, at HRRC's discretion. Performance will be assessed against an evaluation scorecard consistent with the Group's Medium Term Strategic Targets containing both financial and non-financial objectives, and including targets in the areas of: (i) Profitability; (ii) Asset quality; (iii) Capital adequacy; (iv) Risk control & compliance; and (v) Environmental, Social and Governance ('ESG'). The awards ordinarily vest in six tranches, with 40% vesting in the year following the year the performance period ends and the remaining 60%, vesting in tranches (12%), on each of the first, second, third, fourth and fifth anniversary date of the first vesting date. For any award to vest the employee must be in the employment of the Group up until the date of the vesting of such an award. Under certain circumstances the HRRC has the discretion to determine whether the award will lapse and/or the extent to which the award will be vested.

The maximum number of shares that may be issued pursuant to the 2022 LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of the Company, as at the date of the resolution (being 22,309,996 ordinary shares of €0.10 each), as adjusted for any issuance or cancellation of shares subsequently to the date of the resolution (excluding any issuances of shares pursuant to the 2022 LTIP).

The pre-existing Share Option Plan, which was operating at the level of the Company, has been superseded by the 2022 LTIP.

On 22 December 2022 (grant date) 819,860 share awards under the 2022 LTIP were granted by the Company to 22 eligible employees (2021: nil) comprising the Extended Executive Committee of the Group. The awards are subject to a three year performance period (2022-2024) (with all performance conditions being non-market performance conditions) and thereon vest in six tranches, with the first tranche vesting in the year following the year the performance period ends and the last tranche vesting on the fifth anniversary of the first vesting date. Vesting is also subject to service conditions. Awards are subject to potential forfeiture under certain leaver scenarios.

The following table presents movements in outstanding share-based awards during 2022 and 2021.

	2022		2021	
	Number of shares	**Weighted average grant date fair value**	Number of shares	Weighted average grant date fair value
		€		€
As at 1 January	**-**		-	
Granted during the year	**819,860**	**1.69**	-	-
Vested during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
31 December	**819,860**		-	

14. Staff costs (continued)

14.2 Share-based compensation plan (continued)

Assumptions as at 31 December 2022
The fair value calculations at 31 December 2022 for grants made in the year are calculated, using Black-Scholes model. As the award is a share award (and does not contain any market based performance conditions) the fair value is based on the share price at the date of the grant.

15. Other operating expenses

	2022	2021 (restated)
	€000	€000
Repairs and maintenance expenses	**34,840**	33,083
Other property-related costs	**14,325**	12,448
Consultancy, legal and other professional services fees	**19,611**	14,400
Insurance	**8,458**	7,965
Advertising and marketing	**10,097**	9,836
Depreciation of property and equipment (Note 25)	**15,650**	16,313
Amortisation of intangible assets (Note 26)	**18,553**	18,615
Communication expenses	**6,535**	7,254
Printing and stationery	**1,698**	1,851
Cash transfer expenses	**2,953**	2,664
Other operating expenses	**19,509**	20,158
	152,229	144,587
Advisory and other restructuring costs	**14,136**	23,124
	166,365	167,711

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) the transformation program and other strategic projects of the Group, and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2022, the Group recognised €193 thousand relating to rent expense for short-term leases, included within 'Other property-related costs' (2021: €255 thousand) and €6,767 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2021: €7,520 thousand) (Note 43).

Within total other operating expenses an amount of €820 thousand (2021: €734 thousand) relates to investment property that generated rental income.

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	2022	2021
	€000	€000
Special levy on deposits of credit institutions in Cyprus	**21,499**	19,936
Single Resolution Fund contribution	**5,779**	5,209
Guarantee fee on annual deferred tax credit (Note 17)	**4,795**	5,300
Contribution to Deposit Guarantee Fund	**6,419**	5,905
	38,492	36,350

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.

15. Other operating expenses (continued)

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:

	2022	2021
	€000	€000
Audit of the individual and the Group financial statements	**2,416**	1,870
Other assurance services	**504**	659
Tax compliance and advisory services	**282**	298
Other non-audit services	**199**	78
	3,401	2,905

Audit fees above include fees to the statutory auditor (PwC Ireland) of €35 thousand (excluding VAT) for the audit of the Company financial statements (2021: €30 thousand excluding VAT) and €110 thousand (excluding VAT) for the audit of the Company consolidated financial statements (2021: €100 thousand excluding VAT). Non-audit fees above include fees to the statutory auditor (PwC Ireland) of €78 thousand excluding VAT (2021: €92 thousand excluding VAT). Other assurance services include fees relating to the interim review.

16. Credit losses on financial instruments and impairment net of reversals of non-financial assets

	2022	2021
Credit losses on financial instruments	**€000**	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers (Note 45.6)	**64,997**	33,956
Recoveries of loans and advances to customers previously written off	**(11,919)**	(11,907)
Changes in expected cash flows	**7,948**	15,951
Financial guarantees and commitments (Notes 45.5.1 and 45.5.2)	**(4,516)**	2,341
	56,510	40,341
Credit losses of other financial instruments		
Amortised cost debt securities (Note 20)	**701**	(32)
FVOCI debt securities (Note 20)	**(23)**	(91)
Loans and advances to banks (Note 19)	**(52)**	(5)
Balances with central banks (Note 19)	**193**	-
Other financial assets (Note 28)	**2,200**	5,931
	3,019	5,803
	59,529	46,144

Impairment net of reversals on non-financial assets		
Stock of property (Note 27)	**20,628**	46,775
Other non-financial assets	**8,921**	2,681
	29,549	49,456

17. Income tax

	2022	2021
	€000	€000
Current tax:		
- Cyprus	**36,054**	5,202
Cyprus special defence contribution	**144**	163
Deferred tax (credit)/charge	**(2,318)**	641
Prior years' tax adjustments	**1,736**	(1,882)
Other tax charges	**196**	119
	35,812	4,243

The reconciliation between the income tax expense and the profit before tax as estimated using the current income tax rates is set out below:

	2022	2021
	€000	€000
Profit before tax	**109,784**	36,120
Income tax at the normal tax rates in Cyprus	**13,723**	4,515
Income tax effect of:		
- expenses not deductible for income tax purposes	**35,360**	14,324
- income not subject to income tax	**(13,029)**	(13,637)
- deferred tax (credit)/charge	**(2,318)**	641
	33,736	5,843
Cyprus special defence contribution	**144**	163
Prior years' tax adjustments	**1,736**	(1,882)
Other tax charges	**196**	119
	35,812	4,243

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2021: 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% (2021: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2021: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2022 were: Greece 22% (2021: 22%), Romania 16% (2021: 16%) and Russia 20% (2021: 20%).

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.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups. The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. The legislation has not been substantively enacted at the balance sheet date and the Group will continue to monitor the evolving national legislation including any disclosures required, or exemptions available, under IAS 12 in the year ending 31 December 2023.

17. Income tax (continued)

Deferred tax

The net deferred tax assets arise from:

	2022	2021
	€000	€000
Difference between capital allowances and depreciation	**(10,528)**	(10,990)
Property revaluation	**(13,338)**	(13,582)
Investment revaluation and stock of property	**(2,847)**	(2,847)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**227,455**	265,364
Value of in-force life insurance business	**(14,472)**	(16,236)
Other temporary differences (net)	**(2,571)**	(2,663)
Net deferred tax assets	**183,699**	219,046

The net deferred tax assets comprise:

	2022	2021
	€000	€000
Deferred tax assets	**227,521**	265,481
Deferred tax liabilities	**(43,822)**	(46,435)
Net deferred tax assets	**183,699**	219,046

The deferred tax assets (DTA) relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	2022	2021
	€000	€000
1 January	**219,046**	295,378
Deferred tax recognised in the consolidated income statement	**2,318**	(641)
Deferred tax recognised in the consolidated statement of comprehensive income	**244**	127
Transfer to current tax receivables following conversion into tax credit	**(37,909)**	(75,818)
31 December	**183,699**	219,046

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 (credit)/charge recognised in the consolidated income statement is set out below:

	2022	2021
	€000	€000
Difference between capital allowances and depreciation	**(462)**	170
Value of in-force life insurance business	**(1,764)**	464
Other temporary differences	**(92)**	7
	(2,318)	641

The analysis of the net deferred tax recognised in other comprehensive income in the consolidated statement of comprehensive income is set out below:

	2022	2021
	€000	€000
Timing differences on property revaluation-income	**244**	127

17. Income tax (continued)

During the year ended 31 December 2021 an amount of €479 thousand 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:

i. The amendments allow for the conversion of specific tax losses into tax credits.
ii. 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'.
iii. 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.
iv. Acquired tax losses are converted into 15 equal annual instalments or into 11 equal annual instalments for acquired losses from credit institutions which were in resolution pre 31 December 2017.
v. 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.
vi. 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.
vii. 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.
viii. 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.
ix. A guarantee fee on annual tax credit is payable annually by the credit institution to the Government.

In response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government has proceeded with the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already provided for in the Law, to maintain the conversion of such DTAs into tax credits. The relevant amendments were voted by the Cyprus Parliament in May 2022 and have become effective since. As prescribed by the amendments in the Law, the annual fee is to be determined by the Cyprus Government on an annual basis, providing however, for such fee charge to be set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e. in 2022).

BOC PCL has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 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 (corresponding to €3.3 billion tax losses) for which BOC PCL paid a consideration as part of the respective acquisition. 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 DTA amounting to €227,455 thousand as at 31 December 2022 (2021: €265,364 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.

17. Income tax (continued)

The Group in prior years, in anticipation of modifications in the Law, acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Group estimates that such fees could range up to €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. An amount of €4,795 thousand that relates to the tax credit of year 2022 (2021: €5,300 thousand) was recorded during the year ended 31 December 2022. In the third quarter of 2022, BOC PCL has been levied an amount for years 2018-2021 within the provisions level maintained.

The accumulated income tax losses are presented in the table below:

	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
2022	**€000**	**€000**	**€000**
Expiring within 5 years	**44,960**	**-**	**44,960**
Utilisation in annual instalments up to 2028	**1,819,636**	**1,819,636**	**-**
	1,864,596	**1,819,636**	**44,960**
2021			
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

18. Earnings per share

Basic and diluted profit per share attributable to the owners of the Company	2022	2021
Profit for the year attributable to the owners of the Company (€ thousand)	**71,106**	29,709
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**446,058**	446,058
Basic and diluted profit per share (€ cent)	**15.9**	6.7

19. Cash, balances with central banks and loans and advances to banks

	2022	2021
	€000	€000
Cash	**91,717**	142,915
Balances with central banks	**9,475,734**	9,087,968
Allowance for expected credit losses (Note 16)	**(193)**	-
	9,567,258	9,230,883

	2022	2021
	€000	€000
Loans and advances to banks	**204,832**	291,705
Allowance for expected credit losses (Note 16)	**(21)**	(73)
	204,811	291,632

19. Cash, balances with central banks and loans and advances to banks (continued)

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

Gross carrying amount	**2022** **€000**	2021 €000
1 January	**9,087,968**	5,513,629
Net increase	**387,766**	3,574,339
31 December	**9,475,734**	9,087,968

Balances with central banks are classified as Stage 1.

The ECL charge (Note 16) and ECL allowance on balances with central banks for the year ended and as at 31 December 2022 amounted to €193 thousand (2021: nil).

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2022		2021	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**291,705**	**(73)**	402,862	(78)
Net decrease	**(85,970)**	**-**	(109,485)	-
Changes to models and inputs used for ECL calculation (Note 16)	**-**	**52**	-	5
Foreign exchange adjustments	**(903)**	**-**	(1,672)	-
31 December	**204,832**	**(21)**	291,705	(73)

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 2022 which amount to €114,537 thousand (2021: €166,987 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 45.11.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

The analysis of the Group's investments is presented in the table below:

	2022 **€000**	2021 €000
Investments at FVPL	**190,209**	199,194
Investments at FVOCI	**467,375**	748,695
Investments at amortised cost	**2,046,119**	1,191,274
	2,703,703	2,139,163

Out of these, the amounts pledged as collateral are shown below:

Investments pledged as collateral	**2022** **€000**	2021 €000
Investments at FVOCI	**60,974**	488,806
Investments at amortised cost	**223,369**	771,352
	284,343	1,260,158

20. Investments (continued)

Investments pledged as collateral as at 31 December 2022 and 2021 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) (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.

The credit rating analysis of investments is disclosed in Note 45.11.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2022	2021
	€000	€000
Debt and other non-equity securities	**8,968**	6,034
Equity securities	**6,961**	9,053
Mutual funds	**174,280**	184,107
	190,209	199,194

The debt securities which are measured at FVPL are mandatorily classified because they failed to meet the SPPI Criteria.

Investments at FVOCI

	2022	2021
	€000	€000
Debt securities	**453,775**	733,080
Equity securities (including preference shares)	**13,600**	15,615
	467,375	748,695

Investments at amortised cost

	2022	2021
	€000	€000
Debt securities	**2,046,119**	1,191,274

20. **Investments** (continued)

Further analysis of the Group's investments is provided in the tables below.

Equity securities

Equity securities	**FVPL**	**FVOCI**	**Total**
2022	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	1,335	**1,335**
Listed on other stock exchanges	6,961	68	**7,029**
Unlisted	-	12,197	**12,197**
	6,961	**13,600**	**20,561**

	FVPL	**FVOCI**	**Total**
2021	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	1,752	**1,752**
Listed on other stock exchanges	9,053	76	**9,129**
Unlisted	-	13,787	**13,787**
	9,053	**15,615**	**24,668**

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 €13,600 thousand at 31 December 2022 and is equal to their fair value (2021: €15,615 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 €940 thousand has been received and recognised for 2022 in other income (2021: €1,774 thousand) (Note 13).

During the years ended 31 December 2022 and 31 December 2021 no material equity investments measured at FVOCI have been disposed of. During the year there were transfers from OCI to retained earnings of €2,931 thousand (2021: nil) relating to investments disposed in prior years.

Mutual funds

Mutual funds	**FVPL**
2022	€000
Listed on other stock exchanges	77,782
Unlisted	96,498
	174,280

	FVPL
2021	€000
Listed on other stock exchanges	88,963
Unlisted	95,144
	184,107

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.

20. Investments (continued)

Debt securities and other non-equity securities

Analysis by issuer type	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	**€000**
Cyprus government	-	310,791	521,322	**832,113**
Other governments	-	22,616	402,844	**425,460**
Financial institutions	-	115,497	722,522	**838,019**
Other financial corporations	8,968	-	36,547	**45,515**
Supranational organisations	-	-	293,834	**293,834**
Other non-financial corporations	-	4,871	69,050	**73,921**
	8,968	**453,775**	**2,046,119**	**2,508,862**

	FVPL	FVOCI	Amortised cost	Total
2021	€000	€000	€000	**€000**
Cyprus government	-	408,708	326,953	735,661
Other governments	-	87,295	223,813	311,108
Financial institutions	500	230,513	397,775	628,788
Other financial corporations	5,534	-	33,507	39,041
Supranational organisations	-	-	209,226	209,226
Other non-financial corporations	-	6,564	-	6,564
	6,034	**733,080**	**1,191,274**	**1,930,388**

Geographic dispersion by country of issuer	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	**€000**
Cyprus	-	310,791	531,611	**842,402**
Greece	-	14,987	43,276	**58,263**
Germany	-	-	121,132	**121,132**
France	-	58,134	162,405	**220,539**
Other European Union countries	-	33,298	370,728	**404,026**
United Kingdom	-	-	23,128	**23,128**
USA and Canada	8,968	8,974	238,802	**256,744**
Other countries	-	27,591	261,203	**288,794**
Supranational organisations	-	-	293,834	**293,834**
	8,968	**453,775**	**2,046,119**	**2,508,862**

	FVPL	FVOCI	Amortised cost	Total
2021	€000	€000	€000	**€000**
Cyprus	500	408,708	326,953	736,161
Germany	-	3,598	67,747	71,345
France	-	66,116	100,388	166,504
Other European Union countries	-	139,940	239,781	379,721
United Kingdom	-	-	25,043	25,043
USA and Canada	5,534	77,831	111,961	195,326
Other countries	-	36,887	110,175	147,062
Supranational organisations	-	-	209,226	209,226
	6,034	**733,080**	**1,191,274**	**1,930,388**

20. Investments (continued)

Listing analysis	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	-	29,849	29,849
Listed on other stock exchanges	-	453,775	2,016,270	2,470,045
Unlisted	8,968	-	-	8,968
	8,968	453,775	2,046,119	2,508,862

	FVPL	FVOCI	Amortised cost	Total
2021	€000	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	-	48,463	48,463
Listed on other stock exchanges	-	733,080	1,142,811	1,875,891
Unlisted	6,034	-	-	6,034
	6,034	733,080	1,191,274	1,930,388

The Group uses fair value hedging to manage the interest rate risk in relation to its FVOCI bonds (Note 21).

An analysis of the movement of debt securities at FVOCI before ECL and the changes on the ECL are presented in the table below:

	2022		2021	
	Gross debt securities	ECL	Gross debt securities	ECL
	€000	€000	€000	€000
1 January	733,766	(686)	657,633	(777)
New assets acquired in the year	27,972	-	116,290	-
Assets derecognised and redeemed in the year (Note 16)	(244,486)	35	(34,083)	6
Interest accrued and amortisation	(6,119)	-	(2,448)	-
Foreign exchange adjustments	11,190	-	14,852	-
Changes to models and inputs used for ECL calculations (Note 16)	-	(12)	-	85
Changes in fair value	(67,885)	-	(18,478)	-
31 December	454,438	(663)	733,766	(686)

All debt securities measured at FVOCI are classified as Stage 1.

An analysis of changes in the gross carrying amount (before ECL) of the debt securities at amortised cost by staging is presented in the table below:

	2022			2021		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	€000	€000	€000	€000	€000	€000
1 January	1,143,533	48,559	1,192,092	984,739	48,981	1,033,720
New assets acquired in the year	1,073,058	-	1,073,058	503,089	-	503,089
Assets derecognised and redeemed in the year	(164,874)	(47,100)	(211,974)	(348,151)	-	(348,151)
Fair value due to hedging relationship	(10,527)	(197)	(10,724)	(2,156)	(392)	(2,548)
Interest accrued and amortisation	(179)	(1,262)	(1,441)	(4,744)	(30)	(4,774)
Foreign exchange adjustments	6,627	-	6,627	10,756	-	10,756
31 December	2,047,638	-	2,047,638	1,143,533	48,559	1,192,092

20. Investments (continued)

An analysis of changes on the respective ECL is presented in the table below:

	2022			2021		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(722)**	**(96)**	**(818)**	(545)	(305)	(850)
Assets derecognised or redeemed (Note 16)	**11**	**96**	**107**	155	-	155
Changes to models and inputs used for ECL calculation (Note 16)	**(808)**	**-**	**(808)**	(332)	209	(123)
31 December	**(1,519)**	**-**	**(1,519)**	(722)	(96)	(818)

There were no reclassifications of investments during the year ended 31 December 2022 and 2021.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €8,694 thousand at 31 December 2022 (2021: €11,066 thousand). The fair value loss that would have been recognised in the consolidated income statement during the year ended 31 December 2022 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €1,432 thousand (2021: loss of €97 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2021: 1.6%-5.0%) per annum and the respective interest income during the year ended 31 December 2022 amounts to €252 thousand (2021: €280 thousand).

21. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2022			2021		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**13,239**	**103**	**123**	11,344	81	55
Currency swaps	**1,248,522**	**283**	**10,316**	991,117	4,388	1,342
Interest rate swaps	**14,806**	**437**	**420**	21,690	86	61
Currency options	**352**	**287**	**65**	83	62	21
Interest rate caps/floors	**171,864**	**3,094**	**3,094**	518,950	223	218
	1,448,783	**4,204**	**14,018**	1,543,184	4,840	1,697
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**803,513**	**43,939**	**2,151**	700,835	1,813	30,025
Net investments - forward exchange rate contracts and currency swaps	**3,059**	**10**	**-**	107,193	-	730
	806,572	**43,949**	**2,151**	808,028	1,813	30,755
Total	**2,255,355**	**48,153**	**16,169**	2,351,212	6,653	32,452

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 foreign currency 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.

21. Derivative financial instruments (continued)

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.

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 currency 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 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, foreign currency 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.

21. Derivative financial instruments (continued)

Hedges of net investments
The Group's consolidated balance sheet is impacted 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 other foreign operations and by forward exchange rate contracts.

As at 31 December 2022, forward exchange rate contracts amounting to €3,059 thousand (2021: forward exchange rate contracts and currency swaps amounting to €107,193 thousand) have been designated as hedging instruments and have given rise to a loss of €4,079 thousand (2021: gain of €7,797 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**
2022	**Hedged items**	**Hedging instrument**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	(62,563)	65,427	(2,864)
Net investments			
-forward exchange rate contracts	4,079	(4,079)	-
Total	**(58,484)**	**61,348**	**(2,864)**

	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 and currency swaps	(8,422)	8,422	-
Total	**(27,749)**	**28,300**	**(551)**

21. Derivative financial instruments (continued)

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	
2022	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	468,396	-	(66,555)	-
-debt securities in issue	-	297,636	-	4,853
Net investments - forward and swap exchange rate contracts				
Net assets	3,059	-	10	-
Total	**471,455**	**297,636**	**(66,545)**	**4,853**

	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)**

For assets hedged using fair value hedges the fixed rate is 1.84% and the floating rate is 1.20% as at 31 December 2022 (2021: 2.38% and 0.94% respectively). For liabilities hedged using fair value hedges, the average fixed rate is 0.62% and the average floating rate is 0.25% respectively as at 31 December 2022. 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:

2022	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 contract amount €000
Trading derivatives						
Forward exchange rate contracts	1,649	9,138	2,452	-	-	**13,239**
Currency swaps	1,109,302	139,220	-	-	-	**1,248,522**
Interest rate swaps	-	-	-	14,806	-	**14,806**
Currency options	352	-	-	-	-	**352**
Interest rate caps/floors	-	-	-	154,173	17,691	**171,864**
	1,111,303	**148,358**	**2,452**	**168,979**	**17,691**	**1,448,783**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	23,416	17,000	42,200	486,397	234,500	**803,513**
Net investments - forward exchange rate contracts	3,059	-	-	-	-	**3,059**
	26,475	**17,000**	**42,200**	**486,397**	**234,500**	**806,572**
Total	**1,137,778**	**165,358**	**44,652**	**655,376**	**252,191**	**2,255,355**

21. Derivative financial instruments (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 contract amount €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**

Interest rate benchmark reform

As at 31 December 2022 and 2021 the interest rate benchmarks to which BOC PCL's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and USD 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 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	2022 €000	2021 €000
Euribor (3-month)	**770,731**	529,831
Libor USD (3-month)	**32,782**	171,004
Total	**803,513**	700,835

Euribor is in compliance with EU Benchmarks Regulation and the Group does not consider that Euribor based derivatives are affected by the BMR Reform.

As at 31 December 2022, 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.

	2022		2021	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,567,258**	**9,567,258**	9,230,883	9,230,883
Loans and advances to banks	**204,811**	**193,349**	291,632	289,519
Investments at FVPL	**190,209**	**190,209**	199,194	199,194
Investments at FVOCI	**467,375**	**467,375**	748,695	748,695
Investments at amortised cost	**2,046,119**	**1,953,336**	1,191,274	1,196,753
Derivative financial assets	**48,153**	**48,153**	6,653	6,653
Loans and advances to customers	**9,953,252**	**10,011,741**	9,836,405	9,642,212
Life insurance business assets attributable to policyholders	**531,061**	**531,061**	540,827	540,827
Financial assets classified as held for sale	**-**	**-**	250,370	250,370
Other financial assets	**415,622**	**469,562**	393,464	393,464
	23,423,860	**23,432,044**	22,689,397	22,498,570
Financial liabilities				
Funding from central banks and deposits by banks	**2,484,332**	**2,399,266**	3,426,639	3,328,987
Derivative financial liabilities	**16,169**	**16,169**	32,452	32,452
Customer deposits	**18,998,319**	**18,963,934**	17,530,883	17,532,995
Debt securities in issue	**297,636**	**254,179**	302,555	292,615
Subordinated liabilities	**302,104**	**265,472**	340,220	355,159
Other financial liabilities and lease liabilities	**255,455**	**255,455**	275,519	275,519
	22,354,015	**22,154,475**	21,908,268	21,817,727

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 and properties 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 BOC PCL's 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.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard Loss Given Default (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 2022 ranges from 2.66% to 4.86% (2021:2.34%-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.

Debt securities in issue and Subordinated liabilities
Debt securities and subordinated liabilities 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:

2022	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	9,045	**9,045**
Offices and other commercial properties	-	-	47,837	**47,837**
Manufacturing and industrial properties	-	-	25,607	**25,607**
Land (fields and plots)	-	-	2,610	**2,610**
	-	-	85,099	**85,099**
Freehold property				
Offices and other commercial properties	-	-	203,658	**203,658**
Loans and advances to customers measured at FVPL	-	-	214,359	**214,359**
Trading derivatives				
Forward exchange rate contracts	-	103	-	**103**
Currency swaps	-	283	-	**283**
Interest rate swaps	-	437	-	**437**
Currency options	-	287	-	**287**
Interest rate caps/floors	-	3,094	-	**3,094**
	-	4,204	-	**4,204**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43,939	-	**43,939**
Net investments-forward exchange rate contracts and currency swaps	-	10	-	**10**
	-	43,949	-	**43,949**
Investments at FVPL	84,743	96,498	8,968	**190,209**
Investments at FVOCI	455,110	-	12,265	**467,375**
	539,853	**144,651**	**524,349**	**1,208,853**
Other financial assets not measured at fair value				
Loans and advances to banks	-	193,349	-	**193,349**
Investments at amortised cost	1,871,757	69,300	12,279	**1,953,336**
Loans and advances to customers	-	-	9,797,382	**9,797,382**
	1,871,757	**262,649**	**9,809,661**	**11,944,067**

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 €4,538 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,145 thousand in their fair value.

For one investment included in debt and other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €8,968 thousand as at 31 December 2022, a change in the conversion factor by 10% would result in a change in the value of the debt and other non-equity securities by €897 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 46.

22. **Fair value measurement** (continued)

The fair value measurement hierarchy for life insurance business assets attributable to policy holders is disclosed in Note 24.

2022	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	123	-	**123**
Currency swaps	-	10,316	-	**10,316**
Interest rate swaps	-	420	-	**420**
Currency options	-	65	-	**65**
Interest rate caps/floors	-	3,094	-	**3,094**
	-	14,018	-	**14,018**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,151	-	**2,151**
	-	2,151	-	**2,151**
	-	**16,169**	**-**	**16,169**
Other financial liabilities not measured at fair value				
Funding from central banks	-	1,944,145	-	**1,944,145**
Deposits by banks	-	455,121	-	**455,121**
Customer deposits	-	-	18,963,934	**18,963,934**
Debt securities in issue	254,179	-	-	**254,179**
Subordinated liabilities	265,472	-	-	**265,472**
	519,651	**2,399,266**	**18,963,934**	**21,882,851**

22. Fair value measurement (continued)

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**
Investments 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**

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 and other non-equity 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 and other non-equity securities by €553 thousand.

22. Fair value measurement (continued)

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**
Debt securities in issue	292,615	-	-	**292,615**
Subordinated liabilities	355,159	**-**	**-**	**355,159**
	647,774	**3,328,987**	**17,532,995**	**21,509,756**

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 years ended 31 December 2022 and 2021 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 and consequently, the Group requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 financial assets which are measured at fair value is presented below:

	2022						2021					
	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	**117,745**	**5,321**	**195,666**	**10,408**	**281,868**	**19,897**	128,088	1,248	202,146	10,408	289,861	33,182
Additions	**9,166**	**-**	**3,173**	**-**	**-**	**10,054**	2,774	-	857	-	-	396
Disposals	**(39,484)**	**(5,321)**	**-**	**-**	**-**	**(500)**	(10,425)	(1,656)	-	-	-	(903)
Transfers from investment properties to non-current assets and disposal groups held for sale (Note 29)	**-**	**-**	**-**	**-**	**-**	**-**	(5,729)	5,729	-	-	-	-
Transfers from own use properties to investment properties (Note 25)	**-**	**-**	**-**	**-**	**-**	**-**	5,616	-	(5,616)	-	-	-
Transfers from own use properties held for sale to own use properties (Note 29)	**-**	**-**	**10,408**	**(10,408)**	**-**	**-**	-	-	-	-	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	**-**	**-**	**(4,102)**	-	-	-	-	-	(18,618)
Depreciation charge for the year	**-**	**-**	**(2,046)**	**-**	**-**	**-**	-	-	(2,129)	-	-	-
Impairment charge for the year (Note 16)	**-**	**-**	**(3,543)**	**-**	**-**	**-**	-	-	-	-	-	-
Fair value (losses)/gains	**(2,915)**	**-**	**-**	**-**	**-**	**(4,133)**	(2,783)	-	408	-	-	5,840
Net gains/(losses) on loans and advances to customers measured at FVPL (Note 11)	**-**	**-**	**-**	**-**	**4,050**	**-**	-	-	-	-	(17,292)	-
Derecognition of loans	**-**	**-**	**-**	**-**	**(82,522)**	**-**	-	-	-	-	(3,083)	-
Interest on loans (Note 7)	**-**	**-**	**-**	**-**	**10,963**	**-**	-	-	-	-	12,382	-
Foreign exchange adjustments	**587**	**-**	**-**	**-**	**-**	**17**	204	-	-	-	-	-
31 December	**85,099**	**-**	**203,658**	**-**	**214,359**	**21,233**	117,745	5,321	195,666	10,408	281,868	19,897

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

Type and country	2022	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	4,911	€37-€93	€185-€1,673	5%-7%	€427-€2,338	€130-€650	134-1,203	89-1,420	10-104
Greece	4,134	€6-€115	€164-€2,115	2%-7.1%	€45-€1,892	€7-€4,017	24-5,147	51-825	11-50
	9,045								
Offices and other commercial properties									
Cyprus	44,837	€36-€250	€470	3.4%-10%	€520-€5,781	€150-€5,000	348-35,413	16-5,850	9-67
Greece	3,000	€19-€381	€193-€3,548	5.4%-10.5%	€72-€3,638	€142-€265	100-8,582	6-4,692	18-64
	47,837								
Manufacturing and industrial									
Cyprus	18,439	€14-€62	€360	4.5%-9%	€283-€1,272	€550	2,202-15,965	743-8,007	10-38
Greece	7,168	€7-€58	€133-€461	3.5%-11%	€8-€439	€5-€395	57-34,495	349-5,858	13-84
	25,607								
Land (fields and plots)									
Cyprus	**2,610**	n/a	n/a	n/a	n/a	€1,127	2,316	n/a	n/a
Total	**85,099**								

Analysis of own use properties

Type and country	2022	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
Offices and other commercial properties	**€000**						**m²**	**m²**	**Years**
Cyprus	203,658	€76-€277	€750-€1,855	5.6%-5.8%	€70-€6,164	€70-€2,274	390-51,947	122-11,109	15-79
Total	**203,658**								

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)

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

	2022	2021
	€000	€000
Gross loans and advances to customers at amortised cost	**9,917,335**	9,840,535
Allowance for ECL for impairment of loans and advances to customers (Note 45.6)	**(178,442)**	(285,998)
	9,738,893	9,554,537
Loans and advances to customers measured at FVPL	**214,359**	281,868
	9,953,252	9,836,405

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

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

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2021	€000	€000	€000	€000	**€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**

Residual fair value adjustment
The residual fair value adjustment on initial recognition 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.

Loans and advances to customers measured at FVPL are managed in Cyprus.

23. Loans and advances to customers (continued)

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

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

2021 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate and Large Corporate	2,365,329	878,698	71,763	44,269	**3,360,059**
International corporate	578,920	53,259	5,753	11	**637,943**
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**

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

	2022	2021
	€000	€000
Equity securities	**1,359**	1,098
Debt securities	**36,837**	36,400
Mutual funds	**443,299**	441,410
Bank deposits and other receivables	**49,566**	61,919
	531,061	540,827
Property	**11,260**	10,970
	542,321	551,797

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 €2,965 thousand (2021: €3,079 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 2022 of €236 thousand (2021: €143 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:

	Level 1	**Level 2**	**Level 3**	**Total**
2022	**€000**	**€000**	**€000**	**€000**
Equity securities	**1,359**	**-**	**-**	**1,359**
Debt securities	**17,525**	**-**	**19,312**	**36,837**
Mutual funds	**440,108**	**-**	**3,191**	**443,299**
	458,992	**-**	**22,503**	**481,495**
2021				
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

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.

The movement of financial assets classified as Level 3 is presented below:

	2022	2021
	€000	€000
1 January	**22,265**	23,435
Unrealised gains/(losses) recognised in the consolidated income statement	**238**	(1,170)
31 December	**22,503**	22,265

During the years ended 31 December 2022 and 2021 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

2022	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	231,896	20,234	**252,130**
Additions	3,898	2,854	**6,752**
Transfers from non-current assets and disposal groups held for sale (Note 29)	10,408	-	**10,408**
Impairment	(3,543)	-	**(3,543)**
Disposals and write-offs	(46)	(92)	**(138)**
Depreciation charge for the year (Note 15)	(9,669)	(5,981)	**(15,650)**
New leases (Note 43)	132	825	**957**
Re-assessment of RoU assets (Note 43)	3,922	-	**3,922**
Derecognition of RoU assets (Note 43)	(1,460)	-	**(1,460)**
Net book value at 31 December	**235,538**	**17,840**	**253,378**
1 January 2022			
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**
31 December 2022			
Cost or valuation	303,891	142,787	**446,678**
Accumulated depreciation	(68,353)	(124,947)	**(193,300)**
Net book value	**235,538**	**17,840**	**253,378**

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)

The net book value of the Group's property comprises:

	2022	2021
	€000	€000
Freehold property	**203,658**	195,666
Improvements on leasehold property	**2,472**	2,649
RoU assets (Note 43)	**29,408**	33,581
Total	**235,538**	231,896

Freehold property includes land amounting to €79,623 thousand (2021: €78,591 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 2022 and 2021.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2022 amounts to €142,555 thousand (2021: €134,000 thousand).

26. Intangible assets

	Computer software	In-force life insurance business	**Total**
2022	€000	€000	**€000**
Net book value at 1 January	54,144	129,890	**184,034**
Additions	17,347	-	**17,347**
Decrease in value of in-force life insurance business (Note 12)	-	(14,114)	**(14,114)**
Disposals and write-offs	(392)	-	**(392)**
Amortisation charge for the year (Note 15)	(18,553)	-	**(18,553)**
Net book value at 31 December	**52,546**	**115,776**	**168,322**
1 January 2022			
Cost	236,526	129,890	**366,416**
Accumulated amortisation and impairment	(182,382)	-	**(182,382)**
Net book value	**54,144**	**129,890**	**184,034**
31 December 2022			
Cost	253,353	115,776	**369,129**
Accumulated amortisation and impairment	(200,807)	-	**(200,807)**
Net book value	**52,546**	**115,776**	**168,322**

26. Intangible assets (continued)

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 internally developed computer software with a net carrying amount of €2,954 thousand (2021: €1,235 thousand).

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:

		2022	2021
Discount rate (after tax)		**10.0%**	10.0%
Return on investments		**5.0%**	5.0%
Expense inflation		**4.0%**	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 the year ended 31 December 2022 an impairment loss of €20,628 thousand (2021: €46,775 thousand) was recognised in 'Impairment net of reversals on non-financial assets' in the consolidated income statement. At 31 December 2022, stock of €529,316 thousand (2021: €519,978 thousand) is carried at net realisable value. Additionally, at 31 December 2022 stock of property with a carrying amount of €108,010 thousand (2021: €116,987 thousand) is carried at approximately its fair value less costs to sell.

27. Stock of property (continued)

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels and land (fields and plots). 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:

	2022	2021
	€000	€000
Net book value at 1 January	**1,111,604**	1,349,609
Additions	**76,851**	34,347
Disposals	**(126,797)**	(123,520)
Transfers to disposal group (Note 29)	**-**	(101,978)
Impairment (Note 16)	**(20,628)**	(46,775)
Foreign exchange adjustments	**2**	(79)
Net book value at 31 December	**1,041,032**	1,111,604

As at 31 December 2022 there are charges against stock of property of the Group with a carrying value €20,989 thousand (2021: €21,015 thousand).

The table below shows the result on the disposal of stock of property in the year:

	2022	2021
	€000	€000
Net proceeds	**140,767**	136,816
Carrying value of stock of property disposed of	**(126,797)**	(123,520)
Net gains on disposal of stock of property	**13,970**	13,296

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2022	**€000**	**€000**	**€000**	**€000**
Residential properties	63,724	16,947	32	**80,703**
Offices and other commercial properties	142,475	11,263	-	**153,738**
Manufacturing and industrial properties	29,172	11,710	48	**40,930**
Hotels	24,027	437	-	**24,464**
Land (fields and plots)	736,913	4,284	-	**741,197**
Total	**996,311**	**44,641**	**80**	**1,041,032**

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**

28. Prepayments, accrued income and other assets

	2022	2021
	€000	€000
Financial assets		
Debtors	**44,772**	36,540
Receivable relating to tax	**4,536**	4,558
Deferred purchase payment consideration	**311,523**	299,766
Other assets	**54,791**	52,600
	415,622	393,464
Non-financial assets		
Reinsurers' share of insurance contract liabilities (Note 32)	**58,303**	55,323
Current tax receivable	**124,328**	124,267
Prepaid expenses	**682**	756
Retirement benefit plan assets (Note 14)	**816**	-
Other assets	**40,014**	42,409
	224,143	222,755
	639,765	616,219

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 3**	**Simplified method**	**Total**
2022	**€000**	**€000**	**€000**	**€000**
1 January	377,412	37,157	14,271	**428,840**
Net increase	21,826	355	138	**22,319**
31 December	**399,238**	**37,512**	**14,409**	**451,159**
2021				
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**

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

	Stage 1	**Stage 3**	**Simplified method**	**Total**
2022	**€000**	**€000**	**€000**	**€000**
1 January	2,557	31,761	1,058	**35,376**
Write-offs	-	(206)	(236)	**(442)**
Changes to models and inputs used for ECL calculations	(450)	626	427	**603**
31 December	**2,107**	**32,181**	**1,249**	**35,537**
2021				
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**

There were no financial assets classified as Stage 2 as at 31 December 2022 and 2021. In addition, no financial assets were measured at FVPL as at 31 December 2022 and 2021.

28. Prepayments, accrued income and other assets (continued)

On the completion date of the sale of Project Helix 2 (the 'Transaction') in June 2021, the Group 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 €10,889 thousand, which represents the interest income on DPP has been recognised in the Consolidated Income Statement for the year ended 31 December 2022 (2021: €5,335 thousand) 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' during the year ended 31 December 2021. The DPP is classified as Stage 1 as at 31 December 2022 and 2021.

During the year ended 31 December 2022, credit losses of €2,200 thousand were recognised in relation to other financial assets. This includes ECL losses of €603 thousand (of which €867 thousand relate to a partial reversal for 12-months ECL of the DPP), €1,310 thousand write-offs and €287 thousand impairment losses. During the year ended 31 December 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.

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. There were no assets classified as held for sale as at 31 December 2022.

	2021
	€000
Disposal group 1	340,622
Disposal group 2	7,921
Freehold property (Note 25)	10,408
	358,951

	2021	
	Disposal Group 1	Disposal Group 2
	€000	€000
Gross loans and advances to customers	543,663	12,126
Allowance for ECL for impairment of loans and advances to customers (Note 45.6)	(300,608)	(4,811)
	243,055	7,315
Stock of property	92,246	606
Investment property	5,321	-
	340,622	7,921

Disposal Group 1

Disposal group 1 comprised 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'), classified as held for sale since 30 September 2021. In November 2022, the Group completed the disposal of Project Helix 3 through the transfer of the portfolios 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 Project Helix 3. The gross consideration on completion for the transaction amounted to approximately €366 million (including deposit received in 2021) and reflects adjustments resulting from, inter alia, loan repayments and property disposals proceeds received on the portfolios since the reference date 31 May 2021. 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 as at the date of completion, which amounted to €235 million, and the carrying value of the stock of property and investment properties which amounted to a total of €88 million.

29. Non-current assets and disposal groups held for sale (continued)

Disposal Group 2
Disposal group 2 comprised a portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction'), classified as held for sale since 31 December 2021. The transaction was completed in August 2022 and all of the consideration has been received in cash by completion date.

Freehold property
Freehold property classified as held for sale as at 31 December 2021 was classified back to property and equipment as own use property as at 31 December 2022 as the property no longer met the criteria to be classified as held for sale.

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:

	2022	2021
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**1,976,674**	2,969,600

As at 31 December 2022, ECB funding amounted to €2 billion (2021: €3 billion) borrowed from various TLTRO III operations.

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 would 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 during the above periods remained at 0%. For the counterparties whose eligible net lending reached 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 would 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%. BOC PCL exceeded the eligible net lending threshold applicable in the specified periods and was entitled to the beneficial rate of minus 1% for the period June 2020 to June 2022 and recognised interest at the beneficial rate over the corresponding period. Subsequently, BOC PCL updated the effective interest rate based on the contractual terms and applying changes in terms of the operations as a change in the EIR applied prospectively.

ECB during its October 2022 meeting, announced that from 23 November 2022 onwards, the applicable interest rate would be indexed to the average applicable key ECB interest rates from that date onward.

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 respective final maturity.

BOC PCL early repaid €1 billion of TLTRO III funding in December 2022.

Details on encumbered assets related to the above funding facilities are disclosed in Note 47.

31. Customer deposits

	2022 €000	2021 €000
By type of deposit		
Demand	**10,561,724**	9,221,791
Savings	**2,840,346**	2,423,086
Time or notice	**5,596,249**	5,886,006
	18,998,319	17,530,883
By geographical area		
Cyprus	**13,019,109**	11,992,960
Greece	**1,933,771**	1,906,854
United Kingdom	**706,233**	713,621
United States	**178,962**	133,355
Germany	**168,785**	127,013
Romania	**69,514**	54,306
Russia	**700,465**	661,820
Ukraine	**290,050**	276,248
Belarus	**83,299**	55,738
Other countries	**1,848,131**	1,608,968
	18,998,319	17,530,883

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

	2022 €000	2021 €000
By currency		
Euro	**17,067,299**	15,736,030
US Dollar	**1,529,548**	1,373,584
British Pound	**333,458**	312,918
Russian Rouble	**3,466**	28,539
Swiss Franc	**11,796**	10,865
Other currencies	**52,752**	68,947
	18,998,319	17,530,883

	2022 €000	2021 (restated) €000
By business line		
Corporate and Large corporate	**1,915,300**	1,602,216
International corporate	**139,898**	145,934
SMEs	**1,007,555**	866,860
Retail	**11,333,783**	11,051,397
Restructuring		
– Corporate	**16,017**	21,658
– SMEs	**6,375**	13,091
– Retail other	**10,152**	9,862
Recoveries		
– Corporate	**1,262**	1,383
International banking services	**3,957,050**	3,500,183
Wealth management	**610,927**	318,299
	18,998,319	17,530,883

32. Insurance liabilities

	2022			2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**609,842**	**(30,309)**	**579,533**	672,973	(32,714)	640,259
Non-life insurance						
Provision for unearned premiums	**29,880**	**(13,154)**	**16,726**	27,565	(9,988)	17,577
Other liabilities						
Claims outstanding	**40,173**	**(14,840)**	**25,333**	35,629	(12,621)	23,008
Unexpired risks reserve	**57**	**-**	**57**	34	-	34
Non-life insurance contract liabilities	**70,110**	**(27,994)**	**42,116**	63,228	(22,609)	40,619
	679,952	**(58,303)**	**621,649**	736,201	(55,323)	680,878

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:

	2022			2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**672,973**	**(32,714)**	**640,259**	608,591	(29,775)	578,816
New business	**17,610**	**(3,240)**	**14,370**	28,449	(4,297)	24,152
Change in existing business	**(80,741)**	**5,645**	**(75,096)**	35,933	1,358	37,291
31 December	**609,842**	**(30,309)**	**579,533**	672,973	(32,714)	640,259

Non-life insurance contract liabilities

The movement of non-life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2022			2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Provisions for unearned premiums	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**27,565**	**(9,988)**	**17,577**	26,178	(9,250)	16,928
Premium income (Note 12)	**83,195**	**(42,729)**	**40,466**	77,261	(35,311)	41,950
Earned premiums	**(80,880)**	**39,563**	**(41,317)**	(75,874)	34,573	(41,301)
31 December	**29,880**	**(13,154)**	**16,726**	27,565	(9,988)	17,577

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)

	2022			2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Claims outstanding	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302
Amount paid for claims settled in the year (Note 12)	**(23,464)**	**9,925**	**(13,539)**	(22,766)	8,858	(13,908)
Increase in liabilities arising from claims	**28,008**	**(12,144)**	**15,864**	21,639	(7,025)	14,614
31 December	**40,173**	**(14,840)**	**25,333**	35,629	(12,621)	23,008
Reported claims	**38,536**	**(14,132)**	**24,404**	33,809	(11,815)	21,994
Incurred but not reported	**1,637**	**(708)**	**929**	1,820	(806)	1,014
31 December	**40,173**	**(14,840)**	**25,333**	35,629	(12,621)	23,008

33. Debt securities in issue and Subordinated liabilities

			2022		2021	
			Nominal value	**Carrying value**	Nominal value	Carrying value
Subordinated liabilities	**Contractual interest rate**	**Issuer**	**€000**	**€000**	€000	€000
Subordinated Tier 2 Capital Note - January 2017	9.25% up to 19 January 2022	BOC PCL	**-**	**-**	35,605	38,561
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	BOCH	**300,000**	**302,104**	300,000	301,659
			300,000	**302,104**	335,605	340,220
Debt securities in issue						
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	BOC PCL	**300,000**	**297,636**	300,000	302,555

BOCH and BOC PCL maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

Subordinated Liabilities

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 thereafter 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. 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 and following acceptance of the valid tenders of €207 million nominal amount, proceeded with the re-purchase. As a result, BOC PCL incurred a loss of €12,558 thousand for the year ended 31 December 2021, while at the same time forfeiting the relevant obligation for future coupon payments. 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. On 19 January 2022, BOC PCL exercised its option to redeem at par the remaining nominal amount outstanding of the notes. All outstanding notes were cancelled. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

33. Debt securities in issue and Subordinated liabilities (continued)

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.

The fair value of the Subordinated liabilities as at 31 December 2022 and 2021 is disclosed in Note 22.

Debt securities in issue

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 debt securities in issue as at 31 December 2022 and 2021 is disclosed in Note 22.

34. Accruals, deferred income, other liabilities and other provisions

	2022	2021
	€000	€000
Income tax payable and related provisions	**41,420**	11,168
Special defence contribution payable	**379**	462
Retirement benefit plans liabilities (Note 14)	**3,694**	1,673
Provisions for financial guarantees and commitments (Notes 45.5.1 and 45.5.2)	**17,429**	21,945
Liabilities for investment-linked contracts under administration	**47,566**	33,809
Accrued expenses and other provisions	**65,734**	79,482
Deferred income	**18,061**	16,441
Items in the course of settlement	**97,585**	64,024
Lease liabilities (Note 43)	**30,190**	33,981
Advances received for disposal group held for sale (Note 29)	**-**	19,225
Other liabilities	**61,946**	79,767
	384,004	361,977

Other liabilities include an amount of €10,385 thousand (2021: €26,476 thousand) relating to the guarantee fee for the conversion of DTA into tax credits (Note 17) and an amount of €9,874 thousand (2021: €6,642 thousand) relating to card processing transactions.

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2022	2021
	€000	€000
Stage 1	**209**	39
Stage 2	**207**	293
Stage 3	**17,013**	21,613
	17,429	21,945

35. Share capital

	2022		2021	
	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 years ended 31 December 2022 and 2021.

Share premium reserve

There were no changes to the share premium reserve during the years ended 31 December 2022 and 2021.

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 2022, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2021: 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 (2021: €21,463 thousand).

The treasury shares represent 0.03% of the total issued share capital of the Company (2021: 0.03%).

The Company did not provide financial assistance permitted by Section 82 of the Companies Act 2014 for the purchase of its shares.

Other equity instruments

	2022	2021
	€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 2022, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2021: €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 on 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 2021 SREP decision the Company and BOC PCL were under a regulatory prohibition for equity dividend distribution in 2022, similar to prior years. 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 2022 and 2021.

36. Dividends (continued)

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

Following the 2022 SREP decision, effective from 1 January 2023, the equity dividend distribution prohibition was amended, for both the Company and BOC PCL, so that any dividend distribution shall be subject to regulatory approval.

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 2022, SDC and GHS on deemed dividend distribution of €4,983 thousand (2021: €82 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 2022 and 2021.

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 2022 amounted to €1,682,019 thousand (2021: €1,577,173 thousand).

39. Provisions for 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.

39. Provisions for 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. Nevertheless, provisions have been made where: (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. 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 except to the extent that doing so would be prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. 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. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 31 December 2022 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 demonstrated 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 four cases have been adjudicated against BOC PCL at Areios Pagos (Supreme Court of Greece). 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 already been retried by the Court of Appeal and the ruling was in favour of BOC PCL. There has been a new petition for annulment against this decision of the Court of Appeal and the case will be retried before the Supreme Court in 2023. The four cases that BOC PCL has lost will not be retried and are therefore deemed as concluded.

In Cyprus sixteen judgments have been issued so far with regards to BOC PCL capital securities. Ten of the said judgments have been issued in favour of BOC PCL (dismissing the plaintiffs’ claims) and six of them against BOC PCL. BOC PCL has filed appeals with regards to all of the cases where the judgment was issued against it. In five of the ten 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, expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

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.

BOC PCL has won four cases with regards to bail-in related litigation (on failure to follow instructions). The plaintiffs have filed appeals with respect to two of the said judgments.

BOC PCL also won three bail-in decree related cases. In summary, the court 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 circumstances the government could rely on the doctrine of necessity when it imposed the bail-in. Up to the date of the Consolidated Financial Statements only one appeal has been filed with respect to the above mentioned judgments. BOC PCL lost one Laiki Bail-in decree case but it is the opinion of legal advisors of BOC PCL that this case is a one-off case which turned on its own particular facts.

BOC PCL won one and lost two bail-in wrongful application related cases. An appeal that was filed by BOC PCL is still pending with regards to this matter. With regards to the case that BOC PCL won, the plaintiffs have not filed an appeal.

Shareholders
A number of actions for damages have been 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. 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. BOC PCL contests 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 employees of the Group have instituted a number of employment claims including unfair dismissals 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 cases in relation to employment will have a material impact on its financial position. A judgment has been issued in one of the unfair dismissals cases and BOC PCL lost. BOC PCL has filed an appeal with respect to this case. The facts of this case are unique and it is not expected to affect the rest of the cases where unfair dismissal is claimed.

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.

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

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.

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, there are several other banking claims, where the amounts involved are not as significant. 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, CECS and rights issue prospectuses (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.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC has concluded (in two stages) during 2013 and 2014 its investigation with respect to BOC PCL exposure to Greek Government Bonds and the non-disclosure of material information and other corporate governance deficiencies relating to the said exposure. In this respect, CySEC has issued two decisions, coming to the conclusion that BOC PCL was in breach of certain laws regarding disclosure of information. At all times, BOC PCL had filed recourses before the Administrative Court regarding the decisions of CySEC and the fines imposed upon it.

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

In October 2021 the Administrative Court ruled in favour of BOC PCL in relation to the fine of €160 thousand on the ground of flawed constitution of the CySEC Board. In May 2022, the Administrative Court (under a different bench) ruled against BOC PCL in relation to the fine of €950 thousand and found that the constitution of the CySEC Board was not flawed. Both cases are now pending on appeal. Relevant provisions were made since prior years for the said cases.

As at 31 December 2022 and 31 December 2021 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.

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 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 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. A fine of €6 thousand has been imposed upon BOC PCL. The said fine has been paid.

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 was in breach of an ECB decision of September 2016. The alleged breach related 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. The Governing Council of the ECB informed BOC PCL in February 2022 of its decision to impose an administrative penalty of €575 thousand. BOC PCL proceeded with the payment of the fine.

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.

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

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. The Group is not aware of any further developments in this case.

Association for the Protection of Bank Borrowers (CYPRODAT)
CYPRODAT filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that BOC PCL and another bank have concerted in practices regarding the recent revisions of their commissions and charges. It also filed an application for an interim order which, if successful, would essentially freeze the implementation of the revised commissions and charges. The application for interim order was rejected by the CPC, however, the CPC reverted in April 2022 to inform BOC PCL of the initiation of an investigation with respect to this matter. This investigation is currently at a very early stage to predict its outcome.

Commissioner for the Protection of Personal Data (CPPD)
The CPPD has informed BOC PCL that based on the evidence submitted, there is a breach of Regulation 2016/679 on the protection of natural persons with regards to the processing of personal data and on the free movement of such data. The breach concerned the exchange of data under the sale of a portfolio of credit facilities which did not relate to the transaction. A fine of €17 thousand was imposed on BOC PCL. The said fine has already been paid and the matter has now been concluded.

BOC PCL informed the Commissioner on the procedures to follow to avoid such oversights in the future and the measures it has taken to remedy the specific breaches.

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. BOC PCL has filed a recourse before the Administrative Court against this decision. The Administrative Court has issued its judgment in 2022 in favour of BOC PCL, and the CPS decision along with the fine have been cancelled. An appeal has been submitted by CPS with regards to this judgment, which is still pending as at the 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 are 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 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.

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

BOC PCL received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged wrong 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 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.

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**
2022	€000	€000	€000	**€000**
1 January	57,844	16,415	29,849	**104,108**
Net increase in provisions including unwinding of discount	15,627	950	19,017	**35,594**
Utilisation of provisions	(6,314)	(1,357)	(24)	**(7,695)**
Release of provisions	(3,210)	(1,037)	(100)	**(4,347)**
Foreign exchange adjustments	-	(53)	-	**(53)**
31 December	**63,947**	**14,918**	**48,742**	**127,607**
Provisions expected to be settled within 12 months post reporting date	**26,991**	**-**	**2,804**	**29,795**

39. Provisions for pending litigation, claims, regulatory and other matters (continued)

39.4 Provisions for pending litigation, claims, regulatory and other matters (continued)

	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	2,295	4,964	29,273	**36,532**
Utilisation of provisions	(6,768)	(907)	(39,368)	**(47,043)**
Release of provisions	(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**

Provisions for pending litigation, claims, regulatory and other matters recorded in the consolidated income statement during the year ended 31 December 2022 amount to €11,880 thousand (2021: credit of €523 thousand, which included an amount of €841 thousand representing an amount recovered from plaintiffs directly recognised in the consolidated income statement during the year ended 31 December 2021).

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 increase of provisions for pending litigation and claims for the year ended 31 December 2022 was primarily driven by a one-off charge of approximately €5,542 thousand in relation to a revised approach on estimating pending litigation fees. With regards to other matters, the provisions relating to the disposal process of certain of the Group's operations have been updated on the basis of the Group's assessment and to the extent those processes have progressed.

An increase by 5% in the probability of loss rate for pending litigation and claims (2021: 5%) with all other variables held constant, would lead to an increase in the actual provision by €2,821 thousand at 31 December 2022 (2021: increase by €7,097 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 45.5).

40.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2022 amount to €10,647 thousand (2021: €18,678 thousand).

40.2. Contingent liabilities

The Group, as part of the 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. Additional information on cash flow statement

Non-cash transactions

Repossession of collaterals
During the year ended 31 December 2022, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €86,016 thousand (2021: €37,121 thousand).

Recognition of RoU assets and lease liabilities
During 2022 the Group recognised RoU assets and corresponding lease liabilities of €957 thousand (2021: €1,148 thousand).

Disposal of Project Helix 2
During the year ended 31 December 2021 and upon the completion of the disposal of Project Helix 2, the Group recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable for the transaction (the 'DPP') on completion date. Please refer to Note 28 for further details.

Net cash flow from operating activities - interest and dividends

	2022	2021
	€000	€000
Interest paid	**(89,116)**	(119,480)
Interest received	**505,633**	437,837
Dividends received (Note 13)	**940**	1,774
	417,457	320,131

Changes in liabilities arising from financing activities

	Funding from central banks (Note 30)	Debt securities in issue and Subordinated liabilities (Note 33)	**Total**
2022	€000	€000	**€000**
1 January	2,969,600	642,775	**3,612,375**
Cash flows	(979,389)	(66,797)	**(1,046,186)**
Other non-cash movements	(13,537)	23,762	**10,225**
31 December	**1,976,674**	**599,740**	**2,576,414**

2021			
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**

Further information relating to the change in lease liabilities is disclosed in Note 43.

42. Cash and cash equivalents

Cash and cash equivalents comprise:

	2022	2021
	€000	€000
Cash and non-obligatory balances with central banks	**9,452,721**	9,063,896
Loans and advances to banks with original maturity less than three months	**133,432**	191,314
	9,586,153	9,255,210

42. Cash and cash equivalents (continued)

Analysis of cash and balances with central banks and loans and advances to banks

	2022	2021
	€000	€000
Cash and non-obligatory balances with central banks	**9,452,721**	9,063,896
Obligatory balances with central banks (Note 19)	**114,537**	166,987
Total cash and balances with central banks (Note 19)	**9,567,258**	9,230,883

Loans and advances to banks with original maturity less than three months	**133,432**	191,314
Restricted loans and advances to banks	**71,379**	100,318
Total loans and advances to banks (Note 19)	**204,811**	291,632

Restricted loans and advances to banks include collaterals under derivative transactions of €7,380 thousand (2021: €41,068 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 2022 the lease term of existing building 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 2022 and the year ended 31 December 2021 is presented in the table below:

2022	**RoU assets (Note 25)**	**Lease Liabilities (Note 34)**
	€000	**€000**
1 January	**33,581**	**(33,981)**
Depreciation charge for the year (Note 15)	**(6,767)**	**-**
New leases (Note 25)	**957**	**(772)**
Assets derecognised (Note 25)	**(1,460)**	**1,456**
Assets recognised following re-assessment (Note 25)	**3,922**	**(3,663)**
Interest expense (Note 8)	**-**	**(114)**
Cash outflows-payments	**-**	**6,884**
31 December	**30,233**	**(30,190)**

43. Leases (continued)

2021	**RoU assets (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)**

As at 31 December 2022 RoU assets comprised of leases of buildings of a carrying amount of €29,408 thousand (2021: €33,581 thousand) and computer hardware of a carrying amount of €825 thousand (2021: nil), and are presented within Property and equipment 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

	2022			2021		
	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	**9,452,721**	**114,537**	**9,567,258**	9,063,896	166,987	9,230,883
Loans and advances to banks	**133,432**	**71,379**	**204,811**	191,314	100,318	291,632
Derivative financial assets	**904**	**47,249**	**48,153**	4,556	2,097	6,653
Investments	**460,070**	**2,243,633**	**2,703,703**	366,420	1,772,743	2,139,163
Loans and advances to customers	**880,158**	**9,073,094**	**9,953,252**	1,018,312	8,818,093	9,836,405
Life insurance business assets attributable to policyholders	**15,486**	**526,835**	**542,321**	14,111	537,686	551,797
Prepayments, accrued income and other assets	**283,173**	**356,592**	**639,765**	139,988	476,231	616,219
Stock of property	**301,275**	**739,757**	**1,041,032**	267,480	844,124	1,111,604
Investment properties	**24,749**	**60,350**	**85,099**	32,139	85,606	117,745
Deferred tax assets	**37,909**	**189,612**	**227,521**	37,909	227,572	265,481
Property, equipment and intangible assets	**-**	**421,700**	**421,700**	-	436,164	436,164
Non-current assets and disposal groups held for sale	**-**	**-**	**-**	358,951	-	358,951
	11,589,877	**13,844,738**	**25,434,615**	11,495,076	13,467,621	24,962,697
Liabilities						
Deposits by banks	**191,635**	**316,023**	**507,658**	100,530	356,509	457,039
Funding from central banks	**1,976,674**	**-**	**1,976,674**	2,969,600	-	2,969,600
Derivative financial liabilities	**10,538**	**5,631**	**16,169**	4,830	27,622	32,452
Customer deposits	**5,893,802**	**13,104,517**	**18,998,319**	6,909,913	10,620,970	17,530,883
Insurance liabilities	**110,197**	**569,755**	**679,952**	91,758	644,443	736,201
Accruals, deferred income and other liabilities and provisions for pending litigation, claims, regulatory and other matters	**300,769**	**210,842**	**511,611**	273,940	192,145	466,085
Debt securities in issue and subordinated liabilities	**-**	**599,740**	**599,740**	38,561	604,214	642,775
Deferred tax liabilities	**1,207**	**42,615**	**43,822**	937	45,498	46,435
	8,484,822	**14,849,123**	**23,333,945**	10,390,069	12,491,401	22,881,470

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Cash and balances with central banks are classified in the relevant time band based on the contractual maturity, with the exception of obligatory balances with central banks which are classified in the 'Over one year' time band.

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.

44. Analysis of assets and liabilities by expected maturity (continued)

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 policies 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, also 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 complemented by 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 of the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Group is diversified across the various industry sectors of the economy. Credit Risk Management department determines concentration limits for each industry sector, sets prohibited sectors and defines sectors which may require prior approval before credit applications are submitted.

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. Risk management - Credit risk (continued)

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 contracts of sale 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.

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 2022, 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.

Maximum Exposure to credit risk
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	
2022	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**9,475,541**	-	-	-	-	-	-	-	**9,475,541**
Loans and advances to banks (Note 19)	**204,811**	37,251	-	-	-	-	-	37,251	**167,560**
FVPL debt securities (Note 20)	**8,968**	-	-	-	-	-	-	-	**8,968**
Debt securities classified at amortised cost and FVOCI (Note 20)	**2,499,894**	-	-	-	-	-	-	-	**2,499,894**
Derivative financial instruments (Note 21)	**48,153**	-	-	-	-	-	-	-	**48,153**
Loans and advances to customers (Note 23)	**9,953,252**	505,950	556,487	133,305	15,799,569	273,789	(8,231,543)	9,037,557	**915,695**
Debtors (Note 28)	**44,772**	-	-	-	-	-	-	-	**44,772**
Reinsurers' share of insurance contract liabilities (Note 28)	**58,303**	-	-	-	-	-	-	-	**58,303**
Deferred purchase payment consideration (Note 28)	**311,523**	-	-	-	-	-	-	-	**311,523**
Other assets (Note 28)	**59,327**	-	-	-	-	-	-	-	**59,327**
On-balance sheet total	**22,664,544**	**543,201**	**556,487**	**133,305**	**15,799,569**	**273,789**	**(8,231,543)**	**9,074,808**	**13,589,736**
Contingent liabilities									
Acceptances and endorsements	**5,175**	276	-	-	4,886	13	-	5,175	**-**
Guarantees	**651,219**	99,554	1,039	4,630	197,912	384	-	303,519	**347,700**
Commitments									
Documentary credits	**17,624**	892	4	1,734	4,253	12	-	6,895	**10,729**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,909,487**	32,164	4,069	1,465	406,074	26,876	-	470,648	**1,438,839**
Off-balance sheet total	**2,583,505**	**132,886**	**5,112**	**7,829**	**613,125**	**27,285**	**-**	**786,237**	**1,797,268**
	25,248,049	**676,087**	**561,599**	**141,134**	**16,412,694**	**301,074**	**(8,231,543)**	**9,861,045**	**15,387,004**

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**

The contingent liabilities and commitments as at 31 December 2021 include exposures relating to loans and advances to customers classified as held for sale amounting to €1,286 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 may impose stricter concentration limits which are monitored by the Group.

The credit risk concentration, which is based on industry (economic activity) and business line, as well as the 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 and Liquidity Risk department 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.

2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	922,093	384	37	2	-	33	**922,549**
Manufacturing	323,074	44,978	-	-	-	27,943	**395,995**
Hotels and catering	928,346	16,565	35,614	-	-	40,086	**1,020,611**
Construction	545,421	8,955	23	1,965	1	20	**556,385**
Real estate	978,708	94,823	1,866	5,848	-	45,769	**1,127,014**
Private individuals	4,496,081	11,146	73,120	401	19,103	54,584	**4,654,435**
Professional and other services	551,269	980	5,311	907	313	36,923	**595,703**
Other sectors	440,873	2	-	-	3	203,765	**644,643**
	9,185,865	**177,833**	**115,971**	**9,123**	**19,420**	**409,123**	**9,917,335**

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

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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 (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 and Large corporate	3,309,761	34,248	60	99	15,778	113	**3,360,059**
International corporate	126,808	134,531	44,132	11,742	-	320,730	**637,943**
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**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2022 of €106,701 thousand (2021: €100,039 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 December 2022 include exposures of €2,6 million in Ukraine (2021: €3,6 million).

The loans and advances to customers reported within 'Other sectors' as at 31 December 2022 include exposures of €187 million for the Shipping sector (2021: €176 million).

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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. There were no loans and advances to customers held for sale as at 31 December 2022.

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 (restated)	Cyprus	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	**€000**
International 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**

45. Risk management - Credit risk (continued)

45.3 Analysis of loans and advances to customers , including loans and advances to customers held for sale

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:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	7,418,695	1,701,255	1,047,802	228,572	**10,396,324**
Transfers to stage 1	534,045	(532,847)	(1,198)	-	**-**
Transfers to stage 2	(409,997)	479,829	(69,832)	-	**-**
Transfers to stage 3	(22,885)	(34,796)	57,681	-	**-**
Foreign exchange and other adjustments	(49)	-	3,473	-	**3,424**
Write offs	(788)	(683)	(169,303)	(22,774)	**(193,548)**
Interest accrued and other adjustments	187,455	69,085	63,857	18,100	**338,497**
New loans originated or purchased and drawdowns of existing facilities	1,825,387	119,244	12,182	1,191	**1,958,004**
Loans derecognised or repaid (excluding write offs)	(1,659,230)	(234,770)	(104,623)	(31,596)	**(2,030,219)**
Changes to contractual cash flows due to modifications	(5,286)	2,669	(4,627)	(704)	**(7,948)**
Disposal of Helix 3 and Sinope portfolios	(91)	(3,383)	(464,394)	(79,331)	**(547,199)**
31 December	**7,867,256**	**1,565,603**	**371,018**	**113,458**	**9,917,335**

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**

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'.

The analysis of gross loans and advances to customers at amortised cost by staging and by business line concentration is included in Note 23.

45. Risk management - Credit risk (continued)

45.3 Analysis of loans and advances to customers , including loans and advances to customers held for sale (continued)

The movement of gross loans and advances to customers at amortised cost, in the Corporate and Large corporate, International 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:

2022	**Corporate and Large corporate**	**International corporate**	**Retail**
	€000	**€000**	**€000**
1 January	3,344,281	632,223	4,040,108
Transfers (out of)/in business line	(23,764)	1,489	(5,291)
Write offs	(14)	-	(1,866)
Interest accrued	104,907	29,842	86,701
New loans originated or purchased	859,742	179,815	679,538
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(889,683)	(157,457)	(581,009)
Changes to contractual cash flows due to modifications not resulting in derecognition	3,006	(604)	349
31 December	**3,398,475**	**685,308**	**4,218,530**

2021 (restated)	Corporate and Large corporate	International corporate	Retail
	€000	€000	€000
1 January	3,194,024	599,619	3,844,562
Transfers in/(out of) business line	36,728	108	(2,808)
Write offs	(284)	(1,827)	(1,704)
Interest accrued	101,964	29,040	89,885
New loans originated or purchased	756,016	150,866	628,425
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(743,523)	(144,665)	(519,142)
Changes to contractual cash flows due to modifications not resulting in derecognition	(644)	(918)	890
31 December	**3,344,281**	**632,223**	**4,040,108**

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, by staging and business line concentration which is included in the movement table above.

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	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**

45. Risk management - Credit risk (continued)

45.3 Analysis of loans and advances to customers , including loans and advances to customers held for sale (continued)

2021 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
International 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**

45.4 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. For the purposes of credit scoring, these portfolios are Corporate, Retail and SMEs. Corporate and SME portfolios include legal entities. Retail portfolio 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 probability of default (PDs) are calculated per rating. The following table presents weighted PD per risk level's rating for corporate, retail and SME exposures.

Unrated corporate exposures are assessed using the Group's in-house behavioural scorecard model for corporate legal entities. Unrated retail exposures 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 to retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The portfolios weighted PDs per rating are presented below.

2022	**12-month PD**		
Rating	**Corporate legal entities** **%**	**Retail individuals** **%**	**SME legal entities** **%**
1	1.19	0.66	0.34
2	1.87	0.64	0.66
3	2.02	1.39	1.89
4	2.96	2.64	7.23
5	4.48	4.92	9.46
6	4.97	8.58	14.87
7	10.15	24.02	30.77

45. Risk management - Credit risk (continued)

45.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

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

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.

	2022			2021		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	512,071	5,576	**517,647**	371,648	9,550	**381,198**
Rating 2	235,753	5,858	**241,611**	124,963	1,120	**126,083**
Rating 3	762,397	94,105	**856,502**	689,030	43,870	**732,900**
Rating 4	565,591	43,690	**609,281**	729,502	119,522	**849,024**
Rating 5	592,963	207,831	**800,794**	578,247	289,389	**867,636**
Rating 6	94,690	292,027	**386,717**	167,752	307,445	**475,197**
Rating 7	32,481	152,941	**185,422**	8,680	129,996	**138,676**
Unrated	190,253	18,602	**208,855**	120,016	106,826	**226,842**
New customers	427,647	37,570	**465,217**	386,841	49,745	**436,586**
	3,413,846	**858,200**	**4,272,046**	**3,176,679**	**1,057,463**	**4,234,142**
Total Stage 3 and POCI			**144,903**			**191,972**
			4,416,949			**4,426,114**

	2022			2021		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	895,267	42,998	**938,265**	795,577	37,566	**833,143**
Rating 2	1,066,411	29,995	**1,096,406**	965,269	34,373	**999,642**
Rating 3	845,204	72,153	**917,357**	756,588	53,053	**809,641**
Rating 4	592,998	99,388	**692,386**	562,838	81,779	**644,617**
Rating 5	197,743	78,861	**276,604**	224,332	80,133	**304,465**
Rating 6	64,234	77,217	**141,451**	114,346	105,725	**220,071**
Rating 7	17,820	80,259	**98,079**	27,568	101,290	**128,858**
Unrated	-	2,660	**2,660**	-	2,681	**2,681**
New customers	268,676	13,017	**281,693**	292,088	15,808	**307,896**
	3,948,353	**496,548**	**4,444,901**	**3,738,606**	**512,408**	**4,251,014**
Total Stage 3 and POCI			**288,998**			**462,865**
			4,733,899			**4,713,879**

45. Risk management - Credit risk (continued)

45.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2022			2021		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	161,411	33,555	**194,966**	183,001	12,159	**195,160**
Rating 2	175,934	71,421	**247,355**	181,836	29,316	**211,152**
Rating 3	32,209	29,154	**61,363**	43,425	16,911	**60,336**
Rating 4	9,432	25,850	**35,282**	15,454	18,447	**33,901**
Rating 5	6,656	7,842	**14,498**	8,260	16,252	**24,512**
Rating 6	5,889	10,307	**16,196**	5,793	8,019	**13,812**
Rating 7	3,431	5,347	**8,778**	3,249	6,496	**9,745**
Unrated	49,172	24,648	**73,820**	-	18,198	**18,198**
New customers	60,704	2,731	**63,435**	62,129	3,511	**65,640**
	504,838	**210,855**	**715,693**	**503,147**	**129,309**	**632,456**
Total Stage 3 and POCI			**48,479**			**45,560**
			764,172			**678,016**

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 at 31 December 2021, as per the internal rating system of BOC PCL is disclosed in the tables below.

	2021		
	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**
Total Stage 3 and POCI			**64,759**
			64,759

	2021		
	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**
Rating 4	-	111	**111**
Rating 6	-	98	**98**
Rating 7	-	1,464	**1,464**
	-	**1,673**	**1,673**
Total Stage 3 and POCI			**400,861**
			402,534

	2021		
	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**
Rating 2	-	55	**55**
Rating 4	-	326	**326**
Rating 5	-	1	**1**
Rating 7	-	20	**20**
	-	**402**	**402**
Total Stage 3 and POCI			**87,849**
			88,251

45. Risk management - Credit risk (continued)

45.5 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.

45.5.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Exposures				
1 January	432,463	136,324	45,668	**614,455**
Transfers to stage 1	30,378	(30,378)	-	**-**
Transfers to stage 2	(20,997)	22,353	(1,356)	**-**
Transfers to stage 3	(9)	(3,288)	3,297	**-**
Net increase/(decrease)	67,351	(14,385)	(11,027)	**41,939**
31 December	**509,186**	**110,626**	**36,582**	**656,394**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€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**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
ECL				
1 January	20	124	21,613	**21,757**
Transfers to stage 1	7	(7)	-	**-**
Transfers to stage 2	(16)	16	-	**-**
Transfers to stage 3	-	(27)	27	**-**
Charge/(credit) for the year*	108	4	(4,627)	**(4,515)**
31 December	**119**	**110**	**17,013**	**17,242**
Individually assessed	77	71	17,013	**17,161**
Collectively assessed	42	39	-	**81**
	119	**110**	**17,013**	**17,242**

45. Risk management - Credit risk (continued)

45.5 Contingent liabilities and commitments (continued)

45.5.1 Contingent liabilities (continued)

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**

* The credit for the year mainly relates to assets derecognised in the year (2021: Charge for the year mainly relates to changes to inputs and net exposure).

The credit quality of contingent liabilities as per the internal rating system of BOC PCL is disclosed in the table below.

	2022			2021		
Corporate legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	105,872	9	**105,881**	121,750	1,223	**122,973**
Rating 2	16,342	-	**16,342**	13,327	93	**13,420**
Rating 3	48,934	388	**49,322**	45,371	670	**46,041**
Rating 4	34,218	7,980	**42,198**	25,513	2,185	**27,698**
Rating 5	76,807	5,764	**82,571**	42,183	31,791	**73,974**
Rating 6	7,845	4,118	**11,963**	11,720	3,809	**15,529**
Rating 7	31	4,507	**4,538**	1,410	432	**1,842**
Unrated	22,127	13,622	**35,749**	29,487	60,193	**89,680**
New customers	89,653	2	**89,655**	75,832	-	**75,832**
	401,829	**36,390**	**438,219**	**366,593**	**100,396**	**466,989**
Total Stage 3			**9,424**			**35,207**
			447,643			**502,196**

	2022			2021		
SME legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	30,526	38	**30,564**	30,241	78	**30,319**
Rating 2	8,552	747	**9,299**	7,949	1,217	**9,166**
Rating 3	867	489	**1,356**	1,592	223	**1,815**
Rating 4	280	263	**543**	365	111	**476**
Rating 5	58	94	**152**	42	6	**48**
Rating 6	1	1	**2**	3	-	**3**
Rating 7	552	-	**552**	554	32	**586**
Unrated	19,630	56,891	**76,521**	-	21,316	**21,316**
New customers	46,891	738	**47,629**	25,124	65	**25,189**
	107,357	**59,261**	**166,618**	**65,870**	**23,048**	**88,918**
Total Stage 3			**26,571**			**9,781**
			193,189			**98,699**

45. Risk management - Credit risk (continued)

45.5 Contingent liabilities and commitments (continued)

45.5.1 Contingent liabilities (continued)

	2022			2021		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Unrated	-	14,975	**14,975**	-	12,880	**12,880**
	-	**14,975**	**14,975**	**-**	**12,880**	**12,880**
Total Stage 3			**587**			**680**
			15,562			**13,560**

45.5.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,497,081	412,570	52,278	**1,961,929**
Transfers to stage 1	159,869	(159,518)	(351)	**-**
Transfers to stage 2	(117,601)	118,493	(892)	**-**
Transfers to stage 3	(276)	(1,205)	1,481	**-**
Net increase/(decrease)	25,891	(51,226)	(9,483)	**(34,818)**
31 December	**1,564,964**	**319,114**	**43,033**	**1,927,111**

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**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	19	169	-	**188**
Transfers to stage 1	4	(4)	-	**-**
Transfers to stage 2	(18)	18	-	**-**
Charge/(credit) for the year*	85	(86)	-	**(1)**
31 December	**90**	**97**	**-**	**187**
Individually assessed	68	60	-	**128**
Collectively assessed	22	37	-	**59**
	90	**97**	**-**	**187**

45. Risk management - Credit risk (continued)

45.5 Contingent liabilities and commitments (continued)

45.5.2 Commitments (continued)

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**

*The charge/(credit) for the year mainly relates to changes to inputs.

The credit quality of commitments, as per the internal rating system of BOC PCL is disclosed in the table below.

	2022			2021		
Corporate legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	219,598	13,914	**233,512**	256,764	8,352	**265,116**
Rating 2	50,364	3,921	**54,285**	41,484	3,397	**44,881**
Rating 3	83,187	5,579	**88,766**	128,429	10,627	**139,056**
Rating 4	99,083	5,387	**104,470**	58,322	10,107	**68,429**
Rating 5	68,953	8,220	**77,173**	58,708	82,198	**140,906**
Rating 6	8,154	6,905	**15,059**	12,239	16,047	**28,286**
Rating 7	1,492	10,390	**11,882**	154	1,627	**1,781**
Unrated	60,960	46,201	**107,161**	26,441	103,918	**130,359**
New customers	72,297	10,903	**83,200**	26,296	20,402	**46,698**
	664,088	**111,420**	**775,508**	**608,837**	**256,675**	**865,512**
Total Stage 3			**14,763**			**22,553**
			790,271			**888,065**

	2022			2021		
SME legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	189,826	75,681	**265,507**	234,443	22,597	**257,040**
Rating 2	37,089	20,238	**57,327**	40,913	17,522	**58,435**
Rating 3	9,437	5,941	**15,378**	12,254	3,988	**16,242**
Rating 4	1,923	2,992	**4,915**	3,027	2,900	**5,927**
Rating 5	1,322	2,155	**3,477**	2,270	1,748	**4,018**
Rating 6	303	370	**673**	235	523	**758**
Rating 7	177	136	**313**	77	262	**339**
Unrated	58,779	29,414	**88,193**	-	17,465	**17,465**
New customers	13,683	980	**14,663**	11,073	459	**11,532**
	312,539	**137,907**	**450,446**	**304,292**	**67,464**	**371,756**
Total Stage 3			**23,916**			**24,001**
			474,362			**395,757**

45. Risk management - Credit risk (continued)

45.5 Contingent liabilities and commitments (continued)

45.5.2 Commitments (continued)

	2022			2021		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	279,094	17,526	**296,620**	244,760	29,865	**274,625**
Rating 2	124,039	8,630	**132,669**	115,852	10,877	**126,729**
Rating 3	63,108	10,745	**73,853**	55,987	12,732	**68,719**
Rating 4	32,345	8,307	**40,652**	30,358	7,642	**38,000**
Rating 5	9,304	6,516	**15,820**	8,553	8,621	**17,174**
Rating 6	3,464	5,395	**8,859**	4,095	6,756	**10,851**
Rating 7	770	2,690	**3,460**	711	2,984	**3,695**
Unrated	-	7,437	**7,437**	-	7,926	**7,926**
New customers	76,213	2,541	**78,754**	123,636	1,028	**124,664**
	588,337	**69,787**	**658,124**	**583,952**	**88,431**	**672,383**
Total Stage 3			**4,354**			**5,724**
			662,478			**678,107**

45. Risk management - Credit risk (continued)

45.6 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:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	15,457	29,383	478,796	67,781	**591,417**
Transfers to stage 1	9,737	(9,561)	(176)	-	**-**
Transfers to stage 2	(1,009)	9,857	(8,848)	-	**-**
Transfers to stage 3	(106)	(833)	939	-	**-**
Impact on transfer between stages during the year*	(7,575)	(3,186)	15,387	(31)	**4,595**
Foreign exchange and other adjustments	(1)	-	3,553	-	**3,552**
Write offs	(788)	(683)	(169,303)	(22,774)	**(193,548)**
Interest (provided) not recognised in the income statement	-	-	16,687	427	**17,114**
New loans originated or purchased*	3,877	-	-	35	**3,912**
Loans derecognised or repaid (excluding write offs)*	(964)	(2,700)	(16,943)	(2,714)	**(23,321)**
Write offs*	736	485	11,744	995	**13,960**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	5,009	2,677	47,617	14,616	**69,919**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(2,085)	2,226	(3,818)	(391)	**(4,068)**
Disposal of Helix 3 and Sinope portfolios	-	(624)	(262,062)	(42,404)	**(305,090)**
31 December	**22,288**	**27,041**	**113,573**	**15,540**	**178,442**
Individually assessed	9,066	13,401	56,957	10,664	**90,088**
Collectively assessed	13,222	13,640	56,616	4,876	**88,354**
	22,288	**27,041**	**113,573**	**15,540**	**178,442**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 16).

The impairment loss for the year ended 31 December 2022 was driven mainly from additional net credit losses of €28 million recorded on NPEs as part of the Group's de-risking activities and additional ECL charge of €16 million following the new overlays introduced in 2022, as explained in Note 5.2.

45. Risk management - Credit risk (continued)

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

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€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 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).

45. Risk management - Credit risk (continued)

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

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:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate and Large corporate	13,997	12,096	28,951	1,498	**56,542**
International corporate	567	5	36	4	**612**
SMEs	2,444	3,009	1,998	214	**7,665**
Retail					
- housing	2,378	2,738	5,146	398	**10,660**
- consumer, credit cards and other	2,552	4,794	5,763	1,020	**14,129**
Restructuring					
- corporate	22	2,133	7,481	9,005	**18,641**
- SMEs	184	706	9,157	741	**10,788**
- retail housing	19	682	9,222	347	**10,270**
- retail other	29	536	7,309	513	**8,387**
Recoveries					
- corporate	-	-	7,917	387	**8,304**
- SMEs	-	-	11,096	288	**11,384**
- retail housing	-	-	11,937	651	**12,588**
- retail other	-	-	7,494	465	**7,959**
International banking services	73	332	65	5	**475**
Wealth management	23	10	1	4	**38**
	22,288	**27,041**	**113,573**	**15,540**	**178,442**

2021 (restated)	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate and Large corporate	8,432	11,972	38,831	1,481	**60,716**
International corporate	903	1,390	7,871	3	**10,167**
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)

45.6 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 and Large corporate, International 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:

2022	**Corporate and Large corporate €000**	**International corporate €000**	**Retail €000**
1 January	45,541	2,323	28,215
Transfer in/(out of) the business line	278	(67)	(1,812)
Write offs	(14)	-	(1,866)
Interest (provided) not recognised in the income statement	936	3	445
New loans originated or purchased	1,950	164	1,261
Loans derecognised or repaid (excluding write offs)	(5,699)	(448)	(818)
Write offs	9	-	1,294
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	11,672	(548)	2,800
Changes to contractual cash flows due to modifications not resulting in derecognition	(673)	-	(203)
Impact on transfer between stages during the year	2,359	(815)	(4,527)
31 December	**56,359**	**612**	**24,789**

2021 (restated)	**Corporate and Large corporate €000**	**International corporate €000**	**Retail €000**
1 January	42,511	151	45,730
Transfer in/(out of) the business line	(607)	1,773	(4,440)
Write offs	(1,929)	(182)	(1,704)
Interest (provided) not recognised in the income statement	2,648	-	934
New loans originated or purchased	1,396	369	1,847
Loans derecognised or repaid (excluding write offs)	(1,624)	-	(971)
Write offs	(7)	-	449
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	209	213	(6,779)
Changes to contractual cash flows due to modifications not resulting in derecognition	10,580	-	(1,097)
Impact on transfer between stages during the year	(7,636)	(1)	(5,754)
31 December	**45,541**	**2,323**	**28,215**

Credit losses of loans and advances to customers as at 31 December 2021 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**

During the year ended 31 December 2022 the total non-contractual write-offs recorded by the Group amounted to €134,767 thousand (2021: €234,378 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2022 and that are still subject to enforcement activity is €972,621 thousand (2021: €970,568 thousand).

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

45. Risk management - Credit risk (continued)

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

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 2022 and 2021.

The Group has applied sensitivity analysis to 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	
	2022	2021
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**1,999**	3,610
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(2,077)**	(3,626)
Increase the expected recovery period by 1 year	**4,955**	8,000
Decrease the expected recovery period by 1 year	**(4,344)**	(7,421)
Increase the collateral realisation haircut by 5%	**11,335**	19,063
Decrease the collateral realisation haircut by 5%	**(8,930)**	(16,906)
Increase in the PDs of stages 1 and 2 by 20%	**7,367**	8,190
Decrease in the PDs of stages 1 and 2 by 20%	**(6,964)**	(8,011)

45. Risk management - Credit risk (continued)

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

The increase/(decrease) on ECL, for loans and advances to customers at amortised cost, is further analysed, per stage, in the table below:

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	175	321	1,503	**1,999**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(139)	(435)	(1,503)	**(2,077)**
Increase the expected recovery period by 1 year	552	1,590	2,813	**4,955**
Decrease the expected recovery period by 1 year	(495)	(1,374)	(2,475)	**(4,344)**
Increase the collateral realisation haircut by 5%	1,036	2,747	7,552	**11,335**
Decrease the collateral realisation haircut by 5%	(842)	(2,021)	(6,067)	**(8,930)**
Increase in the PDs of stages 1 and 2 by 20%*	406	6,961	-	**7,367**
Decrease in the PDs of stages 1 and 2 by 20%*	(2,217)	(4,747)	-	**(6,964)**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€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)**

*The impact on the ECL also includes the transfer between stages of the loans and advances to customers following the increase/ decrease in the PD.

45. Risk management - Credit risk (continued)

45.6 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%
	2022	**2022**	2021 (restated)	2021 (restated)
	€000	**€000**	€000	€000
Corporate and Large corporate	**2,322**	**(1,478)**	2,605	(2,284)
International corporate	**68**	**(30)**	954	(964)
SMEs	**487**	**(409)**	724	(627)
Retail				
- housing	**1,260**	**(1,085)**	1,838	(1,545)
- consumer, credit cards and other	**527**	**(457)**	718	(653)
Restructuring				
- corporate	**1,253**	**(1,333)**	551	(558)
- SMEs	**628**	**(633)**	956	(858)
- retail housing	**824**	**(738)**	1,079	(972)
- retail other	**324**	**(287)**	458	(420)
Recoveries				
- corporate	**720**	**(665)**	748	(760)
- SMEs	**948**	**(819)**	1,114	(940)
- retail housing	**1,378**	**(690)**	5,541	(4,889)
- retail other	**540**	**(255)**	1,503	(1,233)
International banking services	**53**	**(49)**	273	(202)
Wealth management	**3**	**(2)**	1	(1)
	11,335	**(8,930)**	19,063	(16,906)

45.7 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2022 and 2021 by taking possession of collateral held as security, was as follows:

	2022	2021
	€000	€000
Residential property	**12,414**	10,100
Commercial and other property	**70,238**	27,021
	82,652	37,121

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 2022, including any expenses capitalised during the year, amounted to €1,087,556 thousand (2021: €1,274,961 thousand).

The disposals of repossessed assets during 2022 (including those that were classified as held for sale prior to their disposal) amounted to €249,252 thousand (2021: €209,961 thousand).

45. Risk management - Credit risk (continued)

45.8 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	**2022 €000**	2021 €000
Euro	**9,456,220**	9,294,950
US Dollar	**334,663**	372,263
British Pound	**89,244**	93,369
Russian Rouble	**312**	16,329
Swiss Franc	**35,430**	61,336
Other currencies	**1,466**	2,288
	9,917,335	9,840,535

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
Euro	533,190
US Dollar	700
British Pound	230
Swiss Franc	18,184
Other currencies	3,485
	555,789

45.9 Modified loans and advances to customers

Modified loans and advances to customers are those loans where the original contractual terms of the loans

i. have been modified due to financial difficulties of the borrower and are considered as forborne/restructured (as explained in Note 45.10), and
ii. have been modified due to commercial renegotiations and such loans are considered as non-forborne.

Customers classified as Stage 2 and Stage 3 as at 31 December 2021, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2022 amount to €281,391 thousand (2021: €540,712 thousand) and their corresponding ECL amount to €895 thousand (2021: €1,268 thousand).

Previously classified Stage 2 and Stage 3 customers (with a carrying amount as at 31 December 2021 of €34,788 thousand (2020: €109,881 thousand)) that had facilities modified during the year and are classified as Stage 1 at 31 December 2022 amount to €30,012 thousand (2021: €110,303 thousand) and their corresponding ECL amount to €51 thousand (2021: €233 thousand). Their related modification loss amounted to €177 thousand (2021: €433 thousand).

Stage 2 and Stage 3 loans that were forborne during the year amounted to €228,804 thousand (2021: €707,190 thousand). Their related modification loss amounted to €4,669 thousand (2021: €23,243 thousand).

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €33,784 thousand (2021: €126,972 thousand) and their corresponding ECL amounts to €1,055 thousand (2021: €5,250 thousand) as at 31 December 2022.

45. Risk management - Credit risk (continued)

45.10 Forbearance/Restructuring

Forborne loans are those loans that have been modified because the borrower is considered 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.

Forborne/restructured 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).

For an account to qualify for forbearance/restructuring it must meet certain criteria including the viability of the customer. 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 requirements.

Forbearance/restructuring activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Forbearance/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:

i. 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.
ii. 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.
iii. Arrears and/or interest capitalisation: 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:

i. Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
ii. 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.
iii. Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or over time sale of assets (mainly real estate) to reduce borrowing.
iv. 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.
v. Consolidation/refinancing of existing facilities: In cases where the borrower maintains several separate loans with different collaterals, these can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collaterals.
vi. Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace / reduce the current account limit.
vii. Split and freeze: the customer’s debt is split into sustainable and unsustainable parts. The sustainable part is restructured to a sustainable repayment program. 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.

45. Risk management - Credit risk (continued)

45.10 Forbearance/Restructuring (continued)

viii. 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.
ix. 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.
x. Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
xi. Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.
xii. Partial or total write off: This solution corresponds to the Group forfeiting the right to legally recover part or the whole of the amount of debt outstanding by the borrower.
xiii. Debt/equity swaps: debt restructuring that allows partial or full repayment of the debt in exchange of obtaining an equivalent amount of equity by the Group, with the remaining debt right sized to the cash flows of the borrower to allow repayment. 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.
xiv. Debt/asset swaps: agreement between the Group and the borrower to voluntarily transfer the mortgaged asset or other immovable property to the Group, to partially or fully repay the debt. Any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

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.

Forbearance 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.

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.

The below table presents the movement of the Group's forborne loans and advances to customers measured at amortised cost including those classified as held for sale. The forborne loans and advances to customers classified as held for sale as at 31 December 2022 amounts to nil (2021: €245,452 thousand).

	2022	2021
	€000	€000
1 January	**1,469,182**	1,981,825
New loans and advances forborne in the year	**130,547**	741,116
Loans no longer classified as forborne and repayments	**(241,739)**	(484,039)
Write off of forborne loans and advances	**(77,357)**	(110,471)
Interest accrued on forborne loans and advances	**57,795**	72,292
Foreign exchange adjustments	**3,115**	1,907
Derecognition of Helix 2 portfolio	**-**	(733,448)
Derecognition of Helix 3 and Sinope portfolios	**(235,245)**	-
31 December	**1,106,298**	1,469,182

The forborne loans classification 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.

45. Risk management - Credit risk (continued)

45.10 Forbearance/Restructuring (continued)

The below tables present the Group's forborne 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 forborne loans.

	2022	2021
	€000	€000
Stage 1	**-**	6,883
Stage 2	**857,356**	828,849
Stage 3	**215,730**	348,385
POCI	**33,212**	39,613
	1,106,298	1,223,730

Fair value of collateral

	2022	2021
	€000	€000
Stage 1	**-**	6,751
Stage 2	**818,138**	782,843
Stage 3	**172,501**	275,882
POCI	**30,188**	37,824
	1,020,827	1,103,300

The fair value of collateral presented above has been computed to the extent that the collateral mitigates credit risk.

Credit risk concentration

	2022	2021
By economic activity	**€000**	€000
Trade	**41,038**	52,714
Manufacturing	**17,080**	16,217
Hotels and catering	**282,460**	259,534
Construction	**245,695**	164,871
Real estate	**145,840**	196,522
Private individuals	**279,934**	414,463
Professional and other services	**76,135**	96,714
Other sectors	**18,116**	22,695
	1,106,298	1,223,730

45. Risk management - Credit risk (continued)

45.10 Forbearance/Restructuring (continued)

By business line	**2022** **€000**	2021 (restated) €000
Corporate and Large corporate	**684,382**	629,270
International corporate	**-**	4,904
SMEs	**74,474**	106,362
Retail		
- housing	**85,319**	138,753
- consumer, credit cards and other	**28,944**	47,006
Restructuring		
- corporate	**47,840**	21,836
- SMEs	**21,002**	35,890
- retail housing	**53,316**	66,608
- retail other	**14,402**	20,561
Recoveries		
- corporate	**6,279**	19,796
- SMEs	**15,635**	14,382
- retail housing	**49,240**	81,318
- retail other	**13,983**	22,478
International banking services	**11,482**	14,159
Wealth management	**-**	407
	1,106,298	1,223,730

2022 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate and Large corporate	-	628,104	50,688	5,590	**684,382**
SMEs	-	72,727	869	878	**74,474**
Retail					
- housing	-	62,312	20,502	2,505	**85,319**
- consumer, credit cards and other	-	20,207	7,653	1,084	**28,944**
Restructuring					
- corporate	-	31,637	6,060	10,143	**47,840**
- SMEs	-	7,240	11,918	1,844	**21,002**
- retail housing	-	19,912	30,649	2,755	**53,316**
- retail other	-	4,924	9,021	457	**14,402**
Recoveries					
- corporate	-	-	5,837	442	**6,279**
- SMEs	-	-	14,449	1,186	**15,635**
- retail housing	-	-	44,191	5,049	**49,240**
- retail other	-	-	12,705	1,278	**13,983**
International banking services	-	10,293	1,188	1	**11,482**
	-	**857,356**	**215,730**	**33,212**	**1,106,298**

45. Risk management - Credit risk (continued)

45.10 Forbearance/Restructuring (continued)

2021 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate and Large corporate	6,461	559,311	63,498	-	**629,270**
International corporate	-	-	4,904	-	**4,904**
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**

ECL allowance

	2022 **€000**	2021 €000
Stage 1	**-**	8
Stage 2	**13,939**	13,349
Stage 3	**68,557**	120,345
POCI	**11,259**	10,218
	93,755	143,920

45. Risk management - Credit risk (continued)

45.11 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:

	2022	2021
	€000	€000
Aaa - Aa3	**84,543**	105,759
A1 - A3	**25,249**	84,629
Baa1 - Baa3	**36,544**	3,333
Ba1 - Ba3	**9,491,444**	9,095,864
B1 - B3	**358**	19,160
Caa - C	**2,192**	6,078
Unrated	**1,715**	37,474
Other receivables from banks	**38,307**	27,303
	9,680,352	9,379,600

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:

	2022	2021
Moody's rating	**€000**	€000
Aaa - Aa3	**1,109,706**	836,676
A1 - A3	**397,831**	254,956
Baa1 - Baa3	**88,422**	78,301
Ba1 - Ba3	**886,419**	735,663
B1 - B3	**14,243**	-
Unrated	**12,241**	24,792
	2,508,862	1,930,388
Issued by:		
- Cyprus government	**832,113**	735,661
- Other governments	**425,460**	311,108
- Banks and other corporations	**1,251,289**	883,619
	2,508,862	1,930,388
Classified as:		
Investments mandatorily measured at FVPL	**8,968**	6,034
Investments at FVOCI	**453,775**	733,080
Investments at amortised cost	**2,046,119**	1,191,274
	2,508,862	1,930,388

45. Risk management - Credit risk (continued)

45.11 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
2022	€000	€000
Aaa - Aa3	85,199	1,015,539
A1 - A3	41,947	355,884
Baa1 - Baa3	856	87,566
Ba1 - Ba3	325,773	560,646
B1 - B3	-	14,243
Unrated	-	12,241
	453,775	**2,046,119**

	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**

46. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, foreign currency exchange rates, property and security prices. The Market and Liquidity 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 from 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 Euro and the US Dollar, being 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**	
		2022 (60 bps for Euro and 75 bps for US Dollar)	**2021 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	73,126	35,677
All	Parallel down	(77,043)	(28,235)
All	Steepening	(56,569)	(19,944)
All	Flattening	59,657	25,546
All	Short up	70,381	33,182
All	Short down	(73,896)	(28,169)
Euro	Parallel up	71,829	34,484
Euro	Parallel down	(75,343)	(26,230)
Euro	Steepening	(55,812)	(17,866)
Euro	Flattening	59,132	25,153
Euro	Short up	69,180	32,200
Euro	Short down	(72,216)	(25,208)
US Dollar	Parallel up	1,298	1,193
US Dollar	Parallel down	(1,700)	(2,005)
US Dollar	Steepening	(757)	(2,078)
US Dollar	Flattening	525	393
US Dollar	Short up	1,202	982
US Dollar	Short down	(1,680)	(2,961)

46. Risk management - Market risk (continued)

The above sensitivities incorporate assumptions on the pass-through change of time deposits.

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	
		2022 (60 bps for Euro and 75 bps for US Dollar)	2021 (50 bps for Euro and 60 bps for US Dollar)
All	Parallel up	31,739	(14,964)
All	Parallel down	(68,581)	23,698
All	Steepening	11,884	(9,300)
All	Flattening	369	8,986
All	Short up	27,212	3,616
All	Short down	(35,032)	6,273
Euro	Parallel up	54,878	(18,080)
Euro	Parallel down	(59,502)	60,603
Euro	Steepening	23,018	(7,836)
Euro	Flattening	526	17,714
Euro	Short up	47,696	2,234
Euro	Short down	(28,040)	26,386
US Dollar	Parallel up	8,599	6,232
US Dollar	Parallel down	(9,079)	(6,604)
US Dollar	Steepening	750	(1,464)
US Dollar	Flattening	212	258
US Dollar	Short up	6,727	4,998
US Dollar	Short down	(6,992)	(6,920)

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**
2022	**€000**	**€000**
+0.75% for US Dollar +0.6% for Euro +0.4% for British Pound	**(466)**	**(394)**
-0.75% for US Dollar -0.6% for Euro -0.4% for British Pound	**466**	**386**

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**
2021		
+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

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:

i. 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
ii. 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.

In September 2022, the FCA confirmed that the publication of 1-month and 6-month synthetic GBP LIBOR will be required until the end of March 2023, after which date these settings will permanently cease. On 23 November 2022, the FCA announced its intention (i.e. proposed, not confirmed yet) to continue to require LIBOR's administrator, IBA, to publish the 3-month synthetic GBP LIBOR setting until the end of March 2024, after which it will also permanently cease.

On 23 November 2022, the FCA announced that the three synthetic JPY LIBOR settings will cease at end 2022.

Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances. On 23 November 2022, the FCA announced its proposal (i.e. proposed, not confirmed yet) to require IBA to continue to publish the 1-month, 3-month and 6-month USD LIBOR settings on a synthetic basis until end September 2024.

How the Group is managing the transition to alternative benchmark rates
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.

The Group's transition project also involved the drawing up of appropriate fallback provisions for LIBOR linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021.

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 the relevant contracts referencing to USD LIBOR and which will cease on 30 June 2023) 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. Specifically, in anticipation that the European Commission might not designate an alternative rate for JPY and GBP Libor, the Group has informed its customers of its decision to transition tough legacy JPY and GBP LIBOR credit facilities to the same alternative rates, as if the customer has signed the relevant contract amendment. This would ensure that customers would not be treated differently compared to other similar customers on the same JPY and GBP LIBOR tenor who have signed their contract amendment. The Group has also engaged in client communication to inform customers and ensure a smooth transition of non-USD LIBOR credit facilities to RFRs.

New RFR lending products have also been introduced and adopted across the Group’s key currencies.

The Group's project for the transition to alternative interest rate benchmarks is now focused of the transition of USD LIBOR contracts ahead of the June 2023 deadline.

BOC PCL has dedicated teams in place to support the transition and continuously assess, monitor and dynamically manage risks arising from the transition when required.

The Group has also been actively monitoring any market and regulatory developments published by regulatory bodies as well as by relevant Working Groups across various jurisdictions.

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.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform which have yet to transition as at 31 December 2022 and as at 31 December 2021 to the replacement benchmark rate at the respective date:

2022	**USD LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**
Loans and advances to customers	283,509	316	**283,825**
Loans and advances to banks	26,607	4,297	**30,904**
Total	**310,116**	**4,613**	**314,729**
Non-derivative financial liabilities			
Deposits by banks	7,416	248	**7,664**
Total	**7,416**	**248**	**7,664**

2021	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	92,819	364,113	26,727	1,627	**485,286**
Loans and advances to banks	18,341	87,397	4,984	10,261	**120,983**
Total	**111,160**	**451,510**	**31,711**	**11,888**	**606,269**
Non-derivative financial liabilities					
Deposits by banks	113	7,658	-	503	**8,274**
Total	**113**	**7,658**	**-**	**503**	**8,274**

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.

46. Risk management - Market risk (continued)

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 currency 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 and Liquidity Risk.

The Group does not maintain a currency trading book.

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 (by an approximately equal and opposite impact), 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**
2022	**%**	**€000**	**€000**
US Dollar	**+10**	**2,534**	**-**
Russian Rouble	**+70**	**2,806**	**-**
Romanian Lei	**+10**	**3**	**(349)**
Swiss Franc	**+10**	**237**	**-**
British Pound	**+10**	**483**	**-**
Japanese Yen	**+10**	**6**	**-**
Other currencies	**+10**	**65**	**-**
US Dollar	**-10**	**(2,073)**	**-**
Russian Rouble	**-40**	**(344)**	**-**
Romanian Lei	**-10**	**(2)**	**285**
Swiss Franc	**-20**	**(356)**	**-**
British Pound	**-10**	**(396)**	**-**
Japanese Yen	**-10**	**(5)**	**-**
Other currencies	**-10**	**(53)**	**-**

	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	-

46. Risk management - Market risk (continued)

	Change in foreign exchange rate	Impact on profit/loss after tax	Impact on equity
	%	€000	€000
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)	-

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
2022	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+50**	**1**	**1,383**
Athens Exchange	**+34**	**286**	**-**
New York Exchange	**+23**	**1,394**	**-**
Other stock exchanges and unlisted	**+66**	**2**	**2,569**
Non-listed (Real Estate)	**+25**	**-**	**1,735**
Cyprus Stock Exchange	**-33**	**(1)**	**(913)**
Athens Exchange	**-45**	**(379)**	**-**
New York Exchange	**-28**	**(1,697)**	**-**
Other stock exchanges and unlisted	**-59**	**(2)**	**(2,296)**
Non-listed (Real Estate)	**-10**	**-**	**(694)**

	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

46. Risk management - Market risk (continued)

2021	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
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)

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 mainly 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 2022 was A2 (2021: A3). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2022 was Aa2 (2021: Aa2). Further information on ratings of debt securities is disclosed in Note 45.11.

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, which is the maximum amount between the Monte Carlo CVAR (using a 97.5% Confidence Interval) and the Systematic Liquidity Risk according to the Internal Risk Based model, performed on a bond level.

2022	Impact on profit/loss before tax €000	Impact on equity €000
Up scenario:		
Aa3 and above rated bonds	**3,621**	**4,192**
A3 and above rated bonds	**1,733**	**3,324**
Baa1 and below rated bonds	**7**	**2,467**
Cyprus Government bonds	**-**	**34,179**
Down scenario:		
Aa3 and above rated bonds	**(3,621)**	**(4,192)**
A3 and above rated bonds	**(1,733)**	**(3,324)**
Baa1 and below rated bonds	**(7)**	**(2,467)**
Cyprus Government bonds	**-**	**(34,179)**

2021	Impact on profit/loss before tax €000	Impact on equity €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)

46. Risk management - Market risk (continued)

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 price index of the relevant instruments.

	Change in index	Impact on profit/loss before tax	Impact on equity
2022	**%**	**€000**	**€000**
Other (non-equity instruments)	**+23**	**2,063**	**-**
Other (non-equity instruments)	**-28**	**(2,511)**	**-**
2021			
Other (non-equity instruments)	+20	1,107	-
Other (non-equity instruments)	-25	(1,384)	-

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.

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 the Liquidity Policy of managing assets taking liquidity into consideration and monitoring cash flows and liquidity on a regular 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 ensuring compliance with internal policies and regulatory liquidity requirements and providing 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 by Market and Liquidity Risk department, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market and Liquidity Risk department reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

47. Risk management - Liquidity and funding risk (continued)

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established the Group's Risk Appetite Statement 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 regular 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.

Monitoring process

Daily
The daily monitoring of the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group’s activities. Market and Liquidity Risk department prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day’s buffer. Results are made available to members of the Risk and Treasury Divisions. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

Market and Liquidity Risk department 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 follows guidance and is 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 reviewed on an annual basis and approved by the Board through its Risk Committee. 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 and Liquidity Risk department prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market and Liquidity Risk department 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 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.

47. Risk management - Liquidity and funding risk (continued)

Market and Liquidity Risk department 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 and Liquidity Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB on a monthly basis.

Quarterly
The results of the stress testing scenarios are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market and Liquidity Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

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 and processes for the identification, measurement, management and monitoring of liquidity risk as 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 reviewed and tested at least annually.

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), 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 2022 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, the carrying value of the ECB funding as at 31 December 2022, (after the early repayment of €1 billion within December 2022), was €1,977 million (2021: €2,970 million).

As at 31 December 2022, the wholesale funding nominal amount was €820 million (2021: €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 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.

47. Risk management - Liquidity and funding risk (continued)

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.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 31 December 2022 and 31 December 2021 are summarised below:

	2022	2021
	€000	€000
Cash and other liquid assets	**73,557**	102,463
Investments	**284,343**	1,260,158
Loans and advances	**3,273,369**	3,126,803
	3,631,269	4,489,424

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 decrease in cash and other liquid assets presented as encumbered assets during the year ended 31 December 2022 was driven mainly by the decrease in cash encumbered for derivatives and for trade finance transactions.

As at 31 December 2022 and 2021, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The decrease in the investments presented as encumbered assets during the year ended 31 December 2022 was driven by the removal of debt securities from the ECB collateral pool following the repayment of €1 billion TLTRO III funding in December 2022.

Loans and advances indicated as encumbered as at 31 December 2022 and 2021, 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 2022 (2021: €1,007 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 2022 housing loans of a nominal amount of €2,287 million (2021: €2,091 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. The Covered Bonds have a maturity date of 12 December 2026 and pay an interest rate of 3-months Euribor plus 1.25% on a quarterly basis. On 9 August 2022, BOC PCL proceeded with an amendment to the terms and conditions of the covered bonds following the implementation of Directive (EU) 2019/2162 in Cyprus. 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 €29,100 thousand as at 31 December 2022 (2021: €36,571 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 €55,152 thousand as at 31 December 2022 (2021: €71,321 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.

47. Risk management - Liquidity and funding risk (continued)

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.

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) are assigned to different time bands based on either their maturity, 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.

Debt securities in issue and subordinated liabilities are classified in the relevant time band according to the remaining contractual maturity.

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 are hence included in the 'On demand and up to one month' time band.

47. Risk management - Liquidity and funding risk (continued)

2022	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	9,541,665	9,624	13,489	1,480	703	**9,566,961**
Loans and advances to banks	134,556	1,340	36	64,558	4,321	**204,811**
Investments at FVPL	187,213	-	-	2,996	-	**190,209**
Loans and advances to customers	907,912	219,362	641,301	3,161,840	5,022,837	**9,953,252**
Fair value of derivative assets	507	160	238	10,811	36,437	**48,153**
Investments not at FVPL	42,553	70,637	318,427	1,793,724	288,153	**2,513,494**
Other assets	80,245	13,661	91,843	228,167	1,706	**415,622**
	10,894,651	**314,784**	**1,065,334**	**5,263,576**	**5,354,157**	**22,892,502**
Financial liabilities						
Deposits by banks	144,389	20,320	33,128	215,446	120,895	**534,178**
Funding from central banks	-	-	-	2,028,300	-	**2,028,300**
Customer deposits	15,096,274	1,591,894	2,278,574	38,116	-	**19,004,858**
Debt securities in issue	-	-	7,500	339,725	-	**347,225**
Subordinated liabilities	-	-	19,875	89,626	420,618	**530,119**
Fair value of derivative liabilities	10,274	255	9	4,412	1,219	**16,169**
Lease liabilities	665	1,111	4,727	18,350	5,552	**30,405**
Other liabilities	165,712	17,956	30,684	7,452	3,291	**225,095**
	15,417,314	**1,631,536**	**2,374,497**	**2,741,427**	**551,575**	**22,716,349**
Net financial (liabilities)/assets	**(4,522,663)**	**(1,316,752)**	**(1,309,163)**	**2,522,149**	**4,802,582**	**176,153**

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**
Investments not at FVPL	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**
Debt securities in issue	-	-	7,500	30,000	307,500	**345,000**
Subordinated liabilities	38,898	-	19,875	79,500	399,375	**537,648**
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**

2022	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	149,604	83,265	1,230	-	-	**234,099**
Contractual amounts payable	(149,166)	(83,215)	(1,222)	-	-	**(233,603)**
	438	**50**	**8**	**-**	**-**	**496**
Financial liabilities						
Contractual amounts receivable	1,034,973	65,093	1,222	-	-	**1,101,288**
Contractual amounts payable	(1,045,050)	(65,224)	(1,223)	-	-	**(1,111,497)**
	(10,077)	**(131)**	**(1)**	**-**	**-**	**(10,209)**

47. Risk management - Liquidity and funding risk (continued)

2022	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	1,756	2,890	529	-	-	**5,175**
Guarantees	145,303	108,220	228,922	130,112	38,662	**651,219**
Commitments						
Documentary credits	1,206	6,900	9,268	-	250	**17,624**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,909,487	-	-	-	-	**1,909,487**
	2,057,752	**118,010**	**238,719**	**130,112**	**38,912**	**2,583,505**

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)**

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**

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	**2022** **€000**	2021 €000
Change in unit growth +0.25%	**184**	123
Change in expenses +10%	**(3,357)**	(3,925)
Change in lapsation rates +10%	**(1,792)**	(1,298)
Change in mortality rates +10%	**(10,603)**	(9,367)

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 2022 and 2021 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 Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) which came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD transposed the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions. It is directly applicable in all EU member states. CRD governs access to deposit taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, member states were required to transpose the CRD into national law and national regulators were allowed to impose additional capital buffer requirements.

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

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 the acceleration of 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 (phasing-in at 25% in 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. This temporary treatment was in effect until 31 December 2022.

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

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and EuroLife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firm (CIF) of the Group, Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements. The regulated UCITS management of the Group, BOC Asset Management complied with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) law and regulations. In February 2023, the activities of BOC Asset Management Ltd were absorbed by CISCO and BOC Asset Management Ltd was dissolved. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Additional information on regulatory capital is disclosed in 'Risk and Capital Management Report' (unaudited), which is included in the Annual Financial Report, and in the 'Pillar III Disclosures Report 2022' (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. Connected persons for the purpose of this disclosure include spouses, minor/dependent 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.

Related parties also include entities providing key management personnel services to the Group.

(a) Transactions with subsidiaries

The Company is the holding company of the Group. The Company enters into transactions with its subsidiaries in the normal course of business. Balances and transactions between the Company and its subsidiaries are disclosed in Note 17 of the Company's financial statements. Transactions with the subsidiaries have been eliminated on consolidation.

(b) Transactions with 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 key management personnel

	2022	2021
Directors' emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**1,046**	801
Employer's contributions	**63**	43
Retirement benefit plan costs	**82**	68
Share-based benefits	**118**	-
	1,309	912
Non-executives		
Fees	**1,247**	1,250
Total directors' emoluments	**2,556**	2,162
Key management personnel emoluments		
Salaries and other short-term benefits	**2,864**	3,234
Termination benefits	**200**	-
Employer's contributions	**336**	274
Retirement benefit plan costs	**218**	181
Share-based benefits	**204**	**-**
Total key management personnel emoluments	**3,822**	3,689
Total	**6,378**	5,851

Fees and benefits are included for the period that they serve as members of the Board of Directors. Key management personnel emoluments are included for the period that they serve as key management personnel.

The retirement benefit plan costs relate to contributions paid for defined contributions plan.

50. Related party transactions (continued)

Executive Directors
The fees and emoluments of the Executive Directors are analysed as follows:

	2022	2021
	€000	€000
Panicos Nicolaou (Chief Executive Officer)		
Salaries and other short-term benefits	**761**	715
Employer's contributions	**38**	37
Retirement benefit plan costs	**60**	61
Share-based benefits	**93**	-
	952	813
Eliza Livadiotou (Executive Director Finance & legacy - appointed on 6 October 2021)		
Salaries and other short-term benefits	**285**	86
Employer's contributions	**25**	6
Retirement benefit plan costs	**22**	7
Share-based benefits	**25**	**-**
	357	99
Total	**1,309**	912

The share-based benefits relate to the expense for the year for the share awards granted in December 2022 (Note 14).

Non-executive Directors
The fees of Non-executive Directors are analysed as follows:

	2022	2021
	€000	€000
Efstratios-Georgios Arapoglou	**257**	215
Lyn Grobler	**165**	154
Arne Berggren	**124**	113
Constantine Iordanou	**95**	6
Ioannis Zographakis	**157**	198
Maksim Goldman(1)	**40**	113
Maria Philippou	**108**	119
Michael Heger(1)	**40**	113
Nicolaos Sofianos	**129**	100
Paula Hadjisotiriou	**132**	119
	1,247	1,250

(1)Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.

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.

Key management personnel
The emoluments of key management personnel include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and the emoluments of other members of the Senior Management team (Extended EXCO) (prior to the change in the Group organisational structure, in 2022 the key management personnel included those members of the management team who reported directly to the Chief Executive Officer or to the Deputy Chief Executive Officer & Chief of Business). Mrs Eliza Livadiotou was 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 tables below show the deposits, loans and advances 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 and other relevant information as required by the Companies Act 2014.

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.

There were 12 Directors in office during the year (2021: 12 Directors), 4 of whom availed of credit facilities (2021: 4 Directors). All of the Directors who availed of credit Facilities had balances outstanding at 31 December 2022 and 31 December 2021. The balances outstanding are disclosed below.

The value of arrangements at the beginning and end of the current and preceding financial years as stated below, 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% in accordance with section 307 of the Companies Act 2014.

Details of transactions with the Directors and their connected persons, where indicated, for the years ended 31 December 2022 and 2021 are as follows:

Board of Directors

	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**
Panicos Nicolaou	€000	€000	€000	**€000**	**€000**	**€000**
2022						
Loans	35	-	35	-	35	-
Overdrafts/ credit cards	3	n/a	n/a	2	4	46
	38			2	39	46

Panicos Nicolaou	€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

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**
Eliza Livadiotou	€000	€000	€000	**€000**	**€000**	**€000**
2022						
Loans	99	-	14	87	99	-
Overdrafts/ credit cards	8	n/a	n/a	14	14	48
	107			101	113	48
Eliza Livadiotou						
2021						
Loans	30	77	8	99	102	-
Overdrafts/ credit cards	9	n/a	n/a	8	33	55
	39			107	135	55

	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**
2022						
Overdrafts/ credit cards	2	n/a	n/a	2	2	8
Ioannis Zographakis						
2021						
Overdrafts/ credit cards	1	n/a	n/a	2	4	8

	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**
2022						
Overdrafts/ credit cards	1	n/a	n/a	-	2	10
Nicolaos Sofianos						
2021						
Overdrafts/ credit cards	1	n/a	n/a	1	5	4

The balances included in the table above include principal and interest. Also, amounts approved 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 2022 (2021: nil).

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2022 (2021: below €5 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

50. Related party transactions (continued)

Connected persons of the Board of Directors

The aggregate of loans to connected persons of Directors in office at 31 December 2022, as defined in section 220 of the Companies Act 2014, are as follows (2022: aggregate of 2 persons; 2021: aggregate of 2 persons):

	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**
2022					
Overdrafts/credit cards	1	n/a	n/a	2	3
2021					
Overdrafts/credit cards	-	n/a	n/a	1	3

	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**
Eliza Livadiotou	€000	€000	€000	**€000**	**€000**
2022					
Loans	83	-	12	74	83
Overdrafts/credit cards	7	n/a	n/a	10	10
	90			84	93
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 approved 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 2022 (2021: below €5 thousand). All principal and 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)

There were 21 key management personnel in office during the year (2021: 17 key management personnel), 20 of whom availed of credit facilities (2021: 16 key management personnel). All of the key management personnel who availed of credit facilities had balances outstanding at 31 December 2022 and 31 December 2021.

A number of loans and advances have been extended to key management personnel on the same terms as those applicable to the rest of the Group's employees and to their connected persons on the same terms as those of customers of a similar credit standing.

Where no amount is shown in the tables below, this indicates a credit balance, a nil balance, or a balance of less than €500.

50. Related party transactions (continued)

Details of transactions with key management personnel and their connected persons for the years ended 31 December 2022 and 2021 are as follows:

	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)**
2022	€000	€000	€000	€000	€000	**€000**	**€000**
Loans	1,836	1,154	-	41	433	2,400	2,720
Overdrafts/credit cards	453	n/a	n/a	n/a	n/a	386	603
	2,289					2,786	3,323
2021							
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

The balances included in the table above include principal and interest. Also, amounts approved 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 ended 31 December 2021 relate mainly to balances of connected entities that ceased to be connected to key management personnel.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €6 thousand as at 31 December 2022 (2021: below €5 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

Aggregate amounts outstanding at year end and additional transactions

	2022	2021
	€000	€000
Loans and advances as at 31 December		
Board of Directors	**105**	148
Key management personnel	**2,191**	2,216
Connected persons - Board of Directors	**86**	91
Connected persons - Key management personnel	**595**	73
	2,977	2,528
Deposits as at 31 December		
Board of Directors	**3,582**	1,146
Key management personnel	**1,952**	1,541
Connected persons - Board of Directors	**1,373**	1,173
Connected persons - Key management personnel	**1,805**	1,081
	8,712	4,941
Interest income for the year	**71**	394
Commission income for the year	**6**	1
Insurance premium income for the year	**453**	367
Subscriptions and insurance expenses for the year	**296**	377
Accruals and other liabilities as at 31 December with entity providing key management personnel services	**-**	1,199
Staff costs, consultancy, restructuring and other expenditure with entity providing key management personnel services	**-**	9,980

50. Related party transactions (continued)

The above table does not include year end balances for members of the Board of Directors, key management personnel 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 2022.

As at 31 December 2022 there were 10 Directors in office (2021: 12) and 20 key management personnel in office (2021:17)

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.

During the year ended 31 December 2022 connected persons of key management personnel transacted with REMU for the purchase of a property amounting to €58 thousand (2021: nil). The transaction was made on normal business terms as for comparable transactions with third parties.

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 €120 thousand as at 31 December 2022 (2021: €133 thousand).

There were also contingent liabilities and commitments to key management personnel and their connected persons amounting to €1,227 thousand as at 31 December 2022 (2021: €573 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 their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 31 December 2022 amounted to €1,212 thousand (2021: €774 thousand).

During the year ended 31 December 2022 premiums of €202 thousand (2021: €152 thousand) and claims of €20 thousand (2021: €19 thousand) were paid by/to the members of the Board of Directors of the Company and their connected persons to/from the insurance subsidiaries of the Group.

There were no other transactions during the year ended 31 December 2022 and 2021 with connected persons of the current members of the Board of Directors or with any members who resigned during the 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 2022 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 February 2023 the Group proceeded with a restructuring of its investment banking and brokerage activities through the absorption by CISCO of BOC Asset Management Ltd's activities. BOC Asset Management Ltd was subsequently dissolved.

In addition to the above companies, as at 31 December 2022 BOC PCL had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Pelika Properties Ltd, Cobhan 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, 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, 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, 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, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama 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, Coeval Properties Ltd, Finevo Properties Ltd, Mazima 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, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Samilo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Alezia Properties Ltd, Zenoplus Properties Ltd, Alepar Properties Ltd, Enelo Properties Ltd, Monata Properties Ltd, Vertilia Properties Ltd, Amary Properties Ltd, Aparno Properties Ltd, Lomenia Properties Ltd, Midelox Properties Ltd, Montira Properties Ltd, Orilema Properties Ltd and Philiki 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 2022 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 2022 BOC PCL had 100% shareholding in BOC Terra AIF V.C.I Plc which is a real estate alternative investment fund, currently inactive.

At 31 December 2022 BOC PCL had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Holstone Properties Ltd, Cramonco Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto 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, Bonayia 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: Laiki Bank (Nominees) Ltd, Paneuropean Ltd, Nelcon Transport Co. Ltd, Iperi Properties Ltd, CYCMC IV Ltd, Prodino Properties Ltd and Thryan Properties 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.

In December 2022 the Company incorporated Jinius Ltd, a 100% subsidiary, which has been set up to provide and administrate a Digital Economy Platform. As at 31 December 2022 this subsidiary was inactive and in 2023 the activities of BOC PCL in relation to the Digital Economy Platform will be transferred to Jinius Ltd.

Acquisitions of subsidiaries

During the years ended 31 December 2022 and 2021 there were no acquisitions of subsidiaries.

Dissolution and disposal of subsidiaries

There were no material disposals of subsidiaries during the year ended 31 December 2022. Renalandia Properties Ltd, Crolandia Properties Ltd, Elosis Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Polkima Properties Ltd, Fledgego Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd, Selilar Properties Ltd, Tantora Properties Ltd were dissolved during the year ended 31 December 2022. Vieman Ltd, Edilia Properties Ltd, Limoro Properties Ltd, Stevolo Properties Ltd, Yossi Properties Ltd, Jalimo Properties Ltd, Nesia Properties Ltd, Arcandello Properties Ltd, Meriaco Properties Ltd, Flymoon Properties Ltd, CYCMC II Ltd, Comenal Properties Ltd, Innerwick Properties Ltd, Palmco Properties Ltd, Paradexia Properties Ltd, Noleta Properties Ltd, Garmozy Properties Ltd, Valioco Properties Ltd, Dentorio Properties Ltd and Cimonia Properties Ltd were disposed of during the year ended 31 December 2022.

As at 31 December 2022, the following subsidiaries were in the process of dissolution or in the process of being struck off: Fantasio Properties Ltd, Demoro Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Fairford Properties Ltd, Salecom Ltd, Sylvesta Properties Ltd, Cyprialife Ltd, Battersee Real Estate SRL, Romaland Properties Ltd, Trecoda Properties Ltd, Weinco Properties Ltd, Aktilo Properties Ltd, Stormino Properties Ltd, Tavoni Properties Ltd, Ameleto Properties Ltd, Birkdale Properties Ltd, Folimo Properties Ltd, Steparco Ltd, Thames Properties Ltd and Finerose Properties Ltd.

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 13). 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 13).

52. Investments in associates and joint venture

Investments in associates	Percentage holding (%)
Aris Capital Management LLC	**30.0**
Rosequeens Properties Limited	**33.3**
Fairways Automotive Holdings Ltd	**45.0**

The carrying values of the investments in associates are considered to be fully impaired and their value has been restricted to zero.

52. Investments in associates and joint venture (continued)

Rosequeens Properties SRL
During the year ended 31 December 2022 the Group disposed of its 33.3% holding in associate company Rosequeens Properties SRL.

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 'Other Income' during the year ended 31 December 2021.

Investment in joint venture	**Percentage holding (%)**
Tsiros (Agios Tychon) Ltd	**50.0**

The carrying value of the investment in the joint venture is considered to be fully impaired and its value has been restricted to zero.

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 2022:

	Total operating income/(expense)	Average number of employees	Profit/(loss) before tax	Accounting tax expense on profit/(loss)	Corporation tax paid/(refunded)	Public subsidies received
Country	**€000**		**€000**	**€000**	**€000**	**€000**
Cyprus	708,778	3,209	119,213	38,130	6,738	-
Russia	(76)	3	(7,404)	-	-	-
Romania	(149)	2	(355)	-	-	-
Greece	1,407	6	(1,670)	-	(22)	-
Total	**709,960**	**3,220**	**109,784**	**38,130**	**6,716**	**-**

Total operating income/(expense), profit/(loss) before tax and accounting tax expense 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 instruments, net gains on derecognition of financial assets measured at amortised cost, income from assets under insurance and reinsurance contracts, expenses from liabilities under insurance and reinsurance contracts, net losses from revaluation and disposal of investment properties, net gains 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 2022.

Profit/(loss) before tax: profit/(loss) before tax represents profits/(losses) after the deduction of inter-segment revenues/(expenses).

Accounting tax expense on profit/(loss): includes corporation tax and Cyprus special defence contribution. Deferred tax credit for the year is excluded.

Corporation tax paid/(refunded) includes actual payments made during 2022 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution.

54. Events after the reporting period

No significant non-adjusting events have taken place since 31 December 2022. With respect to the recent developments in financial markets reference is made in Note 4.

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 2022 and of the Group's and 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 2022 (the "Annual Report"), which comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2022;
- 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 2022 to 31 December 2022.

Our audit approach

Overview

Overall materiality

- €16.7 million (2021: €16.5 million) - Consolidated financial statements
- Based on c. 1% of net assets.
- €14.3 million (2021: €14.5 million) - Company financial statements
- Based on c. 1% of net assets.

Performance materiality

- €10.5 million (2021: €10.7 million) - Consolidated financial statements.
- €9.3 million (2021: €9.4 million) - Company financial statements.

Audit scope

- We audited the complete consolidated financial information of Bank of Cyprus Public Company Limited (PCL), which is the main trading entity of the Group.
- Our audit scope addressed approximately 93% of the Group's turnover and approximately 97% the Group's total assets.

Key audit matters

- Impairment of loans and advances to customers.
- Litigation provisions and regulatory and other claims.
- Valuation of stock of 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 allocation of loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered the impact of staging overlays, 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 model which mathematically checked the calculation of collective ECL. We evaluated the Group's individual assessments for a sample of material Stage 3 exposures for compliance with the Group's policies, developments during 2022 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 compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, favourable and adverse scenarios to publicly available information. We also assessed the reasonableness of the adverse and favourable assumptions together 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 and ECL provisions were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Litigation provisions and regulatory and other claims Refer to Note 2.37 "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 €128m as at 31 December 2022. 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 tested 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 a sample of 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, including the minutes of the Settlement of Legal Cases Committee. 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 2022. 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.

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Valuation of stock of properties Refer to Note 2.30 "Stock of property", within Note 2 "Summary of significant accounting policies", Note 5.3 "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 27 "Stock of property". 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 external valuers and the holding periods for assets are key inputs 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 €1,041 million at 31 December 2022 and the uncertainty around market conditions when estimating the carrying amount.	We understood and evaluated the design of the overall control framework relevant to repossessed properties and tested the operating effectiveness of key controls around their valuation. We focused on the key inputs and assumptions underlying the valuation of the properties. 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, where relevant. We tested the accuracy of the application by management of illiquidity discounts for a sample of properties held at year end. For a sample of properties acquired during the year, 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 2022 to the carrying values for those assets at 31 December 2021. 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.

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Privileged user access Refer to pages 385 to 393 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 2022; ● Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and considered 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 subsidiaries" 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 Bank of Cyprus Holdings Public Limited Company at 31 December 2022.	We assessed the forecasts of expected cash flows included in management's value in use calculations at 31 December 2022 for consistency with the Group's recent trading performance and detailed Financial Plan. We considered management's calculation of the Group's Cost of Equity 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 2022.

Having completed an impairment test, the directors have determined that the recoverable amount of the investment, using a value-in-use approach (which is considered to be higher than fair value less costs to sell), exceeds the carrying value and a partial writeback of previous impairment provisions of €169 million was recognised. We considered this to be a key audit matter due to the judgement associated with the assessment of the recoverable amount of the investment at 31 December 2022 including, in particular, the expected cash flows, the Cost of Equity and the terminal value calculations.	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, 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 approximately 93% of the Group's turnover and approximately 97% of 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	€16.7 million (2021: €16.5 million).	€14.3 million (2021: €14.5 million).
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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was approximately 65% of overall materiality, amounting to €10.5 million (Group audit) and €9.3 million (Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €800,000 (Group audit) (2021: €800,000) and €713,000 (company audit) (2021: €725,000) 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.
- Considering the Group's 4 year Financial Plan approved by the Board in February 2023. In evaluating management's base case forecasts and alternative stress scenarios we considered the Group's models used to develop projected future operating results and the underlying assumptions. We also considered the Group's financial position, historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact on financial performance, capital and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue.
- Reading correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Group, including in respect of the ECB's Supervisory Review and Evaluation Process..
- Considering recent market conditions and developments in the Banking industry and any potential impact on the Group.

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) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

- 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 2022 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- 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).
- 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 Directors' Report, are consistent with the financial statements and have been prepared in accordance with section 1373(2) of the Companies Act 2014.
- 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 Directors' Report.
- 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 Directors' Report.

Corporate Governance Statement

As a result of the directors' voluntary reporting we are required by ISAs (Ireland) to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code (the "Code") specified for our review. Our additional responsibilities with respect to the Corporate Governance Statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for management bias through judgement and assumptions in significant accounting estimates and manual journal entries being recorded in order to affect performance.

Audit procedures performed by the engagement team included:

- Enquiries of management including the Executive Director Finance & Legacy , Chief Legal Officer, Chief Risk Officer, Chief Compliance officer, Director Real Estate Management Unit and those charged with governance as to any known or suspected instances of non-compliance with laws and regulations or fraud .
- Inspection of relevant reports presented to and minutes of meetings of the board of directors and of its principal committees;
- Inspection of key regulatory correspondence;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the key audit matters;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing; and
- Applying risk-based criteria to journal entries posted in the audit period to determine journal entries for testing purposes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 Balance Sheet is 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 4 years, covering the years ended 31 December 2019 to 31 December 2022.

Kevin Egan
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
31 March 2023

Company Financial Statements 2022

Contents

Company Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022	2021
		€000	€000
Income			
Income from equity instruments	*8*	**27,500**	27,500
Income from debt instruments	*8*	**19,875**	13,778
Total income from investments		**47,375**	41,278
Other income	*4*	**7,752**	6,794
Total income		**55,127**	48,072
Administrative and other operating expenses	*5*	**(7,431)**	(4,185)
		47,696	43,887
Interest expense on subordinated liabilities	*14*	**(20,318)**	(14,075)
Finance costs		**(429)**	(19)
Credit losses of financial instruments	*8*	**(3,134)**	(1,136)
Reversal of impairment of investment in subsidiary	*7*	**168,678**	50,000
Profit before tax		**192,493**	78,657
Tax	*6*	**(341)**	-
Profit after tax for the year		**192,152**	78,657
Other comprehensive income (OCI)			
OCI not to be reclassified in the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net (losses)/gains on investments in equity instruments measured at fair value through OCI (FVOCI)	*8*	**(24,288)**	27,205
Total OCI not to be reclassified in the income statement in subsequent periods		**(24,288)**	27,205
Other comprehensive (loss)/income for the year		**(24,288)**	27,205
Total comprehensive income for the year		**167,864**	105,862

The notes on pages 333 to 344 form an integral part of these Company financial statements.

Company Balance Sheet

as at 31 December 2022

Assets		**2022**	2021
Non-current assets	*Notes*	**€000**	€000
Investment in subsidiaries	*7*	**1,599,002**	1,430,000
Investments	*8*	**513,188**	540,610
		2,112,190	1,970,610
Current assets			
Other assets		**72**	55
Receivables from related parties	*10*	**3,735**	335
		3,807	390
Total assets		**2,115,997**	1,971,000
Equity and liabilities			
Equity and reserves			
Share capital	*11*	**44,620**	44,620
Share premium	*11*	**594,358**	594,358
Revaluation and other reserves	*13*	**(6,032)**	17,934
Retained earnings	*12*	**951,671**	792,002
Equity attributable to the owners of the Company		**1,584,617**	1,448,914
Other equity instruments	*11*	**220,000**	220,000
Total equity and reserves		**1,804,617**	1,668,914
Non-current liabilities			
Subordinated liabilities	*14*	**302,104**	301,661
Current liabilities			
Bank overdraft	*9*	**8,390**	142
Other payables	*15*	**884**	283
Payables to related parties	*17(v)*	**2**	-
		9,276	425
Total liabilities		**311,380**	302,086
Total liabilities and equity		**2,115,997**	1,971,000

Mr. E. G. Arapoglou
Chairman

Mr. P. Nicolaou
Chief Executive Officer

31 March 2023

The notes on pages 333 to 344 form an integral part of these Company financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital (Note 11)	Share premium (Note 11)	Retained earnings (Note 12)	Financial instruments fair value reserve (Note 8)	Other reserves (Note 13)	**Total equity attributable to the owners of the Company**	Other equity instruments (Note 11)	**Total equity**
	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Balance at 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 income after tax for the year	-	-	-	27,205	**-**	**27,205**	**-**	**27,205**
Total comprehensive income 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 2021/1 January 2022	**44,620**	**594,358**	**792,002**	**17,934**	**-**	**1,448,914**	**220,000**	**1,668,914**
Profit after tax for the year	-	-	192,152	-	**-**	**192,152**	**-**	**192,152**
Other comprehensive loss after tax for the year	-	-	-	(24,288)	**-**	**(24,288)**	**-**	**(24,288)**
Total comprehensive income after tax for the year	-	-	192,152	(24,288)	**-**	**167,864**	**-**	**167,864**
Payment of coupon to AT1 holders (Note 11)	-	-	(27,500)	-	**-**	**(27,500)**	**-**	**(27,500)**
Defence contribution	-	-	(4,983)	-	**-**	**(4,983)**	**-**	**(4,983)**
Share-based payment (Note 13)	-	-	-	-	322	**322**	**-**	**322**
Total transactions with owners	**-**	**-**	(32,483)	-	322	**(32,161)**	**-**	**(32,161)**
Balance at 31 December 2022	**44,620**	**594,358**	**951,671**	**(6,354)**	**322**	**1,584,617**	**220,000**	**1,804,617**

The notes on pages 333 to 344 form an integral part of these Company financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2022

	Notes	**2022** **€000**	2021 €000
Cash flows from operating activities			
Profit before tax		**192,493**	78,657
Adjustments for:			
Income from equity instruments	*8*	**(27,500)**	(27,500)
Income from debt instruments	*8*	**(19,875)**	(13,778)
Credit losses of financial instruments	*8*	**3,134**	1,136
Interest expense on subordinated liabilities	*14*	**20,318**	14,075
Reversal of impairment of investment in subsidiary	*7*	**(168,678)**	(50,000)
		(108)	2,590
Changes in working capital:			
Other assets		**(17)**	(10)
Receivables from related parties	*10*	**(3,400)**	(33)
Other payables	*15*	**283**	(32)
Payables to related parties	*17*	**2**	-
Tax paid		**(25)**	(82)
Net cash (used in)/ from operating activities		**(3,265)**	2,433
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		**19,875**	9,966
Net cash from / (used in) investing activities		**47,375**	(262,534)
Cash flows from financing activities			
Payment of AT1 coupon	*11*	**(27,500)**	(27,500)
Payment of defence contribution		**(4,983)**	-
Payment of interest on subordinated liabilities		**(19,875)**	(9,966)
Net proceeds from issuance of subordinated liabilities (net of costs)	*14*	**-**	297,552
Net cash (used in)/from financing activities		**(52,358)**	260,086
Net decrease in cash and cash equivalents		**(8,248)**	(15)
Cash and cash equivalents:			
At beginning of the year		**(142)**	(127)
At end of the year	*9*	**(8,390)**	(142)

The notes on pages 333 to 344 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 subsidiaries, 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 and the newly incorporated subsidiary, Jinius Ltd.

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 2022 were authorised for issue by a resolution of the Board of Directors on 31 March 2023. The financial statements 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 by 7 April 2023. 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 2022.

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 2022.

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 2022, 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 16.

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

	2022	2021
	€000	€000
Management consultancy services (Note 17 (ii))	**1,314**	1,310
Reimbursement of expenses and fees (Note 17 (ii))	**6,438**	5,484
	7,752	6,794

5. Administrative and other operating expenses

	2022	2021
	€000	€000
Directors' fees (Note 17 (iv))	**1,247**	1,250
Insurance	**1,845**	1,805
Consultancy and other professional fees	**3,745**	668
Stock exchange fees	**298**	287
Audit fees	**253**	243
Other expenses	**43**	(68)
	7,431	4,185

Audit fees above include fees to the statutory auditor (PwC Ireland) of €35 thousand (excluding VAT) for the audit of the Company financial statements (2021: €30 thousand excluding VAT) and €110 thousand (excluding VAT) for the audit of the Company consolidated financial statements (2021: €100 thousand excluding VAT). Audit fees above also include fees to PwC Cyprus. 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 2022 and 2021.

6. Tax

The reconciliation between the income tax expense and the profit before tax as estimated using the current income tax rates is set out below:

	2022	2021
	€000	€000
Profit before tax	**192,491**	78,657
Income tax at the normal tax rates in Cyprus	**24,061**	9,832
Income tax effect of:		
- expenses not deductible for income tax purposes	**813**	541
- income not subject to income tax	**(24,556)**	(10,373)
	318	-
Prior years' tax adjustments	**23**	-
	341	-

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2021: 12.5%).

6. Tax (continued)

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups. The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. The legislation has not been substantively enacted at the balance sheet date and the Group will continue to monitor the evolving national legislation including any disclosures required, or exemptions available, under IAS 12 in the year ending 31 December 2023.

7. Investment in subsidiaries

	2022	2021
	€000	€000
1 January	**1,430,000**	1,380,000
Increase – share-based payment (Note 13)	**322**	-
Reversal of impairment of investment in subsidiary	**168,678**	50,000
Incorporation of subsidiary	**2**	-
31 December	**1,599,002**	1,430,000

			2022	**2021**
Company	**Activities**	**Percentage holding %**	**€000**	€000
Bank of Cyprus Public Company Ltd	Commercial bank	100	1,599,000	1,430,000
Jinius Ltd	Provision and management of a digital platform	100	2	-

The investment in BOC PCL 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 Stasinos Street, 2002, Strovolos, Nicosia, Cyprus.

In December 2022 the Company incorporated Jinius Ltd, a 100% subsidiary, which has been set up to provide and administrate a digital economy platform. As at 31 December 2022 this subsidiary was inactive and in 2023 the activities of BOC PCL in relation to the digital economy platform will be transferred to Jinius Ltd. Its registered office is at 51 Stasinos Street, 1599, Strovolos, Nicosia, Cyprus. Jinius Ltd will be contributed from the Company to BOC PCL within the first half of 2023.

As at 31 December 2022, the Company performed an assessment of the carrying value of the investment in BOC PCL resulting in a partial reversal of previously recognised impairment loss of €168,678 thousand (2021: reversal of impairment loss of €50,000 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). Compared with 31 December 2021, the VIU exceeded the carrying value by €168,678 thousand. The increase in VIU was principally due to the impact from BOC PCL's actual performance, which was better than previous estimates and revisions to management's best estimates of BOC PCL's future earnings in the short to medium term.

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, 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.

7. Investment in subsidiaries (continued)

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. For the impairment test at 31 December 2022, cash flow projections until the end of 2026 were considered in line with the Group's internal planning horizon. 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, direction and key KPIs of the Group.
- Level of interest rates and yield curves.
- 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.
- Deposits projections and issuances/redemptions based on the liquidity funding needs of the Group, 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, 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 2026 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% (2021:2%) was used and does not exceed the relevant long-term average growth rate of the economy in which it operates.

An appropriate discount rate has been applied which reflects the estimated cost of equity of 14% (2021: 11.5%) determined on the basis of CAPM model and brokers' consensus, which take into consideration various risks as at 31 December 2022.

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 a lower reversal of impairment by €121,000 thousand (2021: €173,000 thousand);
- A decrease of 1% in the discount rate would result in an additional reversal of impairment by €143,000 thousand (2021: €217,000 thousand/decrease of 1%);
- An increase or a decrease of 1% in the long-term growth rate would not have a significant change in the value of the investment (2021: increase of 1% an additional reversal of impairment by €29,000 thousand/decrease of 1% a lower reversal of impairment by €23,000 thousand).

8. Investments

	2022	2021
	€000	€000
Equity instruments at fair value through other comprehensive income (Note 17 (vi))	**213,646**	237,934
Debt instruments measured at amortised cost (Note 17 (vii))	**299,542**	302,676
	513,188	540,610

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. The AT1 Loan has been classified as equity instruments at fair value through other comprehensive income. During the year ended 31 December 2022 an income of €27,500 thousand (2021: €27,500 thousand) has been recognised in profit and loss in respect of these investments.

8. Investments (continued)

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 2022 and 2021.

During the year ended 31 December 2022 a loss of €24,288 thousand (2021: gain of €27,205 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 14) 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 2022 an income of €19,875 thousand (2021: income €13,778 thousand) has been recognised in profit and loss in respect of this instrument. As at 31 December 2022 the T2 Loan is classified as Stage 1 for ECL purposes and an amount of €3,134 (2021: €1,136) thousand that relates to 12-months ECL has been recognised as credit losses for the year ended 31 December 2022.

9. Bank balances

Bank balances include the following for the purpose of the statement of cash flows:

	2022	2021
	€000	€000
Bank overdrafts (Note 17 (v))	**8,390**	142

10. Receivables from related parties

	2022	2021
	€000	€000
Current assets		
Receivables from related parties (Note 17 (v))	**3,735**	335

The above balances represent the maximum exposure to credit risk at the balance sheet date.

11. Share capital

	2022		2021	
	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.

11. Share capital (continued)

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 2022 and 2021.

Share premium reserve

There were no changes to the share premium reserve during the years ended 31 December 2022 and 2021.

Other equity instruments

	2022	2021
	€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 2022 two coupon payments to AT1 holders were made of a total amount of €27,500 thousand (2021: €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 2022 a special defence contribution and contribution to the National Health System on deemed dividend distribution of €4,983 thousand (2021: €82 thousand) was paid by the Company.

13. Other reserves

Share-based payments

During December 2022 the Company entered into an equity-settled payment arrangement with the members of the senior management of the Group as compensation for the provision of their services to Group companies. On 22 December 2022, the Company has granted to eligible Group employees share awards under a long-term incentive plan ('2022 LTIP'). The 2022 LTIP involves the granting of share awards based on certain non-market performance and service conditions. Performance will be measured over a three-year period and will be assessed against an evaluation scorecard consistent with the Group's Medium Term Strategic Targets containing both financial and non-financial objectives. The employees eligible for the 2022 LTIP are the members of the Group's Extended Executive Committee (EXCO). At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest.

These shares will normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date. For the year ended 31 December 2022, the Company granted 819,860 share awards to 22 participants. As the award relates to services received by subsidiary entities of the Company and will be settled in shares of the Company it qualifies as an equity-settled transaction and hence the cost of the award relating to the financial year has been recognised as an addition to the cost of the investment of the subsidiary BOC PCL and the respective credit in the Statement of Changes in Equity at an amount of €322 thousand. Further details on the determination of the cost of the award are provided in Note 14 of the Consolidated Financial Statements.

14. Subordinated liabilities

	Contractual interest rate	**2022**		2021	
		€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**	**302,104**	300,000	301,661
		300,000	**302,104**	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 2022 an amount of €20,318 thousand has been recognised as interest expense on these subordinated liabilities (2021: €14,075 thousand).

15. Other payables

	2022	2021
	€000	€000
Accruals	**47**	268
VAT payable	**514**	10
Corporation tax payable	**323**	5
	884	283

Other payables are due within 12 months from the balance sheet date.

16. Fair value measurement

The fair value of the financial assets and financial liabilities approximates their carrying value as at 31 December 2022 and 2021, except for the investments in debt instruments measured at amortised cost (Note 8) and the subordinated liabilities (Note 14), whose fair value is disclosed below:

	2022			2021		
	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**	**299,542**	**265,472**	Level 2	302,676	315,463
Financial liabilities						
Subordinated liabilities (Note 14)	**Level 1**	**302,104**	**265,472**	Level 1	301,661	315,463

The fair value of the debt instruments measured at amortised cost has been classified as Level 2 in the fair value hierarchy because it has been estimated using market observable inputs of financial instruments with similar characteristics.

17. Related party transactions

The following transactions were carried out with related parties:

(i) Income from investments

	2022	2021
	€000	€000
Income from investments		
Equity instruments		
BOC PCL	**27,500**	27,500
Debt instruments		
BOC PCL	**19,875**	13,778

(ii) Other income

	2022	2021
	€000	€000
Management consultancy services	**1,314**	1,310
Reimbursement of expenses and fees	**6,438**	5,484
	7,752	6,794

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

	2022	2021
	€000	€000
Consultancy and other professional fees	**23**	16

The above consultancy and other professional fees were carried out between the Company and its subsidiary BOC PCL on an arm's length basis.

17. Related party transactions (continued)

(iv) Directors' remuneration

The total directors' fees amount to €1,247 thousand (2021: €1,250 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

	2022	2021
	€000	€000
Efstratios-Georgios Arapoglou	**257**	215
Lyn Grobler	**165**	154
Arne Berggren	**124**	113
Constantine Iordanou	**95**	6
Ioannis Zographakis	**157**	198
Maksim Goldman[1]	**40**	113
Maria Philippou	**108**	119
Michael Heger[1]	**40**	113
Nicos Sofianos	**129**	100
Paula Hadjisotiriou	**132**	119
	1,247	1,250

(1)Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.

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.

(v) Year-end balances

	2022	2021
	€000	€000
Receivables from related parties		
BOC PCL	**3,735**	335
Bank overdrafts		
BOC PCL	**8,390**	142
Payables to related parties		
Jinius Ltd	**2**	-

The receivables from related parties as at 31 December 2022 and 2021 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 2022 and 2021.

(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.

17. Related party transactions (continued)

(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 subordinated liabilities. Further details are disclosed in Note 8.

18. Dividend

Based on the SREP decision, the Company was under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during the years ended 31 December 2022 and 31 December 2021. 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. Following the 2022 SREP decision, effective from 1 January 2023, the equity dividend distribution was amended so that any dividend distribution being subject to regulatory approval.

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

19. Financial risk management

The Company is exposed to risks the most significant of which are the liquidity risk and market risk.

19.1 Liquidity risk

Liquidity risk refers to probable losses that the Company may face, in case of repayment difficulties to its cash flow obligations. The Company does not consider the liquidity risk as significant, since the level of operational costs is low and BOC PCL has expressed its intention to provide adequate funding to cover any cash flow obligations coming due.

19.2 Market risk

Market risk is the risk of loss from adverse changes in market prices. The Market and Liquidity 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 and liquidity 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.

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. The analysis is performed on the underlying assets for the year ended 31 December 2022.

2022	**Change in index**	**Impact on equity**
	%	**€000**
Other stock exchanges and unlisted	**+5.0**	**10,682**
Other stock exchanges and unlisted	**-5.0**	**(10,682)**
2021		
Other stock exchanges and unlisted	+5.6	13,324
Other stock exchanges and unlisted	-5.6	(13,324)

20. 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 2022.

21. 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 2022.

Annual Corporate Governance Report 2022

Introduction

Part A

The UK Corporate Governance Code defines corporate governance as "the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place"[1]. 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 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 2022 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), and
- The Companies Act 2014 of Ireland (as amended) (the '**Irish Companies Act'**).

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 applied the principles and complied with the provisions of the CSE Code throughout 2022. 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 2022. The Remuneration Policy Report follows on page 403.

The Directors further consider that the Company has complied with the provisions of the UK Code, other than as set out herein:

1. The composition of the Risk Committee between 1 January 2022 – 20 May 2022 and between 20 October 2022 and 31 December 2022 did not meet provision 25 of the UK Code.

   1.1. In relation to Mr. Goldman, he was considered as a non-independent non-executive director by virtue of the provisions of the CBC Directive on Suitability and the UK Code. Mr. Goldman resigned in May 2022.

[1] UK Corporate Governance Code 2018

Introduction (continued)

Part B (continued)

1.2. In relation to Mr. Zographakis, pursuant to the provisions of the UK Code and the CBC Directive on Suitability, the independence status of any director who has served on the Board for more than nine years is compromised. Mr. Zographakis has served on the Board for more than nine years, and due to this his independence may be regarded as compromised. However, the Board, as per its decision dated 15 October 2022, believes, that based on Mr. Zographakis' performance to date, Mr. Zographakis brings independent challenge and judgement to the deliberations of the Board. Mr. Zographakis has obtained invaluable skills, knowledge and experience during his nine-year tenure. In this respect, it is considered prudent that he temporarily remains a member of the Risk Committee in order to provide cohesion, and further enrich the Risk Committee with his support, skills and knowledge, and impart his knowledge to the remaining members of the Risk Committee and the new Chair. Thus, as per the explanation provided above, as of the 1 January 2023, Mr. Zographakis is a non-executive, non-independent member of the Risk Committee.

2. The composition of the Human Resources & Remuneration Committee between 1 January 2022 and 20 May 2022 did not meet provision 32 of the UK Code. By virtue of the CBC Directive on Suitability, Mr. Goldman was considered as a non-independent non-executive director. However, according to the Board, Mr. Goldman demonstrated independent judgement and challenge. Mr. Goldman stepped down from the Human Resources & Remuneration Committee on the 20 May 2022 when he resigned.

The Company has applied the principles and complied with the provisions in the UK Code (save as explained) and this is covered in the narrative that follows.

The Board considers the Group's governance arrangements as robust, as they include a clear organisational structure with well defined, transparent and consistent lines of responsibility and authority limits, which support the maintenance of a robust control environment. These governance arrangements also include 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 Board confirms 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 Board' 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 laws, 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 Group Corporate Governance Policy, which is annually reviewed and incorporates all responsibilities that emanate from the regulatory framework as well as 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 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 committees' 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.

1. Board of Directors (continued)

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 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 393-398.

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 and Group'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 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

The delivery of the Company's purpose and strategy is facilitated by effective governance, particularly in challenging times. The Board is committed, through the Group's governance model, to drive purpose-led decision-making and to deliver accountability to its stakeholders. The Board has continued to focus on protecting the health and wellbeing of the workforce, and on supporting the Group's customers, clients and other stakeholders, while ensuring that the Bank remains secure and resilient, both financially and operationally in these turbulent times. Alongside the continued global pandemic, the outbreak of the war in Ukraine in February 2022 is a matter of utmost importance for the Board as the global economy is being tested.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

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 purpose of the Group 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.

The Group has identified, inter alia, the following key stakeholders: customers, employees, regulators, society, suppliers and shareholders as well as the industry. The Board spends time engaging with relevant stakeholders to better understand their views and perspectives. It 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 UK Companies Act 2006. While the UK Code makes specific reference to section 172 of the UK Companies Act 2006, the Company is incorporated in Ireland and subject to the requirements of the Companies Act of 2014 of Ireland rather than the 2006 UK legislation. Nonetheless, the Board has had regard to the matters set out in its decision-making as described in this section of the Report.

The Chairperson, 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.

Climate change and transition to a sustainable economy is one of the greatest challenges faced by organisations. As part of its vision to be the leading financial hub in Cyprus, the Company is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual.

In 2022, the BOC PLC received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. The Institutional Shareholder Services (ISS) upgraded our Bank's Corporate Governance & Ethics rating (as part of its overall ESG Corporate Rating) to B+ in 2021. Moreover, it has been the Silver winner of the International Compliance Association's Awards as Best Compliance Team of Year.

The ESG strategy formulated in 2021 is continuously expanding. The Company maintains its leading role in the Social and Governance pillars and focuses on increasing the Bank's positive impacts on the Environment by transforming not only its own operations, but also the operations of its customers. The Company has committed to the following primary ESG targets, which reflect the pivotal role of ESG in the Company's strategy:

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

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

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

Following the estimation of own operations GHG emissions of the Group, BOC PCL in 2022, designed the strategy to meet the carbon neutrality target by 2030, and progress towards the Net Zero target of 2050. BOC PCL plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to c.5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. BOC PCL through installation of solar panels and other energy efficiency actions performed in 2021 and 2022 achieved a reduction in electricity consumption by 1,8 million KWh (11% reduction) in FY2022 compared to the baseline year of 2021.

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

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

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At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of c.€70 million since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the work of SupportCY Network, which developed in 2020, the contribution of the Bank of Cyprus Cultural Centre in promoting the cultural heritage of the island, and the Work of IDEA Innovation Centre. The Cultural Centre undertook a number of innovative projects such as «AISTHISEIS» - Multi sensory museum experience for people with disabilities and Faneromeni arts Festival promoting youth. The IDEA Innovation Centre provided education to 7,000 entrepreneurs, invested c.€4 million in start-up business creation, and supported the creation of 82 new companies to date. Staff have continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

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 operates in compliance with a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group 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. 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 and report to the Board on the progress achieved.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

The Board composition of the Company and the Bank is diverse, with 40% of the Board members being female as at 31 December 2022. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies by 2030. As at 31 December 2022, there is a 27% representation of women in Group's management bodies and a 39% representation of women at key positions defined as positions between Assistant Manager and Manager.

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

The Company's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways for improving the workplace environment. During the fourth quarter of 2022, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. The introduction of the QuickLoan new lending products available through the Group's digital channels (Mobile App and Internet Banking), further differentiates the company within the Cypriot market and enhances its status as a digital leader in the banking industry.

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 the Group'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 in relation to (i) money laundering and (ii) terrorism financing incidents. 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 Compliance Liaisons at each unit of the Group.

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.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

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, 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 Board continues to closely monitor developments in, and the effects of the war in Ukraine and COVID-19 on both the global and Cypriot economy. In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed, a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals.

As the war is prolonged, geopolitical tension persists and inflation remains elevated, impacted by the soaring energy prices and disruptions in supply chains. The high inflation weighs on business confidence and consumers' purchasing power. In this context, the Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required, and has assessed the impact the crisis has on the Group's operations and financial performance. The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 million as at 31 December 2022 in Russia through write-offs and provisions. The Group has no exposure to Russian bonds or banks, which are subject to sanctions. It has limited direct exposure with loans related to Ukraine, Russia and Belarus, representing 0.4% of total assets or c.1% of net loans as at 31 December 2022.

Customer deposits, by country of passport of the Ultimate Beneficial Owner, related to Ukrainian, Russian and Belarusian customers account for only approximately 3% (by country of residence of the Ultimate Beneficial Owner) of total customer deposits as at 31 December 2022. Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine had a negative impact on the Cypriot economy, mainly arising from the tourism and professional services sectors, increasing energy prices fuelling inflation and disruptions to global supply chains.

The Group continues to monitor the exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary. Overall, the Group expects limited impact from its direct exposure, while any indirect impact depends on the duration and severity of the crisis and its impact on the Cypriot economy. The Group continues to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

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. During 2022 the Group delivered strong financial results, exceeding its 2022 financial targets. In 2023 the momentum is expected to continue, leading to an upgrade of targeted ROTE to over 13% from 10% facilitated by the positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position. This lays the foundations to commence meaningful dividend distributions from 2023 onwards, subject to regulatory approval and market conditions.

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

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

Stakeholders (continued)

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

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 significant post-corporate transactions. 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 2022 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.

The HRD engaged with the workforce by conducting numerous meetings with the purpose of providing a detailed explanation in relation to the processes and procedures affecting the granting of merit pay. Furthermore, meetings at a divisional level with the employees were also held with the aim to enhance transparency and clarity in relation to the matter of merit pay. In addition, the reasoning behind the LTIP was explained in these meetings.

Reputation is one of the key areas outlined in section 172 of the UK Companies Act 2006 that the Company pays attention to. The Group has dedicated budget spending for media and marketing with the aim to protect and strengthen the brand and ensure that the Company's brand remains trusted and influential despite any exogenous pressure.

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 Group Corporate Governance Policy and Framework, which has been approved by the Board. The Group Corporate Governance Policy and Framework is available on the Group's website (https://www.bankofcyprus.com/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 covers 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 Chairperson, 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 Chairperson 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. The SID provides a sounding board for the Chairperson, as well as support to the Chairperson in delivering their objectives.

The SID 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. The SID 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 (i) constructively challenge management, (ii) scrutinize the performance of senior management in meeting agreed goals and objectives, and (iii) 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 Chairperson 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. 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 their 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 they chairs. The CEO's service contract is reviewed at least every five years. In December 2022, the CEO's contract was renewed for a further four 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, the ESG agenda, 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's external legal advisors, and 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 2022, discussions took place on the ICAAP, the impact of IFRS17 on the results, 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 effect of sanctions on the Group, the continued de-risking from NPE loans, the VEP and the 2022 LTIP.

The key areas of focus in 2022 for the Board, *inter alia*, were:

Group Strategy	• Group Financial Plan 2022-2025; • Sale of a mixed portfolio of NPEs and REOs - Helix 3; • The Transformation programme; • Sustainability Strategy; • JST/ECB updates; • Business lines' strategies; • Sanctions imposed on Russia and Belarus; • 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.
Business environment	• Cyprus political and economic development in light of the pandemic and the war; • Quarterly economic reports; • Investors and stakeholders' perspectives; • Voluntary Exit Plan; • Market updates and share trading activity.

1. Board of Directors (continued)

1.1 The Role of the Board (continued)

1.1.1 Information and Support (continued)

Financials	• 2021 full year results; • 2022 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; • Long-Term Incentive Plan (LTIP); • NED's Remuneration.
Business performance	• Review of Group performance report; • Review of the progress of non-performing loans' management; • Credit portfolio overview; • Digital Economy Platform Financial Plan 2022-2025; • 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 Chairperson's performance reviews; • Chairperson's remuneration; • Extension of the CEO's contract; • Review and approval of various Group policies; • Conflict of Interest management; • Non-financial reporting; • Appointment of a new member; • The change in status of an independent non-executive member; • Succession planning; • On-going supervisory dialogue and communication with regulatory authorities.

Strategy Development

The strategic objective of the Group is to become a stronger, safer and a more efficient institution with a sustainable and well-diversified business model committed to delivering sustainable shareholder returns. The key pillars of the Group's strategy are to:

1. 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).
2. Improve operating efficiency; by achieving leaner operations through digitisation and automation.
3. Strengthen asset quality; maintaining high quality new lending, completing legacy de-risking, normalising cost of risk and reducing (other) impairments.
4. Enhance organisational resilience and ESG 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. During 2022, the Group delivered strong financial results, exceeding its 2022 financial targets. The Group achieved a double-digit recurring ROTE in 2022, building momentum throughout the year. In 2023, the momentum is expected to continue, leading to an upgrade of targeted Return on Tangible Equity (ROTE) to over 13% from 10% facilitated by the positive gearing to rising interest rates, improved efficiencies, healthy loan portfolio and robust capital position.

Detailed information relating to strategy is set out in Strategy and Outlook of the Directors' Report for the year ended 31 December 2022 on page 31.

1.2 Composition of the Board of Directors

As at 31 December 2022, the Board comprised of ten members: the Group Chairperson, who was independent on appointment, two executive directors and seven non-executive directors. According to the provisions of the CBC Directive on Suitability, six of the non-executive directors are independent. Mr.Ioannis Zographakis' status has changed as per the provisions of the CBC Directive on Suitability, to non-executive non-independent director since he has served on the board for more than nine years since the date of his first appointment. 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 reviews, at least annually, 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 NCGC'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 NCGC 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 NCGC adheres to 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 conflict 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 relation to their compliance with the CBC Directive on Suitability. All changes in circumstances disclosed, are assessed and their materiality determined. Following the review of 2022, 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.

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 2022, the Board held 18 meetings. Meetings were held both physically and electronically. Further details on the number of the meetings held by the Board and its committees and attendance by individual directors are set out below. The offsite meeting was held on the 28 and 29 of September 2022. During the year, the Chairperson and the non-executive directors met physically, without the executive directors present, to discuss a range of business matters.

The Board makes full use of technology such as teleconferencing, an electronic 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 1/1/2022-31/12/2022

Name	Board of Directors	AC	HRRC	NCGC	RC
Efstratios-Georgios Arapoglou (Chairperson)	18/18			12/12	
Lyn Grobler (Vice-Chair)	18/18		8/9	11/12	
Maksim Goldman[1]	7/8		4/4		9/10
Arne Berggren	15/18	16/18		9/12	
Paula Hadjisotiriou	18/18	18/18			22/22
Michael Heger[2]	8/8	10/10	4/4		
Constantine Iordanou	18/18		5/5[3]		5/5[4]
Eliza Livadiotou	18/18				
Panicos Nicolaou	18/18				
Maria Philippou	16/18		9/9	11/12	
Nicolaos Sofianos	18/18	18/18			22/22
Ioannis Zographakis	18/18	15/15			17/17
Total meetings	***18***	***18***	***9***	***12***	***22***

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 six 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] Maskim Goldman resigned on 20/05/2022
[2] Michael Heger resigned on 20/05/2022
[3] Constantine Iordanou joined the HRRC in June 2022
[4] Constantine Iordanou joined the RC in November 2022

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 at the AGM on 20 May 2022: Efstratios-Georgios Arapoglou, Arne Berggren, Maksim Goldman, Lyn Grobler, Paula Hadjisotiriou, Michael Heger, Panicos Nicolaou, Maria Philippou, Nicolaos Sofianos, Ioannis Zographakis, Constantine Iordanou and Eliza Livadiotou. Maskim Goldman and Michael Heger were not re-elected.

During the Board meeting, which took place on the 27 May 2022, the Board ratified the acceptance of the resignations of Mr. Goldman and Mr. Heger from the Board of BOC PCL that were submitted in writing to the Chairman on the 22 of May 2022.

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 Conflict of interest

The Group Policy on Conflict of Interest focuses on principles, procedures and arrangements for the prevention, identification, documentation, escalation and management of actual, potential or perceived conflict of interest. The policy is reviewed and approved by the Board annually and is communicated throughout the Group.

The Group Corporate Governance Policy documents procedures specifically relating to directors’ conflict of interest, and sets out how these are to be identified, reported and managed in order to ensure that the directors act at all times in the best interests of the Company. The Group Corporate Governance Policy 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 2022.

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 Chairperson's other directorships and the time committed to them, had granted permission to Mr. Arapoglou to hold one additional non-executive directorship, in addition to the four non-executive directorships he held at the time, 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 the commitment of the Chairperson. Moreover, the 2021 External Board Performance Evaluation, confirmed and highlighted the adequacy of the time commitment of the Chairperson to the Bank. In December 2022, the Chairperson stepped down from one of his appointments at Titan Cement International SA so that he now holds three non-executive directorships, including his directorship at the Bank, 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 2022, all Directors complied with the Board process and sought approval in advance where required. All Directors are reminded of their obligation under the Group Corporate Governance Policy when appointed to any external roles.

It was estimated that in 2022, 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 2022, the Board considered the principles relating to independence and determined that six out of seven Non-Executive Directors in office at 31 December 2022 were independent in character and judgement and free from any business or other relationships with the Group, which could affect their judgement. Pursuant to the UK Code, the independence of a member of the board of directors is potentially jeopardised when the member has served on the board for more than nine years from the date of their first appointment. Furthermore, the CBC Directive on Suitability indicates that a member of the board potentially ceases to be independent when the member has completed a total term as a member of the management body of the ACI for a period of nine (9) years, on a continuous basis or not. This is also confirmed by the CSE Code. Thus, by virtue of the Suitability Directive, the UK Code as well as the CSE Code, all forming part of the official corporate governance policy and framework of the Company, Mr. Zographakis' independence is potentially compromised since he has served as non-executive director on the Board of the Company for more than nine years. The Board, as per its decision dated 15 October 2022, considers that based on Mr. Zographakis' performance to date, Mr. Zographakis brings independent challenge and judgement to the deliberations of the Board.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

The Chairperson, 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 Group Corporate Governance Policy and Framework, 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. Furthermore, 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 2022 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.

QUARTER	TOPIC	TYPE OF TRAINING
1st Quarter	Competition Law seminar by P.G.Polyviou	Online
1st Quarter	Info. Security Awareness Q1 /2022	e-learning
2nd Quarter	Info. Security Awareness Q2 /2022	e-learning
2nd Quarter	ESG training by EY	Online
3rd Quarter	Info. Security Awareness Q3 /2022	e-learning
4th Quarter	ESG/ Regulatory outlook training by Deloitte	Online
4th Quarter	AML Essentials 2022 (BOD & Senior Management)	e-learning
4th Quarter	GDPR2022	e-learning
4th Quarter	a. An overview of financial modelling in BoC with focus on ECL models b. Model Risk Management c. New EBA Guidelines on loan origination and monitoring d. Basel III Implementation – Quantitative Impact Analysis for Capital Adequacy and Leverage	Online
4th Quarter	ESG Training of the BOD by EY	Online

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.1 Directors' induction and ongoing development (continued)

The training material is distributed to all directors regardless of attendance. In 2022, all trainings in the form of e-learning sessions had 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.

In the performance of their roles, executive directors hold regular interactions, meetings and briefings with senior management. 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. Following a SREP recommendation in 2021, external consultants were engaged in order to review the composition of the Board in order to strengthen the competencies in the areas where these are limited (e.g. IT/Cybersecurity/Digital Transformation, climate risk). In this respect, and in an effort to further enhance the effectiveness and efficiency of the Board, the Bank engaged Deloitte Consulting Services ('**Deloitte**') to conduct an objective and independent assessment of the collective suitability of the Board.

1.3.2.1 Board Capability Assessment Performed by Deloitte

The main objective of the current assessment was to identify the collective strengths of the Board as well as possible areas for further development in terms of capabilities, and provide practical and targeted recommendations, taking into consideration regulatory requirements and sectoral best practices. For this purpose, a customised Directors' Capability Framework was drafted, outlining the required capabilities against which the Board was assessed through a Capability Self-Assessment Questionnaire and one-to-one meetings with Deloitte.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.2 Board Performance Evaluation (continued)

1.3.2.1 Board Capability Assessment Performed by Deloitte (continued)

The following table includes the outcome of the capability assessment performed by Deloitte:

Areas of Strength	Areas for focus
The Board is led and chaired in an effective manner by the Chairperson, who demonstrates the required capabilities and expertise for the execution of his role	Further enhance the Board's focus and collective knowledge and understanding of new, emerging priority areas that dictate the future of the Bank (e.g. Digitalisation, Cybersecurity, ESG)
The Board comprises of members from a diverse background who possess strong academic and professional knowledge, skills and expertise	The Board should re-evaluate its current composition and consider its further diversification, in terms of gender, age as well as specialised knowledge and expertise in digital banking
The Board collectively possesses strong technical knowledge and the required skills and behaviours	The Board should focus more rigorously and proactively on identifying potential successors / candidates for future admission to the Board
The Board collaborates and communicates in an open, respectful and effective manner, both during meetings and offline	The Board must ensure that development is customised to individual needs and interests, and more learning opportunities are offered on soft-skill topics
The Board collectively demonstrates the required commitment and interest in the execution of its duties	The Board should support the Bank's Executive Team in further enhancing its presentation and report-writing skills, to ensure the drafting and presentation of information to the Board in a more concise and targeted manner
The Board is supported in the execution of its duties by the Bank's Executive Team and the Company Secretary	The Board should ensure that all members of the Board demonstrate the required commitment and interest towards their role and actively and constructively participate
The Board is continuously kept up to date in relation to important local and international updates and trends that might affect the Bank	
The Board focuses on the continuous development of the knowledge and skills of its members, through various formal and informal learning opportunities	

1.3.2.2 Internal Annual Board Evaluation

The Board evaluation was conducted in February 2022 based on the following methodology:

- Members of the Board completed an online questionnaire to assess the performance of the Board.
- All committee members completed questionnaires on the committees on which they served.
- The Chairperson assessed the performance of all non-executive members.
- The SID chaired an executive session of the non-executive members in October 2021 to assess the performance of the Chairperson.
- A thorough review of the minutes of the Board and committee meetings by the Corporate Governance Compliance Officer.
- The Board members also completed the self-assessment questionnaires circulated to them by the Corporate Governance Compliance Officer.

The Chairperson met with the 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 Chairperson 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 Key Performance Indicators 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.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.2 Board Performance Evaluation (continued)

1.3.2.2 Internal Annual Board Evaluation (continued)

The main recommendations as derived from the Annual Internal Board Evaluation include, *inter alia*, the following:

- There is consensus that more relevant training on current issues and emerging risks is necessary.
- The Board would benefit from another director with knowledge of IT, Digital Transformation, Cybersecurity, or ESG expert, preferably a woman, in order to achieve its gender diversity target of 40%.
- The focus of the Board should continue shifting towards more strategic direction and less day-to-day management responsibilities.
- The Chairperson should increase his visibility within the Bank and the Cyprus market and should ensure more focused training for the members of the Board on risk-related issues.
- The Corporate Governance documents including Board committee Terms of Reference and Group Corporate Governance Policy should be further streamlined to avoid possible overlap and duplication.

A consolidated report on the findings of the full evaluation process was presented to the Board. The outcome of the Board evaluation was positive, and the Board concluded that the findings of the Deloitte report and the findings of the Internal Board Evaluation are very similar, and both reports raise issues that are already known to the Board, and are being addressed i.e. the enhancement of the Board with a member with digital/IT and ESG background etc. 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. 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 (i) appropriate qualifications; (ii) broad relevant experience; (iii) continue to be effective; and (iv) demonstrate continuing commitment to the role.

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 Chairperson’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 Chairperson). 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 to Mr. Arapoglou.

1. Board of Directors (continued)

1.3 Board Balance and Independence (continued)

1.3.2 Board Performance Evaluation (continued)

1.3.2.2 Internal Annual Board 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 Board and their respective committees, including the requirement for appointments to material subsidiary boards to be approved by the 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 2022.

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 CBC Directive on Suitability as at 31 December 2022.

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 are designed with the objective of ensuring 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 and transparent framework of policies and procedures as well a rigorous operational monitoring;
- 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 behaviour 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;
- Conflict 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); and
- 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 31 December 2022, 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 the RC receive regular business and operational risk assessments, regular reports from the Internal Audit Director, the Compliance Director, 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 programme.

Based on the internal audit work carried out in 2022, 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. 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 emanating from the transformation programme.

Overall, the Board 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 31 December 2022 and confirms their overall effectiveness either through the effective design and operation of controls and monitored management's responses and actions to the findings and recommendations and any mitigating actions in response. 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 compensating controls and other mitigating factors where these were inefficient. Where occasionally 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 design or operating deficiencies identified, 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 Financial Report and Interim Financial 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 and interim financial Reports 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. A separate section on emerging risks is included in the periodic risk reports to the RC. 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 remains within Group's risk appetite and satisfactory mitigating actions are in place. 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) V. 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 Risk and Capital Management Report section of the 2022 Annual Financial Report.

2.1 Going concern

The Board 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 2022 Consolidated Financial Statements. The Directors believe that the Board 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 2022 Annual Financial Report on page 34.

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 a relevant written procedure in place for all employees, including directors, which are 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 bi-annual e-learning sessions, are addressed to all staff and the Board of Directors to further increase awareness.

3. Other matters

The table below shows attendance of the directors at the meetings of BOC PCL throughout 2022. Directors who complete three years since their previous election, retire and offer themselves for re-election.

Board of Directors of BOC PCL 1/1/2022-31/12/2022

Name	Board of Directors	AC	HRRC	NCGC	RC	AC/RC Joint	TC	ECCC	JOINT HRRC & NCGC	JOINT RC & TC
Efstratios-Georgios Arapoglou (Chairperson)	23/23			12/12					8/8	4/4
Lyn Grobler (Vice-Chair)	23/23		8/9	11/12			8/8		7/8	4/4
Maksim Goldman[1]	8/9		4/4		9/10	2/3		2/2	2/2	2/2
Arne Berggren	20/23	16/18		9/12		5/6	7/8		6/8	4/4
Paula Hadjisotiriou	23/23	18/18			22/22	6/6	8/8			4/4
Michael Heger[2]	9/9	10/10	4/4			3/3		2/2	2/2	
Constantine Iordanou	22/23		5/5[3]		5/5[4]	2/2	5/6[5]		6/6	¾
Eliza Livadiotou	23/23									
Panicos Nicolaou	23/23									
Maria Philippou	21/23		9/9	11/12				2/2	8/8	
Nicolaos Sofianos	23/23	18/18			22/22	6/6				4/4
Ioannis Zographakis	23/23	15/15			17/22	4/4	8/8	2/2		
Total meetings	***23***	***18***	***9***	***12***	***22***	***6***	***8***	***2***	***8***	

[1] Maksim Goldman resigned on 27/05/2022
[2] Michael Heger resigned on 27/05/2022
[3] Constantine Iordanou joined the HRRC in June 2022
[4] Constantine Iordanou joined the RC in November 2022
[5] Constantine Iordanou ceased to be a member of the TC in November 2022

3. Other matters (continued)

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 has had an earlier career in International Capital Markets and Corporate & Investment banking based in London and later in managing, restructuring and advising publicly listed Financial Institutions and Corporates, primarily in South East Europe and the Middle East.

Most recent executive assignments include: Managing Director and Global Head of the Banks and Securities Industry for Citigroup; Chairman and CEO of the National Bank of Greece; CEO of Commercial Banking at EFG-Hermes Holding SAE.

He is currently holding the following non-executive board positions: (i) Chairman of Bank of Cyprus Group, listed on the LSE, (ii) Chairman of Tsakos Energy Navigation (TEN) Ltd, listed on the NYSE, and (iii) Board member of EFG-Hermes Holding SAE, listed on the Cairo Stock Exchange and the LSE.

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 baking 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 (Non-Executive Position)
EFG Hermes Holding SAE (Non-Executive position)

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 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

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Lyn Grobler (Vice-Chair)

Mrs Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed as a Group Chief Information Officer (CIO) at Howden Group Holdings (formerly Hyperion Insurance Group) in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organization and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading for over 16 years. Before BP, Mrs Grobler managed large scale global technology projects and strategies within banking and trading based in both London and South Africa.

She holds a Higher National Diploma 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:
Howden Group Services Ltd (Non-Executive Position)
Hx Group Ltd (Non-Executive Position)
Titan Cement International SA (Non-Executive Position)
Howden Group Holdings (Executive Position)

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

Arne Berggren

Mr. Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 1990s 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 current 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. Being the chief executive officer of Swedcarrier AB, he has 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 he continued at the Universities of Amsterdam, Geneva and New York for post graduate studies.

Mr. Berggren has significant experience in corporate and bank restructuring, bank crisis 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:
Chairman of the Board of TBC Bank Group PLC
Hoting Innovations AB

Independent:
Yes

Committee Membership:
Member of the Audit Committee
Member of the Nominations & Corporate Governance Committee
Member of Technology Committee

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Paula Hadjisotiriou (Chairperson of the Risk Committee)

Ms Hadjisotiriou started her accountancy career at Howard, Wade & Jacob before moving to PricewaterhouseCoopers. Following an eight-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, Ms Hadjisotiriou serves as an advisor to the EFG International Group in Switzerland and the UK.

Ms Hadjisotiriou 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:
Independent non-executive director at Credit Suisse Bank (Europe) SA

Independent:
Yes

Committee Membership:
Chairperson of the Risk Committee
Member of the Audit Committee
Member of the Technology Committee

M.E. Hemerijck (Nominated independent non-executive director subject to ECB approval)

Mrs. Hemerijck has 30 years of work experience in various senior/executive roles in Risk/Financial Management in Banking & Insurance, as well as, with the Dutch Central Bank. During the last 10 years she fulfilled the roles of CRO and member of the Executive Board within NN Group and ING Group. Since December 2021, she has been appointed as a Non-Executive Board Member of the Portuguese bank Caixa Geral de Depósitos in Lisbon. Her key responsibilities have been related to risk & finance, corporate governance and strategy, balance sheet & capital management and financial/ risk reporting & disclosures.

Prior to joining the ING Group, she worked for the Dutch Central Bank having performed various roles in Econometric Research, Monetary Policy, Asset Management and Supervision International Conglomerates. She has extensive experience within the financial services industry, experience as (Non) Executive Board member and in Supervision, expertise on finance & risk, asset management, balance sheet & capital management.

Mrs. Hemerijck has a Master Degree in Economics from Tilburg University. She has also obtained a certificate from the Advanced International Corporate Finance Programme from INSEAD for CFOs and other senior management.

She is an experienced executive in risk management and has oversight experience from a number of external directorships.

Term of Office:
Nominated to the Board of BOC PCL and the Board subject to ECB approval

External Appointment:
Caixa Geral de Depositos SA

Independent:
Yes

Committee Membership:
Not Applicable

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Constantine Iordanou (Senior Independent Director)

Mr. Iordanou was Chairman and Chief Executive Officer (CEO) of Arch Capital Group Limited ("Arch"), 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 ("Zurich") 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, as well as 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 the American Home Insurance Company, a member of the American International Group.

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:
Appointed to the Board of BOC PCL and the Board in November 2021

Independent:
Yes

External Appointment:
Verisk Analytics Inc. (Non-Executive Directors)
Vantage Group Holdings Ltd (Non-Executive Directors)

Committee Membership:
Member of the Risk Committee
Member of the Human Resources and Remuneration Committee
Member of the Insurance Business Advisory Board

Maria Philippou (Chairperson of the Human Resources and Remuneration Committee)

Ms 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 HR Business & Strategic Partner for multiple territories, Global Talent & Development Director and HRD for Central & Eastern Europe BU, a position which she held until recently before she moved to Egon Zehnder.

Ms Philippou holds a degree in Business Administration, from Nottingham Trent University and a Master of Science in Human Resources Management, from Brunel University.

Ms. Philippou is an experienced executive in human resources and brings valuable skills to the Board in people management.

Term of Office:
Appointed to the Board of BOC PCL and the Board in July 2018

Independent:
Yes

External Appointment:
None

Committee Membership:
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)

Nicolaos Sofianos (Chairperson of the Audit Committee)

Mr. 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 regulator, supervisory and fiscal authorities in Greece. In 2016, he retired with 40 years of audit and broader professional 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.

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 (Non-Executive position)
Aegean Airlines (Non-Executive position)
Arcela Investments Limited (Executive position)

Independent:
Yes

Committee Membership:
Chairperson of the Audit Committee
Member of the Risk Committee

Ioannis Zographakis (Chairperson of the Ethics, Conduct and Culture Committee)

Mr. 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 United States in 1996 as the director of finance for Citibank CitiMortgage. In 1997, he became the financial controller for Citibank's consumer finance business in the United States and then he was the director of finance and acting chief financial officer for the consumer assets division. From 1998 to 2004, he worked in the Student Loan Corporation, a Citigroup subsidiary and a New York 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 its UK Retail Bank. Deciding to move closer to home 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 SLC in the United States, 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-chairman of the Citi Insurance Brokerage Board in Greece and the chairman of the Investments and Insurance Supervisory Committee in CitiBank Greece. He has also served as a non-executive director for the National Bank of Greece group during 2018-2019.

He holds a master's degree in business administration (management) from Carnegie Mellon University in the United States and a bachelor's degree in civil engineering from Imperial College in London.

Mr. Zographakis is a senior executive with a broad and diverse international experience in the banking industry. His line/business positions and divisional/corporate responsibilities have provided him with an extensive background in corporate governance, business restructuring, crisis management, separation of businesses, business strategy, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations.

4. Members of the Board of Directors (continued)

4.1 Non-Executive Directors (continued)

Ioannis Zographakis (Chairperson of the Ethics, Conduct and Culture Committee) (continued)

Term of Office:
Appointed to the Board of BOC PCL in September 2013 and the Board in October 2016

External Appointment:
Eternity Capital Management Ltd (Non-Executive)
Attica Bank (Non-Executive)

Independent:
No

Committee Membership:
Chairperson of the Ethics, Conduct and Culture Committee
Member of the Technology Committee

4.2 Executive Directors

Panicos Nicolaou (CEO)

Mr. Nicolaou is the Chief Executive Officer and Executive Member of the Board of Directors of the Bank since 1 September 2019.

He joined the Bank in January 2001 and 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. From June 2016 until August 2019, he served as Director of the Corporate Banking Division.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic) in Greece, and an MSc in Mechanical & Industrial Engineering from the University of Illinois at Urbana-Champaign in the USA. He also holds a BSc in Financial Services from the School of Management, UMIST in the UK.

Term of Office:
Appointed to the Board of BOC PCL and the Board in September 2019

External Appointment:
Vice-Chair of the Association of Cyprus Banks
Chair of the Employers' Association of Cyprus Banks

Independent:
No

Committee Membership:
None

Eliza Livadiotou (Executive Director Finance & Legacy)

Ms. Livadiotou is the Executive Director Finance & Legacy since January 2022, and since 6 October 2021 she has been an Executive Member of the Bank of Cyprus Board of Directors. She is responsible for Finance, Treasury, Strategy and Corporate Finance, Investor Relations, ESG, Real Estate Management, Restructuring & Recoveries, Regulatory Affairs, Procurement and Economic Research. She began her career in 1995 with the audit firm Arthur Andersen in Cambridge, UK, where she qualified as a Chartered Accountant. In 1999 she joined Bank of Cyprus, as Assistant to the Group Chief General Manager. In 2005, she moved to the Finance Division. In December 2013, Ms. Livadiotou was appointed Chief Financial Officer (CFO), and from 2016 to late 2021 she was responsible for the Finance and Treasury Divisions.

In October 2021, she was appointed Executive Member of the Board of Directors. Ms. Livadiotou studied Economics at the University of Cambridge (MA Hons). She is a member of the Board of Trustees of the Bank of Cyprus Oncology Centre, a Non-Independent and Non-Executive member of the Board of Directors of CISCO, and a member of the banking committee of the Institute of Chartered Accountants in England and Wales.

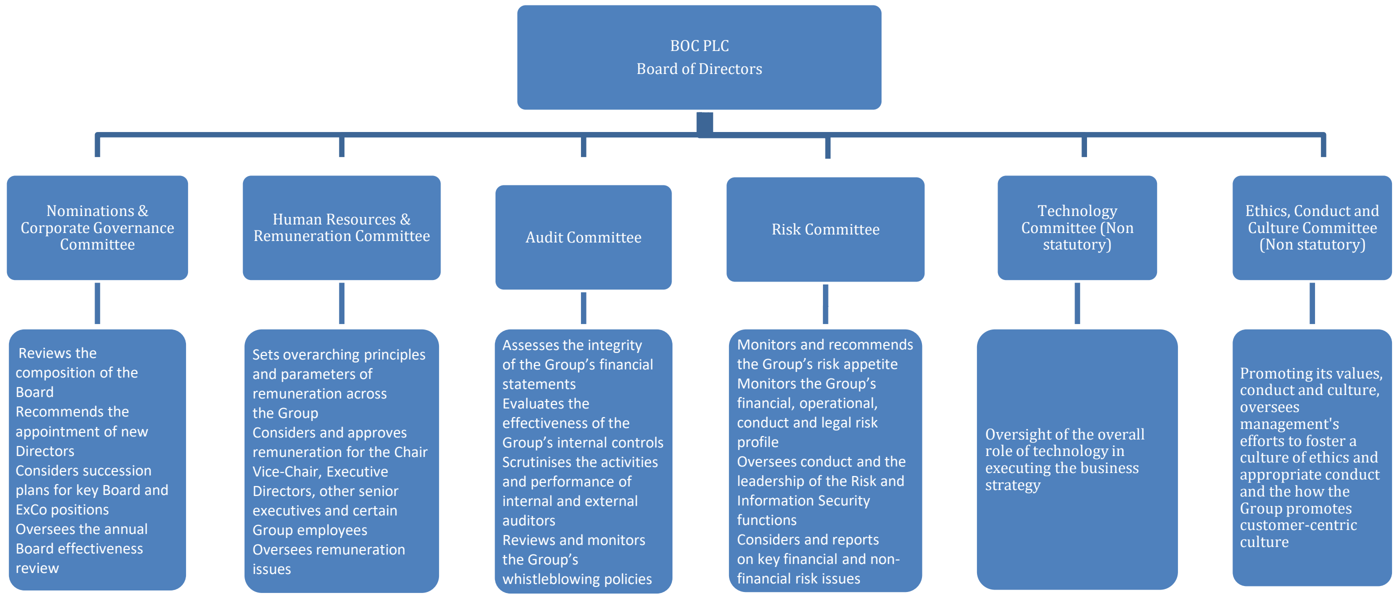
Term of Office:
Appointed to the Board of BOC PCL and the Board in October 2021

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 are 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 (continued)

5.1 Nominations and Corporate Governance Committee

As at 31 December 2022, 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 NCGC, 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 NCGC met 12 times in 2022. The Chairperson and members of the NCGC 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 2022:

Efstratios-Georgios Arapoglou (Chairperson)	12/12
Lyn Grobler	11/12
Arne Berggren	9/12
Maria Philippou	11/12

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 NCGC 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 members 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, as well as overseeing the development of a diverse pipeline for succession.

The NCGC 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.
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 NCGC. The NCGC ensures plans are in place for the selection, appointment and orderly succession of executive directors and senior managers.

5. Board Committees (continued)

5.1 Nominations and Corporate Governance Committee (continued)

Matters considered and action taken by the NCGC in 2022

<table>
<tr><td>Board and committee size and composition</td><td>• Structure and composition of the Board;
• Succession Planning;
• Review of re-appointment of members.</td><td>• A discussion on the composition of the Board following the non-re-election of two members and the possible change in the status of independence of other members close to reaching nine year tenure.
• Search for potential candidates of particular skillset, and in particular a member with Climate/ESG background.
• The NCGC acknowledged the high quality of a candidate for the Board and recommended the nomination to the Board while also acknowledging a decent pool of candidates for consideration in the medium term.
• Assessment of Technology Advisors.</td></tr>
<tr><td>Executive Succession Planning</td><td>• Succession Planning of CEO;
• Approval of Material Risk Takers (‘MRTs);
• Appointment of Key Function Holders.</td><td>• 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.</td></tr>
<tr><td>Annual Board effectiveness Review</td><td>• Performance of the Annual Internal Board Performance Evaluation, which includes Board committees and individual directors;
• Review and discussion of External Board Evaluation performed by Deloitte;</td><td>• The Annual Internal Board Evaluation was performed as per the provisions of the CBC Directive on Internal Governance.
• The Board Capability Assessment by Deloitte was discussed. Both reports raised issues that the Board was already aware of and which are being addressed.</td></tr>
<tr><td>Disclosure & Governance</td><td>• Review and approval of revision of the Corporate Governance Framework of the Group;
• Approval of the 2023 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 appointment of two Technology Advisors rather than a Technical Advisory Board.</td><td>• 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 NCGC approved changes to internal policies and its Terms of Reference to ensure continued compliance with corporate governance requirements and the newly issued CBC Directive on Internal Governance Oct 2021.
• Committee Terms of Reference were also amended to incorporate the necessary ESG criteria.
• The NCGC recommended to the Board for approval of the engagement of two Technology Advisors.
• The internal Board Evaluation of 2022 reported a positive outcome with regard to the NCGC’s continued effectiveness.</td></tr>
<tr><td>Independence and time commitments</td><td>• Review of:
  • Skills, knowledge and expertise;
  • Independence of non-executive members;
  • Review of potential conflict of interest of directors;
  • Appointments to other directorships;
  • Attendance records and time commitment.</td><td>• The NCGC assessed cases where directors of the Board were nominated for appointment to boards of third companies for possible conflict of interest, 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.</td></tr>
</table>

5. **Board Committees** (continued)

5.1 **Nominations and Corporate Governance Committee** (continued)

Matters considered and action taken by the NCGC in 2022 (continued)

Sustainability	• Review of ESG ratings by institutional investor advisory services and discussion on improving certain factors; • Approval of the Annual Sustainability Report.	• Updated the action plan of the Sustainability Committee and received regular updates on its progress. • The NCGC approved the Corporate Sustainability Report. • Approved the decarbonization strategy for Scope 1 and Scope 2 GHG emissions of BOC PCL.
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 conflict 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. Deloitte's report as well as the Internal Board Evaluation Report raised issues that the Board was already aware of and which were being addressed i.e. enhancement of the Board with a member who possesses digital/IT and/or ESG background and more training on current issues being the matters of significance.

Egon Zehnder was appointed to search for candidates for the Board and for the set-up of a Technical Advisory Board. In this respect, several interviews with candidates were held. However, it was decided that instead of setting up an Advisory Board it would be more flexible and efficient to appoint two Technology Advisors. One Technology Advisor will bring the expertise to help the Bank assess its plans in developing new digital products and identify alternative, digitally enabled distribution channels. The second one will be a broad technology expert who can advise the Bank as an individual positioned close to the cutting edge of technology progress.

Having been delegated responsibility for oversight of the Group's sustainability strategy, the NCGC received updates from the Sustainability Committee on the action plan in place which is aligned to the strategy approved by the Board in 2021.

The NCGC keeps under review updates in relation to corporate governance regulations and requirements and briefs the Board on their effective implementation. The NCGC received the gap analysis with the revised CBC Directive on Internal Governance of October 2021 and approved an action plan for closing any gaps identified. The NCGC oversaw the 2022 internal review of the effectiveness of the Board and its Committees which was concluded in March 2022.

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 2022, 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 approved amendments to the internal policies and Terms of Reference of the Group to ensure continued compliance with all applicable legal requirements in relation to corporate governance as well as best practices and guidelines.

The chairperson of the NCGC 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.

5. Board Committees (continued)

5.1 Nominations and Corporate Governance Committee (continued)

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.

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/globalassets/who-we-are/our-governance/group-board-nominations-policy.pdf The Board Nominations 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.

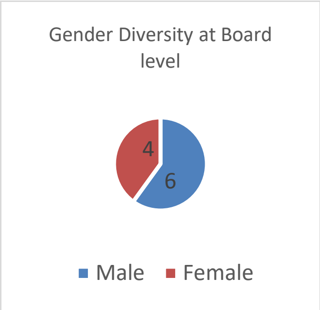
Non-executive members of the Board possess a wide range of skills, knowledge and extensive experience acquired from executive and/or non-executive appointments as directors of other companies, that combine to provide independent perspective, insights and challenge needed to support good decision-making 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.

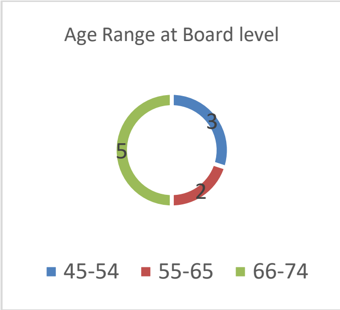
Following review in 2022, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including, *inter alia*, banking, insurance, manufacturing, audit and accounting, economics, risk management, 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 the digitisation of the Group.

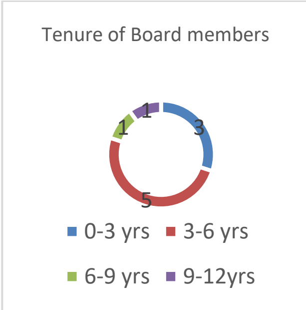
5. **Board Committees** (continued)

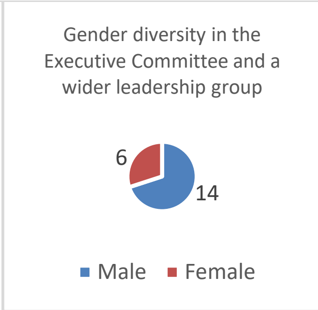
5.1 **Nominations and Corporate Governance Committee** (continued)

5.1.1 **Diversity** (continued)









During 2022, 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 is 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 2022 increased diversity at 40%. The Board remains committed to maintaining its set target.

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.

As at 31 December 2022, there is a 27% representation of women in Group's management bodies (defined as the ExCo and the Extended ExCo) and a 39% representation of women at key positions below the Extended ExCo (defined as positions between Assistant Manager and Manager).

5.2 **Human Resources and Remuneration Committee**

As at 31 December 2022, the HRRC comprised of three independent non-executive members. Its composition complies with the requirements of the CSE Code, and the CBC Directive on Internal Governance, and the UK Code. However, it should be noted that, up to 20 May 2022 the composition of the Committee did not comply with the UK Code which requires that all members are independent. The Board considers that at least one member of the HRRC 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 HRRC 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 HRRC 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 HRRC held 9 meetings in 2022. The chair and members of the Committee together with their attendance at meetings are shown below. The CEO and the Executive Director People and Change 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 2022:

Maria Philippou (Chair)	9/9
Maksim Goldman (stepped down 20/5/2022)	4/4
Constantine Iordanou (appointed 20/5/2022)	5/5
Michael Heger (stepped down 20/5/2022)	4/4
Lyn Grobler	8/9

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/globalassets/who-we-are/our-governance/appendix-8-group-hr-and-remuneration-committee-tor.pdf) and are reviewed annually and approved by the Board.

The role of the HRRC 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;
- To oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives.
- Within the over-arching principles and parameters recommended by the HRRC 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 Organisational Health Index project ('**OHI**'), 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 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 HRRC, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

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 Chairperson 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.

5. Board Committees (continued)

5.2 Human Resources and Remuneration Committee (continued)

The HRRC 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.

The HRRC 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 HRRC 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 2022

Annual Remuneration Review	• Annual review and approval of the Remuneration Policy; • Chairperson's remuneration; • Introduction of merit pay as a percentage of fixed salary to encourage high performance from 2022; • Long-Term Incentive Plan (LTIP); • The Remuneration Benchmarking for Senior Management; • Salary proposals for key senior management; • Short Term Incentive Plan (STIP);	• The Remuneration Policy was approved. • The Chairman's remuneration was significantly below the benchmark of € 214K that holds for the Greek and Cypriot banks. The Committee decided to recommend to the Board to increase the base remuneration of the Chairman. • The HRRC recommended to the Board for approval the LTIP prior to the AGM approval in May 2022 as a way to align the key employees' interests with those of shareholders. • Salary increases to key executive team members to align with market. • A first draft for an STIP was discussed which will provide variable pay to high performing staff based on clear criteria to be set.
Disclosure and Governance	• Review of the Remuneration Policy Report in the Annual Report; • Review of the Terms of Reference of the HRRC; • Monitoring of the development of payroll cost; • Review of a number of HR Policies; • Review of the Organisational Health Index (OHI) Update; and • Ask the Board Initiative.	• The Report was reviewed and approved. • The HRRC recommended amendments to its terms of reference to ensure continued compliance with the CBC Directive on Internal Governance, and to incorporate ESG criteria. • The internal Board Evaluation of 2022 reported a positive outcome with regard to the HRRC's continued effectiveness.
Human Resources Review	• Review of the Revised External Recruitment Policy; • Review of the 2022 Voluntary Exit Plan ('VEP'); • Gender Pay Gap; • Reorganisation Plan; • Review of the Internal Transfers Policy; • Specialised staff recruitments.	• 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. • The reorganisation Plan, which is in line with the Group's operating model transformation identified 600 obsolete positions. The Project Sunrise and the Transformation address the need for a leaner structure. • A number of specialised staff recruitments in the area of Information Technology and Digital Transformation were approved.
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 and offers reskilling opportunities to staff.
Engagement with Labour Union	• Close monitoring of the progress of the negotiations and recommendation to the Board for approval with regards to the renewal of the Collective Agreement.	• The Bank reached agreement with labour union representatives for merit pay, the obsolete positions and other issues.

5. Board Committees (continued)

5.2 Human Resources and Remuneration Committee (continued)

Matters considered and action taken by the HRRC in 2022 (continued)

Performance Appraisal, Development and Succession	• Review of the Performance Appraisal results and main findings; • Review of the Performance Appraisal Policy; • Succession Planning.	• There is an appropriate process in place to assess the performance of staff and Senior Management and quality checks are run to identify deviations. • The Board is informed of the Appraisal results when reviewing the succession plan. • The Policy was reviewed and approved. • The Bank's Succession Plan was considered by the HRRC and the NCGC at a joint meeting.
Human Resources Practices	• HR Strategy; • Internal Customer Satisfaction Survey; • Staff Opinion Survey; • Organisational Health Index (OHI); • Update on Risk Culture project; • The introduction of the Agile and Value Stream Operating Model.	• Various initiatives introduced by HRD to align culture with strategy were reviewed and commented on by the HRRC. • Action Plan to improve participation rate in the surveys. • Ongoing project as part of the Bank's efforts of enhancing its risk and control culture. • The Agile Model was introduced with success in many IT projects and consideration was given to introducing it to other operations of the Group.

Priorities for the HRRC in 2022 were (i) the 2022 LTIP, (ii) merit pay and (iii) addressing the issue issues arising from the VEP.

During December 2022, the Group granted to eligible employees share awards under a long-term incentive plan ("**2022 LTIP**"). The 2022 LTIP was approved by the 2022 AGM, which took place on the 20 May 2022. It involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO. The 2022 LTIP stipulates that performance will be measured over a 3-year period for financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. The LTIP represents a further step in the Group's efforts to enhance its remuneration structure by introducing a variable pay component within the total compensation package of the members of eligible group, as per best practice and in accordance with EU banking industry regulations. More information in relation to the 2022 LTIP can be found in the Remuneration Report and in the Consolidated Financial Statements 2022.

The Board is informed through the HRRC on staff surveys and is updated on progress in implementing 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. 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. Four members of the Senior Management Team are sponsors to various workstream initiatives such as knowledge sharing (podcasts), career opportunities (internal opportunities for advancement) and the launch of the BOC Academy as well as Role Modelling by engaging Senior Managers to work with recognised Talent. The Internal Customer Satisfaction Survey allows employees to evaluate the level of service they receive from various internal departments of the Bank. In 2022 several support functions were evaluated.

The HRRC considered and recognised the strength of the mechanisms in place to engage with and hear from employees; in particular, there are methods of gathering and documenting workforce views and considering how themes and viewpoints of the workforce are presented to and considered by the Board for discussion and debate, with the aim of encouraging a meaningful dialogue between the Board and the workforce on a timely basis.

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 the CEO which is a fixed term contract and there are certain 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.

Several joint sessions with the NCGC were held during which discussions of the pay grading system by Korn Ferry for Senior Management took place. A benchmarking exercise carried out earlier in the year was considered as aligned with the pay grade system. The succession plan across the Group was also discussed and the Joint Committee recommended it for approval to the Board. Finally, the extension of the contract of the CEO was recommended for approval given the exceptional results of the Group achieved in the previous three years.

Further information on the role of the HRRC is presented in the Remuneration Policy Report, on page 403 of this report.

The Chair of the HRRC reported to the Board after each meeting to ensure all directors were fully informed of the HRRC's activities.

5.3 Audit Committee

The audit committee at the Bank of Cyprus has a wide range of responsibilities, which can be broadly categorized into the following areas:

1. **Internal Controls**: The audit committee plays a crucial role in evaluating the effectiveness of the bank's internal control systems. These systems are designed to prevent fraud, safeguard assets, and ensure the accuracy of financial reporting. The committee reviews the bank's policies and procedures and provide a robust internal control environment.

2. **Internal Audit Function**: The Audit Committee is responsible to oversee the Bank's internal audit function, which is an independent and objective assurance function. The Committee ensures that the internal audit department has the necessary resources, independence, and access to information to carry out its mandate effectively. The Committee reviews and approves, inter alia, the internal audit plan, monitors the progress of audit activities, and evaluates the effectiveness of the internal audit function.

3. **Financial Reporting**: The Committee is responsible to review and assess the Group's financial statements. The Audit Committee ensures that the financial reports are accurate, complete, and in compliance with the International Financial Reporting Standards (IFRS) and applicable laws and regulations. The Audit Committee also reviews any changes to accounting policies, and practices to ensure that they are appropriate and consistent with the bank's overall financial goals.

4. **External Audit**: The Audit Committee is responsible for the appointment, compensation, and oversight of the Bank's external auditor. The Committee ensures that the external auditor is independent and has the necessary qualifications to carry out its work effectively. The AC reviews the external auditor's audit plan, findings, and recommendations and monitors the bank's response to any identified issues.

5. **Compliance and Regulatory Affairs**: The Bank operates in a highly regulated environment, and the AC is responsible for ensuring that BOC PCL complies with all applicable laws, regulations, and standards. The AC reviews BOC PCL's compliance policies and procedures and monitors its performance against key regulatory requirements. The AC also liaises with regulators and addresses any concerns or findings that may arise from regulatory inspections or examinations. In addition to the latter, the AC assesses the soundness of the methodologies and policies management the Group uses to develop ESG metrics and other disclosures and to assess the key vendors' plans about sustainability.

5. Board Committees (continued)

5.3 Audit Committee (continued)

6. **Whistleblowing and Fraud Prevention**: The AC is responsible for establishing and maintaining an effective whistleblowing mechanism that enables employees and other stakeholders to report concerns about potential misconduct or unethical behaviour. The committee ensures that the whistleblowing policy protects whistleblowers from retaliation and provides for a thorough and objective investigation of reported concerns. More information in relation to the whistleblowing and fraud prevention can be found on page 369 of this report.

As at 31 December 2022, the AC comprised of three independent non-executive directors. The AC's composition is fully compliant with the CSE Code, the UK Code and the CBC Directive on Internal Governance. On 26 October2022, Mr. Zographakis stepped down from the AC having completed nine years on the Board and the AC. The Board considers that the Committee 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 AC is satisfied that a strong financial risk and control environment is in place.

The Board further believes that Nicolaos Sofianos, and Paula Hadjisotiriou have specialised knowledge and experience in the application of internal control procedures and accounting issues relevant to the AC and have significant, recent and relevant financial experience and can be regarded as AC financial experts. The members of the AC maintain their knowledge and expertise on relevant AC matters through continuous development opportunities, Board deep dives and training.

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, Chief Compliance Officer, the statutory auditors and the Company Secretary regularly attend the AC meetings. As part of and in addition to each scheduled meeting the AC held members-only meetings. The AC held 18 meetings during 2022. The chairperson and members of the AC together with their attendance at meetings are shown below. Nicolaos Sofianos and Paula Hadjisotiriou are also members of the RC. Agendas are aligned and overlap of responsibilities is avoided.

Member attendance in AC meetings in 2022:

Nicolaos Sofianos (Chairperson)	18/18
Ioannis Zographakis (stepped down on 26/10/2022)	15/15
Arne Berggren	16/18
Paula Hadjisotiriou	18/18
Michael Heger (stepped down on 20/5/2022)	10/10

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 AC 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 2022 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 2022 Annual Financial Report (page 47).

A key activity for the AC 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.

The most significant judgements, estimates and assumptions in 2022 related to 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. In addressing these issues, the Committee discussed key areas of management's judgements and estimates with the management and the external auditors, PwC; particular areas for discussion included their findings/observations as part of their audit of the Group's financial statements, including, *inter alia*, classification of financial assets, calculation of expected credit losses, stock of property, provisions for pending litigation, claims, regulatory and other matters, tax and fair value of investments and derivatives. Further information is set out in Note 5 of the Consolidated Financial Statements for the year ended 31 December 2022.

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 AC 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.

Specific matters considered by the AC 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 failure 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 Chief Compliance Officer 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 Chief Compliance Officer 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 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 overall effective system of internal controls and monitor management's responses and actions to the findings and recommendations and any mitigating actions in response.

5. Board Committees (continued)

5.3 Audit Committee (continued)

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 AC's work in 2022, 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.

The AC's performance during 2022 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.

Overall, the role of the AC is fundamental to ensuring the integrity and accuracy of the Company's financial reporting. Good, open relationships between the AC, the EDFL, the Internal Audit Director and the Chief Compliance Officer 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 AC contributes, delivers results and adds value to the Group.

Further, the AC considered the availability and the reporting of the results of the insurance subsidiaries and concluded that significant progress was achieved. Further the AC considered other key significant accounting and other related issues in its review of the financial statements for the year ended 31 December 2022. 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.

5. **Board Committees** (continued)

5.3 **Audit Committee (**continued)

Matters considered and action taken by the AC in 2022

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 Internal Auditors"	• Based on the work carried out in 2022, 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.
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 and follow up reports; • Overview of the internal audit services; • IA staffing needs and skills assessment; • Update on complaints received through the whistleblowing line; • Triennial External Assessment of the Internal control Framework of BOC Group • External Quality Assessment report.	• 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. • The completion rate of recommendations to mitigate findings deriving from IA and external reports was monitored by the Committee. • The independent assessment of the Group's Internal Control Framework as per Central Bank of Cyprus (CBC) Directive on Governance and Management Arrangements in Credit Institutions identified certain instances of partial compliance of the Bank with the provisions of the Directive. • The External Quality Assessment indicated that the Group IA: a. Generally Conforms with the IIA Standards, IPPF and Code of Ethics. b. The BOC IA is a mature function. Its practices are ahead of many corporate Internal Audit functions and broadly in line with those at the largest global organisations who are typically seen as a good practice reference point.
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 and new 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 2022 (continued)

External Auditors	• Evaluation of the independence of the external auditors; • Discussion of the external Annual Audit Plan 2022 and subsequent results of the half-yearly review of the interim report and annual audit of the yearly financial statements; • Approval of audit, tax compliance and other assurance fees for the year; • Approval of permissible non-audit services assigned to the auditors; • Discussion of the results of the audit of the semi-annual and annual financial statements ; • Meet with the external auditors at least twice without the presence of management; • Assessment through Audit Quality Indicators (AQI) of the effectiveness of the external audit process;	• The preparation of the financial statements requires management to make a number of judgments and/or assumptions that affect significant accounting estimates. The external auditor, for each of these critical accounting estimates and judgements made by management, have challenged their appropriateness and assessed the financial statement disclosures. • The AC assessed through the AQIs the effectiveness of the external auditors and recommended that the auditors enhance the frequency of reporting with regards to the status of completed audits of subsidiary companies. • The external auditors presented their audit plan for the year ended 2022. • The external auditors presented their conclusions in relation to the significant estimates and judgements and discussed them with management and the AC. • 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, particularly with respect to findings on privileged user access controls. • 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;	• The Terms of Reference were revised to be in line with the CBC Directive on Internal Governance issued in Oct 2021 and include ESG criteria. • 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.

5. Board Committees (continued)

5.3 Audit Committee (continued)

Matters considered and action taken by the AC in 2022 (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; • Assessment of the implementation of the digital KYC tool • Correction of findings emanating from the OSI (On-Site Inspection) Audit of the ECB on Internal Governance and Risk Management of Compliance; • Report of the DPO; • Compliance Management System; • Reorganisation/restructuring of the Compliance Division; • Appraisal of the Director Compliance;	• 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. • Phase 1 of the KYC tool on the onboarding of individuals was considered successful and Phase 2 on the onboarding of legal entities was completed in 2022. • The DPO report highlighted the progress achieved overall and the enhanced awareness of staff on data privacy issues. • The findings and mitigating actions and responses to the ECB were discussed by the AC. • The staffing needs and re-organisation of the Compliance Division following the VEP were discussed and actions were approved.
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 meetings of the two insurance companies and provided guidance and advice on various matters discussed.

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 Chief Compliance Officer 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 internal audit plan and budget, including resources, and reviewed progress against the plan throughout the year.

The AC received regular reports from the 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 of the Group's risk management and internal control framework. These reports cover matters of relevance to the AC 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 AC considers management's responses to, and the timeliness of the remediation of identified issues.

Through regular meetings held with and reports provided by the Internal Audit Director on internal audit issues, including the effectiveness and adequacy of resources, the Committee has satisfied itself that the Internal Audit Division was effective and adequately resourced. The External Quality Assessment of the Internal Audit performed in 2022, indicated that the function is mature and it generally conforms with the IIA Standards, IPPF and Code of Ethics.

The AC 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 quarterly reports issued by the Internal Audit Director enable the AC to focus discussion on specific areas of concern and to track remediation progress over time.

5. Board Committees (continued)

5.3 Audit Committee (continued)

5.3.1 Internal Audit & Compliance Divisions' effectiveness (continued)

Regular reports are submitted by Compliance Division to the AC on matters relating to regulatory risk across the Group. The AC 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. There is zero-tolerance on money laundering and terrorism financing incidents.

The AC proposes to the Board the appointment, replacement, transfer or removal of the Internal Audit Director and the Chief Compliance Officer. It also approves and monitors the OKRs of the IA Director and the Chief Compliance Officer. 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 AC concerning the resourcing of the Internal Audit and Compliance functions.

5.3.2 Arrangements relating to the external auditors

The AC oversees the relationship with the external auditors. During the year, the AC 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.

Appropriate safeguards are in place to protect the independence and objectivity of PwC. The AC operates a Group Policy on the Provision of Non-Audit Services by the Group's statutory auditors in line with the applicable 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 AC. 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; 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 the framework in relation to 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 PwC for accounting periods commencing 1 January 2019. The AGM held on 20 May 2022 considered the continuation in office of PwC as Auditors of the Company and authorised the Board to fix their remuneration.

5. Board Committees (continued)

5.3 Audit Committee (continued)

5.3.2 Arrangements relating to the external auditors (continued)

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 AC concluded that it was satisfied with the independence, quality and performance of PwC in respect of the year ended 31 December 2022 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

Membership:

The RC, as at 31 December 2022, comprised of three independent non-executive directors. 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 and the UK Code.

Biographical details, including each member's background, experience and independence status, are set out in section 4 of this report.

The Committee held 22 meetings during 2022. The chairperson and members of the Committee together with their attendance at meetings are shown below.

Member attendance in RC meetings in 2022:

Paula Hadjisotiriou (appointed as Chair on 26 October 2022)	22/22
Nicolaos Sofianos	22/22
Constantine Iordanou (appointed on 26 October 2022)	5/5
Ioannis Zographakis (stepped down on 25/10/2022)	17/17
Maksim Goldman (stepped down on 20/5/2022)	9/10

Board consideration of risk-related issues is considered to be enhanced by members serving on more than one Board sub-committee. The Chair of the AC (Mr. Sofianos) is a member of the Risk Committee, and the Chair of the Risk Committee (Mrs. Hadjisotiriou) is a member of the AC. In addition, there is common membership with the HRRC and the NCGC. 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 also regular joint meetings with the Audit Committee and with the Technology Committee to ensure there are no gaps in the oversight of internal controls and no gaps in the oversight of technology and information security risks, and that any areas of significant overlap are appropriately addressed.

According to the UK Code and the CBC Directive on Suitability, the independence status of any director who has served on the Board for more than nine years is compromised. Even though the Board believes that Mr. Zographakis continues to demonstrate independent judgement and challenge, on 26 October 2022, on the completion of his nine-year term, Mr. Zographakis stepped down from his role as Senior Independent Director, Chair of the Risk Committee and member of the Audit Committee and continues as a non-executive director.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Purpose and Responsibility

The main purpose of the Committee is to oversee, on behalf of the Board, the management of risk by the executives, including the establishment of an appropriate group wide risk management framework, review the aggregate risk profile of the Group, including performance against risk appetite for all risk types, and 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;
- Oversees the identification, assessment, control and monitoring of financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance risks and ESG including C&E 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 emerging 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, the Group's characteristics 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 identifies and 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 Management Framework, together with specific attention being given to those emerging risks, which could significantly impact the Group and/or its customers.

Emerging risks included areas such as the rising energy prices and interest rates and their effect on the Bank's clients, and Cyprus' geopolitical position, 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.

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 and cyber/information security 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 Chief Information Security Officer regularly reviewing the risk reports and risk appetite dashboard;
- Receiving reports on the Group's operational and technology capability, including specific updates on cyber risk management 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;
- Reviewing and challenging the assumption, scenarios, and output of the 2022 ICAAP and ILAAP and recommend to the Board for approval;
- Reviewing the impact of the war in Ukraine on portfolio and business;
- Considering the risk assessment of the 3-year financial plan;
- Reviewing Quarterly REMU Updates.

Work already initiated to determine the climate related and environmental risks the Bank is exposed to, progressed in 2022 and continues forward, so that these risks can be integrated into the existing risk taxonomy and risk registry of the Bank and inform its various business processes.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Purpose and Responsibility (continued)

On a monthly basis, 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 Emerging Risks and Risk Profile are reviewed on a quarterly basis.

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 Risk and Capital Management Report section of the 2022 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 RRD (Restructuring and Recoveries Division) portfolio, the Information Security Maturity penetration tests and the appointment of Control Function Liaisons in major business units to better embed risk and compliance culture. 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 credit limited > €100 million restructurings and contractual or non-contractual write-offs.

The Committee also was informed and updated on developments and market practices through dedicated training sessions on the RCMS (the system used by Operational Risk Management), the Risk Quantification Framework, IFRS models, Third-party assessments, Business Continuity Management and Fraud Risk Management Process, New EBA Guidelines on lending and Basel III Implementation – Quantitative Impact Analysis for Capital Adequacy and Leverage.

5. Board Committees (continued)

5.4 Risk Committee (continued)

Matters considered and action taken by the RC in 2022

The Risk Committee reviewed and challenged the following report and where appropriate, recommended for approval to the Board. The Chair of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

Area	*Item*
1. Risk management Division (RMD)	- Annual review and update of the Risk Appetite Framework and Risk Appetite Statements - Risk Appetite Framework of Digital Economic Platform - Annual and quarterly ICAAP & ILAAP, including assumptions, stress scenarios and reverse stress scenarios - Financial Plan Risk Assessment - Resolution and Recovery Plan - Report on ECB Feedback on Principles for effective risk data aggregation and risk reporting - Risk Management Division (RMD) Charter, Budget, Strategy and RMD (Risk Management Division) goals monitoring and Annual and Monthly Updated Risk Management Report - Data Governance framework - Economic Capital calculation for Cyprus bonds - Revision of all Risk Management Division Policies - New Emerging risks report - REMU (Real Estate Management Unit) update including review of property portfolio - Regulatory update/Review of regulatory correspondence - Follow-up of SREP and on-site inspection - ECB IT Risk Questionnaire 2021 - RMD (Risk Management Division) Declaration of Independence - Renewal of BBB, D&O and Cyber Insurance Policies
2. Credit Risk	- Credit Portfolio overview / credit quality dashboard - Asset Quality Target Setting - Credit Exposures greater than €100m and proposed strategies to reduce, increase or maintain - ECL Provisions for all quarters and review of management exceptional overlays to address issues not fully addressed by the models. - Revision of ADC ToR - Reengineering of major Credit Risk related policies - Analysis of top 50 hoteliers - Impact of Ukraine events on portfolio and business - Early warning Models update - RRD (Restructuring and Recoveries Division) Performance - Shipping / Syndication Portfolio updates
3. Market / Liquidity Risk	- New Risk Based Bond Limits and methodology - Annual Review of Credit Limits (counterparty & country) - Annual Review of Market Risk Limits - Authorisation Levels for Market Risk Related Limits - Report on Property Risk - Revision of Market Risk policies - Regular reports on liquidity
4. ESG	- ESG Working Plan - Climate risk implementation plan update - ECB climate Stress Test 2022 update - Materiality assessment and risk identification for climate risks
5. Operational Risk	- RCSA Plan for Y2022 - Update on the results of the Fraud Risk Assessment process - Risk associated with existing and new critical outsourcing contracts - Revision of Policies - Business Continuity Plan and relevant test results

5. Board Committees (continued)

5.4 Risk Committee (continued)

Matters considered and action taken by the RC in 2022 (continued)

Area	*Item*
6. Information Security	- Monthly and annual Information Security Reports - Technology Risk Report - Annual Information Security Report - Revision and approval of comprehensive list of ICT/IS KRIs - Updates on related regulatory compliance efforts with regards to Information Security - Information Security - Updates on Cyber/Information Security Incidents - Update on the results of the Enterprise Yearly Penetration Testing Results - Update on the Information Security Maturity Assessment for Y2022 - Approval of Information Security Division Charter and Yearly Budget - Information Security Yearly Declaration of Independence
7. Subsidiaries Oversight	- The annual reports of the subsidiary risk committees of Eurolife & General Insurance Ltd
8. Governance	- Terms of Reference of the Risk Committee and ADC - Appraisal of the Chief Risk Officer and the Chief Information Security Officer - Review of the effectiveness of the Committee

The Chair of the Committee reported to the Board after each meeting to ensure all directors were fully informed of the Committee's activities.

5.4.1 Effectiveness of the Risk Management Division:

Bank of Cyprus in now in the best position it has been since the financial crisis of 2013, with a healthy balance sheet and its assets - comprising of good quality performing loans, bonds, and cash - benefiting from the rising interest rates, with the ECB deposit rates at 2,5% at the time of writing this report and projected to rise further in 2023. On the Credit risk side, the underwriting standards have been enhanced to meet the challenges of high inflation and tightening monetary environment, credit policies have been re-engineered and simplified ensuring that they meet regulatory standards and monitoring has been further automated and focused on areas of emerging risks. In addition, the provisioning models have been updated with the latest historical and forecast parameters and management overlap were redefined to take into account the latest development to the extent that these are not fully captured by the models.

The Analytics team has developed new Early Warning Models, incorporating forward looking factors, which will allow the Risk Management Division to more accurately identify areas of risk in our credit portfolio and act proactively. In 2022, the regulatory Climate Stress Test was completed and the RMD is now capitalizing on the knowledge gained to develop models to quantify the Climate - and Environmental Risks in the credit portfolio. In relation to non-financial risks, the Risk Control Management System on operating Risk has been enhanced, and identifiers have been introduced to better identify and classify the controls we have in place to manage our risks. Furthermore, the enhanced RCSA process for branch operations has been introduced and has proven the value of having strong control function liaisons on the frontline for the better understanding and active management of risks. The Fraud risk team has enhanced the cards fraud system and has completed the dedicated Fraud risk assessments in the Small Medium Enterprises and Retail Banking Network processes. The Third-Party risk team has revamped the risk assessment of outsourcers and has introduced new KRIs to monitor outsourcing. The Business Continuity Planning (BCP) team has completed all scheduled BCP reviews and tests. Risk Operations have been heavily involved in the bank wide ESG action plan, guiding and coordinating risk departments in the risk deliverables. At the same time, they have taken responsibility for the risk culture Dashboard, which has been rolled out to the whole bank and have set bank wide 1- and 3-year targets while developing frontline divisions' separate risk dashboards and KRIs. The Strategy and Markets department delivered key enhancements to our ICAAP and ILAAP processes and completed extensive Regulator's On-Site Inspections on ICAAP. Simultaneously, the risk quantification of the Bank and the model validation framework are continuously improved, and a risk-based bonds limits methodology has been developed, which will allow us to carefully expand our bonds portfolio within our risk bearing capacity. Regarding the Legacy Portfolio, the RMD has cascaded the Risk Appetite Statement to both the RRD (Restructuring and Recoveries Division) and REMU. These divisional RAS are reported to ExCo on a quarterly basis. Furthermore, the CRO, through his participation in the Legacy Forum and the ADC (Asset Acquisition and Disposal Committee), maintains an oversight on cases relating to both REMU and RRD.

5. Board Committees (continued)

5.4 Risk Committee (continued)

5.4.2 Effectiveness of the Information Security Division

Throughout 2022, BoC has managed to improve the security controls throughout the BoC environment through continuous assessment and improvement of implemented controls. A revised controls maturity exercise was concluded in April 2022, with the assessment and scoring having been re-baselined based on the industry's acknowledged ISO27001 Standard and domains. The Information Security Effectiveness calculation model has also been re-baselined (in May 2022) based on the ISO27001 Standard and includes a revised set of Information Security and ICT KRIs (from 26 to 85 monitored KRIs). Throughout 2022, a series of Risk Assessments have been performed across the Group environment to identify risks related with Business Applications, Payment Services, Critical Infrastructures and Third Parties. In addition, risk management activities have been ongoing and focused on mitigating high risks and risks relevant to sensitive areas of the Group. From a Security Awareness perspective, trainings have been delivered to all staff, Executives and Board of Directors Members on a quarterly basis. In addition, monthly phishing simulation exercises have been performed and continued throughout during the year in an attempt to make staff more aware on phishing emails. The % of staff clicking on simulated phishing links decreased at value aligned with industry best practices. No successful cyber-attack incidents have been recorded in 2022 against the BoC network and business applications (internal and external). In addition, a revised formalised and documented Data Loss Prevention incident handling process has been agreed with all related stakeholders and is in place, whereas continuous configuration improvements and fine-tuning of the DLP system functionality and respective policies has continued. Regulatory Identity and Access Management, the 2021 programme to improve the maturity of IAM operations activities was undertaken, has made significant progress in 2022 and is expected to be successfully concluded in Q1/2023 with programme objectives and timelines having been met.

5.5 Technology Committee

The Committee held 8 meetings during 2022 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 2022:

Lyn Grobler (Chair)	8/8
Ioannis Zographakis	8/8
Paula Hadjisotiriou	8/8
Arne Berggren	7/8
Constantine Iordanou[2] (stepped down in November 2022)	5/6

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:

[2] Constantine Iordanous stepped down from the TC in November 2022

5. Board Committees (continued)

5.5 Technology Committee (continued)

- 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, 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 81.7% towards year end compared to 77.7% the previous year. A benchmarking exercise comparing the Bank's mobile app against that of other major banks in Cyprus and Greece, whereby all apps sere scored based on the 2021 Forrester research scorecard indicated that the Bank's app compared well.

The projects running in the IT function were monitored to ensure they stayed within reasonable deadlines. The five-year contract with Kyndryl was renewed. Digital onboarding was initiated successfully. The Digital Transformation of the insurance subsidiaries was also reviewed and monitored on a six-monthly basis. Eleven major incidents of non-availability of systems were reported in 2022. 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. The Committee followed up on the actions to mitigate IA findings within relevant deadlines.

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 2 meetings during 2022 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 2022:

Ioannis Zographakis (Chair)	2/2
Maria Philippou	2/2
Maksim Goldman (stepped down in May 2022)	2/2
Michael Heger (stepped down in May 2022)	2/2

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.

Following the 2021 AGM and the non re-election of two members of the ECCC the Committee comprised of only two members for the reminder of the year, and therefore only 2 meeting were held during 2022. Nevertheless, as of 01.01.2023 the ECCC comprises of three directors and committee meetings will be held regularly.

Project Ethos, which is under the auspices of the ECCC progressed in a satisfactory manner. It is worth noting that 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. A number of workstreams related to the project were covered under Project Sunrise (a transformation plan is already in progress and aims to enable the shift to modern banking by digitally transforming customer service, as well as internal operations) while the remaining workstreams being risk-related the project was assigned to the Chief Risk Officer going forward, instead of the Executive Director People & Change. The risk culture scoring system improved and a 3-year target was set. It was decided that performance appraisals from 2023 onwards should include the Risk Control Awareness (RCA) guidelines as these were approved by Project Ethos. The Committee also reviewed the progress of the ESG Strategy.

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, the Irish Companies Act and the UK Code. It is presented in the 2022 Annual Financial Report of the Group, after the Corporate Governance Report. Information on the remuneration of the members of the Board for the year 2022 is disclosed in Note 50 of the Consolidated Financial Statements of the Group, as well as in the Remuneration Policy Report.

7. Shareholder Relations

It is a priority for the Group 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 the contact details of 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, Constantine Iordanou, 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 position, 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 a 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 2022, the Company has been advised of the following notifiable interest in the share capital of the Company:

- Lamesa Investments Limited 9.27%
- CarVal Investors 9.07%
- Senvest Management LLC 7.96%
- Caius Capital LLP* 0.51%
- European Bank for Reconstruction and Development 5.02%
- Cyprus Popular Bank Public Co Ltd 4.81%
- Provident Fund of the Cyprus Bank Employees 4.74%
- Eaton Vance Management 4.08%
- Osome Investments 3.32%

* Caius Capital as at 31 December 2023 also held 5.91% in Financial Instruments with similar economic effect according to Regulation 17(1)(b) of the Transparency (Directive 2004/109/EC) Regulations 2007 of Ireland as amended.

In accordance with the Company's Articles of Association, at the Company's AGM in 2022:

- 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 €6,692,999 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 19 August 2023.

The AGM was held on 20 May 2022 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 2021 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. Arne Berggren was re-elected by receiving 98,825,604 votes in favour of his re-election representing the 71.6% of the total votes; however, more than 20% of the votes were cast against his re-election. The Chairman of the Board has been in contact with major shareholders to understand the reasons behind the result. It appears that investors believe that Arne Berggren was a representative of the European Bank for Reconstruction and Development (the "EBRD") in the remediation and de-risking phase of the Bank. As currently the Bank has exited this phase some of the investors consider that Arne Berggren no longer has a role to perform. The Chairman reassured the shareholders as to the commitment of Mr A. Berggren to the new era and strategy of the Bank and his significant contribution to the workings of the Board and Board Committees.

The Board values the AGM as a key opportunity to meet shareholders.

Remuneration Policy Report for the year 2022

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, and the Irish Companies Act, the HRRC prepares the Annual Board of Directors' Remuneration Policy Report, which is ratified by the Board and submitted to a non-binding advisory vote at the shareholders' AGM. The Annual Board of Directors Remuneration Policy Report for the year 2022 was ratified by the Board on 31 March 2023. 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 HRRC'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 HRRC 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 HRRC 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 HRRC is described in section 5.2 of the Annual Corporate Governance Report on page 381-382.

2.1 Terms of Reference of the Human Resources and Remuneration Committee

The role of the HRRC is described in detail in section 5.2 of the Annual Corporate Governance Report on page 381-385. 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;
- To oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives.
- 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 HRRC 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 conflict 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,the Irish Companies Act, 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 2022 (continued)

2. Human Resources and Remuneration Committee (continued)

2.1 Terms of Reference of the Human Resources and Remuneration Committee (continued)

The HRRC 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 HRRC jointly with NCGC approves the 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).

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 HRRC is available to shareholders at 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 the 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.

Remuneration Policy Report for the year 2022 (continued)

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 20 May 2022 approved an increase in the annual remuneration of the Chairperson 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.

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 HRRC 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 2022 (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 HRRC, 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 EDFL is also an employee of BOC PCL.

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 CEO's service contract is reviewed at least every five years. In December 2022, the CEO's contract was renewed for a further four years.

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 the executive director on grounds of change of control.

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 2022.

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 31 December 2022.

Share Options

No share options were granted to the executive directors during 2022.

Long-term incentive plan

Share awards have been awarded under a long-term incentive plan to the executive directors during 2022 as described further below.

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 31 December 2022.

Remuneration Policy Report for the year 2022 (continued)

5. Information Regarding the Remuneration of Directors for Year 2022

	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 Shared-based payment €	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	787,702	-	787,702	-	92,741	10,868	891,311	**60,009**
Eliza Livadiotou	303,617	-	303,617	-	25,003	6,907	335,527	**22,279**
Non-Executive Directors								
Efstratios -Georgios Arapoglou	-	257,250	257,250	-	-	-	257,250	-
Lyn Grobler	-	164,640	164,640	-	-	-	164,640	-
Arne Berggren	-	123,480	123,480	-	-	-	123,480	-
Constantine Iordanou	-	95,404	95,404	-	-	-	95,404	-
Ioannis Zographakis	-	157,132	157,132	-	-	-	157,132	-
Maria Philippou	-	108,045	108,045	-	-	-	108,045	-
Nicolaos Sofianos	-	128,625	128,625	-	-	-	128,625	-
Paula Hadjisotiriou	-	132,372	132,372				132,372	
Maksim Goldman[1]	-	39,860	39,860	-	-	-	39,860	-
Michael Heger[1]	-	39,860	39,860	-	-	-	39,860	-
	1,091,319	**1,246,668**	**2,337,987**	**-**	**117,744**	**17,775**	**2,473,506**	**82,288**

* Includes employers' contributions excluding contributions to retirement benefits.

[1] Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.

Remuneration Policy Report for the year 2022 (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 2022 and 2021.

Annual Change	Note	Percentage change in 2022	Percentage change in 2021
Directors' Remuneration-Executive Directors			
Panicos Nicolaou, CEO	1	17%	41%
Eliza Livadiotou, Executive Director Finance & Legacy	2	8%	38%
Directors' Remuneration-Non-Executive Directors (NEDs)	3		
Efstratios-Georgios Arapoglou (Chairman)		20%	40%
Lyn Grobler		7%	14%
Arne Berggren		9%	1%
Maksim Goldman	4	-65%	-3%
Paula Hadjisotiriou		12%	8%
Michael Heger	4	-65%	-3%
Constantine Iordanou	5	n/a	n/a
Maria Philippou		-9%	16%
Nicolaos Sofianos		29%	n/a
Ioannis Zographakis		-21%	-4%
Average remuneration on a full-time equivalent basis of employees			
Employees of the Group	6	-6.1%	3.7%
Company performance			
Operating profit as per Underlying basis		61.5%	2.2%
Cost to Income Ratio excluding special levy on deposits and other levies/contributions	7	-11 p.p.	0 p.p.

1. The % change relates mainly to the cost of the share-based award granted in December 2022 as described further below, and to a lesser extent to the increase in 2021 salary which was effected in March 2021 hence not fully applicable for the full year 2021.
2. The % change is calculated on the remuneration for full year 2021 irrespective of the date Mrs Livadiotou was appointed to the Board of Directors. The % change relates mainly to the cost of the share-based award granted in December 2022 as described further below.
3. 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.
4. Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.
5. Appointed on 29 November 2021 hence the %age change is n/a.
6. Employees cost of the Group - as per FS (excluding Voluntary Staff Exit Plan (VEP)) (Note 14). The reduction in financial year 2022 compared to 2021 was due to the reduction of the number of employees following a large-scale voluntary exit plan executed in July 2022.
7. 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, regulatory and other matters) divided by total income.

Remuneration Policy Report for the year 2022 (continued)

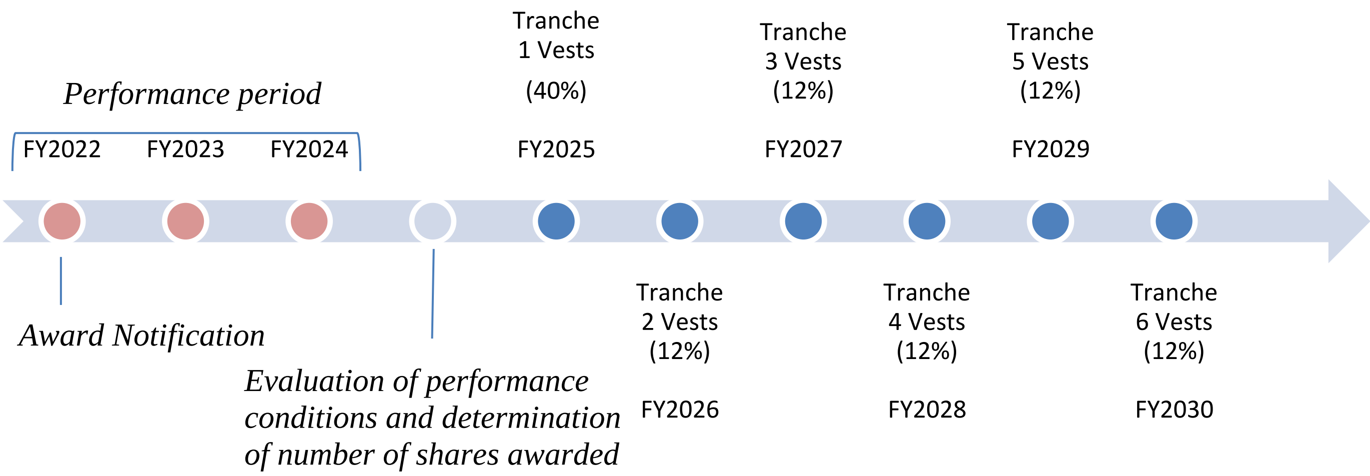
6. Long-Term Incentive Plan

During December 2022 the Group has granted to eligible employees share awards under a long-term incentive plan ("**2022 LTIP**" or the "**2022 Plan**"). The 2022 LTIP was approved by the 2022 AGM, which took place on 20 May 2022. The 2022 Plan involves the granting of awards in the form of shares of the Company and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. The employees eligible for 2022 LTIP are the members of the Extended EXCO, including the executive directors. The 2022 LTIP stipulates that performance will be measured over a 3-year period and financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. The awards ordinarily vest in six tranches, with 40% vesting in the year following the year the performance period ends and the remaining 60%, vesting in annual tranches (12%) in five years. The LTIP represents a further step in the Group's effects to enhance its remuneration structure by introducing a variable pay component within the total compensation package of the members of eligible group, as per best practice and in accordance with EU banking industry regulations.

As per the applicable regulatory framework, it is noted that awards cannot exceed 50% of each eligible participant's fixed pay (shareholders' consent is required to increase this limit to 100%) and that up to 100% of the awards will be subject to malus and clawback provisions in accordance with applicable legislation and regulations.

The Plan is at the discretion of the HRRC.

For the award granted in December 2022, the award cycle for the 3-year performance period for FY2022 – FY2024 is shown below:



A. <u>Eligible Participants</u>

Both Executive Directors are eligible for awards under the Plan. The maximum award opportunity for each of the two Executive Directors for the award linked to the 3-year performance period for FY2022 – FY2024 is shown below:

CEO: Up to 221.890 shares
CFO: Up to 65.910 shares

Additionally, to the Executive Directors, eligibility for awards under the 2022 Plan for the 3-year performance period for FY2022 – FY2024 is extended to the members of the Extended EXCO which includes 20 participants (additional to the Executive Directors).

The total maximum award opportunity for this group of eligible participants for the 3-year performance period for FY2022 – FY2024 is 532.060 shares.

The applicable scorecards are shown below, noting that a different scorecard applies to eligible participants of control functions. It is noted that individual performance conditions are also applicable as per the Plan Rules.

Remuneration Policy Report for the year 2022 (continued)

6. Long-Term Incentive Plan (continued)

Scorecard – Non-Control Functions:

Area	KPI	Weight	Target (end of FY2024)	Threshold (end of FY2024)	Measurement
Profitability	Return on Tangible Equity (ROTE)	20%	More or equal to 10%	8%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Cost to Income (excluding levy & SRF)	10%	Less or equal to 50%	55%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Asset Quality	NPE Ratio	10%	Less than 5%	7%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	REMU stock	10%	Less or equal to €0,6bn	€0,7bn	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Arrears < 3dpd (excluding RRD)	10%	Less or equal to 1%	2%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Capital	CET1 Ratio	10%	More or equal to 14,5%	13,5%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	MREL Ratio	5%	More or equal to 23%	22%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Risk & Compliance	Information Security and ICT Controls Effectiveness	5%	More or equal to 95%	90%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Audit & ECB findings overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	RCSAs actions overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Compliance findings/ recommendations overall completion rate	5%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
ESG	External ESG Ratings Score	5%	AA rating	n/a	Worse than target: 0% At or better than target: 100%

Remuneration Policy Report for the year 2022 (continued)

6. Long-Term Incentive Plan (continued)

Scorecard – Control Functions:

Area	KPI	Weight	Target (end of FY2024)	Threshold (end of FY2024)	Measurement
Profitability	Return on Tangible Equity (ROTE)	5%	More or equal to 10%	8%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Cost to Income (excluding levy & SRF)	5%	Less or equal to 50%	55%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Asset Quality	NPE Ratio	10%	Less than 5%	7%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	REMU stock	10%	Less or equal to €0,6bn	€0,7bn	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Arrears < 3dpd (excluding RRD)	10%	Less or equal to 1%	2%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Capital	CET1 Ratio	10%	More or equal to 14,5%	13,5%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	MREL Ratio	5%	More or equal to 23%	22%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
Risk & Compliance	Information Security and ICT Controls Effectiveness	10%	More or equal to 95%	90%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Audit & ECB findings overall completion rate	10%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	RCSAs actions overall completion rate	10%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
	Compliance findings/ recommendations overall completion rate	10%	More or equal to 90%	85%	Worse than threshold: 0% Between threshold and target: 50% At or better than target: 100%
ESG	External ESG Ratings Score	5%	AA rating	n/a	Worse than target: 0% At or better than target: 100%

Alternative Performance Measures Disclosures 2022

DEFINITIONS

Allowance for expected credit losses on loans	Allowance for expected credit losses on loans 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, where applicable), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition of loans and advances to customers held for sale, where applicable), (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 total expenses on an underlying basis (as defined 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, where applicable) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. The residual fair value adjustment on initial recognition relates 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, where applicable) (as defined below), plus deferred consideration receivable ('DPP'), plus investments (excluding equities, mutual funds and other non-interest bearing investments).
Legacy exposures	Legacy exposure are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) Non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet.
Loan credit losses	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 period.
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 credit losses on loans (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 credit losses on loans (as defined), divided by customer deposits.
Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding legacy exposures (as defined).
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 '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 credit losses on loans (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, provisions for litigation, claims, regulatory and other matters (net of reversals), tax, profit 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, provisions for litigation, claims, regulatory and other matters (net of reversals), 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), adjusted for the 'Advisory and other restructuring costs – organic'.

Return on Tangible Equity (ROTE) after tax and before non-recurring items	Return on Tangible Equity (ROTE) after tax and before non-recurring items 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 - (based on year-to-date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
Return on Tangible Equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised - (based on year-to-date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
Total expenses	Total expenses on an underlying basis comprises 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' (on an underlying basis as reconciled in the table further below).
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/(losses) on financial instruments (excluding net gains/(losses) on loans and advances to customers at FVPL), insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property and other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Directors' Report under section 'Group financial results on the underlying basis'.

RECONCILIATIONS

For the purpose of the 'Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2022.

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

	2022	2021
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined above)	**10,217,453**	10,856,660
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 23)	**(89,029)**	(105,678)
Gross loans and advances to customers at amortised cost classified as held for sale (Note 45.3)	**-**	(555,789)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.3)	**-**	(19,090)
Loans and advances to customers measured at fair value through profit or loss (Note 23)	**(214,359)**	(281,868)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**3,270**	(53,700)
Gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 23)	**9,917,335**	9,840,535

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

	2022	2021
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**-**	574,879
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.3)	**-**	(19,090)
Loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**-**	555,789

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

	2022	2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined above)	**281,630**	791,830
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 23)	**(89,029)**	(105,678)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**3,270**	(53,700)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Note 29)	**-**	(305,419)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.3)	**-**	(19,090)
Provisions for financial guarantees and commitments (Note 34)	**(17,429)**	(21,945)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Financial Statements (Note 23)	**178,442**	285,998

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

	2022	2021
	€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
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.3)	**-**	(19,090)
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

3. Reconciliation of NPEs

	2022	2021
	€000	€000
NPEs as per the underlying basis (as defined above)	**410,563**	1,343,308
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 1 below)*	**-**	(553,619)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**-**	(19,030)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**-**	(122,972)
POCI (NPEs) *(Note 3 below)*	**(37,742)**	(70,814)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as Stage 3 (Note 23)	**(1,803)**	(3,530)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 23)	**371,018**	573,343
NPE ratio		
NPEs (as per table above) (€000)	**410,563**	1,343,308
Gross loans and advances to customers (as per table above) (€000)	**10,217,453**	10,856,660
Ratio of NPE/Gross loans (%)	**4.0%**	12.4%

Note 1: As at 31 December 2022, there were no loans and advances to customers classified as held for sale. As at 31 December 2021, 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 and an amount of €79,160 thousand POCI – Stage 3 loans (out of a total of €79,255 thousand POCI loans) as disclosed in Note 45.3 of the Consolidated Financial Statements for the year ended 31 December 2022.

3. Reconciliation of NPEs (continued)

Note 2: As at 31 December 2022, there were no loans and advances to customers classified as held for sale. As at 31 December 2021, the 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 and an amount of €16,951 thousand for POCI – Stage 3 loans (out of a total of €16,954 thousand POCI loans) as disclosed in Note 45.3 of the Consolidated Financial Statements for the year ended 31 December 2022.

Note 3: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €37,742 thousand POCI – Stage 3 loans (out of a total of €115,544 thousand POCI loans) (2021: €70,814 thousand POCI – Stage 3 loans (out of a total of €159,755 thousand POCI loans)) as disclosed in Note 23 of the Consolidated Financial Statements for the year ended 31 December 2022.

4. Reconciliation of Loan credit losses

	2022	2021
	€000	€000
Loan credit losses as per the underlying basis	**46,717**	66,353
Reconciling items:		
Reversal of loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**(685)**	(12,579)
	46,032	53,774
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)	**56,510**	40,341
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers (see further below)	**(6,428)**	(3,859)
Net (gains)/losses on loans and advances to customers at FVPL (Note 11)	**(4,050)**	17,292
	46,032	53,774

Net gains on derecognition of financial assets measured at amortised cost in the Consolidated Income Statement amount to €5,235 thousand (2021: €3,859 thousand) and comprise €6,428 thousand (2021: €3,859 thousand) net gains on derecognition of loans and advances to customers and €1,193 thousand (2021: nil) net losses on derecognition of debt securities measured at amortised cost.

KEY PERFORMANCE RATIOS INFORMATION

For the purpose of the 'Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2022.

1. Net Interest Margin

The various components for the calculation of net interest margin are provided below:

1.1 Net interest income used in the calculation of NIM	**2022**	2021
	€000	€000
Net interest income as per the underlying basis/statutory basis	**370,307**	296,300

1.2 Interest earning assets	**31 December 2022**	30 September 2022	30 June 2022	31 March 2022	31 December 2021
			€000	€000	€000
Cash and balances with central banks	**9,567,258**	9,827,431	9,904,549	9,329,711	9,230,883
Loans and advances to banks	**204,811**	457,598	312,308	312,967	291,632
Loans and advances to customers	**9,953,252**	10,087,680	10,144,099	10,004,197	9,836,405
Loans and advances to customers held for sale (Note 29)	**-**	236,389	247,207	247,836	250,370
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') (Note 28)	**311,523**	306,236	304,268	302,036	299,766
Investments					
Debt securities (Note 20)	**2,508,862**	2,270,359	1,913,771	1,860,853	1,930,388
Less: Investments which are not interest bearing (Note 20)	**(8,968)**	(11,732)	(5,476)	(5,790)	(5,534)
Total interest earning assets	**22,536,738**	23,173,961	22,820,726	22,051,810	21,833,910
1.3 Quarterly average interest earning assets (€000)					
- 2022	**22,483,429**				
- 2021	20,436,098				

1. Net Interest Margin (continued)

1.4 Net interest margin (NIM)	2022	2021
Net interest income (as per table 1.1 above) (€000)	**370,307**	296,300
Quarterly average interest earning assets (as per table 1.3 above) (€000)	**22,483,429**	20,436,098
NIM (%)	**1.65%**	1.45%

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:

2.1.1 Reconciliation of Staff costs	2022	2021
	€000	€000
Total Staff costs as per the underlying basis	**190,036**	202,487
Reclassifications for:		
Restructuring costs – voluntary exit plans and other termination benefits, separately presented under the underlying basis (Note 14)	**104,325**	16,146
Staff costs as per the statutory basis (Note 14)	**294,361**	218,633

2.1.2 Reconciliation of Other operating expenses	2022	2021 (restated)
	€000	€000
Other operating expenses as per the underlying basis	**152,229**	144,587
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	**2,911**	14,011
Advisory and other restructuring costs – organic, separately presented under the underlying basis	**11,225**	9,113
Other operating expenses as per the statutory basis (Note 15)	**166,365**	167,711

2. Cost to income ratio (continued)

Reconciliation of the various components of total income used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.2 Total Income as per the underlying basis	**2022**	2021 (restated)
	€000	€000
Net interest income as per the underlying basis/statutory basis (as per table 1.1 above)	**370,307**	296,300
Net fee and commission income as per the underlying basis/statutory basis (Note 9)	**192,284**	171,796
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis (as per table 2.3 below)	**36,100**	25,030
Insurance income net of claims and commissions (Note below)	**71,139**	61,044
Net losses from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**12,971**	11,468
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)	**16,681**	14,244
Total Income as per the underlying basis	**699,482**	580,888

Insurance income net of claims and commissions comprise 'Income from assets under insurance and reinsurance contracts' less 'Expenses from liabilities under insurance and reinsurance contracts' as per statutory basis.

2.3 Reconciliation of Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost between the statutory basis and the underlying basis	**2022**	2021 (restated)
	€000	€000
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**36,100**	25,030
Reclassifications for:		
Net gains/(losses) 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)	**4,050**	(17,292)
Net gains on derecognition of financial assets measured at amortised cost - loans and advances to customers (Table 4 Section 'Reconciliations' above)	**6,428**	3,859
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, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**46,578**	(961)
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost (as per table above) are reconciled to the statutory basis as follows:		
Net foreign exchange gains	**31,291**	16,503
Net gains/(losses) on financial instruments (Note 11)	**10,052**	(21,323)
Net gains on derecognition of financial assets measured at amortised cost	**5,235**	3,859
	46,578	(961)

2. Cost to income ratio (continued)

2.4 Total Expenses as per the underlying basis	2022	2021
	€000	€000
Staff costs as per the underlying basis (as per 2.1.1 table above)	**190,036**	202,487
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**38,492**	36,350
Other operating expenses as per the underlying basis (as per table 2.1.2 above)	**152,230**	144,587
Total Expenses as per the underlying basis	**380,758**	383,424
Cost to income ratio		
Total expenses (as per table 2.4 above) (€000)	**380,758**	383,424
Total income (as per table 2.2 above) (€000)	**699,482**	580,888
Total expenses/Total income (%)	**54%**	66%

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 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	€000	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets/per the Consolidated Balance Sheet	**25,434,615**	26,197,039	25,843,732	25,117,310	24,962,697
Quarterly average total assets (€000)					
- 2022	**25,511,079**				
- 2021	23,656,542				

	2022	2021 (restated)
Total income (as per table 2.2 above) (€000)	**699,482**	580,888
Total expenses (as per table 2.4 above) (€000)	**(380,758)**	(383,424)
Operating profit (€000)	**318,724**	197,464
Quarterly average total assets (€000)	**25,511,079**	23,656,542
Operating profit return on average assets (%)	**1.2%**	0.8%

4. Cost of Risk

	2022	2021
	€000	€000
Loan credit losses (as per table 4 in section 'Reconciliation' above)	**46,717**	66,353
Average gross loans (as defined) (as per table 1. (a) above)	**10,537,056**	11,558,915
Cost of Risk (CoR) %	**0.44%**	0.57%

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

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

	2022	2021
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the year ended 31 December (as per table 5.1 below) (€000)	**188,882**	91,497
Weighted average number of shares in issue during the year, excluding treasury shares (€000) (Note 18)	**446,058**	446,058
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	**42.35**	20.50

The reconciliation between the 'Profit after tax and before non-recurring items (attributable to the owners of the Company)' per the underlying basis to the 'Profit after tax (attributable to the owners of the Company)' per the statutory basis is provided in the table below:

5.1 Reconciliation of Profit after tax-attributable to the owners of the Company

	2022	2021
	€000	€000
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis	**188,882**	91,497
Reclassifications for:		
Reversal of 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 4 above)	**685**	12,579
Net loss from revaluation of investment properties classified as held for sale, disclosed within 'Provisions/net loss relating to NPE sales' (as per table 2.2 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)	**(2,911)**	(16,120)
Advisory and other restructuring costs – organic, separately presented under the underlying basis (as per table 2.1.2 above)	**(11,225)**	(9,113)
Restructuring costs – voluntary exit plan, and other termination benefits, separately presented under the underlying basis (as per table 2.1.1 above)	**(104,325)**	(16,146)
Net loss on early redemption of subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (as per table 2.3 above) (Note 11)	**-**	(12,558)
Profit after tax (attributable to the owners of the Company) per the statutory basis	**71,106**	29,709

6. 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:

	2022	2021
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the year ended 31 December (as per table 5.1. above) (€000)	**188,882**	91,497
Quarterly average tangible total equity as at 31 December (as per table 6.2 below) (€000)	**1,664,954**	1,652,550
ROTE after tax and before non-recurring items (%)	**11.3%**	5.5%

6.1 Tangible total equity	**31 December 2022**	30 September 2022	30 June 2022	31 March 2022	31 December 2021
			€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**1,858,370**	1,796,593	1,849,525	1,849,287	1,838,793
Less: Intangible assets (as per the statutory basis)	**(168,322)**	(166,426)	(171,403)	(177,612)	(184,034)
Total tangible equity	**1,690,048**	1,630,167	1,678,122	1,671,675	1,654,759
6.2 Quarterly average tangible total equity (€000)					
- 2022	**1,664,954**				
- 2021	1,652,550				

7. Return on tangible equity (ROTE)

	2022	2021
Profit after tax (attributable to the owners of the Company) for the year ended 31 December (as per table 5.1 above) (€000)	**71,106**	29,709
Quarterly average tangible total equity as at 31 December (as per table 6.2 above) (€000)	**1,664,954**	1,652,550
ROTE	**4.3%**	1.8%